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**SFA**



**BILL ANALYSIS**

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Senate Bill 334 (as introduced 3-26-97)

Sponsor: Senator Walter H. North

Committee: Appropriations

Date Completed: 4-18-97

## **CONTENT**

Senate Bill 334 would amend the Motor Fuel Tax Act to provide for an increase in the motor fuel tax if approved by a majority of electors at the general election on November 3, 1998.

MCL 207.102

## **FISCAL IMPACT**

The current motor fuel tax rate is 15 cents per gallon. If approved by the electors at the next general election, the bill would increase the tax to 21 cents effective January 1, 1999, and 23 cents effective January 1, 2000. The rate would apply to gasoline, diesel, and liquefied petroleum. Public Act 584 of 1996 changed the tax rate for motor carrier diesel fuel. Prior to April 1, 1997, the rate was based on the rate set for gasoline with a six-cent discount for motor carriers licensed under the Motor Carrier Fuel Tax Act. Public Act 584 of 1996 set the rate at 21 cents per gallon, with a six-cent credit for sales tax paid for fuel purchased in Michigan. Therefore, the tax increase in this bill would not affect the motor carrier diesel fuel tax rate.

Each one-cent increase in the motor fuel tax (excluding the tax paid by motor carriers) is estimated to generate approximately \$50 million in 1999. The increase on January 1, 1999, would generate \$300 million annually and the January 1, 2000, increase would generate \$100 million annually. The current formula for the distribution of Michigan Transportation Fund Revenue contained in Public Act 51 of 1951, expires on September 30, 1998. Based on that formula, the \$400 million annual revenue increase would be distributed as follows:

Estimated Annual Revenue Increase Generated by Senate Bill 334	\$400,000,000
Recreation Improvement Fund (2% of motor fuel tax less collection costs)	8,000,000
Transfer to Comprehensive Transportation Fund (10%)	39,200,000
<b>ADJUSTED NET GROSS AVAILABLE FOR DISTRIBUTION</b>	<b>352,800,000</b>
State Trunkline Fund (39.1%)	137,944,800
County Road Commissions (39.1%)	137,944,800
Cities and Villages (21.8%)	76,910,400

Fiscal Analyst: B. Bowerman

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