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WOUNDED VETERANS' LICENSE PLATES

House Bill 4193 with committee amendment First Analysis (3-15-01)

Sponsor: Rep. Stephen Ehardt
Committee: Transportation

THE APPARENT PROBLEM:

The Department of Military and Veterans Affairs, Veterans Affairs Directorate estimates that there are approximately 22,000 recipients of the Purple Heart medal residing in Michigan. To recognize these veterans' extraordinary service to the state and nation, and as an expression of gratitude for their bravery, legislation has been recommended to waive Purple Heart veterans' vehicle registration taxes.

THE CONTENT OF THE BILL:

Under the Michigan Vehicle Code, any armed services veteran who is the recipient of the Purple Heart medal is eligible to apply to the secretary of state for a special license plate that is inscribed with the words "combat wounded veteran," and inscribed with the image of the original Purple Heart medal. Under House Bill 4193, the first plate issued to these veterans for any passenger vehicle licensed under the vehicle code would be free. The cost that would be waived is the annual motor vehicle registration tax. Depending on the kind of vehicle, these annual taxes range from \$29 to about \$200.

Specifically, the bill would amend the code to exempt veterans who have been awarded the Purple Heart medal from paying the tax for one special registration plate for certain motor vehicles whose registrations are taxed by the state. Included are plates used on the passenger motor vehicle, pick-up truck, motorcycle, van, motor home, hearse, bus, trailer coach, or trailer. Under House Bill 4193, the first plate would remain subject to the annual \$30 service fee (\$8 for the first month and \$2 per month for each additional month of the registration period). Any additional special registration plates issued to the combat wounded veteran would be taxed at the amount specified in law, and the annual renewals of the plate would have to be accompanied by the \$5 service fee specified in current law.

MCL 257.803e

FISCAL IMPLICATIONS:

The House Fiscal Agency notes that to determine the exact fiscal impact, one would have to know the number of plates that would be applied for and the ad valorem fees for each applicant. Those facts are not known, so the agency has estimated the amount of lost revenue, as follows. Currently there are 3,012 Purple Heart medal plates on file with the Department of State. Given a \$65 net revenue loss per plate, this bill could have a direct impact on existing plate renewals of \$195,800, annually (or \$65 x 3,012). However, the Department of Military and Veterans Affairs, Veterans Affairs Directorate, estimates that there are approximately 22,000 recipients of the Purple Heart medal residing in Michigan. If each of the veterans successfully applied for the Purple Heart plate, there could be a potential loss of revenue to the Michigan Transportation Fund of \$1.43 million annually (again, given a potential revenue loss of \$65 per applicant). [The \$65 is arrived at by reducing the fiscal year 1998-99 average ad valorem of \$70, by the bill-mandated \$5 service fee. The \$70 average is based on all fiscal year 1998-99 passenger vehicles ad valorem in Michigan. The ad valorem fee can typically range from \$30 to \$200, depending on the value of the vehicle.]

ARGUMENTS:

For:

Purple Heart medal winners are those who have been wounded in battle while members of the armed services. They deserve society's gratitude and high esteem. One way to recognize the extraordinary courage and bravery of these heroes is to waive their vehicle registration fees. This would mirror the benefit provided to ex-prisoners of war in recognition of their sacrifice.

Response:

Some would argue that this honor should be afforded to all veterans, and not just ex-POWs and Purple Heart medal winners.

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Against:

Although Purple Heart medal winners deserve the highest regard for their heroism, this bill could cost Michigan's taxpayers as much as \$1.43 million. Vehicle taxes collected at the time a vehicle is registered each year are credited to the Michigan Transportation Fund. That revenue is then allocated both to the state and to local units of government following a 40-60 split, to construct or repair highways or local roads. Consequently, passage of the bill would result in a revenue loss that would be experienced at both the state and local levels. The loss to the state could be as much as \$572,000 annually, while the loss to local units could be as much as \$858,00 annually. (And if, as some have suggested, the proposal were extended to all veterans, the costs would be much greater.) If this bill is passed, another source of revenue should be identified so the Transportation Fund is not reduced.

POSITIONS:

The Office of the Secretary of State supports the bill.
(3-14-01)

Analyst: J. Hunault

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