Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 814 (as introduced 1-12-22) *(Senate-passed version)*
Sponsor: Senator Kevin Daley
Committee: Agriculture

Date Completed: 6-21-22

CONTENT

The bill would amend the Income Tax Act to allow a retail dealer of motor fuels to claim a refundable credit against the individual or corporate income tax of $0.05 per gallon of E15 or $0.085 per gallon of E85 sold during the tax year.

Specifically, the bill would allow, for tax years beginning on and after January 1, 2023, through December 31, 2027, a retail dealer to claim a credit against the individual or corporate income tax equal to the sum of the following:

-- $0.05 per gallon of E15 fuel that the retail dealer sold and dispensed through metered pumps at the retail dealer's motor fuel site during the tax year.
-- $0.085 per gallon of E85 fuel that the retail dealer sold and dispensed through metered pumps at the retail dealer's motor fuel site during the tax year.

"E15 fuel" means gasoline blended with more than 10% of ethanol but not more than 15% of ethanol by volume. "E85 fuel" means a high-level ethanol-gasoline blend containing more than 50% of ethanol but not more than 83% of ethanol by volume and that is suitable for use in flexible fuel vehicles. "Motor fuel site" means an establishment at which motor fuel is sold or offered for sale to the public. "Retail dealer" means the ultimate vendor as that term is defined in Section 6 of the Motor Fuel Tax Act: the person who sells motor fuel to the end user of the fuel.

For a taxpayer who was a member of a flow-through entity that qualified for the credit, that taxpayer could claim a credit against the member's tax liability under the corporate income tax based on the member's distributive share of business income reported from that flow-through entity or an alternative method approved by the Department of Treasury.

If the credit for the tax year exceeded the taxpayer's tax liability for the tax year, the portion of the credit that exceeded the liability would have to be refunded.

Proposed MCL 206.277 & 206.677 Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill would reduce State revenue to the General Fund by approximately $2.3 million based on 2018 consumption data. The revenue reduction likely would exceed $2.3 million per year because of a trend of increasing consumption of higher-ethanol blend fuels and the recent decision of the Federal government to allow sales of E15 fuel between June 1 and September

15 (a period when E15 fuel is not available in roughly two-thirds of the country). The actual revenue reduction would depend on the number of gallons of gasoline sold, which in turn would depend on gasoline prices, average vehicle fuel economy, and average miles driven. The credit effectively would subsidize each gallon of gas sold by a retail seller by between 5.0 (for E15 fuel) and 8.5 cents (for E85 fuel) per gallon.

Fiscal Analyst: David Zin

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