

## FUND-RAISING LICENSE PLATES, TRAILER TAXES

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**Senate Bill 248 (Substitute H-2)**

**Sponsor: Sen. Bruce Patterson**

**House Committee: Transportation**

**Senate Committee: Transportation**

**Complete to 3-22-06**

## A SUMMARY OF SENATE BILL 248 AS REPORTED FROM HOUSE COMMITTEE

Senate Bill 248 would amend the Michigan Vehicle Code to provide the Secretary of State with the authority to issue additional fund-raising license plates beyond the current limitation of seven plates at any one time. As described more fully below, the bill would provide a means for the Secretary of State to recover initial start-up costs of designing and producing fund-raising plates. **In brief, the bill would require the sponsors of a new fund-raising license plate to pay a non-refundable \$15,000 start-up fee and then meet minimum sales goals in order for the plate to remain in circulation.**

The bill would take effect January 1, 2007.

Public Act 77 of 2000 (Senate Bill 826) amended the Michigan Vehicle Code to provide the Secretary of State with the authority to develop Michigan university fund-raising and collector plates. Public Act 77 also permitted the Secretary of State to develop up to six state-sponsored fund-raising plates and matching collector plates at any one time. Public Act 124 of 2001 (Senate Bill 602) subsequently raised the limit to seven fund-raising plates. The seven fund-raising plates currently authorized under sections 811c through 811n of the Michigan Vehicle Code (MCL 257.811c to 257.811n) are Agricultural Heritage, Children's Trust Fund, Lighthouse Preservation, Veteran's Memorial, Water Quality, Wildlife Habitat, and "Proud to be American."<sup>1</sup>

Senate Bill 248, as passed the Senate, would amend various sections of the Michigan Vehicle Code – primarily sections related to fund-raising plates.

***Provisions for Issuing Fund-Raising Plates*** - Senate Bill 248 would amend Section 811e to eliminate the seven-plate limit on the number of fund-raising plates that the Secretary of State could develop. It would prohibit the Secretary of State from developing or issuing a fund-raising plate unless authorized by a public act which does all of the following:

- Identifies the purpose of the state-sponsored fund-raising plate.

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<sup>1</sup> A special plate which raises money for the Olympic education-training center was authorized in Public Act 332 of 1994 (MCL 257.811c). This plate program is not considered one of the seven plates authorized by Public Act 124 of 2001 (MCL 257.811e).

- Creates a non-profit fund, or designates an existing non-profit fund to receive the money raised through the sales of the fund-raising plates or related collector plates.
- If a fund is created, names the person or entity responsible for administering the fund.

***Start-up Fees*** – Under current law (Section 811f of the Michigan Vehicle Code), a person issued a fund-raising plate pays a regular registration tax, (credited to the Michigan Transportation Fund), an additional \$10.00 service fee (credited to the Transportation Administration Collection Fund (TACF) to cover the marginal costs of producing the plate), and a \$25.00 fund-raising donation. Under Section 811g, a person who also purchases a collector plate (which is not a valid registration plate) pays a \$25.00 fund-raising donation and a \$10.00 service fee.

The Department of State indicates that the \$10.00 service fees cover the marginal costs of producing these plates but not the start-up costs associated with developing new fund-raising plates. The department indicates that these start-up costs are approximately \$15,000 per new plate issue.

Senate Bill 248 would require the payment (presumably by the sponsor of a new fund-raising plate) of a non-refundable \$15,000 start-up fee to be deposited in the TACF for the cost of developing, producing, and issuing fund-raising plates. If the start-up fee is not paid within 18 months of the effective date of the public act authorizing the new fund-raising plates, the related fund-raising plate could not be created, produced, or issued.

The bill would allow the plate sponsor to redesign a fund-raising plate, with approval of the Secretary of State, not less than three years after the Secretary of State first issues a fund-raising plate. The bill would require an additional non-refundable \$2,000 payment for the costs of creating, producing, and issuing the redesigned plates.

***Sales Goals*** - The bill (Section 811h) would establish minimum sales goals for fund-raising plates. The sales requirements would be 2,000 plates in the first year and 500 plates in the second and each subsequent year. The Secretary of State could cease to issue fund-raising plates that failed to meet these goals. The bill would permit the Secretary of State to continue to renew fund-raising plates already issued and to collect the renewal fund-raising donations for those plates.

***Temporary Permits*** – Section 811f currently permits the Secretary of State to issue a 60-day temporary registration permit to a person whose plates will expire before he or she receives their fund-raising plates. The bill would reduce the maximum length of such permits to 30 days.

***Collector Plates/Royalty Payments*** – Section 811g currently provides for royalty payments received from commercial use of fund-raising plates to be credited to the

Michigan Transportation Fund. The bill would provide for credit of such royalty fees to the TACF. The department indicates that no royalties have been earned under the current fund-raising plate program, and none are anticipated.

***Lighthouse Preservation Plates*** – Under Section 811k the Secretary of State currently administers the Lighthouse Preservation Fund. The bill would transfer authority for this fund to the Department of History, Arts, and Libraries.

***Olympic Education-Training Plates*** – Section 811c currently provides for a service fee, in addition to registration taxes, of \$3.00 for the first month, and \$2.00 per month for each additional month of the registration period. The bill would repeal Section 811c and restore authority for the Olympic education-training fund-raising plates in new Section 811p. The new section eliminates the provision for monthly calculation of service fees. The service fees would be the same as those for other fund-raising and collector plates as provided under Sections 811f and 811g.

***Sunset*** - Enacting Section 1 of Public Act 77 repeals the authority for the fund-raising plate program five years after the effective date of the amendatory acts which added the fund-raising plate sections. As a result, Sections 811d to 811h would have sunset on October 1, 2005. Sections 811i to 811n would have sunset on March 28, 2006. Senate Bill 248 would eliminate this sunset provision and would grant the Secretary of State new authority to develop new fund-raising plates effective May 1, 2006. Note that House Bill 4963, recently enacted as Public Act 152 of 2005 repealed Enacting Section 1 of Public Act 77 effective September 30, 2005.

#### ***Other Provisions -- Trailer Taxes***

Public Act 152 of 2003 (Senate Bill 554) amended Section 801(1)(l) of the Michigan Vehicle Code to provide for a "permanent" registration tax on pole trailers, semi-trailers, and trailer coaches according to a schedule of empty weights. Those amendments provided that trailer registration plates would expire only when the Secretary of State reissued new registration plates or when the plates were transferred (through sale to another owner). The section indicated that if the Secretary of State reissued new registration plates for all trailers, a person who had once paid a fee under the subsection would not be required to pay the fee a second time, but would be required to pay only a plate replacement service fee (\$5.00) under Section 804(2). Senate Bill 248 would add the words "*Beginning October 1, 2005,*" and a reference to the tax "*as increased by 2003 PA 152*" to clarify the provision exempting persons from paying the tax under the subsection more than once.

#### **FISCAL IMPACT:**

Senate Bill 248 would provide the Secretary of State with the authority to issue additional fund-raising plates beyond the current limitation of seven plates at any one time. As described more fully elsewhere, the bill would provide a means for the Secretary of State to recover initial start-up costs of designing and producing fund-raising plates.

Thirteen bills have been introduced in current session of the Michigan Legislature to establish new fund-raising plates for various charities or causes. Thirty bills to establish new fund raising plates had been introduced in the previous (2003-2004) legislative session.

According to Department of State records, for the fiscal year ending September 30, 2005, there were 206,299 total fund-raising plate transactions, generating \$1.2 million for the special causes and \$1.2 million for the 15 state universities. The number of transactions and revenue raised has been relatively consistent for over the last three fiscal years.

Fiscal Analyst: William Hamilton

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■ 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.