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**SFA****BILL ANALYSIS**

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House Bill 4841 (as reported by the Committee of the Whole)  
Sponsor: Representative John Gernaat  
House Committee: Transportation  
Senate Committee: Finance

## **CONTENT**

The bill would amend the motor fuel tax Act to increase from 15 cents per gallon to 19 cents per gallon the tax imposed on diesel motor fuel sold for use in motor vehicles; and increase from 6 cents per gallon to 10 cents per gallon the discount allowed for diesel motor fuel used by licensed commercial motor vehicles. (Public Act 83 of 1997 amended the Act to raise the gasoline tax from 15 cents to 19 cents on August 1, 1997, but did not change the diesel fuel tax rate.)

Further, the bill would exempt from the motor fuel tax sales of gasoline or diesel fuel for use in school buses owned or leased and operated by nonprofit private, parochial, or denominational schools, colleges, and universities, and used in the transport of students to and from school or school functions. Currently, the purchaser of gasoline or diesel fuel for use in school buses owned and operated by nonprofit private, parochial, or denominational schools, colleges, and universities, and used to transport students to and from school and school functions, is entitled to a refund of the tax paid on the fuel. The bill would eliminate these provisions. (Under the Act, motor fuel sold to public schools is exempt from taxation under the general exemption for vehicles owned by the State and its political subdivisions, or the Federal government.)

MCL 207.112a & 207.122

Legislative Analyst: G. Towne

## **FISCAL IMPACT**

This bill would have three fiscal impacts on State motor fuel tax revenues and interest earnings:

First, this bill would result in a small, though indeterminate, decrease in motor fuel tax revenues collected from nonprofit private, parochial or denominational schools, colleges and universities because not all eligible schools currently file for a refund on tax exempt motor fuel purchases.

Second, this bill would result in a small, though indeterminate, decrease in the interest earned on motor fuel tax revenues collected from these schools but later refunded under the provisions of the current Act.

Third, this bill would result in a \$5 million to \$6 million increase in diesel motor fuel tax revenues collected by the State. According to Senate Fiscal Agency estimates, each cent of tax on diesel motor fuel generates approximately \$1.32 million in State revenues. Consequently, the 4-cent diesel motor fuel tax increase proposed in this bill would result in an estimated increase of \$5.28 million in diesel motor fuel tax revenues, assuming current diesel fuel consumption levels remain constant. This tax would be paid by all consumers of diesel motor fuel not covered under the provisions of motor carrier diesel fuel tax Act.

Because this bill would not increase the motor carrier diesel fuel tax rate, new diesel fuel taxes collected from motor carriers would be counted as an additional credit on their quarterly diesel motor carrier tax assessments. However, because this bill also would increase the diesel fuel tax discount given to motor carriers from 6 to 10 cents per gallon, these carriers would incur no additional

expenses when purchasing diesel fuel in Michigan.

Date Completed: 2-25-98

Fiscal Analyst: P. Alderfer

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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.