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## BILL ANALYSIS



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House Bill 5572 (Substitute H-2 as passed by the House)  
Sponsor: Representative Michael McCready  
House Committee: Transportation and Infrastructure  
Senate Committee: Finance

Date Completed: 10-18-16

**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 the gas were placed in the commercial user's vehicle at a nonpublic alternative fuel filling station and other conditions were met.**

The Act was amended in 2015 under a package of legislation that increased taxes on gasoline and diesel fuel, adjusted vehicle registration taxes, provided for a potential reduction in the individual income tax, 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, and the bill would take effect on the same date.

The Act prescribes a tax on the sale and use of certain types of fuel in motor vehicles on Michigan public roadways. Under Section 152, a tax at the rate per gallon equal to the tax on motor fuel is imposed on alternative fuel. The rate of the tax on the following alternative fuels must be equal to the tax on motor fuel per gallon equivalent or fractional part rounded to the nearest 1/10 of one gallon:

- Compressed natural gas.
- Hydrogen.
- Hydrogen compressed natural gas.
- Liquefied natural gas.

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.

For the purpose of determining the amount of tax owed to the Department of Treasury, an alternative fuel commercial user that uses alternative fuel upon which the tax imposed under Section 152 has not been collected by or paid to an alternative fuel dealer must, by the 20<sup>th</sup> day of each month, file with the Department a report that includes the number of gallons or gallon equivalents, if applicable, of the alternative fuel that was used or consumed by the alternative fuel commercial user during the preceding calendar month, together with any other information the Department requires. An alternative fuel commercial user must pay the full amount of the tax due to the Department at the time of filing the required report.

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 all of the following conditions were met:

- The compressed natural gas was placed into the fuel supply tank of a motor vehicle owned by the alternative fuel commercial user through the use of an alternative fuel filling station.
- The alternative fuel filling station was owned or leased by the alternative fuel commercial user, was located at the place of business of the alternative fuel commercial user, and was unavailable for public use.
- The motor vehicle owned by the alternative fuel commercial user was not subject to the International Fuel Tax Agreement, required to have a decal affixed to the cab under the Act, or operated under a trip permit issued by the Department under the Act.

("Alternative fuel commercial user" means a commercial or other business enterprise or entity that is a consumer or end user of alternative fuel to propel a motor vehicle on the public roads and highways of Michigan. The term not include a person licensed as an alternative fuel dealer under the Act.)

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%.

Fiscal Analyst: Michael Siracuse

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