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House Bill 4630 (Substitute S-2 as reported)  
Sponsor: Representative Michael D. McCready  
House Committee: Transportation and Infrastructure  
Senate Committee: Infrastructure Modernization

### **CONTENT**

The bill would amend the Michigan Vehicle Code to do the following:

- Eliminate the registration tax step-down for motor vehicles of the model year 1984 and later, which reduces the registration tax until the fourth registration.
- Replace the weight-based fee schedule for vehicles of the 1983 model year and older with a \$50 fee for vehicles under 4,000 pounds and \$75 for vehicles weighing 4,000 pounds or more.
- Replace the weight categories and corresponding fees for semitrailers, pole trailers, and trailer coaches.
- Establish fees of \$400 for 8,001 to 26,000 pounds, and \$590 for over 26,000 pounds, for wreckers and commercial vehicles not otherwise subject to a specified tax.
- Increase the motorcycle registration fee from \$23 to \$25, and dedicate \$5 rather than \$3 to the Motorcycle Safety Fund.
- Increase the three-year moped registration fee from \$15 to \$25.
- Modify the fee for nonprofit registration plates for State institutions and nonpublic, nonprofit colleges and universities.
- Require vehicles that qualify for nonprofit registration plates and other tax rates to be designated by proper signs showing the entity or organization operating the vehicle.
- Increase the renewal fee for an operator's license from \$18 to \$25, and require \$7 of each renewal fee to be deposited in the Traffic Law Enforcement and Safety Fund.
- Increase dealer, transporter, and other special registration plate fees.
- Increase the fee from \$10 to \$100 for a special identifying number issued after an engine, serial, or vehicle number has been altered, removed, or defaced.
- Allow the Secretary of State to create special registration plates for amateur radio operators, Congressional Medal of Honor recipients, and owners of historic vehicles (as currently allowed in Sections 217a, 217d, and 803p, which the bill would repeal).
- Require vehicles registered with special plates for transporting disabled individuals to have a permanently installed wheelchair lift mechanism.
- Require certain late fees to be deposited into transportation-specific funds.
- Eliminate the sunset on various fees.

The bill would take effect January 1, 2015 and would require that the Department of State implement these changes by January 1, 2016.

MCL 257.217 et al.

Legislative Analyst: Jeff Mann

### **FISCAL IMPACT**

The bill would direct the following fees to the Transportation Administration Collection Fund:

- Late title transfer fees for vehicle dealers.
- Late fees for vehicle registration fees.
- Extra service fees for international registration plan plates.
- A \$100 application fee for applying for a special identifying number in the case of removal of a vehicle identification number.

The amount of revenue collected for late vehicle registration fees is \$10.2 million, according to the Department of State. There are not enough data currently available to determine the revenue that would be derived from the other three redirected fees.

With regard to registration fee changes for cars with a model year earlier than 1984, approximately 71,529 of these vehicles are currently registered. In revising the weight schedule under Section 801(1), the estimated amount of revenue generated by these registrations under the bill's provisions would be about \$4.6 million.

Eliminating the 10% reduction on vehicle registrations for the second, third, and fourth registrations would generate approximately \$145.0 million, according to the Department of State.

With regard to registration transfers, the current three-year average on registration transfers is 626,000. A transfer takes place when the owner of a registered vehicle transfers that registration to another vehicle. The fee for a transfer is \$8. The Department of State does not track information relative to the fee level difference for registration transfers, so it is not possible to calculate exactly how much revenue would be generated under this plan.

In a random sampling of 15 registration transfers from the Capital Area Super Center Secretary of State Office (provided by the Department of State), the average added fee was \$20.53 under a pro rata scheme. If this average is indicative of typical registration transfers, the revenue generated for 626,000 vehicle transfers would equal approximately \$12.8 million.

It is unclear what effect revising provisions regarding registration rates for special vehicles (e.g., nonprofit vehicles, charitable organization vehicles) would have on revenue derived from vehicle registrations.

At the State level, the bill's provisions regarding trailer registrations would generate additional revenue in the long term, but reduce revenue in the immediate short term. Prior to 2003, trailer registrations were taxed annually. In 2003, the Code was revised to provide for effective lifetime registrations and increased taxes for trailer registrations. This had the effect of a windfall of roughly \$100.0 million at the State level for 2003, but also resulted in a decreased number of trailers registered per year, resulting in significantly fewer registrations issued per year post-2003, and therefore less revenue derived from trailer registrations.

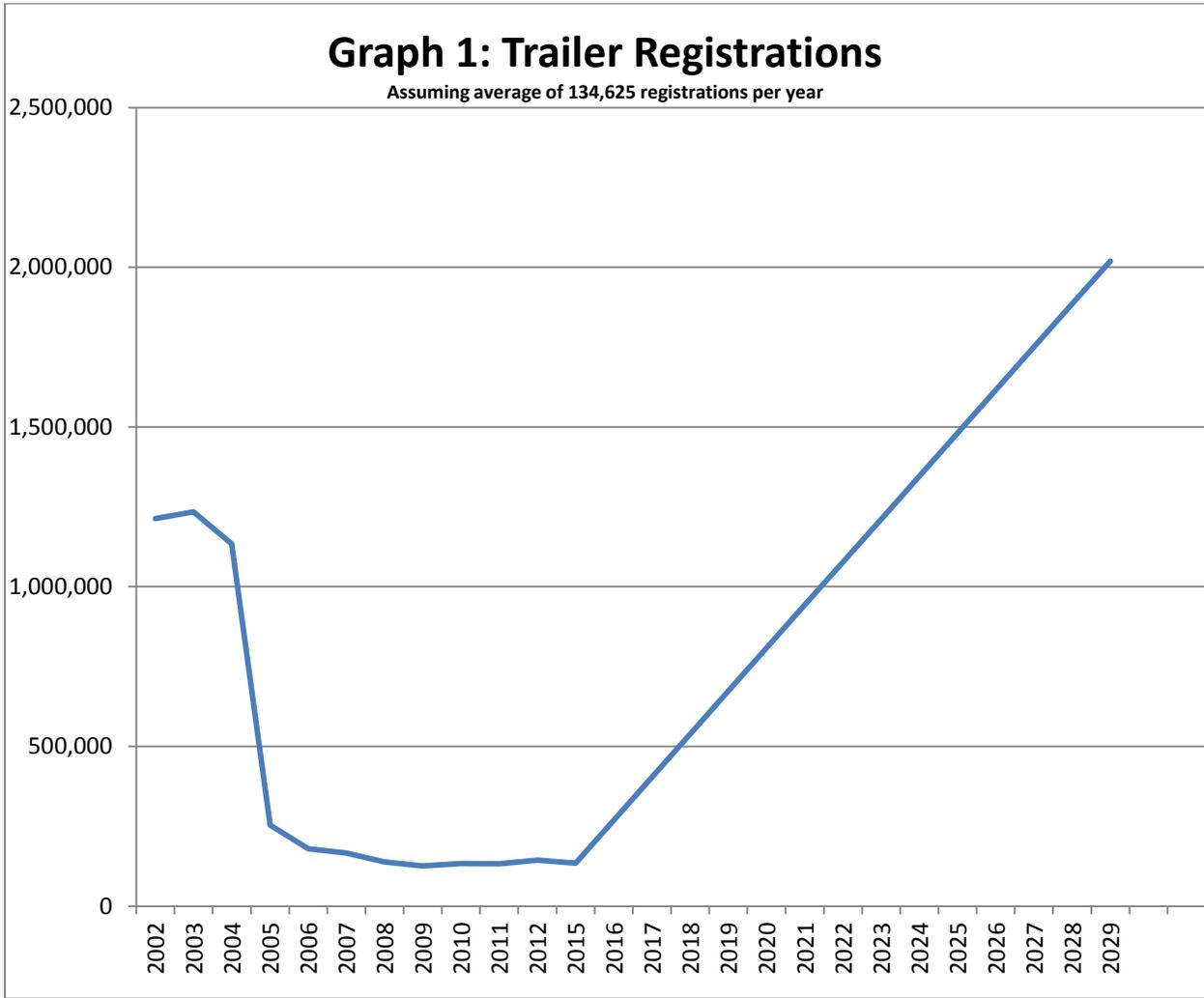
According to the Department of State, prior to 2003, approximately \$30.0 million in revenue was generated from approximately 1.2 million trailer registrations. The average fee per trailer was \$25 per year. Currently, 134,625 trailer registrations are issued per year on average.

Since trailer registration fees would initially go down due to the decreased fee, the revenue derived from these registrations would initially drop substantially under the bill's provisions.

Graph 1 and Graph 2 below show projections on trailer registrations and revenue.

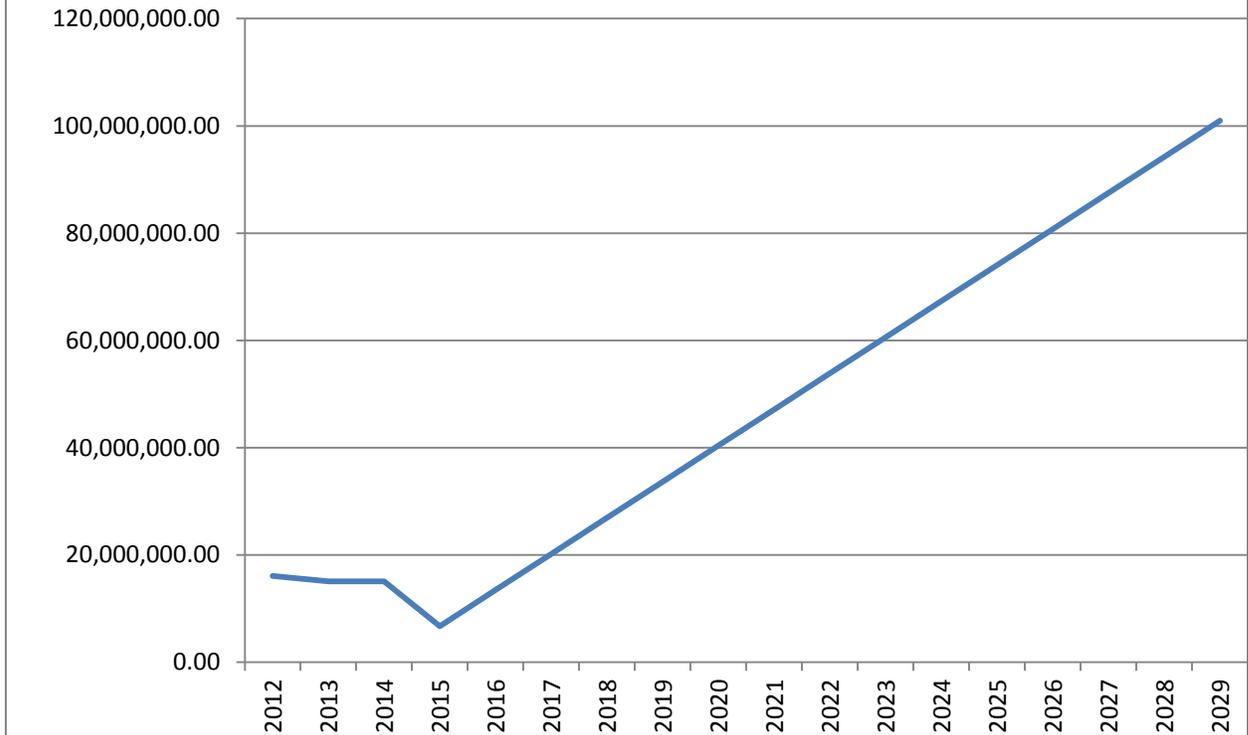
# Graph 1: Trailer Registrations

Assuming average of 134,625 registrations per year



## Graph 2: Trailer Registration Revenue

Assuming averages of: 134,625 registrations per year / \$111.88 per trailer lifetime registration in 2012-13 / \$25 per registrations per year post-2014



Date Completed: 5-27-14

Fiscal Analyst: Glenn Steffens

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.