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## HOUSE FISCAL AGENCY

124 N. Capitol Avenue  
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HB4476 SUBSTITUTE  
H-1

Sponsor  
Committee

Rep. Michael Kowall  
TAX POLICY

Analyst(s) Ross, Rebecca

Completed 3/26/01

### State Fiscal Impact

Cost	None
Revenues	Decrease

### Local Fiscal Impact

Cost	None
Revenues	Decrease

House Bills 4476 (H-1) and 4477 (H-1) would amend the sales and use tax act to exempt that portion of the purchase price of natural gas that is greater than \$3.00/mcf (thousand cubic feet) and the price of propane or fuel oil that is greater than \$1.40/gallon. These bills would take effect October 1, 2001, and are tie-barred to HB 4478.

The fiscal impact of these bills depends on the volume of natural gas that is priced above \$3.00/mcf (and propane or fuel oil that is priced above \$1.40/gallon), the price in excess of \$3.00/mcf (or \$1.40/gallon), and when the price increases go into effect. It is estimated that natural gas prices will increase to \$5.50/mcf for Consumers Energy on May 1, 2001, and for MichCon and SEMCo on January 1, 2002. The fiscal impact would be an estimated reduction of \$64.7 million in sales and use tax revenue for fiscal year (FY) 2001-02. These bills would reduce School Aid Fund (SAF) revenue by an estimated \$41.1 million, revenue sharing by an estimated \$21.4 million and General Fund/General Purpose (GF/GP) by an estimated \$2.2 million in FY 2001-02.