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INTERSTATE FUEL TAX COMPACT

House Bill 5444 as enrolled
Public Act 353 of 1994
Second Analysis (1-13-95)

Sponsor: Rep. Walter J. DeLange
House Committee: Taxation
Senate Committee: Transportation and
Tourism

THE APPARENT PROBLEM:

According to state transportation officials, the state is obliged to enter the International Fuel Tax Compact, an agreement devised by the National Governors' Association to simplify fuel tax reporting. Under this plan, truckers would no longer file gas tax paperwork with each state (or province) in which they travel but instead would report to their home states, and officials of the home state would apportion or allocate fuel taxes to the other appropriate states based on miles driven. States are required to join this compact, transportation specialists say, under the terms of the federal Intermodal Surface Transportation Efficiency Act.

THE CONTENT OF THE BILL:

The bill would amend the Motor Carrier Fuel Tax Act (MCL 207.212a) to permit the Department of Treasury, on behalf of the state, to enter into a reciprocal agreement providing for the imposition of a motor fuel tax on an apportionment or allocation basis with the proper authority of a state, a commonwealth, the District of Columbia, a state or province of a foreign country, or a territory or possession either of the United States or of a foreign country. Pursuant to this, the bill would require the Department of Treasury to enter into the international fuel tax agreement.

The department would be able to promulgate rules to implement and enforce the provisions of the international fuel tax agreement; the rules would have to be promulgated pursuant to the Administrative Procedures Act.

Pursuant to the requirements of the federal Intermodal Surface Transportation Efficiency Act of 1991, if the department entered into the

international fuel tax agreement, and if the provisions of the agreement were different from the state fuel tax act, then the provisions of the agreement would control.

The bill would specify that it constitutes complete authority for the imposition of motor fuel taxes upon an apportionment or allocation basis.

FISCAL IMPLICATIONS:

The Senate Fiscal Agency notes that the federal Intermodal Surface Transportation Efficiency Act (ISTEA) provides that "After September 30, 1996, no state shall establish, maintain or enforce any law or regulation which provides for the payment of a fuel use tax unless such law or regulation is in conformity with the International Fuel Tax Agreement with respect to the collection of such a tax by a single base state and proportional sharing of such taxes charged among the states where a commercial motor vehicle is operated." The SFA says this language could jeopardize the state's ability to collect about \$80 million in motor fuel taxes if the state did not comply.

The SFA also estimates a revenue loss of \$18.2 million to the extent the bill would prevent the state from collecting revenue from the sale of diesel fuel discount decals. (However, the agency notes, elimination of the six-cent discount itself would generate an additional \$32 million in revenue.)

The SFA made no estimate as to the effect on administrative costs to the Department of Treasury from implementation of the fuel agreement. The agency notes that in fiscal year 1993-94 (April through March), 541,666 nonresident carriers filed tax returns in Michigan while 58,313 resident

carriers filed returns. Under the fuel tax agreement, only resident carriers would file in the state. However, audit requirements for those filing would increase under the agreement.

ARGUMENTS:

For:

The bill provides the authority for the Department of Treasury to enter into an international fuel tax compact. Federal law requires the state to participate, according to state transportation officials. Currently, specialists say, a trucker who fills up in Chicago and drives to Port Huron is liable for the fuel tax upon purchase in Illinois and for a fuel use tax in Michigan based on miles driven here. The trucker, or the employer, pays a tax to Michigan but is eligible for a refund from Illinois for the amounts paid to Michigan. The interstate compact will require truckers to file paperwork and pay taxes only in the home state, and then the states (and territories and Canadian provinces) will allocate and apportion the taxes among members of the compact. The aim is a more efficient and uniform fuel tax system.