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BILL ANALYSIS

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Senate Bill 560 (Substitute S-3 as reported by the Committee of the Whole)
Sponsor: Senator Walter H. North
Committee: Technology and Energy

CONTENT

The bill would amend the Single Business Tax (SBT) Act to provide that, for tax years beginning after December 31, 1996, and before January 1, 2001, a taxpayer could claim a credit of up to $1,500 against his or her SBT for the year for both of the following: the difference between the cost of a "conventional-fueled vehicle" and the cost paid by the taxpayer in the tax year for a comparable alternative-fueled vehicle (AFV) or "dual-fueled vehicle"; and the cost paid by the taxpayer in the tax year to purchase and install AFV conversion equipment. If the credit allowed under the bill exceeded the taxpayer's tax liability for the year, the portion that exceeded the tax liability could not be refunded or carried forward to offset the tax liability in subsequent years. The credit would not be available to an alternative fuel provider.

"Alternative fuel" would mean methanol, denatured ethanol, and other alcohols; mixtures containing not less than 70% by volume of methanol, denatured ethanol, and other alcohols with gasoline or other fuels; natural gas; liquefied petroleum gas; hydrogen; coal-derived liquid fuels; fuels, other than alcohol, derived from biological materials; and electricity, including electricity from solar energy; and any other fuel designated an alternative fuel by the Secretary of Energy under the provisions of Title III of the Federal Energy Policy Act. "Conventional-fueled vehicle" would mean a vehicle propelled by a fuel that was suitable for use in spark-ignition internal combustion engines and was commonly or commercially known or sold as gasoline. "Dual-fueled vehicle" would mean a vehicle that had the capacity to be propelled by either conventional fuel or alternative fuel.

Proposed MCL 208.37c Legislative Analyst: P. Affholter

FISCAL IMPACT

The income tax and SBT credits proposed by Senate Bills 559 (S-2) and 560 (S-3) would become effective for tax years beginning after December 31, 1996, and so could not be initially claimed until taxpayers filed 1997 annual returns in 1998. Therefore, there would be no loss of revenue in FY 1996-97. In FY 1997-98, it is estimated that these bills would reduce income tax and single business tax revenue by a combined $2.1 million. Both of these credits would be available only through calendar year 2000.

Date Completed: 6-24-96 Fiscal Analyst: J. Wortley