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Senate Bill 1205 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Senator George A. McManus, Jr.
Committee: Finance

CONTENT

The bill would repeal and recodify the Motor Fuel Tax Act. The bill would prescribe a tax on the sale and use of fuel in motor vehicles on the public highways; provide for the collection and remittance of the tax to the State; require the licensure of persons involved in the sale, use, and transportation of motor fuel; establish a dyed diesel fuel program; prescribe fees; provide for exemptions from and refunds of the tax; create the "Motor Fuel Tax Evasion Prevention Fund" to fund the development of a diesel fuel enforcement program and for additional administrative costs associated with implementing the Act; and provide for the enforcement of the Act and penalties for violations. The bill would not change the current tax rates in the Act (19 cents per gallon on gasoline, 15 cents per gallon on diesel fuel); the current diesel discount provisions; the current exemptions from the tax (except for adding an exemption for duel use vehicles used on a jobsite); and the current application of the tax to persons. The bill would take effect October 1, 2000.

The bill would prohibit a person from selling, using, or holding for sale or use dyed diesel fuel or other exempt fuel, including motor fuel used in industrial processing, undyed diesel fuel that was repackaged into a container that held 55 gallons or less, or aviation, aircraft, or jet fuel, for any use that the person knew or had reason to know was a taxable use of the diesel fuel. A person could not operate or maintain a motor vehicle on the highways with dyed diesel fuel in the vehicle's fuel supply tank, except for those vehicles specified by the bill (i.e., farm machinery and government vehicles).

Currently, all money collected under the Act, except for license fees, is appropriated to and deposited in the Michigan Transportation Fund, after the payment of necessary expenses incurred in the enforcement of the Act. The bill would recodify this provision. Money in the Fund could be used only for the purposes specified in the bill.

Legislative Analyst: G. Towne

FISCAL IMPACT

The bill would result in additional administrative costs to the Department of Treasury associated with the implementation, administration, and enforcement of a dyed diesel fuel program. These additional administrative costs would include inspection, testing, and sampling activities of on-road inspectors.

To the extent that the bill reduced tax evasion, additional State revenues would be realized. An estimate of this revenue increase is currently unavailable. As a point of reference, in 1998 the State collected about \$80.8 million in diesel tax revenue.

The bill also would have an indeterminate fiscal impact on State and local government due to the receipt of fine revenue or costs incurred for incarceration. The bill would create or retain eight misdemeanors for possessing, selling, or delivering untaxed gasoline, failure to report properly on imported gasoline, using a tank-wagon without proper license, failure to have proper statements on shipping papers (first offense), failing to provide shipping papers to the location receiving fuel, failing to keep shipping papers 30 days, and receiving fuel into bulk storage without proper shipping papers. There are no data currently available that would indicate how many offenders could be convicted of these misdemeanors. However, local units of government would receive the fine revenue or incur the costs of incarceration for these offenses.

Also, the bill would create or retain 11 felony offenses including failing to provide shipping papers, refusing inspection of shipping papers and delivery to a location other than as noted in shipping papers, violating provisions for newly purchased terminals outside the United States, second or subsequent failure to have proper statements on shipping papers, knowingly imprinting false or misleading statements on shipping papers, evading taxes by altering dye in fuel or owning the equipment to alter dye in fuel, not properly disposing of fuel that was not ASTM-approved, refusing or failing to pay taxes in a timely manner, refusing inspection or audit of records, and failing to transfer taxes collected to the State in a timely manner. In 1998, there were no felony convictions for violations of similar existing statutes. Thus, there are no data available to indicate how many offenders could be convicted of newly established or continuing felonies.

Date Completed: 5-24-00

Fiscal Analyst: C. Thiel
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