

Legislative Analysis



REQUIRE PREPAYMENT OF SALES TAX APPLICABLE TO SALES OF DIESEL FUEL

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House Bill 5817

Sponsor: Rep. Paul Opsommer

Committee: Transportation

Complete to 9-10-12

A SUMMARY OF HOUSE BILL 5871 AS INTRODUCED 8-5-12

Section 6a of the General Sales Tax Act (1933 PA 167) currently provides for the prepayment of the sales tax applicable to sales of *gasoline* using a cents-per-gallon rate determined quarterly by the Michigan Department of Treasury based on 6% of the statewide average retail price of a gallon of unleaded regular gasoline, rounded up to the nearest 1/10 of one cent. **House Bill 5817** would amend Section 6a to also require prepayment of the sales tax applicable to ***diesel fuel***. The prepayment rate for diesel fuel would be at a cents-per-gallon rate determined by the Michigan Department of Treasury based on 6% of the statewide average retail price of undyed No. 2 Ultra-low sulfur diesel fuel rounded up to the nearest 1/10 of one cent.

The bill would also require the Department of Treasury to determine the prepayment rate for both gasoline and diesel fuel every month; current law requires a quarterly determination for gasoline-related sales tax.

BACKGROUND INFORMATION:

Generally, sales taxes applicable to retail sales of tangible personal property are not due until after the completion of the retail sales transaction. Under provisions of Section 6 of the General Sales Tax Act, taxpayers are required to file a monthly return, and remit sales tax due, by the 20th of each month for taxable sales made in the preceding month. However, Section 6a of the General Sales Tax Act requires a pre-payment of the estimated sales tax liability applicable to the sale of *gasoline*.

It is our understanding that the current prepayment provisions were established to help prevent tax evasion by some retail service stations. It is also our understanding that representatives of petroleum wholesalers and retail service stations would like more frequent adjustments of the prepayment gasoline sales tax rate to better reflect actual fuel prices in a period of volatile fuel prices.

When actual fuel prices are less than the prices used to compute the cent-per-gallon prepayment rate, then taxpayers will have, at least temporarily, overpaid taxes, losing the use of money over the float period. When actual fuel prices are higher than the prices used to compute the cent-per-gallon prepayment rate, there is increased risk of tax evasion or uncollectable taxes.

FISCAL IMPACT:

The bill does not appear to have a direct fiscal impact. Additional fiscal information may be provided after committee testimony.

For additional information on the taxing of motor fuels, see:

Motor Fuel Taxes, Sales Tax on Motor Fuels, and Tax Collection on the House Fiscal Agency website at:

<http://www.house.mi.gov/hfa/PDFs/tax%20rates%20and%20collection%202012%20update.pdf>

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