Legislative Analysis

HOUSE FISCAL AGENCY
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LOCAL OPTION TRANSPORTATION TAXES

House Joint Resolution HHH
Sponsor: Rep. Hoon-Yung Hopgood

House Bill 5059
Sponsor: Rep. Coleman Young

House Bill 6322
Sponsor: Rep. Marty Knollenberg

House Bill 6323
Sponsor: Rep. Daniel Acciavatti

House Bill 6324
Sponsor: Rep. Gabe Leland

House Bill 6325
Sponsor: Rep. Pam Byrnes

House Bill 6326
Sponsor: Rep. Tom Pearce

Committee: Transportation

Complete to 11-25-08

A SUMMARY OF HOUSE JOINT RESOLUTION HHH, HOUSE BILL 5059, AND HOUSE BILLS 6322-6326, EACH AS INTRODUCED

The six bills and one joint resolution described below, although not tie-barred to each other, represent a package of related bills which would allow local option taxes to raise revenue for transportation purposes. None of the bills would, in and of itself, create or increase a tax. Instead, they would grant to certain local units of government the authority to enact local transportation taxes through a vote of the people.

House Bill 5059 would amend Section 22 of the Motor Fuel Tax Act, 2000 PA 403, (MCL 207.1022) to allow local fuel taxes in addition to state motor fuel and sales taxes. Essentially, the bill removes the current prohibition on local motor fuel taxes.

Under current law, the state motor fuel taxes on gasoline, currently 19 cents per gallon, and diesel motor fuel, currently 15 cents per gallon, are levied "in lieu of all other taxes imposed or to be imposed upon the sale or use of [gasoline and diesel motor fuel] by the state or any political subdivision of this state except for taxes imposed by the General Sales Tax Act…"

The bill would strike the references to "any political subdivision of this state," thus permitting local motor fuel taxes. It would specify that "Nothing [in Section 22] shall be construed to prohibit the imposition of a gas or diesel fuel tax by a local unit of government as otherwise permitted under the State Constitution and authorized under state law."

House Bill 6322 would create a new act—the "County Motor Fuel Tax Act"—to permit counties to impose a specific tax on motor fuels. Voter approval would be required. A single county could impose a tax at a rate of up to three cents per gallon. Two adjacent counties could impose a tax of up to five cents per gallon, and three adjacent counties could impose a tax up to seven cents per gallon. If two or more counties combine to impose a tax, they would have to enter into a contract setting forth agreements on the use and distribution of revenue and the procedure to be used in determining the projects to be funded. The governing body of a county or counties could provide a means of collecting the tax, with the proceeds to be deposited into the Michigan Transportation Fund for use in the counties where collected. Revenue could be used only for road construction, preservation, and maintenance; public transportation and related infrastructure; and nonmotorized transportation infrastructure.

Alternatively, the bill would allow a county or combination of counties imposing a tax on motor fuel to enter into an agreement with the Michigan Department of Treasury under which the department would administer, enforce, and collect the county tax on behalf of the county. (The bill refers to a county *income* tax; it appears the bill intends to refer to the county *motor fuel* tax.)

Although the bill allows the county to contract with the Department of Treasury, it does not require that the county do so. Although the retail price per gallon of gasoline and diesel motor fuel includes the state and federal excise taxes, as well as the state sales tax, these taxes are not actually collected from the retail service stations. The current state and federal excise taxes are collected "upstream" from fuel suppliers as defined in the Motor Fuel Tax Act.

Under the bill, counties could conceivably create their own retail gasoline and diesel taxing systems. If the Michigan Department of Treasury did collect the tax on behalf of participating counties, and the tax were collected from suppliers, it is not clear how the department would determine what fuel usage was related to any particular county.

House Bill 6323 would create a new act—the "County Motor Vehicle License Tax Act"—to permit counties to impose an additional tax on operator's or chauffeur's licenses issued to residents of that county in addition to the required state license fees imposed by Section 811 of the Michigan Vehicle Code. The additional tax could not exceed $25 per operator's license or $35 on a chauffeur's license. The tax would require voter approval and the revenue could only be used for transportation purposes. If the tax was approved, it would be collected by the Secretary of State when issuing or renewing licenses and annually distributed to the appropriate county treasurer.

House Bill 6324 would amend Public Act 134 of 1966, under which counties levy a real estate transfer tax, to allow counties to impose additional real estate transfer taxes to be used only for road construction, public transportation, commuter rail service, and landscape enhancements, as determined by the county imposing the tax. The additional tax would be in the amount of 25 cents for each $500 (or function of $500) of total value of the property being transferred. It would require voter approval, and the ballot question would have to specify how the revenue was to be distributed.

House Bill 6325 would amend the Michigan Vehicle Code by adding Section 805 which would allow a county to levy additional vehicle registration taxes, of up to 20 percent of the vehicle registration "fee" charged under the act. (It appears that the term "fee" should be "tax" to be consistent with other references in the act.)

House Bill 6326 would amend Section 811 of the Michigan Vehicle Code by adding a reference to the County Motor Vehicle License Tax Act [which would be created under House Bill 6323].

House Joint Resolution HHH would amend the State Constitution to allow a county to impose a 1 percent sales tax on retailers with voter approval. Proceeds could only be used for road construction, preservation, and maintenance; public transportation and related infrastructure; and nonmotorized transportation infrastructure. The ballot question on a county transportation sales tax would have to specify how the revenues were to be distributed. The proposed constitutional amendment would be put before the state's voters at the next general election (November 2010).

FISCAL IMPACT:

The bills have the potential of increasing local tax revenue for transportation purposes. The amount of any potential revenue increase cannot be readily estimated; the amounts would depend on which local units actually established such taxes through a vote of the people, and the tax rates and types of taxes (fuel tax, registration tax, license fees, real estate transfer tax) the local unit adopted.

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