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

BILL ANALYSIS

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

Senate Bill 6 (as introduced 1-16-13)
Sponsor: Senator John Proos
Committee: Infrastructure Modernization

Date Completed: 5-21-14

CONTENT

The bill would amend the General Sales Tax Act to dedicate 18% of the 4% sales tax on motor fuel to the State Trunkline Fund for Federal highway fund matching purposes, and then to county road commissions, cities, and villages for highway, road, and street projects and related purposes.

The Act prescribes a total tax of 6.0% on the sale of taxable goods and services. Of the total collections, the money received from taxing at a 2.0% rate must be deposited in the State School Aid Fund. The revenue from imposing a tax at a 4.0% rate must be distributed as follows:

-- 15% to cities, villages, and townships under the State Revenue Sharing Act.
-- 60% to the School Aid Fund.

Of the balance, the Act allocates a portion of the tax collected on sales of motor fuel, motor vehicles, and motor vehicle parts and accessories to the Comprehensive Transportation Fund. Also, a portion of the tax collected on retail sales of computer software is allocated to the Michigan Health Initiative Fund. The remainder of the tax collected at a 4.0% rate must be deposited in the State's General Fund.

For fiscal year 2015-14 and each subsequent fiscal year, the bill would require 18% of the collections from the 4% tax on motor fuel sales to be distributed as follows:

-- An amount sufficient to match available Federal highway funds to the State Trunkline Fund for the purpose of matching Federal aid highway funds as they are made available to Michigan, but not less than 39.1%.
-- After that distribution to the State Trunkline Fund, 66% to county road commissions and 34% to cities and villages.

The distribution to county road commissions would have to be administered under Section 12 of Public Act 51 of 1951 (the Michigan Transportation Fund law). (That section requires money to be distributed to county road commissions for a number of purposes, including county local and primary road system projects, snow removal, mileage in urban areas, and payment of bonds and notes.)

The distribution to cities and villages would have to be administered under Section 13 of Public Act 51 (which requires money to be distributed to cities and villages for purposes that include major and local street system projects, capital outlay projects, highway projects undertaken jointly with the Michigan Department of Transportation, snow removal, and payment of bonds and loans.)

MCL 205.75

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would reduce General Fund revenue by approximately $124.8 million in FY 2013-14, and increase State Trunkline revenue by the same amount. In FY 2014-15, the bill would reduce General Fund revenue, and increase State Trunkline revenue, by approximately $128.0 million. Depending on the magnitude of motor fuel price increases or motor fuel consumption in future years, the shift of revenue from the General Fund to the State Tunkline Fund would increase.

Fiscal Analyst: David Zin

S1314\s6sa