



Senate Fiscal Agency
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BILL



ANALYSIS

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House Bill 4454 (as reported without amendment)
Sponsor: Representative Jessie Dalman
House Committee: Tax Policy
Senate Committee: Transportation and Tourism

Date Completed: 4-28-95

RATIONALE

Under the motor fuel tax Act, the State and Federal governments as well as a political subdivision of the State, including a school district, using gasoline in a vehicle owned by or leased and operated by the governmental unit are exempt from the gasoline tax levied under the Act. In addition, a tax may not be imposed or collected on diesel motor fuel used in motor vehicles owned by or leased and operated by these governmental entities. The Act also provides for a refund of taxes paid on gasoline used in school buses owned and operated by nonprofit private, parochial or denominational schools, colleges and universities that are used to transport students to and from school functions authorized by the institution's administration. There is no similar exemption from taxes on the purchase of diesel fuel by these schools, however. Some people believe that nonprofit private, parochial, or denominational educational institutions should be exempt from diesel fuel taxes, as are public educational institutions.

CONTENT

The bill would amend the motor fuel tax Act to provide that the purchaser of diesel motor fuel used in school buses owned and operated by nonprofit, private, parochial, or denominational schools, colleges, and universities and used in transporting students to and from school and school functions authorized by the eligible institution's administration would be entitled to a tax refund to be paid as provided in the Act. The bill specifies that it would apply to purchases made after December 31, 1994, for which documentation required in the Act was furnished.

MCL 207.122

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

A school's fuel tax exemption should not depend upon whether it uses gasoline or diesel fuel. Under the bill, nonprofit private, parochial, or denominational educational institutions that purchase diesel motor fuel for their vehicles used in transporting their students to and from school and authorized school functions would be eligible for a refund of the diesel fuel tax. These schools already are eligible under the Act for a similar refund of taxes imposed on gasoline purchases. Thus, the bill would make the tax treatment of diesel fuel purchases by private schools consistent with the tax treatment of gasoline purchases by these schools. This also would be consistent with the tax treatment of public schools, which already are exempt from both fuel taxes imposed under the Act.

Legislative Analyst: L. Arasim

FISCAL IMPACT

The bill would result in a loss of approximately \$100,000 to the Michigan Transportation Fund.

Fiscal Analyst: B. Bowerman

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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.