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Senate Bill 5477 (Substitute S-12 as reported by the Committee of the Whole)
Sponsor: Representative Rob Verheulen
House Committee: Transportation and Infrastructure
Senate Committee: Infrastructure Management

CONTENT

The bill would amend the Motor Fuel Tax Act to eliminate the current excise taxes on gasoline and diesel fuel, replacing them with a single excise tax applicable to gasoline and diesel fuel that would be adjusted annually based on the National Highway Construction Cost Index (NHCCI).

Currently, the gasoline fuel tax is 19 cents per gallon and the diesel fuel tax is 15 cents a gallon. Under the bill, these rates would be effective through September 30, 2014.

From October 1, 2014, through September 30, 2015, the bill would prescribe a fuel tax rate of 19 cents per gallon on motor fuel, which would include both gasoline and diesel fuel.

Beginning October 1, 2015, the rate per gallon on motor fuel would be 19 cents (the previous year's rate) multiplied by 1 plus the lesser of either 5% of the previous year's rate or the inflation rate, rounded up to the nearest 10th of a cent.

For purposes of the October 1, 2015, rate adjustment, the bill would define "inflation rate" as the percentage change between the most recent calendar year Index (the NHCCI) and the Index for the 2013 calendar year.

Beginning October 1, 2016, and each subsequent year, the rate per gallon on motor fuel would be the previous year's rate multiplied by 1 plus the lesser of either 5% of the previous year's rate or the inflation rate, rounded up to the nearest 10th of one cent.

For purposes of adjustments on and after October 1, 2016, the bill would define "inflation rate" as the percentage change between the most recent calendar year Index and the Index for the 2013 calendar year reduced by the total percentage increase in the rate for the period starting October 1, 2015, and ending on September 30 of the immediately preceding fiscal year. If that number were negative, the inflation rate would be 0%.

Under the bill, the tax rate per gallon of motor fuel could not exceed 32.5 cents.

Beginning October 1, 2014, the tax rate for motor fuel would apply to liquefied petroleum gas (LPG). The current rate for LPG is 15 cents per gallon.

The Department of Treasury would have to publish notice of each tax rate at least 30 days before the effective date of that rate.

The bill states that a determination of the rate would be presumed to be correct and could not be set aside unless an administrative tribunal or a court of competent jurisdiction found the Department's determination to be clearly erroneous.

The bill would take effect October 1, 2014.

MCL 207.1003 et al

Legislative Analyst: Glenn Steffens

FISCAL IMPACT

House Bill 5477 (S-12) would increase State revenue to the Michigan Transportation Fund (MTF) by approximately \$32.3 million in FY 2014-15, \$42.5 million in FY 2015-16, \$52.7 million in FY 2016-17, and \$62.9 million in FY 2017-18. The bill also would increase revenue to the Recreation Improvement Account of the Legacy Fund by \$0.7 million in FY 2014-15, with revenue increasing to \$1.3 million in FY 2017-18. The estimated impacts in these fiscal years, and future fiscal years, would depend on the magnitude of motor fuel price increases, motor fuel consumption, and/or inflation. The bill would replace the current fixed per gallon tax on motor fuels with a new per gallon tax that would vary based on the changes in the National Highway Construction Cost Index, a measure of inflation for road and highway construction.

The fiscal impact assumes that corollary changes to those in the bill would be made to taxes assessed under the Motor Carrier Fuel Tax Act. The bill is not tie-barred to legislation that would make such changes, however.

Similarly, the bill is not tie-barred to any legislation that would address the distribution of revenue once it is deposited in the MTF. While the bill would increase MTF revenue, much of the distribution of MTF revenue is controlled by Public Act (PA) 51 of 1951. For example, Section 10 of PA 51 directs revenue received under Section 8(1)(a) of the Motor Fuel Tax Act to specific funds and purposes. Under the bill, the tax under Section 8(1)(a) would cease as of September 30, 2014, and be replaced by a tax under Section 8(1)(c). As a result, revenue distributions under PA 51 would likely be affected by the bill.

Date Completed: 9-9-14

Fiscal Analyst: David Zin

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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.