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House Bill 4612 (Substitute S-2 as reported)
House Bill 4615 (Substitute S-1 as reported)
House Bill 4616 (Substitute S-1 as reported)
Sponsor: Representative Eric Leutheuser (H.B. 4612)
Representative Rob VerHuelen (H.B. 4615)
Representative Michael McCready (H.B. 4616)
House Committee: Roads and Economic Development
Senate Committee: Government Operations

CONTENT

House Bill 4615 (S-1) would amend the Motor Fuel Tax Act to do the following:

- Increase the gasoline tax to 24 cents per gallon on October 1, 2015, 29 cents per gallon on January 1, 2016, and 34 cents per gallon on January 1, 2017.
- Increase the diesel tax to 22 cents per gallon on October 1, 2015, 29 cents per gallon on January 1, 2016, and 34 cents per gallon on January 1, 2017.
- Beginning January 1, 2018, annually adjust the tax rates on gasoline and diesel fuel based on the lesser of 5.0% or the change in the U.S. Consumer Price Index (CPI), rounding up to the nearest 1/10 of a cent; and provide that the tax could not be negatively adjusted.
- Eliminate motor fuel taxes effective January 1, 2033.
- Require the Michigan Department of Transportation (MDOT) to provide the Senate and House Committees on Transportation with a report that would do the following: evaluate road-building materials that would last longer, focus on more expensive materials that increase road life, focus on maximizing value to taxpayers, and present ways that the Department could dedicate 5 cents of the fuel tax toward constructing longer-lasting roads; the report would have to be provided by December 1, 2015, and updated by July 1, 2016.
- Apply the motor fuel tax to alternative fuels (based on the per gallon equivalent to motor fuels); this tax rate would be effective for alternative fuel commercial users beginning January 1, 2016, and for a person other than an alternative fuel commercial user or alternative fuel dealer beginning January 1, 2017.
- Provide for alternative fuel dealer licenses for \$500 and alternative fuel commercial user licenses for \$50; and repeal a \$50 license fee for liquefied petroleum gas dealers.
- Delete provisions allowing for retail diesel dealers to claim fuel tax refunds on undyed diesel sales of 100 gallons or less for nontaxable purposes.
- Increase civil penalties for operators, owners, or drivers of vehicles using dyed diesel fuel.

House Bill 4616 (S-1) would amend the Motor Carrier Fuel Tax Act to provide for fuel tax rates on motor carrier fuel purchases that would correspond with the fuel taxes that House Bill 4615 (S-1) would put into effect.

House Bill 4612 (S-2) would amend the Michigan Vehicle Code to do the following:

- Levy an additional vehicle registration fee of \$30 for hybrid electric vehicles with four or more tires weighing 8,000 pounds or less and \$100 for those weighing more than 8,000 pounds.

- Levy an additional vehicle registration fee of \$100 for nonhybrid electric vehicles with four or more tires weighing 8,000 pounds or less and \$200 for those weighing more than 8,000 pounds.
- Require increases to these hybrid and nonhybrid electric vehicle registration fees if the tax on gasoline were increased above 19 cents per gallon.

All of the bills would take effect on October 1, 2015. The bills are tie-barred to each other than to Senate Bill 414 and House Bills 4613 and 4614.

MCL 257.801 (H.B. 4612)
 207.1002 et al. (H.B. 4615)
 207.211 et al. (H.B. 4616)

FISCAL IMPACT

House Bills 4615 (S-1) and 4616 (S-1) would result in the following increases to the Michigan Transportation Fund:

- \$475.1 million in fiscal year 2015-16
- \$733.0 million in fiscal year 2016-17
- \$822.1 million in fiscal year 2017-18

Beginning in fiscal year 2018-19, when motor fuel taxes would be adjusted to inflation, annual revenue from the tax would increase accordingly.

Beginning January 1, 2033, House Bill 4615 (S-1) would reduce motor fuel tax rates to \$0 per gallon. This would reduce the MTF by a significant but indeterminate amount, likely by over half. It is unknown what share of MTF revenue would be attributable to the motor fuel tax and what fuel tax receipts would be in 2033. Under the increases in the bill, motor fuel taxes would comprise a majority of MTF revenue, whereas they currently comprise about half of MTF revenue.

Levying the motor fuel tax on alternative fuels would increase MTF revenue by an indeterminate but nominal amount in the short term. As alternative fuel vehicles represent a larger market share, fuel tax revenue from alternative fuels would continue to increase.

House Bill 4612 (S-2) would have a positive but nominal and indeterminate impact on transportation revenue, resulting in increased funding to MDOT and local road agencies.

Date Completed: 7-1-15

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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.