



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



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

House Bill 4630 (Substitute S-1)  
Sponsor: Representative Michael D. McCready  
House Committee: Transportation and Infrastructure  
Senate Committee: Infrastructure Modernization

Date Completed: 5-20-14

### **CONTENT**

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

- **Modify the registration taxes for commercial vehicles, noncommercial vehicles, motorcycles, and mopeds.**
- **Modify the fee for nonprofit registration plates for State institutions and nonpublic, nonprofit colleges and universities.**
- **Increase renewal fees for operator's licenses.**
- **Allow the owner of a historic vehicle to use an authentic Michigan registration plate of the same year as the model year in which the vehicle was manufactured.**
- **Increase dealer, transporter, and other special registration plate fees.**
- **Allow the Secretary of State (SOS) to create certain special registration plates for Congressional Medal of Honor recipients.**
- **Require certain late fees to be deposited into transportation-specific funds.**
- **Eliminate certain fee sunsets.**

The bill would repeal Sections 217a, 217d, and 803p of the Code, which relate to amateur radio operator registration plates, moped identification numbers, and historic vehicle plates, respectively.

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

#### Motor Vehicle Registration Generally

The Code requires the Secretary of State to collect various taxes at the time a vehicle is registered. This exempts the vehicle from further taxation, except for fees and taxes that same carriers operating vehicle and trailers are required to pay and taxes imposed by the Motor Carrier Fuel Tax Act.

For vehicles of the 1983 model year and older, the Code provides a schedule of taxes based on the empty weight of a motor vehicle, including a motor home, and a pickup truck or van that weighs less than 8,000 pounds. The schedule sets a fee for weight starting at 0-3,000 pounds and up to 9,501-10,000 pounds, plus an additional amount per 100 pounds over 10,000.

The bill would eliminate this schedule, and establish the following taxes for these vehicles:

- Empty weight of 0-4,000 pounds: \$50.
- Empty weight of over 4,000 pounds: \$75.

Currently, a road tractor, truck, or truck tractor owned by a farmer and used exclusively in connection with a farming operation, or owned by a wood harvester and used exclusively in connection with the wood harvesting business, is taxed at 74 cents per 100 pounds of empty weight of the road tractor, truck, or truck trailer. Under the bill, this tax would continue to apply to a road tractor, truck, or truck tractor if the vehicle were designated by proper signs showing the entity or organization operating the vehicle.

A hearse or ambulance used exclusively by a licensed funeral director in the general conduct of the licensee's funeral business, is subject to a tax of \$1.17 per 100 pounds of empty weight of the hearse or ambulance. The bill would eliminate this assessment.

### Nonprofit Registration Plates

The Code allows a \$5 registration plate for a vehicle owned and operated by this State, a State institution, a municipality, a privately incorporated nonprofit volunteer fire department, or nonpublic, nonprofit college or university. The bill would remove state institutions and nonpublic, nonprofit colleges from the entities that qualify for the \$5 plate and require the vehicle to be designated by proper signs showing the entity or organization operating the vehicle.

A \$10 registration plate is allowed for the following:

- A bus owned and operated by a nonprofit parents' transportation corporation used for school purposes, church Sunday school, or any other grammar school.
- A motor vehicle owned and operated by a senior citizen center, if designated by proper signs showing the organization operating the vehicle.
- A vehicle owned by a nonprofit organization and used to transport equipment for providing dialysis treatment to children at camp.
- A vehicle owned by the civil air patrol, if the vehicle is designated by a proper sign showing the civil air patrol's name.
- A vehicle owned and operated by a nonprofit veterans center.
- A vehicle owned and operated by a nonprofit recycling center or a nonprofit conservation organization.
- A motor vehicle having a truck chassis and a locomotive or ship's body that is owned by a nonprofit veterans organization and used exclusively in parades and civic events.
- An emergency support vehicle used exclusively for emergencies and owned and operated by a nonprofit charitable organization.

The bill would include a vehicle operated by a nonpublic, nonprofit college or university or a State institution in the list of vehicles that qualify for the \$10 registration plate. The bill also would require the vehicle to be designated by proper signs that showed the organization operating the vehicle.

### Motorcycles & Mopeds

The Code requires every application for a motorcycle endorsement on an operator's or chauffeur's license for operation of motorcycles to be accompanied by a fee in addition to an original or renewal operator or chauffeur license fee. The money received is deposited into the General Fund, with the exception of certain fees refunded to counties or municipalities. In addition, \$10 of each original motorcycle endorsement, and \$3 for each renewal motorcycle endorsement, deposited in the Motorcycle Safety Fund for use in the Motorcycle Safety Education Program. The bill would require money deposited in the Motorcycle Safety

Fund at the close of the fiscal year to remain in that Fund, and not lapse to the General Fund.

The bill would increase the registration fees for motorcycles to \$25. Of this registration fee, \$5 would have to be deposited in the Motorcycle Safety Fund for use in the Motorcycle Safety and Education Program.

When a moped required to be registered under the Code is sold to a general purchaser, a certificate of registration must be obtained. The certificate can be applied for by the retailer in the name of the purchaser, or by the purchaser. The application must be signed by the purchaser and must include a \$15 fee. The bill would increase this fee to \$25.

#### Pole Trailers, Semitrailers, & Trailer Coaches

For a pole trailer, semitrailer, trailer coach, or trailer, the tax is assessed according to a schedule of empty weights. The bill would include a trailer coach attached to a motor vehicle and would modify the schedule as shown in Table 1.

Table 1

Current Law		Under HB 4630 (S-1)	
Empty Weights	Tax	Empty Weights	Tax
0-2,499 pounds	\$75	0-500 pounds	\$17
2,500-9,999 pounds	\$200	501 -1,500 pounds	\$24
10,000 pounds and over	\$300	1,501 pounds and over	\$39

A person who paid the tax for such a vehicle before January 1, 2016, would not be required to pay the registration tax for the vehicle a second time. A registration could be issued for a period of five years upon payment of five times the registration tax. A registration issued prior to January 1, 2016, would expire on that date. Beginning on January 1, 2016, the SOS could reissue each permanent registration plate issued within 10 years after the date of issuance. A registrant whose registration plate was reissued after 10 years would have to pay the applicable fee under Section 804. (Section 804 prescribes the fees for duplicate or replacement registration plates.)

#### Vehicles With Model Year 1984 or Later

The Code includes a schedule of registration taxes based on the list price of motor vehicles of the 1984 model year, and for low-speed vehicles. For the first registration, and the first registration that follows a transfer registration, the tax is assessed based on the list price of the vehicle; for each subsequent registration, the tax is reduced to 90% of the tax assessed until the fourth and subsequent registrations. The bill provides that the schedule of list price would apply for the first registration and each subsequent registration.

#### Wheelchair Vans

The Code provides that a van owned by an individual who uses a wheelchair or by an individual who transports a member of his or her household who uses a wheelchair and for which registration plates are issued under Section 803d must be assessed at 50% of the tax otherwise provided. The bill would require that the passenger motor vehicle have been modified with a permanently installed wheelchair lift mechanism.

## Wreckers & Other Commercial Vehicles

A commercial vehicle not otherwise subject to tax under the Code would be subject to the following:

- Empty weight of 8,001-18,000 pounds: \$400.
- Empty weight of 18,001-26,000 pounds: \$590.

## Special Registration Plates

The SOS may issue a special registration to an individual or entity who in the ordinary course of business has occasion to: a) legally repossess a vehicle in which a security interest is held, b) legally pick up or deliver a commercial motor vehicle being driven to a facility to undergo aftermarket modification, or to repair or service a vehicle, or c) operate an auto auction, including pick-up or delivery of cars for auction. The registration plates must be used for the purpose they are granted. The SOS charges a service fee of \$40 for the first two registration plates, and \$20 for each additional plate. The bill would increase these fees to \$50 and \$25, respectively.

The SOS must charge a \$10 fee for each special plate issued under Section 244, and must determine the number of special plates needed by a manufacturer, transporter, or dealer. The bill would require the SOS to charge a dealer \$100 for the first five special plates issued to a dealer or transporter. For each subsequent plate, the SOS would have to charge a \$10 fee. (Section 244 pertains to the operation of a vehicle by a manufacturer, subcomponent system producer, dealer, or transporter with a special plate.)

As currently provided under Section 803p (which the bill would repeal), the bill would allow the owner of a historic vehicle to use an authentic Michigan registration plate of the same year as the model year in which the vehicle was manufactured instead of a historic vehicle registration plate by presenting the authentic plate number and year to the SOS at the time of registration. The owner of a historic vehicle could purchase an authentic Michigan registration plate from another person and restore the plate to its authentic condition for use. An authentically restored plate would be considered an authentic Michigan registration plate. An owner that applied for a historic vehicle registration plate or a registration tab or applying to use an authentic Michigan registration plate would have to pay a fee of \$100. (The current fee is \$35.) The issued registration plate would not be transferable to another vehicle. A registration would remain valid until the registrant sold, transferred, or scrapped the vehicle, or modified it in a manner that required issuance of a new certificate of title for the vehicle under the Michigan Vehicle Code.

The bill would allow the SOS to issue personalized registration plate inscribed with the official amateur radio call letters of the applicant as assigned by the Federal Communications Commission (FCC), as currently allowed by Section 217a of the Code (which the bill would repeal). The applicant would have to hold an unexpired technician, general, conditional, advanced, or extra class amateur radio license issued by the FCC. An applicant for a personalized vehicle registration plate would have to prove to the satisfaction of the SOS that he or she held an unexpired license.

The bill also would allow a recipient of the Congressional Medal of Honor to apply to the SOS for a special registration plate inscribed with special identification numbers and the words "Congressional Medal of Honor" beneath the registration number.

## Operator's & Chauffeur's License Fees

An application for an operator's or chauffeur's license, or an original minor's restricted license, must be accompanied by a fee. The fee is \$25 for an operator's license, \$35 for a

chauffeur's license, and \$25 for a minor's restricted license. The renewal fee for an operator's license is \$18. The bill would increase the renewal fee to the same fee as the original license, \$25.

The SOS would have to deposit \$7 from each renewal fee for an operator's license into the Traffic Law Enforcement and Safety Fund. (Money deposited into that Fund may be spent for the following: a) to enhance enforcement of traffic laws, and b) to enhance the ability to provide safety on Michigan streets and highways.)

The SOS also would be required to collect a \$2 fee for each duplicate chauffeur's license issued, and a \$1 fee for a duplicate operator's license. These fees would have to be deposited in the Traffic Law Enforcement and Safety Fund.

#### Late Transfer Fees

A dealer selling, leasing, or exchanging a vehicle required to be titled must apply to the SOS for a new title, if required, and transfer or secure registration plates and secure a certificate of registration within 15 days of delivering a vehicle to the purchaser or lessee. If the dealer fails to apply for a title, and to transfer or secure registration plates within the 15 days, the dealer is subject to a late transfer fee of \$15. For a used or secondhand dealer, the late transfer fee is \$100.

A dealer selling or exchanging an off-lease or buy-back vehicle is required to apply to the SOS for a new title within 15 days after if the dealer receives the certificate of title from the lessor or manufacturer, and transfer or secure registration plates and secure a certificate of registration for the vehicle in the name of the purchaser. If the dealer fails to apply for a title, and to transfer or secure registration plates within the 15 days, the dealer is subject to a late transfer fee of \$15. For a used or secondhand dealer, the late transfer fee is \$100.

Under the bill, late transfer fees collected under both instances would be deposited into the Transportation Administration Collection Fund. (The Transportation Administration Collection Fund is used to pay for the expense incurred by the Department of State in enforcing certain laws.)

#### Fee Sunsets & Increases

The Code allows the SOS to charge certain fees until October 1, 2015. These include a \$10 application fee for a certificate of title or a duplicate certificate of title, a \$5 expedited treatment fee, and a \$1.50 tire disposal surcharge. The bill would eliminate the October 1, 2015, sunsets for all three of these fees.

Currently, the tax for a vehicle with an empty weight over 10,000 pounds is increased by a regulatory fee of \$2.25, credited to the Traffic Law Enforcement and Safety Fund, and a \$5.75 fee credited to the Transportation Administration Collection Fund. This increase is scheduled to sunset on October 1, 2015. The bill would remove the sunset, and make the fee a single \$8 fee, credited to the Transportation Administration Collection Fund.

The Code allows the owner of a vehicle, whose engine, serial, or vehicle number has been altered, removed, or defaced, to apply to the SOS for a special identifying number. A \$10 fee must be submitted with the application. The bill would increase this fee to \$100 and require it to be deposited in the Transportation Administration Collection Fund

MCL 257.217 et al.

Legislative Analyst: Jeff Mann

## **FISCAL IMPACT**

HB 4630 (S-1)

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.

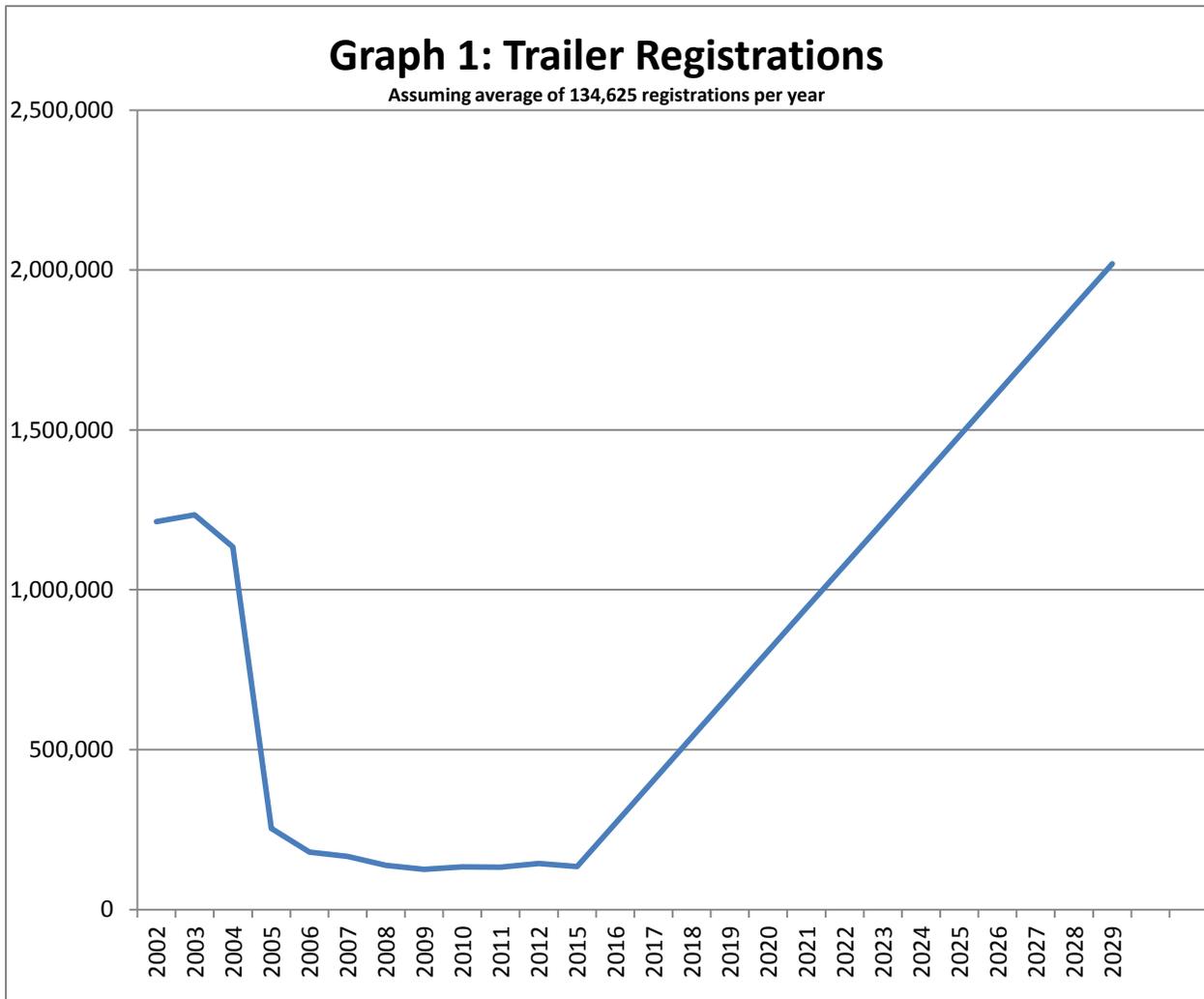
It is unclear what effect revising provisions regarding registration rates for special vehicles (e.g., nonprofit vehicles, charitable organization vehicles) would have on revenue derived from vehicle registrations.

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.

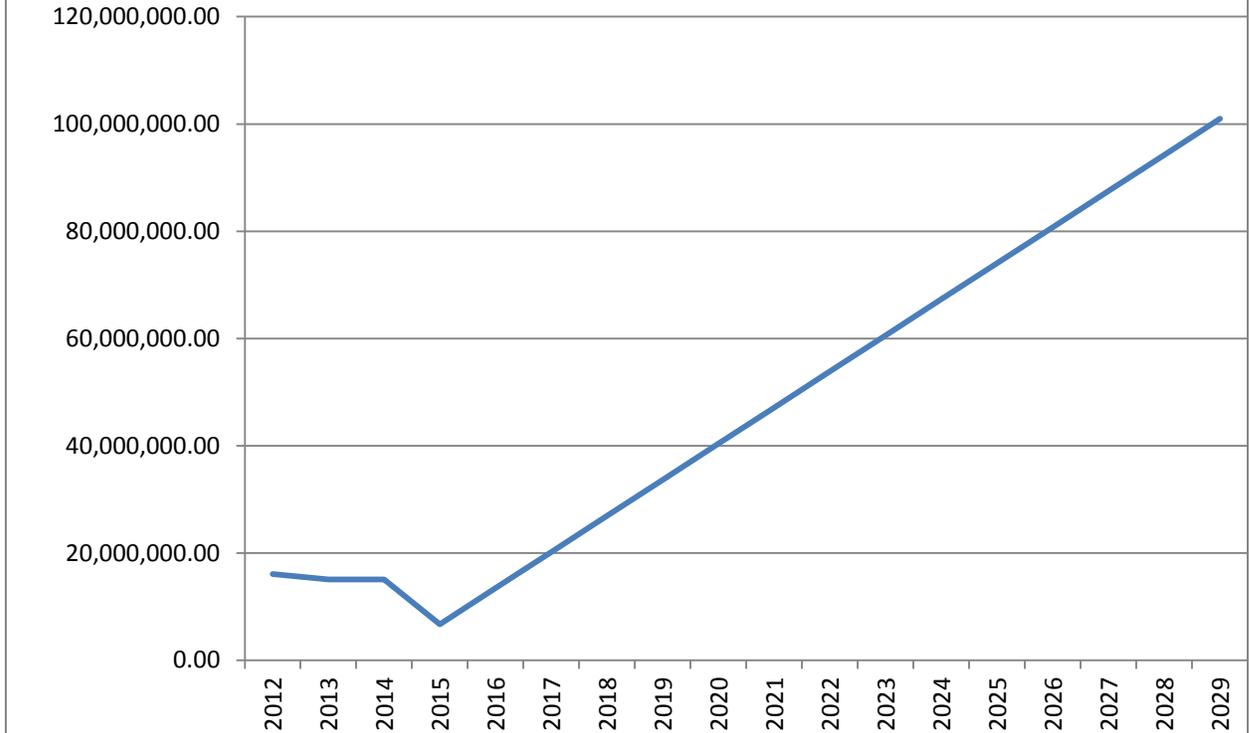
Since trailer registration fees would initially go down due to the decreased fee, the revenue derived from these registrations would initially drop substantially under the bill's provisions.

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



## Graph 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



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.