

## **VEHICLE REGISTRATION FEES: INCREASE FOR ELECTRIC-POWERED VEHICLES**

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<http://www.house.mi.gov/hfa>

**House Bill 4612 (S-2, as passed by the Senate)**  
**Sponsor: Rep. Eric Leutheuser**  
**House Committee: Roads and Economic Development**  
**Senate Committee: Government Operations**  
**Complete to 7-8-15**

Analysis available at  
<http://www.legislature.mi.gov>

### **SUMMARY:**

House Bill 4612 would amend Section 801 of the Michigan Vehicle Code, the section that establishes registration taxes for most Michigan motor vehicles, including passenger cars, vans, light trucks, large "commercial" trucks, trailers, motorcycles, as well as a number of special registration categories. The bill would amend Section 801 to create a new registration tax surcharge for electric-powered passenger vehicles.

House Bill 4612 (S-2) would add a new subsection 7 to Section 801 to increase registration taxes for certain vehicles using four or more tires and powered by electricity:

For a *hybrid vehicle* as defined in the subsection, the registration tax would be increased by \$30.00 for vehicles with an empty weight of 8,000 pounds or less, and \$100.00 for vehicles with an empty weight more than 8,000 pounds. The bill defines "hybrid vehicle" as "a vehicle that can be propelled at least in part by electrical energy and uses a battery storage system of at least 4 kilowatt-hours, but is also capable of using gasoline, diesel fuel, or alternative fuel to propel the vehicle."

For a *nonhybrid vehicle* as defined in the subsection, the registration tax would be increased by \$100.00 for vehicles with an empty weight of 8,000 pounds or less, and \$200.00 for vehicles with an empty weight more than 8,000 pounds. The bill defines "nonhybrid vehicle" as "a vehicle that is propelled solely by electrical energy and is not capable of using gasoline, diesel fuel, or alternative fuel to propel the vehicle."

The Senate substitute also adds a new subsection 8 to Section 801 to index the registration surcharge established in subsection 7 to the motor fuel tax on gasoline. The bill directs the Secretary of State to increase the surcharge on hybrid vehicles by \$2.50, and the surcharge for nonhybrid vehicles by \$5.00, for each one cent or fraction of one cent the motor fuel tax on gasoline is increased above 19 cents per gallon.

While the bill references these additional charges as "fees" it is understood that these charges represent additional constitutionally dedicated registration taxes for credit to the Michigan Transportation Fund, and not service or regulatory fees credited to other state funds.

The Senate-passed bill tie bars House Bill 4612 to several other bills, specifically: Senate Bill 414, House Bill 4613, House Bill 4614, House Bill 4615, House Bill 4616.

## **BACKGROUND INFORMATION:**

Vehicle registration taxes represent one of the two major sources of constitutionally dedicated state transportation revenue – the other major source being motor fuel taxes. Revenue from registration taxes, including vehicle title fees, totaled \$942.7 million in FY 2012-13, \$973.7 million in FY 2013-14, and is estimated to generate \$982.3 million for FY 2014-15. This revenue is constitutionally dedicated to transportation and is credited to the Michigan Transportation Fund (MTF) in accordance with the provisions of 1951 PA 51 (Act 51).

Vehicle registration taxes are established in the Michigan Vehicle Code (Public Act 300 of 1949). Sections 224 and 225 of the Michigan Vehicle Code provide for the registration of motor vehicles and give authority for the vehicle registration program to the Michigan Secretary of State. Registration taxes are assessed and collected when vehicle owners obtain new registration license plates from the Secretary of State or renew registrations.

Vehicle registration taxes can be considered more of a "retail" tax as compared to the motor fuel taxes. They are collected primarily at 131 Secretary of State branch offices, as well as online or by mail. Section 205 of the Michigan Vehicle Code requires at least one branch office in each county, as well as branch offices within certain cities, and a branch office in the state Capitol complex.

There is not a single registration tax. There are in fact a number of different registration taxes established in Section 801 of the Michigan Vehicle Code. A number of factors determine the tax rate and the base on which the tax is applied, including the vehicle model year, the list price of the vehicle, the weight of the vehicle, the use of the vehicle, and in some cases, characteristics of the vehicle owner.

For a description of registration taxes under current law, see the memorandum [Vehicle Registration Taxes](#) and the report [Fiscal Focus: Vehicle Registration Primer](#) on the House Fiscal Agency website.

## **FISCAL IMPACT:**

House Bill 4612 would have the following fiscal impacts:

- Increase Department of State programming and administrative costs. The department estimates one-time programming and administrative costs to be approximately \$500,000.
- Increase vehicle registration tax revenue for credit to the MTF by increasing registration taxes on electric-powered vehicles. Our tentative estimate is that the

bill would increase MTF revenue between \$764,000 and \$2.5 million, as described below.

MTF revenue is distributed according to the provisions of Section 10 of 1951 PA 51, specifically 10% to the Comprehensive Transportation Fund, with the balance distributed as follows:

- 39.1% to the State Trunkline Fund,
- 39.1% to county road commissions, and
- 21.8% to cities and villages.

The Department of State does not know how many passenger vehicles would fall into the two new registration categories established in the bill. The department indicates that as of April 2014, there were 25,476 registered vehicles that were at least partially electric-powered. This figure was based on the vehicle model name; e.g. Insight, Leaf, Prius, or Volt.

If all of these currently registered vehicles were "hybrid vehicles" as defined in the bill, and all were under 8,000 pounds, the bill would increase the normal registration tax under Section 801 by \$30.00, resulting in an increase to MTF revenue of \$764,000. If all of these currently registered passenger vehicles were propelled solely by electrical energy [i.e. nonhybrid vehicles as defined in the bill], the registration tax would be increased by \$100.00, generating an additional \$2.5 million for the MTF.

These figures could increase if electric vehicle sales and registrations increase. Our estimate assumes that currently very few electric vehicles are over 8,000 pounds.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.