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House Bill 4976 (Substitute H-2 as passed by the House)
House Bill 4677 (Substitute H-2 as passed by the House)
House Bill 4678 (Substitute H-2 as passed by the House)
Sponsor: Representative Gregory Markkanen
House Committee: Transportation
Senate Committee: Transportation and Infrastructure

Date Completed: 2-9-22

CONTENT

House Bill 4977 (H-2) would amend Public Act (PA) 124 of 1960, which creates and prescribes the powers and duties of the Michigan Highway Reciprocity Board, to grant the Department of Treasury the sole authority to enter qualified fuel tax reciprocity agreements with the proper authorities of other jurisdictions.

House Bill 4976 (H-2) would amend the Streamlined Sales and Use Tax Revenue Equalization Act to specify that certain taxes imposed on an interstate motor carrier under the Act would not apply to the extent that the carrier was exempt from those taxes under a qualified fuel tax reciprocity agreement.

House Bill 4978 (H-2) would amend the Motor Carrier Fuel Tax Act to specify that the tax imposed under the Act would not apply to a qualified commercial motor vehicle owned by, or leased and operated by, a motor carrier to the extent that the motor carrier was exempt from the requirements of the Act under a qualified fuel tax reciprocity agreement.

House Bills 4976 (H-2) and 4978 (H-2) are tie-barred to House Bill 4977.

House Bill 4977 (H-2)

Notwithstanding any other provision of law, Public Act 124 of 1960 authorizes the Michigan Highway Reciprocity Board to enter and make reciprocal compacts, agreements, or arrangements that it considers proper or expedient and in the interest of the people of the State concerning the fees, charges, taxation, operation and regulation of trucks, tractors, trailers, automobiles, buses and all other automotive equipment engaged in international, interstate, or intrastate commerce on public highways. Except as otherwise provided below, the bill would refer to the Department of State. (Under Executive Order 2007-15, the Board was abolished, and its authority, powers, and duties were transferred to the Department of State.)

Beginning on the bill's effective date and notwithstanding any other provision of law, the Department of Treasury could enter into qualified fuel tax reciprocity agreements that it considered proper or expedient and in the interests of the people of the State, with the proper authorities of other jurisdictions, either individually or with a group of jurisdictions. The

Department of Treasury would have the sole authority to enter into qualified fuel tax reciprocity agreements.

As used above, "qualified fuel tax reciprocity agreement" would mean a compact, agreement, or arrangement that, in exchange for reciprocal treatment for a motor carrier, or a class or category of motor carrier, from the State in another jurisdiction, allows a motor carrier, or a class or category of a motor carrier, from the other jurisdiction to operate or cause to be operated a qualified commercial motor vehicles on a public highway in the State for the purpose of carrying raw forest products to a sawmill or factory within 30 air miles of the border of the State without doing any of the following:

- Carrying, obtaining, or displaying a license, decal, permit, or other credentials otherwise required by the International Fuel Tax Agreement (IFTA) of the Motor Carrier Fuel Tax Act.
- Paying, reporting, or filing returns for taxes imposed by or subject to the IFTA, the Motor Carrier Fuel Tax Act, or Section 5 of the Streamlined Sales and Use Tax Revenue Equalization Act (see House Bill 4976 (H-2)).

(The IFTA is an agreement between the United States and Canadian provinces to simplify the reporting of the fuel taxes by interstate carriers. Motor carriers in jurisdictions participating in the IFTA obtain licensure and file tax returns in their base jurisdictions, such as a state or a province. A base jurisdiction pays other jurisdictions for mileage and fuel purchases incurred by a motor carrier in other jurisdictions on behalf of that motor carrier.)

"Motor carrier" would mean a person who operates or causes to be operated a qualified commercial motor vehicle on a public road or highway in the State and at least one other state. "Qualified commercial motor vehicle" would mean a motor vehicle used, designed, or maintained for transportation of persons or property and one of the following:

- Having three or more axles regardless of weight.
- Having two axles and a gross vehicle weight or registered gross vehicle weight exceeding 26,000 pounds or 12,000 kilograms.
- Is used in a combination of vehicles, if the weight of that combinations exceeds 26,000 pounds or 12,000 kilograms gross vehicle or registered gross vehicle weight.

"Jurisdiction" would mean other states of the United States that share a common border with the State and are members of the IFTA. "International fuel tax agreement" would mean the agreement described in Section 2a of the Motor Carrier Fuel Tax Act. (Section 2a requires that the Department of Treasury to enter into the IFTA.)

"Raw forest products" would mean logs, pilings, posts, poles, cordwood products, wood chips, sawdust, pulpwood, intermediary lumber, fuel wood, and Christmas trees, that are not altered by manufacturing process off the land, sawmill, or factory from which they are taken and are not finished products suitable for sale at retail.

House Bill 4976 (H-2)

The Streamlined Sales and Use Tax Revenue Equalization Act levies upon every person in the State who is an interstate motor carrier a tax imposed by the Act for the use or consumption of motor fuel and alternative fuel in a qualified commercial motor vehicle in the State. The Act imposes a tax at a cents-per-gallon rate of 6% of the statewide average retail price of a gallon on self-serve undyed No. 2 ultra-low sulfur diesel fuel, on self-serve unleaded regular gasoline, and on alternative fuel. Under the bill, these provisions would not apply to an interstate motor carrier to the extent that the interstate motor carrier was exempt from the

requirements of these provisions under a qualified fuel tax reciprocity agreement as that term was defined in Section 3 of PA 124 of 1960 (see House Bill 4977 (H-2)).

House Bill 4978 (H-2)

Generally, the Motor Carrier Fuel Tax Act imposes on licensed motor carriers the road tax calculated on the amount of motor fuel and alternative fuel consumed in qualified commercial motor vehicles on public roads of the State. The Act specifies that it does not apply to a commercial motor vehicle operated and owned by Federal, State, or local government, or to a commercial motor vehicle owned by, or leased and operated by, a nonprofit private, parochial, or denominational school, college, or university, or a public school, college, or university.

In addition, under the bill, the Act would not apply to a qualified commercial motor vehicle owned by, or leased and operated by, a motor carrier to the extent that the motor carrier was exempt from the requirements of the Act under a qualified fuel tax reciprocity agreement as defined by House Bill 4977 (H-2). The IFTA also would not apply to a qualified commercial motor vehicle described above.

MCL 205.175 (H.B. 4976)
3.161 & 3.163 (H.B. 4977)
207.213 (H.B. 4978)

Legislative Analyst: Tyler VanHuyse

FISCAL IMPACT

The bills would have no fiscal impact on the Department of Treasury. Because the bills would allow, but would not require, the Department to enter into qualified fuel tax reciprocity agreements, the Department would not have to devote staffing or administrative costs to enter into those agreements. Any exemptions to the IFTA for commercial motor vehicles carrying raw forest products could result in minor reductions to the Michigan Transportation Fund.

Fiscal Analyst: Cory Savino
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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.