

# Legislative Analysis



## MODIFY MOTOR FUEL TAXES

Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**House Bill 4615 as introduced**  
**Sponsor: Rep. Rob VerHeulen**

Analysis available at  
<http://www.legislature.mi.gov>

**House Bill 4616 as introduced**  
**Sponsor: Rep. Michael D. McCready**

**House Bill 4614 as introduced**  
**Sponsor: Rep. Andrea LaFontaine**

**Committee: Roads and Economic Development**  
**Complete to 5-22-15**

### SUMMARY:

House Bill 4615 would amend the Motor Fuel Tax Act (2000 PA 403) to increase the tax on diesel fuel from 15 cents per gallon to 19 cents per gallon, beginning October 1, 2015. The rate for diesel fuel would then be the same as the motor fuel tax on gasoline.

Further, the bill would direct the Department of Treasury to annually adjust the cents-per-gallon rates for gasoline, diesel fuel, and alternative fuels based on inflation or 5%, whichever is less, and rounded up to the nearest cent. The adjustment would use the Detroit Consumer Price Index. This would begin October 1, 2016. The bill would establish a rate floor so that during periods of deflation, the rates could not fall below the rates in existence on October 1, 2015.

House Bill 4616 would amend the Motor Carrier Fuel Tax Act to make the motor fuel (gasoline and diesel) and alternative fuel tax rates in that act consistent with the rates established in House Bill 4615 for the Motor Fuel Tax Act.

House Bill 4614 would make complementary amendments to the Streamlined Sales and Use Tax Revenue Equalization Act. Sections of this act that currently only apply to diesel fuel used by qualified commercial motor vehicles would now apply to "motor fuel" (meaning diesel fuel and gasoline) and alternative fuel.

The three bills are tie-barred, meaning none can take effect unless all are enacted.

### ***Alternative Fuels***

The Motor Fuel Tax Act currently recognizes only one motor fuel, other than gasoline and diesel motor fuel—liquefied petroleum gas (LPG). Section 152 currently imposes a 15-cent-per-gallon motor fuel tax on LPG when used as a motor fuel. Over the last eight fiscal years, this tax has generated between \$350,000 and \$415,000 in revenue for credit to the MTF.

House Bill 4615 would amend Section 151 to define *alternative fuels* to mean "*a gas, liquid, or other fuel that, with or without adjustment or manipulation of pressure or temperature, is capable of being used for the generation of power to propel a motor vehicle, including but not limited to, natural gas, compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, hydrogen compressed natural gas, or hythane.*"

The bill would amend Section 152 to establish a tax rate for *alternative fuels* equal to the diesel motor fuel tax rate. The bill would specify the basis for measuring alternative fuels for taxation, the method of collection, and exemptions from the motor fuel tax on alternative fuels.

***Application and License Fee for Alternative Fuel Dealers & Commercial Users***

The bill would impose a fee of \$500 for a license as an alternative fuel dealer. The license fee for an alternative fuel commercial user would be \$50. (Currently, there is a \$50 license fee for LPG dealers.)

***Penalties for Using Dyed Diesel Fuel in Motor Vehicles –***

In addition to its use as a fuel to propel motor vehicles, diesel fuel has other uses, including as a fuel for farm equipment and construction equipment. The Motor Fuel Tax Act provides for the untaxed use of diesel fuel for those uses. However, untaxed diesel fuel is dyed, and the Motor Fuel Tax Act provides penalties for the use of dyed (untaxed) diesel fuel in motor vehicles. House Bill 4615 would amend Section 122 to increase the civil penalty for first-time violations from \$200 to \$1,000. The penalty for second and subsequent violations would be \$5,000. (Currently, the penalty is \$200 for the first two violations in a 12-month period and \$5,000 for a third violation in a 12-month period and each subsequent violation.)

**FISCAL IMPACT:**

Diesel tax revenue is estimated to be \$137.0 million in FY 2015-16 at the existing \$0.15 per gallon rate. If consumption remained at the forecasted level, increasing the rate by four cents per gallon would increase total diesel tax revenue by about \$39.1 million.

The indexing provisions of HB 4615 aren't explicit, but because inflation rates are expected to remain modest over the near term, it's unlikely that the tax rate on motor fuels would increase by more than two or three cents over the first few years. Each one cent increase would increase motor fuel tax revenue by about \$50 million.

Michigan's motor fuel taxes and vehicle registration taxes are dedicated to transportation purposes in Article IX, Section 9 of the 1963 Michigan Constitution. Revenue from these taxes is credited to the Michigan Transportation Fund (MTF) created in Section 10 of Public Act 51 of 1951 and distributed to various state and local transportation programs in accordance with Section 10 of Act 51. Specifically, after deductions for certain collection and administrative costs, and for certain categorical or targeted transportation programs, Section 10 of Act 51 distributes 10% of MTF revenue to the Comprehensive Transportation Fund (CTF) for public transportation purposes, and then of net MTF revenue, 39.1% to the State Trunkline Fund (STF), 39.1% to county road commissions, and 21.8% to city and villages.

Legislative Analyst: Chris Couch  
Fiscal Analyst: William E. Hamilton  
Jim Stansell

---

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.