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Senate Bill 674 (as introduced 10-5-21)
Sponsor: Senator Aric Nesbitt
Committee: Transportation and Infrastructure

Date Completed: 10-12-21

CONTENT

The bill would repeal Section 10 of the Motor Fuel Tax Act, which requires any increase to the motor fuel tax prescribed by the Act to apply to previously taxed motor fuel in excess of 3,000 gallons held in storage by an end user and to previously taxed motor fuel held for sale that is in excess of dead storage. Section 10 also requires a person in possession of fuel subject to the increased tax to issue a report as to the amount of tax due on fuel that was previously taxed.

(The Act defines "dead storage" as the amount of motor fuel that cannot be pumped out of a motor fuel storage tank because the motor fuel is below the mouth of the tank's draw pipe. The Act specifies that the amount of motor fuel in dead storage is 200 gallons for a tank with a capacity of less than 10,000 gallons and 400 gallons for a tank with a capacity of 10,000 gallons or more.)

MCL 207.1010

Legislative Analyst: Tyler VanHuyse

FISCAL IMPACT

The bill likely would have a negative, but minor, fiscal impact on the State and local units of government. The section of the Act the bill would repeal was included in the Motor Fuel Tax Act to recover tax revenue from fuel reserves that otherwise would not be taxed whenever the motor fuel tax rate was increased. When the Act was enacted, there was greater justification for this approach because the motor fuel tax had a history of being raised in large stages, several cents per gallon at a time, and not based upon inflation. With the passage of Public Act 176 of 2015, the tax rate for motor fuel now rises each year incrementally based on inflation and cannot exceed an increase greater than 5.0% per year.

Fiscal Analyst: Michael Siracuse

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