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BILL ANALYSIS

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Senate Bills 972 and 973 (Substitute S-2 as reported)
Senate Bill 974 (Substitute S-3 as reported)
Senate Bill 1029 (Substitute S-1 as reported)
Sponsor: Senator Tom Barrett (S.B. 972)
Senator Aric Nesbitt (S.B. 973)
Senator Dan Lauwers (S.B. 974)
Senator Roger Victory (S.B. 1029)
Committee: Transportation and Infrastructure

CONTENT

Senate Bill 972 (S-2) would amend the General Sales Tax Act to specify that, beginning June 15, 2022, through September 15, 2022, the sale of eligible fuel (i.e., any fuel subject to a motor fuel tax) would be exempt from sales tax.

Senate Bill 973 (S-2) would amend the Use Tax Act to specify that, beginning June 15, 2022, through September 15, 2022, the sale of eligible fuel would be exempt from use tax.

Senate Bill 974 (S-3) would amend the Streamlined Sales and Use Tax Revenue Equalization Act to suspend the levy and collection of a specific tax for using or consuming motor fuel and alternative fuel in a qualified commercial vehicle from June 15, 2022, through September 15, 2022.

Senate Bill 1029 (S-1) would amend the Motor Fuel Tax Act to do the following:

-- Specify that, between June 15, 2022, through September 15, 2022, the rate of tax on motor fuel would be zero cents per gallon.
-- State that it is the intent of the bill that end users receive the benefits of the reduction of taxes proposed under the bill.
-- Prohibit a person other than an end user from enriching themselves from the proposed reduction in rate and require the reduction to be passed on to an end user.
-- Appropriate from the General Fund, for fiscal year (FY) 2021-22, approximately $192.6 million among the country road commissions, and approximately $107.4 million among cities and villages, to compensate for revenue lost because of the bill's proposed rate reduction.
-- Specify that if the tax on motor fuels were zero cents per gallon, then the tax on alternative fuels also would be zero cents per gallon equivalent.

Senate Bill 974 (S-3) is tie-barred to Senate Bills 972 and 973.

MCL 205.56a et al. (S.B. 972)
Proposed MCL 205.94ii (S.B. 973)
MCL 205.173 & 205.175 (S.B. 974)
MCL 207.1008 et al. (S.B. 1029)

Legislative Analyst: Tyler P. VanHuyse

FISCAL IMPACT

In FY 2021-22, the bills would reduce revenue to the State by approximately $763.5 million to $803.6 million and would increase revenue to local units by at least $31.0 million to $44.3 million.

Senate Bills 972 (S-2), 973 (S-2), and 974 (S-3) would suspend sales and use taxes on motor fuels from June 15, 2022, through September 15, 2022. The School Aid Fund receives approximately 73.3% of sales tax revenue, and one-third of use tax revenue. Cities, villages and townships, but not counties, receive 10.0% of sales tax revenue through constitutional revenue sharing provisions. The Comprehensive Transportation Fund (CTF) receives 27.6% of the revenue from a rate of 1.0% on sales taxes on motor fuels. Any remaining sales and use tax revenue (for use tax revenue, the remainder is two-thirds of the collections) is deposited into the General Fund. The revenue loss from the suspension would depend on the price of fuel absent the bill. If the prices are higher than estimated, then the revenue loss would be greater and if prices are lower than estimated, then the revenue loss would be less. Assuming that retail gasoline prices otherwise would average $4.50 per gallon over the suspension period, retail diesel prices would average $5.30 per gallon, and that virtually all of the impact occurred under the sales tax, the three bills would lower FY 2021-22 revenue to the School Aid Fund by between $266.3 million and $280.5 million, CTF revenue by between $16.9 million and $17.8 million, constitutional revenue sharing to local units by between $36.3 million and $38.3 million, and General Fund revenue by between $43.8 million and $46.1 million. This estimated General Fund impact does not include the effect of the proposed $300.0 million General Fund appropriation in Senate Bill 1029 (S-1).

Senate Bill 1029 (S-1) would suspend taxes on motor fuels for the same period as the sales and use tax suspensions. Because motor fuel is taxed by volume and not price, the revenue loss from the suspension would depend on how much fuel would be consumed absent the bill rather than the price of fuel. If fuel consumption is greater than estimated, the revenue loss from the suspension would be greater, while if fuel consumption is lower, then the revenue loss would be less than estimated. Revenue from the motor fuels taxes is deposited into the MTF and then distributed according to the terms of Public Act 51 of 1951. The bill would reduce FY 2021-22 MTF revenue by between $400.2 million and $421.0 million. While Public Act 51 divides MTF revenue across a wide variety of funds and functions, the most significant impacts of the bill would be to reduce CTF revenue by between $40.0 million and $42.1 million, and revenue to road and bridge construction by between $360.2 million and $378.9 million. Under Public Act 51, revenue to road and bridge construction is distributed by directing 39.1% to the State, 39.1% to county road commissions, and the remaining 21.8% to cities and villages. As a result, the motor fuel tax suspension would be expected to reduce revenue to State road and bridge construction by between $140.8 million and $148.1 million, revenue to county road commissions by between $140.8 million and $148.1 million, and revenue to cities and villages by between $78.5 million and $82.6 million.

Senate Bill 1029 (S-1) also would appropriate $300.0 million of General Fund revenue to local units, with county road commission receiving approximately $192.6 million and cities and villages receiving approximately $107.4 million. As a result, the net effect of Senate Bill 1029 (S-1) would be to reduce General Fund revenue by $300.0 million, CTF revenue by between $40.0 million and $42.2 million, State road and bridge construction revenue by between $140.8 million and $148.1 million, and to increase county road commission revenue by between $44.5 million and $51.8 million and revenue to cities and villages by between $24.8 million and $28.9 million.

Combined, all the bills' provisions would reduce General Fund revenue by approximately $343.8 million to $346.1 million, School Aid Fund revenue by approximately $266.3 million to 280.5 million, CTF revenue by between $56.9 million and $59.9 million, and MTF revenue for State road and bridge construction by between $140.8 million and $148.1 million. The bills also would increase revenue to county road commissions by between $44.5 million and $51.8 million and lower revenue to cities, villages, and townships by between $7.4 million and $13.5 million.

Estimated Impact of SBs 972 (S-2)-974 (S-3) and 1029 (S-1)
(millions of dollars)

Provisions	Based on Consensus Forecast	Based on Year-to-Date Fuel Consumption
Suspend Motor Fuel Tax (SB 1029)		
Total Impact on Michigan Transportation Fund	($400.2)	($421.0)
Comprehensive Transportation Fund	(40.0)	(42.1)
State Road/Bridge Construction	(140.8)	(148.1)
County Road Commissions	(140.8)	(148.1)
Cities and Villages	(78.5)	(82.6)
Appropriate General Fund revenue to Local Units (SB 1029)	0.0	0.0
General Fund	(300.0)	(300.0)
County Road Commissions	192.6	192.6
Cities and Villages	107.4	107.4
Suspend Sales/Use Taxes on Motor Fuel (SB 972-974)	(363.3)	(382.6)
General Fund	(43.8)	(46.1)
School Aid Fund	(266.3)	(280.5)
Constitutional Revenue Sharing to Cities, Villages and Townships	(36.3)	(38.3)
Comprehensive Transportation Fund	(16.9)	(17.8)
Total	**($763.5)**	**($803.6)**
General Fund	($343.8)	($346.1)
School Aid Fund	($266.3)	($280.5)
Comprehensive Transportation Fund	($56.9)	($59.9)
County Road Commissions	$51.8	$44.5
Other Local Units	($7.4)	($13.5)
State Road/Bridge Construction	($140.8)	($148.1)

Note: See text for discussion of fund source splits for individual provisions.

Date Completed: 5-26-22

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.