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**SFA****BILL ANALYSIS**

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House Bill 4356 (as passed by the House)  
Sponsor: Representative Lynn Owen  
House Committee: Tax Policy  
Senate Committee: Appropriations

Date Completed: 11-3-97

### **CONTENT**

House Bill 4356 would amend the Motor Fuel Tax Act (Public Act 150 of 1927) to change the procedure by which wholesale distributors of diesel fuel pay motor fuel taxes on tax-exempt diesel fuel holdings. The Act currently requires wholesale distributors of diesel fuel to pay quarterly motor fuel taxes on tax-exempt gallons received from distributors and held unsold in inventory at the end of the reporting period. Wholesalers must also pay taxes on gallons received as tax-exempt and sold for nonexempt purposes during the reporting period.

This bill would eliminate the prepayment of taxes on unsold gallons of diesel fuel received as tax-exempt and held in a wholesaler's bulk plant. Diesel fuel wholesalers would still be required to pay quarterly motor fuel taxes on gallons received as tax-exempt but sold for nonexempt purposes during the reporting period.

MCL 207.112

### **FISCAL IMPACT**

The bill would not have an impact on the tax liability of wholesalers of diesel motor fuel. It would end the prepayment of taxes on diesel motor fuel that is eventually sold for tax-exempt purposes and delay the payment of taxes for fuel that is originally claimed as tax-exempt but later sold for nonexempt purposes. This change would result in a loss of revenue to the extent that prepayment of taxes currently generates interest earnings for the State. Interest earned on these prepayments depends on the volume of diesel fuel held by wholesalers and the period of time between the collection of tax receipts and distribution of tax refunds to diesel fuel wholesalers.

Fiscal Analyst: P. Alderfer

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