Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 1009 (Substitute S-1 as reported)
Sponsor: Senator Mat J. Dunaskiss
Committee: Technology and Energy

CONTENT

The bill would amend the Use Tax Act to specify that the use tax would not apply to the use of a vehicle, purchased for lease to another person, that used an alternative fuel as its primary fuel source, after December 31, 1996, and through December 31, 2001.

"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.

Proposed MCL 205.94o Legislative Analyst: P. Affholter

FISCAL IMPACT

Given an effective date of January 1, 1997 through December 31, 2001, and assuming that the average lease is for three years, it is estimated that this bill would reduce use tax revenue by $38,000 in FY 1996-97. In FY 1997-98, additional vehicles would be leased, which in addition to the vehicles leased in FY 1996-97, would boost the loss in revenue to an estimated $150,000. In FY 1998-99, the number of leased vehicles qualifying for this exemption would again increase as new leases are made and as a result the loss in revenue would increase to $250,000. The loss in revenue would then level off in FY 1999-2000 and FY 2000-2001.

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

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