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House Bill 5463 (Substitute H-2 as passed by the House)
House Bill 5653 (Substitute H-1 as passed by the House)
Sponsor: Representative David Robertson (H.B. 5463)
Representative Mike Nofs (H.B. 5653)
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 5-19-04

CONTENT

House Bill 5463 (H-2) would amend the Single Business Tax Act to provide for a nonrefundable credit equal to one-half the fair market value of an automobile donated by the taxpayer to a charitable organization that intended to provide that automobile to a "qualified recipient". House Bill 5653 (H-1) would amend the General Sales Tax Act to allow a "qualified organization" subject to the tax to exclude the sale of an "eligible automobile" from the gross proceeds used to determine its tax liability.

House Bill 5463 (H-2) is tie-barred to House Bill 5653. The bills are described in detail below.

House Bill 5463 (H-2)

The bill would allow a taxpayer to claim a credit against the single business tax for tax years beginning after December 31, 2004, and before January 1, 2010, subject to the applicable limitations provided in the bill, in an amount equal to 50% of the fair market value of an automobile donated by the taxpayer to a qualified organization that intended to provide the automobile to a "qualified recipient".

The value of a passenger vehicle would have to be determined by the qualified organization or by the value of the automobile in the appropriate guide published by the National Automobile Dealers Association, whichever was less.

The amount allowable as a credit under the bill for a tax year could not exceed \$200. If the proposed credit exceeded the tax liability of the taxpayer for the tax year, the excess amount could not be refunded.

As used in the bill, "qualified organization" and "qualified recipient" would be those terms as defined by Section 4y of the Use Tax Act (proposed by Senate Bill 1001).

House Bill 5653 (H-1)

The bill would allow a qualified organization subject to the tax to exclude the sale of an eligible automobile to a qualified recipient from the gross proceeds used for the computation of the tax, beginning October 1, 2004.

As defined in the bill, "eligible automobile" would mean an automobile that: had been inspected by a mechanic certified under the Motor Vehicle Service and Repair Act; was insured as required under State law; and was registered to a qualified recipient.

"Qualified organization" would mean one that met the following requirements:

- Was exempt from taxation under Section 501(c)(3) of the Internal Revenue Code.
- Was licensed under the Charitable Organizations and Solicitations Act.
- Administered a program to provide a qualified recipient with an eligible automobile for transportation to his or her place of employment for employment-related activities.

"Qualified recipient" would mean a person who met all of the following qualifications:

- Received public assistance through a program created and administered under the Social Welfare Act.
- Had a valid Michigan operator's or chauffeur's license.
- Was financially capable of meeting any loan payment, insurance payment, or other expenditure associated with the eligible vehicle.
- Had a demonstrated ability to maintain employment.

Also, if public transportation were not reasonably available to the qualified recipient, he or she would have to have no other reliable means by which to commute to his or her place of employment, and would use the eligible vehicle as his or her primary means of transportation to commute to and from his or her place of employment.

In addition, if the qualified recipient were currently employed for at least an average of 20 hours a week, he or she would have to need an automobile to retain his or her current employment or to accept a verified offer of employment in a position that was demonstrably superior to his or her current position. If the qualified recipient were not currently employed or were employed less than an average of 20 hours per week, he or she would have to need an automobile to accept a verified offer of employment of at least an average of 20 hours per week, which he or she could not begin without an automobile.

Proposed MCL 205.54bb (H.B. 5653)
Proposed MCL 208.37f (H.B. 5463)

Legislative Analyst: J.P. Finet

FISCAL IMPACT

House Bill 5463 (H-2)

This bill would reduce single business tax revenue an estimated \$0.3 million in FY 2004-05 and \$0.4 million on a full-year basis beginning in FY 2005-06. This loss in revenue would affect the General Fund/General Purpose budget. This bill would not have any direct impact on local governments.

House Bill 5653 (H-1)

This bill would reduce sales tax revenue an estimated \$0.2 million on a full-year basis beginning in FY 2004-05. This loss in revenue would primarily affect the School Aid Fund and revenue sharing.

Fiscal Analyst: Jay Wortley

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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.