

Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 4841 (as reported without amendment)
Sponsor: Representative John Gernaat
House Committee: Transportation
Senate Committee: Finance

Date Completed: 2-23-98

RATIONALE

In Michigan, both public and private schools are allowed to purchase and use gasoline and diesel fuel without paying the fuel tax; however, avoidance of the tax is accomplished in two different ways. Under the motor fuel tax Act, motor fuel sold to public schools is exempt from taxation under the general exemption for vehicles owned by the State and its political subdivisions, or the Federal government. Private schools are not exempt from taxation under the Act; instead, they are entitled to a refund for taxes paid on gasoline and diesel fuel purchased and used for the transport of students to and from school and school functions. Reportedly, while some private schools apply for refunds of taxes paid, others never file the paperwork with the Department of Treasury that is necessary to obtain the refunds. It has been suggested that the Act be amended to allow private schools to claim an exemption from fuel taxes in the same manner that public schools are exempt, provided the purchases are for the transport of students to and from school and school functions.

CONTENT

The bill would amend the motor fuel tax Act to exempt from the motor fuel tax sales of gasoline or diesel fuel for use in school buses owned or leased and operated by nonprofit private, parochial, or denominational schools, colleges, and universities, and used in the transport of students to and from school or school functions.

Currently, under the Act, the purchaser of gasoline or diesel fuel for use in school buses owned and operated by nonprofit private, parochial, or denominational schools, colleges, and universities, and used to transport students to and from school and school functions, is entitled to a refund of the tax paid on the fuel. The bill would eliminate these

provisions.

MCL 207.112a & 207.122

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Currently, while both public and private schools are allowed to purchase and use fuel without paying the motor fuel tax, the avoidance of the tax by private schools is more complicated and time-consuming. Though the Act allows public schools an automatic exemption from the taxation of fuel purchases, private schools must collect receipts for purchases and file for refunds of taxes paid with the Department of Treasury. By eliminating the requirement that private schools pay the tax up front, the bill would eliminate work for both school administrators and the Department of Treasury, and thus more efficiently accomplish the goal of not taxing the transportation of public or private students.

Legislative Analyst: G. Towne

FISCAL IMPACT

This bill would have two slight, though indeterminate, influences on motor fuel tax revenues and interest earnings:

First, this bill would result in a small decrease in motor fuel tax revenues collected by the State because not all eligible schools currently file for a refund on tax-exempt motor fuel purchases. Second, this bill would result in a slight decrease in the interest earned on fuel tax revenues collected

by the State but later refunded under the provisions of the current Act.

Fiscal Analyst: P. Alderfer

H9798\S4841A

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.