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BILL ANALYSIS

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Senate Bill 256 (as introduced 3-18-21) *(enacted version)*
Sponsor: Senator Roger Victory
Committee: Appropriations

Date Completed: 3-23-21

CONTENT

The bill would amend the General Sales Tax Act to alter the distribution of sales tax revenue for fiscal year (FY) 2020-21, only. The bill would direct $18.0 million to the Transportation Administration Collection Fund (TACF) that otherwise would have gone to the Comprehensive Transportation Fund (CTF). The source of the revenue is generated from not less than 27.9% of 25% of the sales tax collected at 4.0% on the sale of vehicles, vehicle fuels, and auto parts and accessories. This tax commonly is referred to as the auto-related sales tax, and it generates between $85.0 million and $90.0 million per year for the CTF.

The bill is a budget implementation bill to implement the appropriation determinations within the FY 2020-21 omnibus budget bill, Public Act (PA) 166 of 2020.

MCL 205.75

FISCAL IMPACT

The bill would not increase or reduce revenue or expenditures; however, it would reduce available revenue for the CTF by about 5.0%. As passed, the Transportation budget for FY 2020-21 saw reduced CTF revenue available for the Rail Operations and Transit Capital lines; however, the decreases in restricted fund appropriations for these lines were offset by large increases in Federal funds under the Federal Coronavirus Aid, Relief, and Economic Security Act (CARES) Act.

The CTF is a State restricted fund created under PA 51 of 1951 and is used for public transportation programs and passenger and freight rail. The auto-related sales tax typically contributes around 25% of the total CTF balance annually, with the remaining 75% earmarked from the Michigan Transportation Fund (MTF). Of the total amount of CTF available for FY 2020-21, the $18.0 million reduction would reduce the available amount of CTF for transit and rail programs by slightly less than 5%.

The TACF is a State restricted fund created under the Michigan Vehicle Code and is intended to cover the Department of State's administrative expenses in the collection of vehicle registration fees.

The bill is a reintroduction of House Bill (HB) 6322 from the previous legislative session. When it was introduced, the Administration and the Legislature were in the process of making statewide budget cuts because of concerns over revenue shortfalls as a result of the COVID-19 pandemic. There was general concern that the TACF would not have enough revenue for FY 2020-21. Also, transit agencies, the primary recipient of CTF revenue, were authorized by the Legislature to receive $73.2 million in Federal CARES Act funding, which did not require a local match and could be used for operating expenses. The additional Federal revenue and the need to supplement the TACF resulted in the introduction of HB 6322.

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