



Senate Fiscal Agency  
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## BILL ANALYSIS



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House Bill 5039 (Substitute H-1 as passed by the House)  
Sponsor: Representative Jason Wentworth  
House Committee: Tax Policy  
Senate Committee: Transportation

Date Completed: 1-24-18

**CONTENT**

**The bill would amend the Motor Fuel Tax Act to exempt from the motor fuel tax Number 5 fuel oil, Number 6 fuel oil, and fuel oil commonly sold or referred to as bunker C or navy special.**

The Act imposes a tax on motor fuel imported into or sold, delivered, or used in Michigan. The tax is currently 26.3 cents per gallon on gasoline and diesel fuel.

Certain motor fuel is exempt from the tax. The bill would provide an exemption from the tax for Number 5 fuel oil, Number 6 fuel oil, and fuel oil commonly sold or referred to as bunker C or navy special, as determined by the Department of Treasury.

(In addition to exempting certain types of motor fuel from the motor fuel tax, the Act permits a person who pays the tax and uses the motor fuel for a nontaxable purpose to seek a refund of the tax. The Act contains a number of sections describing nontaxable purposes. These include a section allowing an end user to seek a refund for tax paid on motor fuel used by the person for nonhighway purposes. However, a person may not seek and is not eligible for a refund for tax paid on motor fuel used in a snowmobile, off-road vehicle, or vessel as defined in the Natural Resources and Environmental Protection Act. A person also may seek a refund for tax paid under the Motor Fuel Tax Act according to refund provisions found in the revenue Act.)

MCL 207.1030

Legislative Analyst: Drew Krogulecki

**FISCAL IMPACT**

The bill would not have a significant fiscal impact on State or local government. The proposed tax exemption would replace the refund process already in place for Number 5 and Number 6 fuel oil. Although the bill could result in a reduction in tax revenue for those who import, sell, or deliver these types of oil and fail to seek a refund, the bill also could result in a reduction in the administrative costs associated with processing refunds.

Section 33 of the Motor Fuel Tax Act prohibits a refund for a "vessel" as defined in the Natural Resources and Environmental Protection Act. Section 71101 of that Act contains a definition of "vessel" that excludes watercraft used in interstate or foreign commerce or trade (which would lead one to conclude that ships that use or transport this fuel would qualify for the refund); however, Section 80201 contains a second definition of "vessel" that includes "every description of watercraft" used for transportation on water (which would lead one to conclude

that all ships that use or transport this fuel would not qualify for the refund). This fiscal analysis assumes that the definition in Section 71101 applies.

Fiscal Analyst: Michael Siracuse

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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.