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Senate Bill 447 (Substitute S-1 as reported)
Sponsor: Senator Sam Singh
Committee: Energy and Environment

CONTENT

The bill would amend the Income Tax Act to establish a refundable tax credit for a taxpayer engaged in the production or blending of sustainable aviation fuel. A qualified taxpayer engaged in the business of producing or blending sustainable aviation fuel could claim a credit against the income tax in an amount equal to $1.50 per gallon of sustainable aviation fuel (fuel derived from biomass) produced in the State during the tax year by a business for use as fuel for flights departing from an airport in the State. The amount of the credit per gallon allowed would increase by 2 cents for each additional 1% reduction in carbon dioxide equivalent emissions above 50% but could not exceed $2 per gallon. A taxpayer could not claim an aviation fuel credit unless the Department of Environment, Great Lakes, and Energy had certified the amount of sustainable aviation fuel that a taxpayer used in that tax year.

BRIEF RATIONALE

According to testimony, other states, including Washington, Illinois, Indiana, and Montana, have provide the aviation industry with similar sustainable fuel tax credits. The bill would put Michigan on a similar track toward clean fuel standards, which would assist the State in its efforts toward net zero carbon emissions.

Proposed MCL 206.678 Legislative Analyst: Nathan Leaman

FISCAL IMPACT

The bill would reduce State General Fund revenue by an unknown amount that would depend on the relative prices of different types of aviation fuel, the amount of fuel produced that was eligible for the credit, and what credit level taxpayers would be eligible to claim. In order to be eligible for the tax credit, the fuel must be produced in the State. Fuel produced outside of the State and imported into the State would not be eligible.

The portion of aviation fuel production that would be eligible for the credit is unknown. If production eligible for the bill's credit represented 10% of the fuel sales, then the bill would reduce revenue by between $40.8 million per year, at the minimum credit level, and $54.4 million per year, at the maximum credit level. The revenue reduction would be less if a lower percentage of consumption were eligible for the credit, and more if a larger percentage were eligible.

Date Completed: 12-10-24 Fiscal Analyst: Bobby Canell
David Zin

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.