Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bills 235 and 236 (Substitute S-1 as reported)
Sponsor: Senator Sam Singh (S.B. 235)
Senator Joseph Bellino, Jr. (S.B. 236)
Committee: Natural Resources and Agriculture

**CONTENT**

Senate Bill 236 (S-1) would enact the "Sustainable Aviation Fuel Incentive Program Act" to do the following:

-- Require the Department of Environment, Great Lakes, and Energy (EGLE) to create and administer the Sustainable Aviation Fuel Incentive Program (Program) to encourage the production of sustainable aviation fuel in the State for use by flights departing the State.
-- Allow EGLE to approve a maximum of $4.5 million in sustainable aviation fuel tax credits for Fiscal Year (FY) 2025-2026 and up to $9.0 million during each following FY.
-- Create the application and certification process for those seeking the tax credit.
-- Prescribe a felony punishable by up to one year's imprisonment or a maximum fine of $1,000, or both, for a purchaser who made a false certification.
-- Require EGLE to submit an annual report to certain legislative committees and agencies on the operation and effectiveness of the Program for the immediately preceding FY, the amount of credits certified under the Program, the number of applications received, and the number of applications approved during that FY.

Senate Bill 235 (S-1) would amend the Income Tax Act to establish a refundable tax credit for qualified taxpayers to claim up to $2 per gallon of sustainable aviation fuel that was produced in the State and was sold for use by an aircraft in the State, upon certification by EGLE.

The bills are tie-barred.

MCL 206.678 (S.B. 235)

**BRIEF RATIONALE**

Sustainable aviation fuel is an alternative to jet fuel and is made with bio-mass from crops such as soybeans, corn, and other agricultural waste.[1] According to testimony before the Senate Committee on Natural Resources and Agriculture, other States in the Midwest such as Minnesota, Illinois, and Nebraska, have provided the aviation industry with similar fuel tax credits. Some believe that incentivizing the production of sustainable aviation fuel would support Michigan's farming industry and assist in the MI Healthy Climate Plan's efforts toward net zero carbon emissions.

Legislative Analyst: Eleni Lionas

[1] "Alternative Fuels Data Center", U.S. Department of Energy. Retrieved 6-12-25, https://afdc.energy.gov/fuels/sustainable-aviation-fuel#:~:text=Sustainable%20aviation%20fuel%20(SAF)%20is,how%20the%20fuel%20is%20produced.

## FISCAL IMPACT

Senate Bill 236 (S-1)

The bill would have a negative fiscal impact on EGLE. The extent of this impact is currently indeterminate but would be limited to the full-time equivalents and administrative costs associated with fulfilling the requirements outlined in the bill; developing and administering an application, approval, and certification process for the sustainable aviation fuel tax credits.

The bill could have an indeterminate negative fiscal impact and an indeterminate positive fiscal impact on State and local government. New misdemeanor arrests and convictions under the bill could increase resource demands on law enforcement, court systems, community supervision, and jails; however, it is unknown how many people would be prosecuted under provisions of the bill. Local jail costs vary by jurisdiction and thus costs for local governments would vary. Local revenue to local libraries could increase under the bill as any additional revenue from imposed fines would go to local libraries.

Senate Bill 235 (S-1)

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 credit represented 10% of the fuel sales, then absent the limitations in Senate Bill 236 (S-1), the credit 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; however, Senate Bill 236 (S-1) would limit the total amount of approved credits to $4.5 million in FY 2025-26 and $9.0 million in subsequent FY.

It is unclear how the FY limits on the tax credits would interact with taxpayer's tax years. Senate Bill 236 (S-1) would require taxpayers to file an application for a credit with EGLE within two months of the end of a taxpayer's tax year. The bill does not indicate how EGLE would process credits within the limits on aggregate credits, such as whether the credits would be granted first-come-first-served or whether EGLE would accept applications through a due date and then prorate the credits granted across eligible applicants. The revenue reduction in any given FY could differ from the FY limits because it is unclear if taxpayers would file amended returns to claim credits or would claim them in subsequent tax years. Under such variations, the actual revenue reduction in any FY could be greater or less than the limits in Senate Bill 236 (S-1) but would average those limits over the long run.

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