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BILL ANALYSIS

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House Bill 4677 (Substitute S-7 as passed by the Senate)
Sponsor: Representative Phil Potvin
House Committee: Transportation and Infrastructure
Senate Committee: Transportation

Date Completed: 12-1-14

CONTENT

The bill would amend the General Sales Tax Act to require 18% of the collections of the sales tax imposed at a rate of 4% to be distributed to the Michigan Transportation Fund. The bill also would require that revenue from the 4% sales tax on aviation fuel and aviation products, but not more than \$10.0 million, be deposited in the State Aeronautics Fund, beginning in fiscal year 2015-16.

The bill is tie-barred to Senate Bill 6, and would take effect October 1, 2014. (Senate Bill 6 (S-1), as passed by the Senate, also would amend the General Sales Tax Act to dedicate 18% of the 4% sales tax on motor fuel to the Michigan Transportation Fund.)

The Act requires all money received and collected under the Act to be deposited by the Department of Treasury to the credit of the General Fund, except as otherwise provided. For fiscal year (FY) 2012-13, the Act required an amount equal to 18% of the collections of the tax imposed at a rate of 4% under this Act from the sale of motor fuel, to be deposited into the State Trunkline Fund for matching Federal highway funds, with the remainder distributed to county road commissions, and cities and villages. The bill would require this money to be distributed to the Michigan Transportation Fund.

Also, for FY 2012-13, after certain allocations and distributions were made, a portion of the sales tax imposed at the 4% rate for the retail sale of aviation fuel and aviation products had to be deposited into the State Aeronautics Fund. The bill would require these distributions for FY 2015-16, and each fiscal year after that. As previously specified, this money could be spent, upon appropriation, only for purposes specified in the Aeronautics Code, and not more than \$10.0 million could be deposited in the State Aeronautics Fund under these provisions.

MCL 205.75

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The combined effect of the changes in House Bill 4677 (S-7) would increase Michigan Transportation Fund (MTF) revenue by approximately \$112.3 million in FY 2014-15 and increase Aeronautics Fund revenue by approximately \$10.0 million in FY 2015-16, and lower General Fund revenue by the same amounts. Depending on the magnitude and direction of fuel price changes or fuel consumption in future years, the shift of revenue from the General Fund to the MTF and the Aeronautics Fund would increase or decrease in later years.

The changes in House Bill 4677 (S-7) regarding sales of motor fuel would reduce General Fund revenue by approximately \$112.3 million in FY 2014-15, and increase MTF revenue by the same amount. Based on the revenue distribution for the MTF, the bill would increase revenue to the Comprehensive Transportation Fund by \$11.2 million, the State Trunkline Fund by \$39.5 million, county road commissions by \$39.5 million, and cities and villages by \$22.0 million.

The changes in bill regarding aviation fuel would reduce FY 2015-16 General Fund revenue and increase revenue to the State Aeronautics Fund during FY 2015-16 by \$10.0 million.

Fiscal Analyst: David Zin