

Act No. 17  
Public Acts of 2025  
Approved by the Governor  
October 7, 2025  
Filed with the Secretary of State  
October 7, 2025  
EFFECTIVE DATE: October 7, 2025

**STATE OF MICHIGAN  
103RD LEGISLATURE  
REGULAR SESSION OF 2025**

Introduced by Reps. Steele, Hoadley, Bierlein, Thompson, BeGole, Johnsen, Tisdell, Borton, Kelly, Cavitt, Woolford, Kuhn, Prestin, St. Germaine, Frisbie, DeBoyer, Markkanen, Meerman, Roth, Jenkins-Arno, Bollin, Alexander, Bruck, Lightner, Rigas, Kunse, Martin, Outman and VanderWall

## ENROLLED HOUSE BILL No. 4180

AN ACT to amend 1933 PA 167, entitled "An act to provide for the raising of additional public revenue by prescribing certain specific taxes, fees, and charges to be paid to the state for the privilege of engaging in certain business activities; to provide, incident to the enforcement thereof, for the issuance of licenses to engage in such occupations; to provide for the ascertainment, assessment and collection thereof; to appropriate the proceeds thereof; and to prescribe penalties for violations of the provisions of this act," by amending sections 6a and 25 (MCL 205.56a and 205.75), section 6a as amended by 2015 PA 264 and section 25 as amended by 2023 PA 20, and by adding section 4gg.

*The People of the State of Michigan enact:*

Sec. 4gg. (1) Beginning January 1, 2026, the sale of eligible fuel is exempt from the tax under this act.

(2) As used in this section:

(a) "Alternative fuel" means that term as defined in section 151 of the motor fuel tax act, 2000 PA 403, MCL 207.1151.

(b) "Eligible fuel" means motor fuel, alternative fuel, and leaded racing fuel, except that eligible fuel does not include any of the following:

(i) Motor fuel that is sold for use in aircraft if the purchaser paid the privilege tax imposed by section 203 of the aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.203, on the motor fuel and the purchaser is registered under section 94 of the motor fuel tax act, 2000 PA 403, MCL 207.1094, if required to be registered under that section.

(ii) Aviation fuel on which the privilege tax is due under section 203 of the aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.203.

(iii) Motor fuel on which the privilege tax imposed under section 203 of the aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.203, has been paid and that is identified on the shipping paper or invoice as aviation fuel and sold as aviation fuel.

(iv) Motor fuel or alternative fuel sold for residential, commercial, or industrial use for heating, cooling, or ventilation purposes, such as for use in home or building utility systems, furnaces, boilers, space heaters, water heaters, dryers and similar appliances, and heat pumps, including, but not limited to, motor fuel or alternative fuel that is exempt from the sales tax at the additional rate of 2% approved by the electors on March 15, 1994 under section 4n.

(v) Liquified petroleum gas, unless the liquified petroleum gas is used or for use as those terms are defined in section 151(j) of the motor fuel tax act, 2000 PA 403, MCL 207.1151.

(c) "Leaded racing fuel" means that term as defined in section 4 of the motor fuel tax act, 2000 PA 403, MCL 207.1004.

(d) "Liquified petroleum gas" means that term as defined in section 151 of the motor fuel tax act, 2000 PA 403, MCL 207.1151.

(e) "Motor fuel" means that term as defined in section 4 of the motor fuel tax act, 2000 PA 403, MCL 207.1004.

Sec. 6a.

(1) Beginning April 1, 2016 through December 31, 2025, at the time of purchase or shipment in this state from a refiner, pipeline terminal operator, or marine terminal operator, a purchaser or receiver of fuel other than an exporter or supplier for immediate export, as evidenced by the terminal's shipping papers or bill of lading, shall prepay a portion of the tax imposed by this act at the rates provided in this section to the refiner, pipeline terminal operator, or marine terminal operator for the purchase or receipt of fuel. If the purchase or receipt of fuel is made outside this state for shipment into and subsequent sale within this state, the purchaser or receiver, other than a refiner, pipeline terminal operator, or marine terminal operator as part of a bulk transfer, shall make the prepayment required by this section directly to the department. Prepayments for gasoline must be made at a cents-per-gallon rate determined by the department and must be based on 6% of the statewide average retail price of a gallon of self-serve unleaded regular gasoline as determined and certified by the department rounded up to the nearest 1/10 of 1 cent. Prepayments for diesel fuel must be made at a cents-per-gallon rate determined by the department and must be based on 6% of the statewide average retail price of a gallon of undyed No. 2 ultra-low sulfur diesel fuel as determined and certified by the department rounded up to the nearest 1/10 of 1 cent. A person that makes prepayments directly to the department shall make those prepayments according to the schedule in subsection (4).

(2) Through the tax period ending December 31, 2025, the department must determine the rates of prepayment applicable to gasoline and diesel fuel under this section every month and publish notice of those rates not later than the tenth day of the month immediately preceding the month in which the rate is effective.

(3) A person subject to tax under this act that makes prepayment to another person as required by this section for gasoline may claim an estimated prepayment credit on its regular monthly return filed pursuant to section 6. The credit must be for prepayments made during the month for which the return is required and must be based upon the difference between prepayments made in the immediately preceding month and collections of prepaid tax received from sales or transfers during the month for which the return required under section 6 is made. A sale or transfer for which collection of prepaid tax is due the taxpayer is subject to a bad debt deduction under section 4i, whether or not the sale or transfer is a sale at retail. The credit must not be reduced because of actual shrinkage. A taxpayer that does not, in the ordinary course of business, sell gasoline in each month of the year may, with the approval of the department, base the initial prepayment deduction in each tax year on prepayments made in a month other than the immediately preceding month. The difference in actual prepayments must be reconciled on the annual return pursuant to procedures prescribed by the department.

(4) Notwithstanding the other provisions for the payment and remitting of tax due under this act, a refiner, pipeline terminal operator, or marine terminal operator shall account for and remit to the department the prepayments received under this section pursuant to the following schedule:

(a) On or before the twenty-fifth of each month, prepayments received after the end of the preceding month and before the sixteenth of the month in which the prepayments are made.

(b) On or before the tenth of each month, payments received after the fifteenth and before the end of the preceding month.

(5) A refiner, pipeline terminal operator, or marine terminal operator that fails to remit prepayments made by a purchaser or receiver of fuel is subject to the penalties provided by 1941 PA 122, MCL 205.1 to 205.31.

(6) The refiner, pipeline terminal operator, or marine terminal operator shall not receive a deduction under section 4 for receiving and remitting prepayments from a purchaser or receiver pursuant to this section.

(7) The purchaser or receiver of fuel that makes prepayments is not subject to further liability for the amount of the prepayment if the refiner, pipeline terminal operator, or marine terminal operator fails to remit the prepayment.

(8) A person subject to tax under this act that makes prepayment to another person as required by this section for diesel fuel may claim an estimated prepayment credit on its regular monthly return filed pursuant to section 6. The credit must be for prepayments made during the month for which the return is required and must be based upon the difference between the prepayments made in the immediately preceding month and collections of prepaid tax received from sales or transfers during the month for which the return required under section 6 is made. A sale or transfer for which collection of prepaid tax is due the taxpayer is subject to a bad debt deduction under section 4i, whether or not the sale or transfer is a sale at retail. The credit must not be reduced because of actual

shrinkage. A taxpayer that does not, in the ordinary course of business, sell diesel fuel in each month of the year may, with the approval of the department, base the initial prepayment deduction in each tax year on prepayments made in a month other than the immediately preceding month.

(9) As used in this section:

(a) "Alcohol" means fuel grade ethanol or a mixture of fuel grade ethanol and another product.

(b) "Blendstock" includes all of the following:

(i) Any petroleum product component of fuel, such as naphtha, reformat, or toluene.

(ii) Any oxygenate that can be blended for use in a motor fuel.

(c) "Boat terminal transfer" means a dock, a tank, or equipment contiguous to a dock or a tank, including equipment used in the unloading of fuel from a ship and in transferring the fuel to a tank pending wholesale bulk reshipment.

(d) "Bulk transfer" means a transfer of fuel from, or purchase for resale by, a refiner, pipeline terminal operator, or marine terminal operator to or from another refiner, pipeline terminal operator, or marine terminal operator through pipeline tender or marine delivery, including pipeline movements of fuel or marine vessel movements of fuel. Bulk transfer also includes a transaction involving the transfer by any transportation means to, or purchase for resale by, a refiner, pipeline terminal operator, or marine terminal operator of alcohol to be used exclusively for blending with gasoline. Notwithstanding anything to the contrary in this definition, fuel transferred to, or purchased for resale by, a refiner, pipeline terminal operator, or marine terminal operator must be delivered to, or otherwise remain within, the bulk transfer terminal system before removal across the rack to constitute a bulk transfer.

(e) "Bulk transfer terminal system" means the fuel distribution system consisting of refineries, pipelines, marine vessels, and terminals and includes fuel storage tanks and fuel storage facilities that are part of a refinery, boat terminal transfer, or terminal owned, operated, or controlled by a refiner, marine terminal operator, or pipeline terminal operator.

(f) "Diesel fuel" means any liquid other than gasoline that is capable of use as a fuel or a component of a fuel in a motor vehicle that is propelled by a diesel-powered engine or in a diesel-powered train. Diesel fuel includes number 1 and number 2 fuel oils, kerosene, and mineral spirits. Diesel fuel also includes any blendstock or additive that is sold for blending with diesel fuel and any liquid prepared, advertised, offered for sale, sold for use as, or used in the generation of power for the propulsion of a diesel-powered engine, airplane, or marine vessel. An additive or blendstock is presumed to be sold for blending unless a certification is obtained for federal purposes that the substance is for a use other than blending for diesel fuel. Diesel fuel does not include dyed diesel fuel, dyed kerosene, or an excluded liquid.

(g) "Dyed diesel fuel" means diesel fuel that is dyed pursuant to Internal Revenue Service rules or pursuant to any other Internal Revenue Service requirements, including any invisible marker requirements.

(h) "Dyed kerosene" means kerosene that is dyed pursuant to Internal Revenue Service rules or pursuant to any other Internal Revenue Service requirements, including invisible marker requirements.

(i) "Excluded liquid" means that term as defined in 26 CFR 48.4081-1.

(j) "Export" means to purchase or receive fuel in this state for immediate shipment and subsequent sale outside of this state.

(k) "Exporter" means a person that exports fuel and is licensed under section 86 of the motor fuel tax act, 2000 PA 403, MCL 207.1086.

(l) "Fuel" means gasoline and diesel fuel that is subject to tax under this act, collectively, except when gasoline or diesel fuel is referred to separately.

(m) "Gasoline" means and includes gasoline, alcohol, gasohol, casing head or natural gasoline, benzol, benzine, naphtha, methanol, transmix, any blendstock additive, or other product that is sold for blending with gasoline or for use on the road, other than products typically sold in containers of less than 5 gallons. Gasoline also includes a liquid prepared, advertised, offered for sale, sold for use as, or used in the generation of power for the propulsion of a motor vehicle, airplane, or marine vessel, including a product obtained by blending together any 1 or more products of petroleum, with or without another product, and regardless of the original character of the petroleum products blended, if the product obtained by the blending is capable of use in the generation of power for the propulsion of a motor vehicle, airplane, or marine vessel. The blending of all of the above-named products, regardless of their name or characteristics, shall conclusively be presumed to have been done to produce fuel, unless the product obtained by the blending is entirely incapable of use as fuel. An additive or blendstock is presumed to be sold for blending unless a certification is obtained for federal purposes that the substance is for a use other than blending for gasoline. Gasoline does not include diesel fuel, dyed diesel fuel, dyed kerosene, or an excluded liquid.

(n) "Kerosene" means all grades of kerosene, including, but not limited to, the 2 grades of kerosene, No. 1-K and No. 2-K, commonly known as K-1 kerosene and K-2 kerosene, respectively, described in American Society for Testing and Materials specification D-3699, in effect on January 1, 1999, and kerosene-type jet fuel described in

American Society for Testing and Materials specification D-1655 and military specifications MIL-T-5624r and MIL-T-83133d (grades jp-5 and jp-8), and any successor Internal Revenue Service rules or regulations, as the specification for kerosene and kerosene-type jet fuel. Kerosene does not include dyed kerosene or an excluded liquid.

(o) "Marine terminal operator" means a person that stores fuel at a boat terminal transfer.

(p) "Pipeline terminal operator" means a person that stores fuel in tanks and equipment used in receiving and storing fuel from interstate and intrastate pipelines pending wholesale bulk reshipment.

(q) "Purchase", "receipt", or "shipment" does not include a two-party exchange, a bulk transfer, or a receipt of fuel as part of a bulk transfer.

(r) "Rack" means a mechanism for delivering fuel from a refiner, a pipeline terminal operator, or a marine terminal operator into a railroad tank car, a transport truck, a tank wagon, or the fuel supply tank of a marine vessel.

(s) "Refiner" means a person that meets all of the following requirements:

(i) Manufactures or produces fuel at a refinery by any process involving substantially more than the blending of fuel.

(ii) Is a taxable fuel registrant that is a refiner for purposes of 26 CFR 48.4081-1.

(t) "Refinery" means a facility used by a refiner to produce fuel from crude oil, unfinished oils, natural gas liquids, or other hydrocarbons and from which fuel may be removed by pipeline or marine vessel or at a rack.

(u) "Removal" or "removed" means a physical transfer other than by evaporation, loss, or destruction of fuel from a refiner, pipeline terminal operator, or marine terminal operator.

(v) "Supplier" means a supplier or permissive supplier licensed under section 70 or 73 of the motor fuel tax act, 2000 PA 403, MCL 207.1070 and 207.1073.

(w) "Tank wagon" means a straight truck having 1 or more compartments other than the fuel supply tank designed or used to carry fuel.

(x) "Terminal" means a fuel storage and distribution facility that meets all of the following requirements:

(i) Is registered as a qualified terminal by the Internal Revenue Service.

(ii) Is supplied by pipeline or marine vessel.

(iii) Has a rack from which fuel may be removed.

(y) "Transport truck" means a semitrailer combination rig designed or used for the purpose of transporting fuel over the public roads or highways.

(z) "Transmix" means the mixed product that results from the buffer or interface of 2 different products in a pipeline shipment, or a mixture of 2 different products within a terminal operated by a pipeline terminal operator, within a boat terminal transfer operated by a marine terminal operator, or at a refinery that results in an off-grade mixture.

(aa) "Two-party exchange" means a transaction, including a book transfer, in which fuel is transferred from 1 supplier to another supplier where all of the following occur:

(i) The transaction includes a transfer of fuel from the person who holds the original inventory position for the fuel in fuel storage tanks as reflected in the records of the refiner, pipeline terminal operator, or marine terminal operator.

(ii) The exchange transaction is completed before removal across the rack by the receiving supplier.

(iii) The refiner, pipeline terminal operator, or marine terminal operator in its books and records treats the receiving exchange party as the supplier that removes the fuel across a rack for purposes of reporting the transaction to the department under the motor fuel tax act, 2000 PA 403, MCL 207.1001 to 207.1170.

Sec. 25. (1) All money received and collected under this act must be deposited by the department in the state treasury to the credit of the general fund, except as otherwise provided in this section.

(2) Fifteen percent of the collections of the tax imposed at a rate of 4% must be distributed to cities, villages, and townships pursuant to the Glenn Steil state revenue sharing act of 1971, 1971 PA 140, MCL 141.901 to 141.921.

(3) Sixty percent of the collections of the tax imposed at a rate of 4% must be deposited in the state school aid fund and distributed as provided by law. In addition, all of the collections of the tax imposed at the additional rate of 2% approved by the electors on March 15, 1994 must be deposited in the state school aid fund.

(4) Except as otherwise provided in this subsection, not less than 27.9% of 25% of the collections of the general sales tax imposed at a rate of 4% directly or indirectly on fuels sold to propel motor vehicles upon highways, on the sale of motor vehicles, and on the sale of the parts and accessories of motor vehicles by new and used car businesses, used car businesses, accessory dealer businesses, and gasoline station businesses as classified by the department must be deposited each year into the comprehensive transportation fund. For the fiscal year ending September 30, 2021 only, the amount deposited into the comprehensive transportation fund under this subsection

must be reduced by \$18,000,000.00 and that \$18,000,000.00 must be deposited into the transportation administration collection fund.

(5) Beginning October 1, 2016 and the first day of each calendar quarter thereafter, an amount equal to the collections for the calendar quarter that is 2 calendar quarters immediately preceding the current calendar quarter of the tax imposed under this act at the additional rate of 2% approved by the electors on March 15, 1994 from the sale at retail of aviation fuel must be distributed as follows:

(a) An amount equal to 35% of the collections of the tax imposed at a rate of 2% on the sale at retail of aviation fuel must be deposited in the state aeronautics fund and must be expended, on appropriation, only for those purposes authorized in the aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.1 to 259.208.

(b) An amount equal to 65% of the collections of the tax imposed at a rate of 2% on the sale at retail of aviation fuel must be deposited in the qualified airport fund and must be expended, on appropriation, only for those purposes authorized under section 35 of the aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.35.

(6) The department shall, on an annual basis, reconcile the amounts distributed under subsection (5) during each fiscal year with the amounts actually collected for a particular fiscal year and shall make any necessary adjustments, positive or negative, to the amounts to be distributed for the next successive calendar quarter that begins January 1. The state treasurer or the state treasurer's designee shall annually provide to the operator of each qualified airport a report of the reconciliation performed under this subsection. The reconciliation report is subject to the confidentiality restrictions and penalties provided in section 28(1)(f) of 1941 PA 122, MCL 205.28.

(7) An amount equal to the collections of the tax imposed at a rate of 4% under this act from the sale at retail of computer software must be deposited in the Michigan health initiative fund created in section 5911 of the public health code, 1978 PA 368, MCL 333.5911, and must be considered in addition to, and is not intended as a replacement for any other money appropriated to the department of health and human services. The funds deposited in the Michigan health initiative fund on an annual basis must not be less than \$9,000,000.00 or more than \$12,000,000.00.

(8) In addition to the money deposited in the state school aid fund under subsection (3), from the collections of the tax imposed at a rate of 4% under this act, an amount equal to the sum of the following, as determined by the department, must be deposited into the state school aid fund:

(a) All revenue lost to the state school aid fund as a result of the exemption under section 4a(1)(u).

(b) All revenue lost to the state school aid fund as a result of the exemption under section 4ee. A person that claims an exemption under section 4ee shall report the sales price of the data center equipment as that term is defined in section 4ee and any other information necessary to determine the amount of revenue lost to the state school aid fund as a result of the exemption under section 4ee annually on a form at the time and in a manner prescribed by the department. The report required under this subdivision must not include any remittance for tax, and does not constitute a return or otherwise alleviate any obligations under section 6.

(c) All revenue lost to the state school aid fund as a result of the exclusion under section 1(1)(d)(xv).

(d) All revenue lost to the state school aid fund as a result of both of the following:

(i) The exemption under section 4gg.

(ii) The exemption under section 4gg of the use tax act, 1937 PA 94, MCL 205.94gg.

(9) The balance in the state general fund shall be disbursed only on an appropriation or appropriations by the legislature.

(10) As used in this section:

(a) "Aviation fuel" means fuel as that term is defined in section 4 of the aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.4.

(b) "Comprehensive transportation fund" means the comprehensive transportation fund created in section 10b of 1951 PA 51, MCL 247.660b.

(c) "Qualified airport" means that term as defined in section 109 of the aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.109.

(d) "Qualified airport fund" means the qualified airport fund created in section 34(2) of the aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.34.

(e) "State aeronautics fund" means the state aeronautics fund created in section 34(1) of the aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.34.

(f) "State school aid fund" means the state school aid fund established in section 11 of article IX of the state constitution of 1963.

(g) "Transportation administration collection fund" means the transportation administration collection fund created in section 810b of the Michigan vehicle code, 1949 PA 300, MCL 257.810b.

Enacting section 1. This amendatory act does not take effect unless all of the following bills of the 103rd Legislature are enacted into law:

(a) Senate Bill No. 578.

(b) House Bill No. 4181.

(c) House Bill No. 4182.

(d) House Bill No. 4183.

This act is ordered to take immediate effect.

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Clerk of the House of Representatives

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Secretary of the Senate

Approved\_\_\_\_\_

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Governor