

Legislative Analysis



MOTOR FUEL TAX ACT – GASOLINE AND DIESEL EXCISE TAX RATES

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House Bill 4575

Sponsor: Rep. Craig DeRoche

House Bill 4576

Sponsor: Rep. Hoon-Yung Hopgood

Committee: Transportation

Complete to 4-11-07

A SUMMARY OF HOUSE BILLS 4575 AND 4576 AS INTRODUCED 4-5-07

House Bill 4575 would amend Section 8 of the Motor Fuel Tax Act (2000 PA 403) to increase the tax on gasoline from the current rate of 19 cents per gallon. The bill would increase the tax rate by three cents each year for three years. The rate through December 31, 2008 would be 22 cents per gallon. The rate for the 2009 calendar year would be 25 cents per gallon, and the rate for the period beginning January 1, 2010 would be 28 cents per gallon.

House Bill 4576 would amend Section 8 of the Motor Fuel Tax Act (2000 PA 403) to increase the tax rate on diesel motor fuel from the current rate of 15 cents per gallon. The bill would increase the rate by 7 cents to 22 cents per gallon "on and before December 31, 2008." The rate for the 2009 calendar year would be 25 cents per gallon, and the rate for the period beginning January 1, 2010 would be 28 cents per gallon.

MCL 207.1008

FISCAL IMPACT:

The intent of the Motor Fuel Tax Act is "*to require persons who operate a motor vehicle on the public roads or highways of this state to pay for the privilege of using those roads and highways.*" Revenue from the taxes imposed by the act is dedicated to transportation in Article IX, Section 9 of the 1963 Michigan Constitution.

Section 10 of Public Act 51 of 1951 creates the Michigan Transportation Fund as the collection and distribution fund for this constitutionally dedicated revenue. The gasoline excise tax generated \$906 million in FY 2005-06 at the current 19-cent per gallon tax rate. The Motor Fuel Tax on diesel generated \$116 million at the 15-cent per gallon rate. **[An additional \$32 million in diesel tax revenue was generated from the Motor Carrier Fuel Tax Act.]** This revenue was credited to the Michigan Transportation Fund, along with vehicle registration taxes imposed in the Michigan Vehicle Code, and distributed in accordance with the provisions of Public Act 51 of 1951 to other state transportation funds and program accounts and to local road agencies (county road commissions and cities and villages).

We estimate that HB 4575 would increase revenue from the gasoline tax by \$143.1 million in 2008, \$286.2 million in 2009, and \$429.3 million in 2010.

We estimate that HB 4576 would increase revenue from the diesel tax by \$71.4 million in 2008, \$102.0 million in 2009, and \$132.6 million in 2010.

These estimates were computed applying the current yield per penny of tax (\$47.7 million for gasoline, and \$10.2 million for diesel fuel per Michigan Department of Treasury ERFD estimates) to the proposed incremental rate increases. The estimated yield and revenue increase for diesel fuel taxes assumes that the Motor Carrier Fuel Tax Act would be amended to conform to the proposed changes in the Motor Fuel Tax Act. Revenue from the Motor Carrier Fuel Tax Act represents approximately 20% of diesel motor fuel tax revenue.

The estimates also assume that the rate increases would be effective for the full calendar year December 31, 2008. The actual additional revenue in the first year of implementation would depend on the effective date of the enacted bills.

Under current law, the additional revenue generated from these tax changes would be distributed to the Recreation Improvement Fund, the Michigan Transportation Fund, the Comprehensive Transportation Fund, the State Trunkline Fund, and to county, city, and village road agencies as shown in the table on the next page.

Fiscal Impact of Proposed Increases in Motor Fuel Taxes

Calendar Year	2008	2009	2010
Gasoline Motor Fuel Tax			
Yield per 1-cent of Tax	\$47,700,000	\$47,700,000	\$47,700,000
Proposed Increase	3	6	9
Computed Revenue	\$143,100,000	\$286,200,000	\$429,300,000
Diesel Motor Fuel Tax			
Yield per 1-cent of Tax	\$10,200,000	\$10,200,000	\$10,200,000
Proposed Increase	7	10	13
Computed Revenue	\$71,400,000	\$102,000,000	\$132,600,000
Total Additional Revenue	\$214,500,000	\$388,200,000	\$561,900,000

Distribution			
To the Recreation Improvement Fund (statutory based on 2% of gasoline sales)	\$2,862,000	\$5,724,000	\$8,586,000
Net Additional MTF Revenue	\$211,638,000	\$382,476,000	\$553,314,000
To the Comprehensive Transportation Fund			
Percent per Public Act 51 of 1951 Distribution	10.00%	10.00%	10.00%
	\$21,163,800	\$38,247,600	\$55,331,400
Net MTF Balance	\$190,474,200	\$344,228,400	\$497,982,600
To the State Trunkline Fund			
Percent per Public Act 51 of 1951 Distribution	39.10%	39.10%	39.10%
	\$74,475,400	\$134,593,300	\$194,711,200
To County Road Commissions			
Percent per Act 51 Distribution	39.10%	39.10%	39.10%
	\$74,475,400	\$134,593,300	\$194,711,200
To Cities and Villages			
Percent per Act 51 Distribution	21.80%	21.80%	21.80%
	\$41,523,400	\$75,041,800	\$108,560,207

Michigan Department of Treasury, Economic and Revenue Forecasting Division (ERFD) estimates (2/08/07)

	Gasoline	Diesel *
Estimated FY 2006-07 Revenue	\$907,000,000	\$153,000,000
Tax Rate	19	15
Yield per penny	\$47,736,842	\$10,200,000

*The estimate for diesel tax revenue includes approximately \$30 million from the Motor Carrier Fuel Tax Act.

Fiscal Analyst: William E. Hamilton

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.