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**SFA**



**BILL ANALYSIS**

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Senate Bill 258 (as introduced 2-27-97)

Sponsor: Senator Jim Berryman

Committee: Appropriations

Date Completed: 4-18-97

## **CONTENT**

Senate Bill 258 amends the Motor Fuel Tax Act (Public Act 150 of 1927) to increase the motor fuel tax to 19 cents per gallon effective October 1, 1997, and to 23 cents per gallon effective January 1, 1998. The bill would eliminate the 6 cents per gallon discount provided at the pump for motor carrier diesel fuel.

MCL 207.102 & 207.122

## **FISCAL IMPACT**

The current motor fuel tax rate is 15 cents per gallon. The rate would apply to gasoline, diesel, and liquefied petroleum. Public Act 584 of 1996 changed the tax rate for motor carrier diesel fuel. Prior to April 1, 1997, the rate was based on the rate set for gasoline with a 6 cent discount for motor carriers licensed under the Motor Carrier Fuel Tax Act. Public Act 584 of 1996 set the rate for the motor carrier diesel fuel tax at 21 cents per gallon, with a 6 cent credit for sales tax paid for fuel purchased in Michigan. Therefore, the tax increase in this bill would not affect the motor carrier diesel fuel tax rate. Elimination of the 6 cent per gallon discount at the pump for motor carriers will affect the timing of payments by motor carriers, but not change the tax liability.

Each 1 cent increase in the motor fuel tax (excluding the tax paid by motor carriers) is estimated to generate approximately \$48.6 million. The increase on October 1, 1997, will generate \$194.4 million annually and the January 1, 1998 increase will generate \$194.4 million annually. The current formula for the distribution of Michigan Transportation Fund Revenue contained in Public Act 51 of 1951, expires on September 30, 1998. Based on that formula, the \$388.8 million annual revenue increase would be distributed as follows:

Estimated Annual Revenue Increase Generated by Senate Bill 258	\$388,800,000
Recreation Improvement Fund (2% of motor fuel tax less collection costs)	7,776,000
Transfer to Comprehensive Transportation Fund (10%)	38,102,400
<b>ADJUSTED NET GROSS AVAILABLE FOR DISTRIBUTION</b>	<b>342,921,600</b>
State Trunkline Fund (39.1%)	134,082,300
County Road Commissions (39.1%)	134,082,300
Cities and Villages (21.8%)	74,757,000

Fiscal Analyst: B. Bowerman

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