

Legislative Analysis



TAX ON ROLLING STOCK

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House Bill 5391-5393

Sponsor: Rep. Shanelle Jackson

Committee: Tax Policy

Complete to 3-16-10

A SUMMARY OF HOUSE BILLS 5391-5393 AS INTRODUCED 9-17-09

Generally speaking, the bills would tax rolling stock (certain large trucks, trailers, and related parts) in proportion to its use in Michigan.

The General Sales Tax Act exempts from taxation, the sale of rolling stock purchased by or rented or leased to an interstate motor carrier and used in interstate commerce. House Bill 5393 would eliminate this exemption beginning June 1, 2009. (MCL 205.54r)

The Use Tax Act similarly exempts the storage, use, or consumption of rolling stock purchased, rented, or leased by an interstate motor carrier fleet. House Bill 5391 would eliminate this exemption beginning June 1, 2009. (MCL 205.94k)

Under both acts, an interstate motor carrier is defined to mean a person engaged in the business of carrying persons or property—other than themselves, their employees, or their own property—for hire across state lines, and whose fleet mileage was driven at least 10 percent outside of the state in the immediately preceding tax year.

House Bill 5392 would amend the Streamlined Sales and Use Tax Revenue Equalization Act (MCL 205.180), beginning June 1, 2009, to provide interstate motor carriers with a credit against the sales and use taxes for sales or use taxes paid on the purchase, rental, lease, or use of rolling stock used in interstate commerce, based on the miles driven outside of Michigan. House Bill 5392 would essentially tax rolling stock in proportion to its use in Michigan.

The credit would be equal to six percent of the product that results from multiplying the out-of-state mileage percentage by the price of the truck, trailer, or parts.

FISCAL IMPACT:

These bills would increase sales and use tax revenue by an estimated \$5.5 million (\$3.7 million GF/GP and \$1.8 million School Aid Fund) in FY 2008-09 and by \$16.9 million (\$11.3 million GF/GP and \$5.6 million School Aid Fund) in FY 2009-10. These bills would have no direct affect on local units of government.

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