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House Bill 5459 (Substitute H-2 as passed by the House)  
Sponsor: Representative Peter Pettalia  
House Committee: Tax Policy  
Senate Committee: Infrastructure Modernization

Date Completed: 5-19-14

### **CONTENT**

**The bill would amend the General Sales Tax Act to dedicate the balance of sales tax revenue imposed at a rate of 4.0% on motor fuel, after required allocations and distributions, to the State Trunk Line Fund, county road commissions, and cities and villages, beginning with the 2014-15 fiscal year.**

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 (SAF). 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 SAF.

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.

Under the bill, for fiscal year 2014-15 and each subsequent fiscal year, after the required allocations and distributions were made, the balance of the collections of the sales tax imposed at a 4.0% rate directly or indirectly on motor fuel would have to be distributed to the State Trunk Line Fund, county road commissions, and cities and villages, in the same percentage described in Section 10(1)(j) of Public Act 51 of 1951 (the Michigan Transportation Fund law). The remainder of the collections of the tax imposed at a 4.0% rate would continue to go to the General Fund.

(Under Section 10(1)(j) of Public Act 51, after the deduction of other appropriated amounts, the balance of the Michigan Transportation Fund must be appropriated as follows:

- 39.1% to the State Trunk Line Fund.
- 39.1% to county road commissions.
- 21.8% to cities and villages.)

The bill would define "motor fuel" as the term is defined in the Motor Fuel Tax Act (i.e., gasoline, diesel fuel, kerosene, a mixture of those fuels, or a mixture of those fuels and any other substance; excluding leaded racing fuel).

## **FISCAL IMPACT**

The bill would reduce General Fund revenue, and increase State Trunkline revenue, by approximately \$128.2 million in FY 2014-15. Assuming that motor fuel prices increase in future years, the shift of revenue from the General Fund to the State Trunkline Fund would increase, with the bill shifting approximately \$131.8 million in FY 2015-16 and approximately \$135.9 million in FY 2016-17.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.