



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 326 (Substitute S-2 as passed by the Senate)

Sponsor: Senator Sam Singh

Committee: Finance, Insurance, Consumer Protection

Date Completed: 5-31-23

CONTENT

The bill would amend the Use Tax Act to modify the definition of “convert” to specify that a vehicle purchased for resale by a new vehicle dealer would be considered exempt from the use tax if it were not registered in the name of the dealer before the lease or sale of the vehicle.

Currently, “convert” means putting a service or tangible personal property acquired for a use exempt from the use tax at the time of acquisition to a use that is not exempt from the use tax, whether the use is in whole or in part, or permanent or not permanent. A motor vehicle purchased for resale by a new vehicle dealer and not titled in the name of the dealer is not considered to be converted before the sale or lease by that dealer.

Under the bill, a motor vehicle purchased for resale by a new vehicle dealer and *not registered* in the name of the dealer would not be considered converted.

MCL 205.92

BRIEF RATIONALE

Currently, when a new vehicle dealer applies for a resale title, tax is not due until the vehicle is ultimately sold at retail. Beginning in October 2023, the Secretary of State (SOS) will implement a new electronic titling system that would title these vehicles in the name of the dealer while the dealer holds them for resale, and under certain audits this change would cause a taxable conversion; however, this new titling system will not issue a registration to the vehicle. Some people believe that a dealer's vehicle awaiting retail sale should continue to be tax exempt, and so it has been suggested that the Act be modified to require a registration to be issued for a vehicle to be considered converted to taxable use.

Legislative Analyst: Eleni Lionas

FISCAL IMPACT

The bill would have no fiscal impact relative to currently forecasted revenue. The bill would provide a technical fix to address changes in the way the SOS processes vehicle transfers. Those changes create the potential that previously untaxed transfers would become taxable. The bill would continue to exempt the affected transfers from taxation.

Fiscal Analyst: David Zin

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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.