



Senate Fiscal Agency
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BILL



ANALYSIS

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Senate Bill 1467 (Substitute S-1 as reported)
Sponsor: Senator Michael Switalski
Committee: Agriculture

Date Completed: 10-20-08

RATIONALE

The Senate has passed legislation, Senate Bill 1130 (S-1), to create a Renewable Fuels Fund, which would be administered by the Michigan Department of Agriculture. The Fund would have to be used to promote the production and use of alternative fuels, award grants to improve alternative fuel production in the State, encourage the development of renewable fuel quality standards, provide incentives to retailers who sell renewable fuels, and promote vehicles powered by renewable fuels.

One potential source of revenue for the Fund is a proposed State-sponsored fund-raising license plate recognizing renewable fuels, which would be created under Senate Bill 1129 (S-1), also passed by the Senate. As an additional way of encouraging public support for the Renewable Fuels Fund, it has been suggested that the State income tax return should include a way for individuals to contribute to the Fund.

CONTENT

The bill would amend the Income Tax Act to permit an individual to designate on his or her tax return that \$5, \$10, or more of his or her income tax refund, or additional tax liability, be credited to the proposed Renewable Fuels Fund.

The bill is tie-barred to Senate Bill 1130.

Currently, an individual may designate a portion of his or her income tax refund to go to the Prostate Cancer Research Fund, Amanda's Fund for Breast Cancer Prevention and Treatment, the Animal Welfare Fund,

the Michigan Housing and Community Development Fund, the Children of Veterans Tuition Grant Program, and the Children's Trust Fund.

MCL 206.435

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

As fuel prices remain well above previous averages, there is growing public awareness of the need to develop sustainable domestic alternatives to imported oil. Renewable fuels represent an opportunity for Michigan to build on two of its historical strengths: automotive innovation and agricultural production. The proposed Renewable Fuels Fund would provide targeted resources that could help the State to take advantage of that opportunity and become a national leader in renewable fuels production and technology. Many Michigan residents might be willing to support those efforts by contributing to the Fund through their income tax returns. Placing a line on the tax return would raise the profile of the Fund, giving every individual filing a return the opportunity to choose to contribute. Taxpayers have donated generous amounts to those charitable Funds that are currently on the tax forms. Given the significance of the challenge facing the State and the country as a whole, the Renewable Fuels Fund would be a worthy addition to the tax return.

Response: Because of the lead time necessary to make any changes to the State's income tax forms, the bill would be difficult to implement for the current tax year, and instead should take effect in 2009. Ideally, any revisions made after June should take effect the following year, to avoid requiring the Department of Treasury to modify forms midway through the development and printing process.

Legislative Analyst: Curtis Walker

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on State government. Each time a check-off is added, the Department of Treasury incurs administrative costs for implementing the necessary changes to the forms, and for processing the various contributions, including the administration of any special funds created. In 2005, the Department received \$2.2 million in total contributions to the three check-offs then available. On average, the total amount of contributions in a given tax year has ranged from \$1.5 million to \$3.5 million, and the amount per check-off has varied from \$300,000 to \$2.1 million. It is difficult to predict the popularity of a new check-off and whether the addition of choices for check-off contributions would increase the total amount of contributions, or reduce the distribution to any given fund.

Fiscal Analyst: Joe Carrasco

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