



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

House Bill 4069
Sponsor: Representative James McNutt
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 5-9-95

SUMMARY OF HOUSE BILL 4069 as passed by the House:

The bill would amend the Use Tax Act to expand the exemption that applies to relatives of a transferor. Currently, a transfer or purchase is not subject to the use tax if the transferee or purchaser is the spouse, mother, father, brother, sister, or child of the transferor. The bill would include a stepparent, stepchild, stepbrother, stepsister, grandparent, grandchild, legal ward, or legally appointed guardian with a certified letter of guardianship.

The bill specifies an effective date of May 1, 1995.

MCL 205.93

Legislative Analyst: S. Margules

FISCAL IMPACT

This bill would reduce use tax revenue, but insufficient data on the number of vehicle sales that occur between grandparents and their grandchildren and step relations make it difficult to estimate the magnitude of the revenue loss. The current exemption, which includes vehicles sold by a person to a spouse, mother, father, brother, sister, or child, reduces use tax revenue by an estimated \$25 million a year, according to the Department of Treasury. Expanding the list of relatives who qualify for the exemption to include grandparents and grandchildren and step relationships, as proposed in this bill, would probably cost not more than \$2 million. A \$2 million loss in use tax revenue would reduce General Fund/General Purpose revenue by \$1.3 million and School Aid Fund Revenue by \$0.7 million.

Fiscal Analyst: J. Wortley

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