

Legislative Analysis



VEHICLE REGISTRATION FEES: INCREASE FOR ELECTRIC-POWERED VEHICLES

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House Bill 4612 (reported from committee as H-2)
Sponsor: Rep. Eric Leutheuser
Committee: Roads and Economic Development
Complete to 6-4-15

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.

The bill would add a new subsection 7 to Section 801 to increase registration taxes for passenger vehicles powered by electricity. For a passenger vehicle powered with an internal combustion engine and also designed to be capable of traveling at highway speeds propelled solely by electrical energy, the registration "fee" would be increased by \$30.00.

For a vehicle propelled solely by electrical energy [i.e. without an internal combustion engine] the registration "fee" would be increased by \$100.00.

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.

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 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 what is commonly known as "hybrid electric vehicles" (i.e. vehicles that combine an internal combustion engine and one or more electric motors), 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. without an

internal combustion engine] 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.

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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.