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House Bill 5582 (Substitute H-1 as passed by the House)

House Bill 5583 (Substitute H-1 as passed by the House)

Sponsor: Representative Steve Bieda (H.B. 5582)

Representative Tonya Schuitmaker (H.B. 5583)

House Committee: Tax Policy

Senate Committee: Transportation

Date Completed: 2-25-08

CONTENT

House Bills 5582 (H-1) and 5583 (H-1) would amend the Aeronautics Code and the Motor Fuel Tax Act, respectively, to exempt aviation fuel that was purchased to formulate leaded racing fuel (LRF) from the aviation fuel tax and the motor fuel tax.

Each bill would take effect 60 days after it was enacted into law. The two bills are tied to one another, and are described in detail below.

House Bill 5582 (H-1)

The Aeronautics Code imposes a tax of three cents per gallon on all fuel sold or used in producing or generating power for propelling aircraft using the aeronautical facilities on the land and water of the State.

Under the bill, that tax would not be imposed on aviation fuel if the purchaser had certified in writing to the seller that the fuel was being purchased solely for the purpose of formulating leaded racing fuel, as that term is defined in the Motor Fuel Tax Act. (Under that Act, LRF is a fuel other than diesel fuel that is leaded and at least 100 octane and is used in vehicles on a racetrack.)

Aviation fuel qualifying for this exemption would have to be identified on shipping papers and invoices as "aviation fuel exempt for LRF".

House Bill 5583 (H-1)

The Motor Fuel Tax Act imposes a tax of 19 cents per gallon on gasoline and 15 cents per gallon on diesel fuel, with some exceptions.

The bill would provide an exemption from that tax for aviation fuel upon which tax was not due under Section 203 of the Aeronautics Code (the section that House Bill 5582 (H-1) would amend), if the purchaser certified in writing to the seller that the aviation fuel was being purchased solely for the purpose of formulating LRF.

Aviation fuel qualifying for this exemption would have to be identified on shipping papers and invoices as "aviation fuel exempt for LRF".

The Act contains a tax exemption for motor fuel that is sold for use in aircraft if the purchaser paid the tax imposed on the fuel under the Aeronautics Code and is registered under the Act, if registration is required. The Act prohibits a person from selling, using, or labeling motor fuel that is exempt under this provision or that has been identified on a shipping paper or invoice as aviation fuel for use other than as aviation fuel. A person who knowingly violates the prohibition is guilty of a felony.

Under the bill, a person could sell or use motor fuel identified on a shipping paper or invoice as "aviation fuel exempt for LRF" for the sole purpose of producing leaded racing fuel.

MCL 259.203 (H.B. 5582)
207.1030 & 207.1094 (H.B. 5583)

Legislative Analyst: Curtis Walker

FISCAL IMPACT

Revenue from the motor fuels tax on aviation fuel is deposited into the State Aeronautics Fund for use by the Aeronautics and Freight Services Division of the Michigan Department of Transportation. While the bills would likely reduce the amount of revenue to the Fund, the exact amount cannot be determined because it is unknown how many exemptions would be claimed.

There are no data to indicate whether fewer offenders would be convicted of selling aviation fuel for use other than as aviation fuel, if people were allowed to sell or use motor fuel identified as aviation fuel exempt for leaded racing fuel. To the extent that the bill decreased convictions, local governments would incur decreased costs of incarceration in local facilities, which vary by county. The State would incur decreased costs of felony probation at an annual average cost of \$2,000, as well as the cost of incarceration in a State facility at an average annual cost of \$33,000.

Fiscal Analyst: Lindsay Hollander
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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.