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GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

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ENROLLED BILL ANALYSIS

BILL: HB 4616

TOPIC: Amend the Motor Carrier Fuel Tax Act to change the Diesel-fuel tax rate to match HB 4738. Apply fuel tax to natural gas.

SPONSOR: Rep. McCready

CO-SPONSORS: Representatives 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 is part of a package increasing the tax on motor fuel, and applying the truck fuel tax to natural gas. It is a conforming amendment to HBs 4738 and 4614 (Motor Fuel Tax Act and Streamlined Sales- and Use-tax Revenue-equalization Act).

It completes the equalization of the tax rates on gasoline and Diesel fuel, and allows the per-gallon fuel-tax rate to be amended in the future by amending just one act (Motor Fuel Tax Act).

ADMINISTRATION POSITION

Support.

PROBLEM/BACKGROUND

Michigan is one of 12 states that do not apply their motor-fuel tax to natural gas (compressed natural gas, CNG; and liquefied natural gas, LNG). Although CNG is little-used for truck fuel, its use may increase in the future and it would be desirable to apply the road-use fee to this fuel before many truck operators invest in CNG-burning trucks.

Michigan is the only state that does not collect a road-use fee from trucks in interstate commerce that burn gasoline (although virtually all trucks use Diesel fuel). The International Fuel Tax Agreement is the mechanism by which all states and most Canadian provinces ensure that long-distance trucks collect fuel taxes on fuel burned within each jurisdiction, on a per-mile basis.

The IFTA system can accommodate four tax rates, but Michigan does not collect IFTA taxes on gasoline or natural gas, only Diesel.

Michigan's Diesel-fuel tax rate is set in two separate laws: the Motor Fuel Tax Act and the Motor Carrier Fuel Tax Act. Changing the Diesel tax rate requires amending both.

DESCRIPTION OF BILL

This bill does three things:

1. Applies the motor carrier fuel tax—the road-use fee—to gasoline, and natural gas and "alternative fuels" used in trucks in interstate commerce. This bill refers to the Motor Fuel Tax Act as amended by HB 4738 which supplies the necessary definitions and mechanisms for establishing a tax rate for non-liquid (gaseous) fuels, and sets a rate equivalent to that on Diesel fuel. HB 4738 fixes the per-gallon rate at 26.3 cents/gallon for both fuels.

2. Sets the tax rate on Diesel fuel at the same level as the tax on gasoline specified in the Motor Fuel Tax Act. This will make the per-gallon tax rates equal for all fuels, and will mean that the rate for gasoline, Diesel, and CNG can be changed in the future with one bill.

3. Removes obsolete 2006 language creating a temporary tax exemption for biofuels, and otherwise modernizes language.

SUMMARY OF ARGUMENTS

Pro: It is unfair to fuel-tax payers to exempt some fuels from the road-use fee. The fee should be applied to natural gas and other fuels before truck users buy equipment based on fuel prices that do not include a road-use fee. This bill is a necessary part of the package applying the motor fuel tax to alternative fuels, and increasing the tax rate on truck fuels.

This is the way the law should have been written when the Motor Carrier Fuel Tax Act was enacted in 1980, to simplify changes to the tax rate.

Con: It may be said that the road-use fee on Diesel fuel should be higher or lower than on gasoline; because Diesel fuel contains more energy than gasoline and trucks consume more road capacity and pavement life, or because trucks burn more fuel per mile than cars.

FINAL PASSAGE VOTE

Senate: 20–18
House: 56–51

FISCAL/ECONOMIC IMPACT

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

(a) Department

Budgetary:

Revenue: This bill has no revenue implications by itself. The motor-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: The revenue from collecting tax on gasoline used by interstate motor carriers is negligible.

Comments:

(c) Local Government

Budgetary:

Revenue:

Comments:

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

ANY OTHER PERTINENT INFORMATION: None.

ADMINISTRATIVE RULES IMPACT: None.