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BILL ANALYSIS



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House Bill 5572 (Substitute H-2 as reported without amendment)
Sponsor: Representative Michael McCready
House Committee: Transportation and Infrastructure
Senate Committee: Finance

CONTENT

The bill would amend the Motor Fuel Tax Act to allow an alternative fuel commercial user to pay the tax imposed under the Act on compressed natural gas based on a "gallon equivalent" different from the Act's definition of that term, if all of the following conditions were met:

- The gas was placed in the commercial user's vehicle at an alternative fuel filling station.
- The filling station was owned or leased by the alternative fuel commercial user, was located at the user's place of business, and was not available to the public.
- The motor vehicle was not subject to the International Fuel Tax Agreement, required to have a decal affixed to the cab, or operated under a trip permit.

The Act was amended in 2015 under a package of legislation that increased taxes on gasoline and diesel fuel, and made a number of other changes. The amendments to the Act included provisions that apply equivalent tax rates to certain alternative fuels, beginning January 1, 2017. House Bill 5572 (H-2) would amend provisions that will be effective on that date.

Under the Act, the rate of the tax on alternative fuels must be equal to the tax on motor fuel per gallon equivalent. The definition of "gallon equivalent" depends on the type of alternative fuel. For compressed natural gas, the term means the following or its metric equivalent: 5.660 pounds or 126.67 cubic feet at 60 degrees Fahrenheit and one atmosphere of pressure.

Under the bill, notwithstanding anything to the contrary under the Act, an alternative fuel commercial user could report and pay the tax imposed under Section 152 on compressed natural gas based on a gallon equivalent equal to 6.384 pounds or 142.78 cubic feet at 60 degrees Fahrenheit and one atmosphere of pressure, if the above conditions were met.

MCL 207.1154

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would have a negative, yet minimal, impact on fuel tax revenue. The bill would subject the new motor fuel tax (beginning in January 2017) of 26.3 cents per gallon to 142.78 cubic feet of compressed natural gas (CNG) fuel for truck fleets that own or lease nonpublic filling stations as opposed to a tax of 26.3 cents per gallon for 126.67 cubic feet of CNG for those that do not. Based upon testimony provided to the House Committee on Transportation and Infrastructure, the bill would reduce fuel taxes by about 3.2 cents per gallon on a limited number of commercial vehicles, between 500 and 600, that use CNG at nonpublic filling stations. Depending upon how often those commercial vehicles refuel, the reduction to State revenue could range between \$100,000 and \$200,000 per year.

The bill also would have an indeterminate, though likely negligible, impact on local revenue. As the new tax rate is not yet in effect, total motor fuel tax revenue for FY 2016-17 is difficult to estimate. Based upon revenue numbers from previous years, a reduction of \$100,000 to \$200,000 in motor fuel revenue would result in a reduction of total distributions from the Michigan Transportation Fund to counties, villages, and cities of .01% to .02%.

Date Completed: 10-20-16

Fiscal Analyst: Michael Siracuse

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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.