



**Senate Fiscal Agency**  
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**BILL ANALYSIS**

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**Telephone: (517) 373-5383**  
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House Bill 4616 (as enrolled)  
House Bill 4738 (as enrolled)  
Sponsor: Representative Michael McCready  
House Committee: Roads and Economic Development (H.B. 4616)  
Transportation and Infrastructure (H.B. 4738)  
Senate Committee: Government Operations (H.B. 4616)  
Committee of the Whole (H.B. 4738)

Date Completed: 11-4-15

**CONTENT**

House Bill 4738 would amend the Motor Fuel Tax Act to do the following:

- Increase the gasoline tax from 19 cents per gallon to 26.3 cents per gallon on January 1, 2017.
- Increase the diesel fuel tax from 15 cents per gallon to 26.3 cents per gallon on January 1, 2017.
- Beginning January 1, 2022, annually adjust the fuel tax rates on gasoline and diesel fuel based on the lesser of 5.0% or the change in the U.S. Consumer Price Index, rounding up to the nearest 1/10 of a cent, and provide that the tax rate could not be reduced.
- Beginning in fiscal year 2016-17, require that the first \$100.0 million in fuel tax revenue be deposited in the Roads Innovation Fund (which House Bill 4737 would establish), until money was released from the Fund under a concurrent resolution of the Legislature.
- Apply the motor fuel tax to alternative fuels (based on the per-gallon energy equivalent to motor fuels); and provide that this tax rate would be effective for alternative fuel commercial users beginning January 1, 2017, and for a person other than an alternative fuel commercial user or alternative fuel dealer beginning January 1, 2018.
- Provide for an alternative fuel dealer license for \$500 and an alternative fuel commercial user license for \$50; and repeal a \$50 license fee for liquefied petroleum gas dealers.
- Increase civil penalties for operators, owners, or drivers of vehicles using dyed diesel fuel.

House Bill 4616 would amend the Motor Carrier Fuel Tax Act to apply fuel tax rates under House Bill 4738 to motor carrier fuel purchases of gasoline, diesel, and alternative fuels.

Both bills would take effect on January 1, 2017. The bills are tie-barred to each other, Senate Bill 414, and House Bills 4370, 4614, 4736, and 4737.

MCL 207.211 et al. (H.B. 4616)  
207.1002 et al. (H.B. 4738)

**FISCAL IMPACT**

The bills would result in increases to the Michigan Transportation Fund (MTF) as shown in Table 1.

Table 1  
(dollars in millions)

Fiscal Year	Michigan Transportation Fund Components					Recreation Improvement Account	Roads Innovation Fund
	State Trunkline Fund (MDOT)	County Road Agencies	Cities & Villages	CTF (Public Transit)	Total Impact on Michigan Transportation Fund:		
2016-17	\$70.4	\$70.4	\$39.2	\$20.0	<b>\$200.0</b>	<b>\$4.7</b>	<b>\$100.0</b>
2017-18	\$105.4	\$105.4	\$58.7	\$29.9	<b>\$299.4</b>	<b>\$6.3</b>	<b>\$100.0</b>
2018-19	\$105.1	\$105.1	\$58.6	\$29.9	<b>\$298.7</b>	<b>\$6.2</b>	<b>\$100.0</b>
2019-20	\$104.9	\$104.9	\$58.5	\$29.8	<b>\$298.2</b>	<b>\$6.2</b>	<b>\$100.0</b>
2020-21	\$104.7	\$104.7	\$58.4	\$29.8	<b>\$297.6</b>	<b>\$6.2</b>	<b>\$100.0</b>

Beginning in fiscal year 2021-22, when motor fuel taxes would be adjusted according to inflation, annual revenue from fuel taxes would increase accordingly.

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

Upon concurrent resolution of the Legislature, the redirection of \$100.0 million to the Roads Innovation Fund would cease, and any money in the Roads Innovation Fund would be distributed to road agencies and the Comprehensive Transportation Fund according to the MTF distribution formula. At that point, road agencies and the CTF would receive all money in the Roads Innovation Fund that would have been received but for the redirection in prior fiscal years.

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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.