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BILL ANALYSIS

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Senate Bill 1081 (as introduced 9-23-14)
Sponsor: Senator Dave Robertson
Committee: Finance

Date Completed: 11-24-14

CONTENT

The bill would amend Part 215 (Refined Petroleum Fund) of the Natural Resources and Environmental Protection Act to exempt the following from the fee that is imposed on refined petroleum products:

- **Refined petroleum products transferred within the bulk transfer/terminal system.**
- **Refined petroleum products exported from the State.**

Part 215 imposes an environmental protection regulatory fee of 7/8-cent per gallon on each gallon of refined petroleum sold for resale or consumption in the State. Revenue from the fee must be deposited in the Refined Petroleum Fund.

The bill would make exceptions to the fee for the refined petroleum products listed above.

The bill also would delete a provision that requires the Department of Treasury to collect the fee from a person who receives refined petroleum products in the State for resale or consumption in Michigan pursuant to a product exchange agreement.

Part 215 defines "refined petroleum" as gasoline, aviation gasoline, middle distillates, jet fuel, kerosene, residual oils, and any oxygenates that have been blended with any of these. The bill would include "transmix" and exclude "excluded liquids".

The bill would define "transmix" as the mixed product that results from the buffer or interface of two different products in a pipeline shipment, or a mixture of two different products within a refinery or terminal that results in an off-grade mixture. "Excluded liquid" would mean that term as defined in 26 CFR 48.4081-1. (The Federal regulation defines it as any liquid that a) contains less than 4% normal paraffins; or b) has a distillation range of 125 ºF or less, sulfur content of 10 ppm or less, and minimum color of +27 Saybolt.)

The bill would define "bulk transfer/terminal system" as the refined petroleum distribution system consisting of refineries, pipelines, marine vessels, and terminals. Refined petroleum would be in the bulk transfer/terminal system if it were in a refinery, pipeline, terminal, or marine vessel transporting refined petroleum to a refinery or terminal. Refined petroleum would not be in the bulk transfer/terminal system if it were in a fuel storage facility, including a bulk plant that was not part of a refinery or terminal, in the fuel supply tank of any engine or motor vehicle, in a marine vessel transporting refined petroleum to a fuel storage facility that was not in the bulk transfer/terminal system, or in any tank car, rail car, trailer, truck, or other equipment suitable for ground transportation.

"Bulk plant" would mean a refined petroleum storage and distribution facility that is not a terminal and from which refined petroleum may be withdrawn by a tank wagon, a transport truck, or a marine vessel. "Bulk transfer" would mean a transfer of refined petroleum from one location to another by pipeline tender or marine delivery within the bulk transfer/terminal system, including all of the following:

-- A marine vessel movement of refined petroleum from a refinery or terminal to a terminal.
-- Pipeline movement of refined petroleum from a refinery or terminal to a terminal.
-- Book transfers of refined petroleum within a terminal between licensed suppliers before completion of removal across the terminal rack.
-- Two-party exchanges between licensed suppliers.

"Terminal" would mean a refined petroleum storage and distribution facility that is registered as a qualified terminal by the Internal Revenue Service, is supplied by a pipeline or a marine vessel, and has a rack from which refined petroleum may be removed.

"Export" would mean to obtain refined petroleum in this State for sale or other distribution outside of the State. Refined petroleum delivered outside of the State by or for the seller would constitute an export by the seller, and refined petroleum delivered outside of the State by or for the purchaser would constitute an export by the purchaser.

MCL 324.21502 et al. Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have no fiscal impact on the State or local units of government. The 7/8-cent-per-gallon environmental regulatory fee levied upon all refined petroleum products offered for retail sale in the State of Michigan is the primary fund source for the Refined Petroleum Fund (RPF). The RPF is used for cleanup of orphaned leaking underground storage tanks, staffing costs related to those cleanups, and other purposes within the Department of Environmental Quality.

The products that would be exempted from the fee under the bill currently are subject to a fee and credit system that effectively nets no revenue for the RPF for those products, as they are not destined for retail sale in Michigan. The changes in the bill would simplify these transactions; the fee would no longer be collected on these products, and would they would therefore not require an offsetting credit.

Fiscal Analyst: Josh Sefton