

Legislative Analysis



DEDICATE 1 CENT OF USE TAX TO ROAD FUNDING

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House Bill 5492 (Substitute H-2)

Sponsor: Rep. Earl Poleski

Committee: Tax Policy

Complete to 5-8-14

A SUMMARY OF HOUSE BILL 5492 AS REPORTED FROM COMMITTEE

Generally speaking, the bill would amend Section 21 of the Use Tax Act to earmark 1% of the 6% use tax for transportation funding purposes. Revenue that otherwise would go to the General Fund would instead be distributed to the State Trunk Line Fund (STF), county road commissions, and cities and villages in the same percentages found in Public Act 51 of 1951, the act which governs funding for state and local road and bridge programs.

The bill would take effect January 2, 2015, and applies beginning with the fiscal year ending September 30, 2015 (FY2014-15).

The percentages cited above are: 39.1% to the State Trunk Line Fund; 39.1% to county road commissions; and 21.8% to cities and villages.

Specifically, the bill is constructed so as to dedicate "an amount equal to 50% of the amount deposited in the School Aid Fund . . . under subsection (2)." Under that subsection, the additional 2% that was added to the use tax in 1994 is deposited in the School Aid Fund. The bill also contains references to the recent dedication of use tax revenue to local units of government to reimburse them for revenue lost as a result of reductions in personal property taxes. The personal property tax changes only take place if voters approve a ballot question at the August 2014 primary election.

FISCAL IMPACT:

The bill would have no impact on the amount of use tax collected, but rather redirects an amount equal to one half of the 2% School Aid Fund levy from the portion of the use tax that accrues to the General Fund to the State Trunk Line Fund (STF), county road commissions, and cities and villages in the same proportions as designated in Act 51. Based on January 2014 consensus estimates, the annual amounts redirected from the General Fund to state and local road agencies would be \$239.2 million in FY2014-15, \$249.2 million in FY2015-16, \$256.6 million in FY2016-17, and \$264.3 million in FY2017-18.

It should be noted that while the language requires the funds be redirected to the STF, they must still be appropriated on an annual basis since a statutory earmark does not mandate an appropriation.

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