

Legislative Analysis



EXTEND DRIVE TIME FOR HISTORIC VEHICLES

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House Bill 4183 as reported from committee

Sponsor: John R. Roth

Committee: Transportation, Mobility and Infrastructure

Complete to 9-27-23

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 4183 would amend the Michigan Vehicle Code to expand the time during which use of a historic vehicle is considered participation in an exhibition and not use for general transportation.

Under the code, a “historic vehicle” is defined as a vehicle over 25 years old that is owned solely as a collector’s item and for participation in club activities, exhibitions, tours, parades, and similar uses, including mechanical testing, but is not used for general transportation.

The code also provides that use of the vehicle during the month of August is considered an exhibition.

The bill would expand this time frame to provide that use of the vehicle from Memorial Day weekend through Labor Day is considered an exhibition.

MCL 257.20a

BACKGROUND:

Vehicle registration taxes

Chapter II of the Michigan Vehicle Code provides for the registration of motor vehicles and gives authority for the vehicle registration program to the secretary of state. Taxes associated with vehicle registrations are established in Chapter VII of the Michigan Vehicle Code, and primarily in section 801 of that chapter. Registration taxes are assessed and collected when vehicle owners obtain new registration license plates, or renewal registration tabs, from the secretary of state.

The largest registration tax category under section 801 is the ad valorem tax on passenger cars, motor homes, pickup trucks, and vans. Tax rates for this category are based on the manufacturer’s vehicle list price. The ad valorem tax rates were established in section 801(1)(p) for most passenger cars effective October 1, 1983 (1982 PA 165). Pickups and vans were added to the ad valorem registration tax schedule in 1997 (1997 PA 83). These ad valorem tax rates were increased by 20% effective January 1, 2017, under the 2015 Road Funding Package (2015 PA 174).

Even without increases in base tax rates, revenue from the ad valorem registration tax tends to increase over time, as the vehicle list price of most vehicles (the tax base) increases over time. The initial 12-month registration tax for a \$50,000 vehicle under the ad valorem tax schedule is approximately \$300.

The registration tax for most large trucks—generally trucks in excess of 8,000 pounds gross vehicle weight (GVW)—is based on elected GVW. Applicants for registration plates under this category indicate the maximum gross vehicle weight at which the vehicle will operate. The tax is based on a schedule of tax rates at various weight bands. These weight-based tax rates were also increased by 20% effective January 1, 2017, by 2015 PA 174.

In addition to these two major registration tax categories, there are 14 other registration tax categories established under section 801. And while most of the registration tax categories are in section 801, there are at least 11 other registration categories in other sections of the Michigan Vehicle Code. Many of these other registration categories establish reduced registration tax rates for specific classes of vehicles—such as log trucks, farm vehicles, automobile dealers, or historic vehicles.

Revenue from vehicle registration taxes, as well as motor fuel tax revenue, is dedicated for transportation purposes in section 9 of Article IX of the state constitution. This dedicated revenue is credited to the Michigan Transportation Fund (MTF) and distributed in accordance with section 10 of 1951 PA 51 for various statutory categorical programs, including to the Comprehensive Transportation Fund (CTF) for public transportation programs, to the State Trunkline Fund (STF) for construction and preservation of the state trunkline system and administration of the Michigan Department of Transportation (MDOT), and to local road agencies (i.e., to 83 county road commissions for construction and preservation of county roads and to 531 cities and villages for construction and preservation of city/village streets). In FY 2021-22, vehicle registration taxes generated \$1.4 billion for credit to the MTF.

Historic vehicle registration plates

Section 801(6) indicates that “this section [i.e. the section of the Michigan Vehicle Code that establishes vehicle registration taxes] does not apply to a historic vehicle.” This explicit exemption was added by 2012 PA 498.

The Michigan Vehicle Code provides for two kinds of historic vehicle registration plates:

Department-issued plates: Section 803a authorizes the secretary of state to issue a registration with the designation “historic vehicle.” The registration fee is \$30 and is valid for ten years. The plate is transferable with payment of an \$8 transfer fee. Secretary of state records indicate that as of October 2021, there were 61,517 unexpired department-issued historic plates in its system.

Authentic historic plates: Section 803p allows owners of historic vehicles to use plates issued in the same year as the vehicle’s model year. The act allows the owner to purchase a plate from someone else, e.g. from a yard sale or secondhand store, restore it, and use it as a valid Michigan registration plate. The registration fee for these plates is \$35 and is effectively permanent with respect to the owner—the plate is valid until the vehicle is sold to another owner. Secretary of state records indicate that as of October 2021, there were 37,906 unexpired “authentic” historic plates in its system.

The amount of registration fee revenue generated from historic vehicle registrations cannot be readily estimated. It is likely minimal, in that department-issued plates are valid for ten years and the authentic plates are effectively permanent. Note that the historic vehicle registration

fees established under sections 803a and 803p were not increased under the 2015 Road Funding Package.

FISCAL IMPACT:

House Bill 4183 would amend section 20a of the Michigan Vehicle Code to change the definition of the term “historic vehicle.” Under current law, use of the vehicle during the month of August in each year is considered an exhibition and thus within one of the criteria for historic vehicles. The bill would expand the definition to include use from Memorial Day through Labor Day as an exhibition.

The bill could expand the number of vehicles qualifying for historic vehicle registration plates, which are significantly discounted as compared to ad valorem or weight-based registration plates issued under section 801 of the Michigan Vehicle Code. An expansion in the number of historic registration plates could result in a reduction in MTF revenue. A reduction in MTF revenue would reduce the amounts available for distribution to the CTF, the STF, and local road agencies. The amount of any revenue reduction cannot be readily estimated at this time.

Although section 20a indicates that a historic vehicle “not [be] used for general transportation,” it is not clear to what extent police agencies enforce these limitations.

Note that, as of 2023, under the definition of historic vehicle in section 20a, all pre-1997 vehicles that would otherwise be taxed under section 801(1) would qualify for historic plates, at least with respect to vehicle age.

POSITIONS:

The Department of State indicated a neutral position on the bill. (9-12-23)

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.