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BILL ANALYSIS

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House Bill 5920 (as passed by the House)
Sponsor: Representative Jerry O. Kooiman
House Committee: Transportation
Senate Committee: Transportation

Date Completed: 11-29-04

CONTENT

The bill would amend the Motor Carrier Fuel Tax Act to delete a provision under which the lessors and lessees of qualified commercial motor vehicles are jointly and severally liable for taxes due under the Act.

The Act imposes a tax on motor fuel for the use of public roads and highways in Michigan by motor carriers. The Act also contains licensure and reporting requirements for motor carriers. (The Act defines "motor carrier" as a person who operates or causes to be operated a qualified commercial motor vehicle on a public road or highway in Michigan and at least one other state or Canadian province, or is a person who operates or causes to be operated a qualified commercial motor vehicle on a public road or highway in Michigan and who is licensed under the International Fuel Tax Agreement. A "qualified commercial motor vehicle" is a motor vehicle that meets certain criteria regarding axles and/or weight.)

Every qualified commercial motor vehicle leased to a motor carrier is subject to the Act, to the same extent and in the same manner as vehicles owned by a motor carrier. A lessor may be considered a motor carrier with respect to vehicles leased to others, if the lessor supplies or pays for the fuel or bills rental or other charges calculated to include the cost of fuel. A lessee motor carrier may exclude a vehicle leased from others from the Act's reporting and liability requirements, if that vehicle has been leased from a lessor who is a motor carrier and the lease agreement provides for the lessor to pay the cost of motor fuel and motor fuel taxes.

Section 8(4) governs the primary liability under the Act of lessors and lessees of qualified commercial motor vehicles. If a lessor or lessee primarily liable fails, in whole or in part, to discharge his or her liability, the failing party and the other lessor or lessee party to the transaction must be jointly and severally responsible and liable for compliance with the Act and for the payment of the tax due. The aggregate of taxes collected from a lessor and lessee by the State under the Act, however, may not exceed the total amount of taxes due and costs and penalties imposed. The bill would delete Section 8(4).

MCL 207.218

Legislative Analyst: Julie Koval

FISCAL IMPACT

The bill could result in a reduction in State motor carrier fuel tax receipts if removing the liability clause in Section 8(4) made it more difficult for the Department of Treasury to

collect taxes due. This reduction would decrease deposits in the Michigan Transportation Fund. Data are not readily available to determine the possible revenue reduction.

Fiscal Analyst: Craig Thiel

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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.