

# Taxability of Interstate Carrier Property

The taxability of interstate motor carrier property presents a unique question. Where is the incidence of tax when interstate carrier property moves across state lines? The state of purchase, the state of use, or an apportionment between states.

In Michigan, all rolling stock purchased by an interstate motor carrier for use or for rental or lease to an interstate motor carrier and used in interstate commerce is exempt from Michigan sales and use tax.

The taxpayer may exclude from gross proceeds the product of the out-of-state usage percentage and the gross proceeds otherwise taxable from the sale of a qualified truck or a trailer designed to be drawn behind a qualified truck. (MCL 205.54r(1)(a))

The taxpayer may exclude from gross proceeds a sale of rolling stock purchased by an interstate motor carrier or for rental or lease to an interstate motor carrier and used in interstate commerce. (MCL 205.54r(1)(b))

"Interstate motor carrier" means a person engaged in the business of carrying persons or property, other than themselves, their employees, or their own property, for hire across state lines, whose fleet mileage was driven at least 10% outside of this state in the immediately preceding tax year. (MCL 205.54r(2)(a))

"Out-of-state usage percentage" is a fraction, the numerator of which is the number of miles driven outside of this state in the immediately preceding tax year by qualified trucks used by the interstate motor carrier and the denominator of which is the total miles driven in the immediately preceding tax year by qualified trucks used by the interstate motor carrier. Miles driven by qualified trucks used solely in intrastate commerce shall not be included in calculating the out-of-state usage percentage. (MCL 205.54r(2)(b))

"Qualified truck" means a commercial motor vehicle power unit that has 2 axles and a gross vehicle weight rating in excess of 10,000 pounds or a commercial motor vehicle power unit that has 3 or more axles. (MCL 205.54r(2)(c))

"Rolling stock" means a qualified truck, a trailer designed to be drawn behind a qualified truck, and parts affixed to either a qualified truck or a trailer designed to be drawn behind a qualified truck. (MCL 205.54r(2)(d))

If the person does not qualify as an interstate motor carrier or the property purchased is not a qualified truck/trailer, tax is due on the full selling price of the truck/trailer. A Michigan dealer must provide the Department of State branch office with the exemption claimed by the purchaser at the time of applying for title.

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