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BILL ANALYSIS

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House Bill 6031 (Substitute H-1 as passed by the House)
Sponsor: Representative Kevin Green
House Committee: Transportation
Senate Committee: Transportation

Date Completed: 9-8-06

CONTENT

The bill would amend the Motor Carrier Fuel Tax Act to eliminate the April 1, 2007, sunset date on a provision suspending, under certain circumstances, the joint and several liability of the lessor and lessee of a qualified commercial motor vehicle.

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 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 (IFTA). 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. For tax liabilities incurred before April 1, 2005, and after April 1, 2007, 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 are 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 the reference to tax liabilities incurred after April 1, 2007 (thereby eliminating joint and several liability for taxes incurred after that date).

Under Section 8(5), for tax liabilities arising after April 1, 2005, and before April 1, 2007, if a lease agreement identifies a party responsible for the payment of taxes, the nonresponsible party under the lease must obtain a copy of the responsible party's valid IFTA registration and keep the copy on file. The bill would delete the reference to April 1, 2007 (thereby extending this requirement beyond that date).

(If the nonresponsible party does not obtain a copy of the responsible party's IFTA registration and the responsible party fails in whole or in part to discharge his or her liability, then the parties are jointly and severally responsible and liable for compliance with the Act and payment of tax due. If the lease agreement does not identify the party responsible for payment of taxes, then both parties are jointly and severally responsible and liable. 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.)

MCL 207.218

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bill's fiscal impact on the State cannot be determined, but likely would be negligible.

Fiscal Analyst: Debra Hollon

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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.