

## **Birth Certificates and Marriage**

### **Licenses**

Copies of Michigan birth certificates and Michigan marriage licenses can be ordered online through the Michigan Department of Community Health Web site at [www.michigan.gov/mdch](http://www.michigan.gov/mdch).

## **Manufacturer/Employee Discount Plans**

Automobile manufacturers offer an employee benefit program that allows their employees to buy new vehicles at a discount. A common stipulation is that the vehicle title must remain in the purchasing employee's name for at least six months.

Frequently an employee will use the discount program to buy a vehicle for a friend, who will make all payments and accept transfer of title after the six-month period. The friend, who paid sales tax on the original purchase, will also have to pay use tax on the retail value of the vehicle when title is transferred six months later.

When such transactions involve relatives, the criteria and documentation required for the use tax exemption are the same as those for other vehicle transfers.

## **Determining Tax Liability**

Although use tax is collected by the Secretary of State when the title is transferred, the Michigan Department of Treasury is responsible for the final determination of the tax owed on all vehicle transfers. The use tax on the transfer of a vehicle is 6 percent on the greater of the purchase price or the retail value of the vehicle at the time of transfer.

If the final determination of tax liability differs from the amount collected when the title is transferred, the purchaser must pay the difference plus interest and possibly penalty. Penalties are severe if a claim for exemption from tax is determined to be fraudulent (up to 100 percent of the tax).

If your questions are not answered by the information in this pamphlet or the revenue bulletin, call the Technical Services Division of the Michigan Department of Treasury at (517) 636-4730.

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# **Use Tax Exemptions on Vehicle Title Transfers**

## **How Do I Transfer A Title To A Relative?**

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## Use Tax Exemption for a Relative

Michigan grants an exemption from use tax when the buyer and seller have an immediate family relationship.

### ***The only qualifying relationships are:***

- ▶ Spouse
- ▶ Parent, natural or adoptive
- ▶ Brother or Sister
- ▶ Child, natural or adopted
- ▶ Grandparent or Grandchild
- ▶ \*Step relationship, i.e. stepparent, stepbrother, stepsister, stepchild
- ▶ Legal ward or legally appointed guardian with a certified letter of guardianship.

\*The death of a stepparent or parent that were married at the time of death will not terminate the stepparent-stepchild relationship for purposes of the use tax exemption. However, if the stepparent/parent divorced prior to the transfer, the step relationship ceases to exist and the transfer is taxable.

### **No Other Relationships Qualify for a Tax Exemption**

Examples of relationships that do not qualify for a tax exemption include:

- ▶ In-laws
- ▶ Aunts, uncles, cousins, nieces, nephews, stepgrandparents or stepgrandchildren
- ▶ Former spouses
- ▶ Common-law relationships, unless the common-law marriage took place before January 1, 1957.

## Supporting Your Claim

The Michigan Department of Treasury is responsible for administering the collection of use tax, which includes the review of tax exemption claims made by individuals on vehicle transactions through the Secretary of State.

Anyone claiming a use tax exemption based on a family relationship must be able to provide documents supporting the claim if requested by the Department of Treasury. You are not required to bring the supporting documentation to the Secretary of State offices when you transfer the title. However, if your claim is selected for review by the Department of Treasury after the title transfer, you will be required to provide documentation.

Documents to properly support your claim must show the relationship between you (the buyer) and the seller.

If an exemption claim is found to be invalid or cannot be proven, a penalty of up to 100% of the tax will be imposed for making a fraudulent claim.

The following examples show typical claims and the documents required to verify the family relationship.

### **Example 1:**

Purchaser Kathy Smith buys a vehicle from seller Mary Brown. Kathy and Mary are sisters with the family name of Jones. Kathy claims the relative use tax exemption on the title transfer.

To support the claim, Kathy would be required to provide a copy of her and Mary's marriage licenses. The licenses should include the parents' names. If the parents' names are not on the marriage licenses, she must also provide a copy of her and Mary's birth certificates.

### **Example 2:**

David Cole gives a vehicle to Tina Wilson as a gift. Tina is David's daughter and is married to Brian Wilson. Tina claims the relative use tax exemption on the title transfer.

To support her claim, Tina would be required to provide a copy of her marriage license. If her marriage license does not include her father's name, she must also provide a copy of her birth certificate.

### **Example 3:**

Joe Young buys a vehicle from his wife's sister, Mary Jones. Because in-law relationships do not qualify for exemption, Joe must either: (1) have the vehicle titled in his wife's name (sister-to-sister exemption), and then transfer the title to his name (wife-to-husband exemption), or (2) have the vehicle titled in both his wife's and his name. Both names may remain on the title, or Joe may later remove his wife's name without tax consequence. If Joe chooses to transfer the title directly from his sister-in-law to himself, use tax will be due.

### **Example 4:**

Ed Thomas purchases a vehicle from seller Tyler Arnold and claims the use tax exemption of stepbrother. Ed's father is married to Tyler's mother, which creates the step relationship. Documents required to substantiate this relationship are: copies of birth certificates indicating parents names for both Ed and Tyler along with a copy of the marriage license of their respective parents.

However, for use tax purposes only, if there is a divorce of the parents prior to the transfer, the step relationship ceases to exist, and the transfer is taxable.