Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 5261 (as passed by the House)
Sponsor: Representative Kevin Cotter
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 6-3-14

CONTENT

The bill would amend the Use Tax Act to exempt the transfer of a vehicle between in-laws from the use tax.

The Act imposes a tax of 6.0% on the total price of taxable items brought into Michigan or purchased by mail from out-of-State retailers. The tax also is due on vehicles purchased or transferred by an individual or business from someone who is not a licensed dealer or a retailer.

The use tax does not apply, however, to a transaction or portion of a transaction if the transferee or purchaser is the spouse, mother, father, brother, sister, child, stepparent, stepchild, stepsibling, grandparent, grandchild, legal ward, or a legally appointed guardian with a certified letter of guardianship, of the transferor.

Under the bill, the tax would not apply to a transfer of a vehicle if the transferee or purchaser were any of those individuals or the father-in-law, mother-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, or grandparent-in-law of the transferor. This exemption would apply beginning January 1, 2014.

Proposed MCL 205.94bb

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would reduce General Fund revenue and School Aid Fund revenue by an unknown, and likely negligible amount. Most of the exemptions in the bill are already included in current law, and given those exemptions, taxpayers can effectively achieve the same results as they would under the bill by engaging in an additional transfer.

Fiscal Analyst: David Zin

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