

MOTOR FUEL TAX ACT

Senate Bill 1205 (Substitute H-1)
Senate Bill 1264 (Substitute H-1)
Senate Bills 1265 and 1266 as passed by the
Senate
Addendum to SFA analysis (12-5-00)

Sponsor: Sen. George A. McManus, Jr.
Senate Committee: Finance
House Committee: Transportation

ADDENDUM TO SENATE FISCAL AGENCY ANALYSIS OF SENATE BILLS 1205 , 1264 1265, AND 1266 DATED 7-26-00:

HOUSE COMMITTEE ACTION:

The Committee on Transportation adopted substitutes for Senate Bill 1205 and Senate Bill 1264. The committee also reported Senate Bills 1265 and 1266 as they passed the Senate. The amendments to Senate Bills 1205 and 1264 are as follows.

Changes to Senate Bill 1205 (H-1):

-Senate Bill 1205 would repeal and recodify the Motor Fuel Tax Act. Section 30 of the Senate-passed version of the bill specifies that motor fuel is exempt from the tax imposed by the act in certain circumstances. The House Committee substitute would retain these exemptions, and in addition allow an exemption when the motor fuel “is sold directly by a supplier to a class 9 bonded warehouse that is an ultimate vendor and is thereafter sold as duty free merchandise in accordance with 19 U.S.C. 1555 and applicable United States customs service regulations.” Further, the substitute specifies that “notwithstanding any other provision of this act, an ultimate vendor that is a class 9 bonded warehouse under 19 U. S. C. 1555 could seek a refund for tax paid under this act on gasoline or diesel fuel which was obtained and sold ‘for export only’ by that ultimate vendor to a customer who cannot reasonably use the fuel on any public roads or highways before leaving the United States.”

-Throughout sections 33, 39, and 45 of Senate Bill 1205 (H-1), the references to ‘diesel fuel’ have been changed to ‘motor fuel’, ensuring that both gasoline- and diesel-operated vehicles and equipment currently eligible for the tax exemption would also be eligible under the new act. Further, the bill would expand the definition of “attached equipment.” The Senate-passed bill specifies that if the department determined, before the effective date of the bill, that a class of motor vehicles with attached equipment was eligible for a fuel refund in an amount different than 15 percent of the tax paid, then that percentage would be applied to those motor vehicles on and after the effective date of the bill, unless a later determination was made. The House committee substitute would require notice and a hearing before the department re-determined this policy. The Senate-passed bill also defines “attached equipment” to mean equipment used by the end user in the regular course of his or her business that is powered by diesel fuel from the common fuel supply tank. Further, the bill

specifies that attached equipment includes, but is not limited to, certain pumping, spraying, seeding, spreading, shredding, lifting, winching, dumping, cleaning, and refrigeration equipment. Substitute H-1 would add “mixing, and processing” to the list of characteristics included in the category that defines “attached equipment”.

-The House committee substitute changed the effective date of the bill from October 1, 2000 to April 1, 2001.

Changes to Senate Bill 1264 (H-1):

-Currently the Aeronautics Code allows a refund of 1½ cents per gallon to airline operators who show proof within six months after purchase that they are operating interstate on scheduled operations. Senate Bill 1264 (H-1) would retain this provision but extend it to air carriers. Further and under the bill, “air carriers” would be defined to mean entities engaged in the commercial transport for hire of cargo or passengers or a combination of cargo and passengers. (This change would make the bill consistent with Senate Bill 1364, which is currently on the House calendar.)

POSITIONS:

Ammex, Inc. offered testimony in support of Senate Bill 1205 (Substitute H-1). (12-5-00)

The Michigan Ground Water Association supports Senate Bill 1205 (Substitute H-1). (12-5-00)

The Department of Treasury opposes Senate Bill 1205 (Substitute H-1), but supports the Senate-passed version of the bill. (12-5-00)

The Michigan Petroleum Association opposes Senate Bill 1205 (Substitute H-1). (12-5-00)

The Associated Petroleum Industries of Michigan opposes Senate Bill 1205 (Substitute H-1), but supports the Senate-passed version. (12-5-00)

Analyst: J. Hunault

#This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.