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STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

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ENROLLED BILL ANALYSIS

BILL: HB 4614

TOPIC: Amend the Streamlined Sales- and Use-tax Revenue-equalization Act to cover natural-gas truck fuel.

SPONSOR: Rep. LaFontaine

CO-SPONSORS: Reps. Leutheuser, Inman, and Potvin

COMMITTEE: House Transportation and Infrastructure

ANALYSIS DONE BY: Aarne H. Frobom

DATE OF COMPLETED ANALYSIS: November 5, 2015

REVIEWED BY: DA ML

SHORT SUMMARY/HIGHLIGHTS OF THE BILL

This bill includes natural gas in the 6% use tax on out-of-state purchases of interstate truck fuel. It is part of a package applying motor fuel tax to natural gas, and increasing the tax on Diesel fuel. It is a conforming amendment to HBs 4738 and 4616 (Motor Fuel Tax Act and Motor Carrier Fuel Tax Act).

ADMINISTRATION POSITION

Support.

PROBLEM/BACKGROUND

Michigan is one of 5 states to apply state sales tax to truck fuel. That would place Michigan truck stops at a competitive disadvantage to retailers in adjoining states if not for the 6% surtax that is applied to truck fuel bought in other states and burned on Michigan roads. This surtax is collected through the International Fuel Tax Agreement (IFTA), by which interstate truck operators pay fuel taxes based on the miles traveled by each truck in each state. Because truck operators cannot avoid the 6% tax, they are insensitive to Michigan's sales tax on fuel, and choose retailers based on the true price of fuel before state taxes.

The surtax is collected under the Use Tax Act, but the revenue is not appropriated like other use tax revenue. The Streamlined Sales- and Use-tax Revenue-equalization Act was enacted in

response to the multi-state Streamlined Sales Tax Agreement, a compact that required that taxes on fuel be appropriated to the Michigan Transportation Fund, as with other fuel taxes.

DESCRIPTION OF BILL

This bill extends the 6% IFTA use tax to natural gas (compressed natural gas, CNG; and liquefied natural gas, LNG) and other gaseous fuels. It allows the 6% tax to be collected by IFTA from trucks that pass through Michigan fueled by CNG or LNG that was bought elsewhere.

SUMMARY OF ARGUMENTS

Pro: This is a necessary conforming amendment to HBs 4738 and 4616, which include alternative fuels in the motor-fuel-tax system. It is needed to prevent a loss of revenue to the Michigan Transportation Fund if CNG or LNG become common fuels for interstate trucks. It will also prevent disadvantaging Michigan natural-gas retailers relative to truck stops in adjoining states.

Con: We know of no arguments against this bill.

FINAL PASSAGE VOTES

Senate: 21–17
House: 55–52

FISCAL/ECONOMIC IMPACT

Are there revenue or budgetary implications in the bill to the –

(a) Department

Budgetary:

Revenue: This bill has negligible MTF revenue implications by itself. Interstate-truck use of natural gas is rare, but may increase in the future. The fuel-tax rate would be set in the Motor Fuel Tax Act, as amended by HB 4738.

Comments: This is a conforming amendment only.

(b) State

Budgetary:

Revenue:

Comments:

(c) Local Government

Budgetary:

Revenue:

Comments:

OTHER STATE DEPARTMENTS: This Act is administered by the Department of Treasury.

ANY OTHER PERTINENT INFORMATION: Small truck-stop operators occasionally claim to be disadvantaged by Michigan's sales tax on Diesel fuel, and argue for complicated refund or exemption schemes that would exempt some classes of transactions from the sales tax, and increase the risk of tax evasion. Such claims are unsupportable, as truck operators cannot avoid the tax by purchasing fuel in other states, and are insensitive to the after-tax pump price in any state.

ADMINISTRATIVE RULES IMPACT: None.