

PERMANENT PLATE FOR CERTAIN VEHICLES

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House Bill 4921 as introduced

Sponsor: Rep. Tom Barrett

Committee: Transportation and Infrastructure

Complete to 12-4-17

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

SUMMARY:

House Bill 4921 would amend the Michigan Vehicle Code to provide for permanent license plates for certain vehicles used exclusively in farming operations, wood harvesting operations, or the hauling of milk.

Specifically, the bill would amend Section 801 of the Code to allow a registrant to obtain a permanent registration plate for a road tractor, modified agricultural vehicle, truck, or truck tractor that is owned by a farmer and used exclusively in connection with a farming operation or for the transportation of the farmer and the farmer's family (and not for hire); for a road tractor, truck, or truck tractor that is owned by a wood harvester and used exclusively in connection with a wood harvesting operation; or for a truck that is used exclusively to haul milk from the farm to the first point of delivery.

The registration tax for a permanent plate would be as follows:

Empty Weights	Tax
0 to 2,499 pounds	\$75
2,500 to 9,999 pounds	\$200
10,000 pounds and over	\$300

The registration plate would expire when the Secretary of State reissues a new one for all vehicles having a permanent registration plate. A person who had paid the tax for the permanent plate would not be required to pay the tax a second time, but would need to pay the cost of the reissued plate, at the rate provided for a standard plate. A permanent registration plate would be nontransferable.

MCL 257.801

FISCAL IMPACT:

Revenue from registration taxes is constitutionally dedicated to transportation and is credited to the Michigan Transportation Fund (MTF) in accordance with the provisions of Public Act 51 of 1951. House Bill 4921's impact on MTF revenue cannot be readily estimated at this time. The impact would depend on the number of registrants who elected to apply for permanent registration plates.

The amount of MTF revenue currently collected from farm vehicle, wood harvester, and milk truck registrations cannot be readily determined. Based on data provided by the Secretary of State in 2014, these categories appear to generate less than \$5.0 million in annual MTF revenue.

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 totaled \$1.2 billion in FY 2016-17. This revenue is constitutionally dedicated to transportation and is credited to the Michigan Transportation Fund (MTF) in accordance with the provisions of Public Act 51 of 1951. Registration taxes represented approximately half of total FY 2016-17 MTF revenue of \$2.5 billion.

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.

Section 801 of the Michigan Vehicle Code establishes 16 separate registration tax categories, with different tax bases and different tax rates. The applicable tax for any vehicle is a function of a number of factors including vehicle model year, the list price of the vehicle, the weight of the vehicle, the use of the vehicle, and, in some cases, some characteristic of the vehicle owner.

Section 801(1)(p) establishes an *ad valorem* tax for passenger cars (1984 and newer), vans, and trucks under 8,000 pounds. The first registration year tax is effectively 0.6% of the manufacturer's list price of the registered vehicle. This is the largest registration category; as of May, 2017, there were 7.4 million vehicles registered in this category.

Trucks over 8,000 pounds and trucks under 8,000 pounds pulling trailers that put the vehicle combination over 8,000 pounds generally register under the elected Gross Vehicle Weight (GVW) category of Section 801(1)(k). The tax under this subdivision is a weight-based tax. The tax is based on the highest gross vehicle weight the vehicle owner intends to operate at. The annual tax for a 24,000-pound GVW general delivery truck is \$590. The registration tax for a power unit in a standard 80,000-pound 5-axle truck-trailer combination (3 axles on the pulling unit, 2 axles on the trailer) is \$1,992. A power unit in a 11-axle gravel train (3 axles on the pulling unit, 3 axles on the semi-trailer, 5 axles on the trailer) would register at the highest weight bands, up to 160,000 pounds GVW or more. The registration tax for vehicles with an elected GVW of 160,000 pounds is \$3,741.

Section 801(1) of the Michigan Vehicle Code also establishes separate registration categories for farm vehicles and for wood harvesting vehicles and milk trucks.

Section 801(1)(c) establishes a separate registration category for certain farm vehicles: “a road tractor, modified agricultural vehicle, truck, or truck tractor owned by a farmer and used exclusively in connection with a farming operation, including... hauling livestock or farm equipment for other farmers for remuneration in kind or in labor, but not for money, or used for the transportation of the farmer and the farmer’s family, and not used for hire.”

Section 801(1)(d) establishes a separate registration category for wood harvesters and milk haulers: “a road tractor, truck, or truck tractor owned by a wood harvester and used exclusively in connection with the wood harvesting operations or a truck used exclusively to haul milk from the farm to the first point of delivery.”

The basis of taxation for farm vehicles, wood harvesters, and milk trucks is the same, 74 cents per hundred pounds of empty weight. Because the tax rates are the same for these plates, the Secretary of State uses a single design that includes the designation “Log/Farm” on the front of the plate.

According to Department of State records, as of May, 2017, there were 45,379 total registrations under these categories:

Farm vehicle plates	41,956
Log truck plates	3,125
Milk hauling plates	298

The registration tax rates in Section 801(1)(c) and Section 801(1)(d) are substantially discounted as compared to comparable vehicles registered under either the ad valorem rates of Section 801(1)(p) or the elected GVW registration category of Section 801(1)(k). The amount of the discount depends on the size and use of the vehicle. A \$30,000 list price pickup truck of under 8,000 pounds empty weight would pay a first-year registration tax of \$178 under Section 801(1)(p). The same vehicle registered as a farm vehicle would pay approximately \$59.

A larger truck used to pull a trailer or semi-trailer that operated at 80,000 pounds GVW would pay a registration tax of \$1,992 under Section 801(1)(k). The same vehicle registered as farm vehicle, log truck, or milk truck would pay a registration tax of approximately \$125, assuming an empty weight of the truck tractor of 17,000 pounds.

Based on a 2013 analysis of Department of State records, approximately two-thirds of vehicles registered as farm vehicles were pickup trucks with an empty weight of 8,000 pounds or less.

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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.