

GENERAL SALES TAX ACT (EXCERPT)
Act 167 of 1933

205.56a Prepayment of tax by purchaser or receiver of fuel; rate of prepayment; determination; claiming estimated prepayment credits; bad debt deduction; actual shrinkage; accounting for and remitting prepayments; schedule; penalties; deduction prohibited; liability; date of prepayment; definitions.

Sec. 6a.

(1) Through March 31, 2013, at the time of purchase or shipment from a refiner, pipeline terminal operator, or marine terminal operator, a purchaser or receiver of gasoline shall prepay a portion of the tax imposed by this act at the rate provided in this section to the refiner, pipeline terminal operator, or marine terminal operator for the purchase or receipt of gasoline. If the purchase or receipt of gasoline is made outside this state for shipment into and subsequent sale within this state, the purchaser or receiver, other than a refiner, pipeline terminal operator, or marine terminal operator, shall make the prepayment required by this section directly to the department. Prepayments for gasoline shall be made at a cents-per-gallon rate determined by the department and shall be based on 6% of the statewide average retail price of a gallon of self-serve unleaded regular gasoline as determined and certified by the department rounded up to the nearest 1/10 of 1 cent. A person that makes prepayments directly to the department shall make those prepayments according to the schedule in subsection (6).

(2) Beginning April 1, 2013 through March 31, 2016, at the time of purchase or shipment from a refiner, pipeline terminal operator, or marine terminal operator, a purchaser or receiver of fuel shall prepay a portion of the tax imposed by this act at the rates provided in this section to the refiner, pipeline terminal operator, or marine terminal operator for the purchase or receipt of fuel. If the purchase or receipt of fuel is made outside this state for shipment into and subsequent sale within this state, the purchaser or receiver, other than a refiner, pipeline terminal operator, or marine terminal operator, shall make the prepayment required by this section directly to the department. Prepayments for gasoline shall be made at a cents-per-gallon rate determined by the department and shall be based on 6% of the statewide average retail price of a gallon of self-serve unleaded regular gasoline as determined and certified by the department rounded up to the nearest 1/10 of 1 cent. Prepayments for diesel fuel shall be made at a cents-per-gallon rate determined by the department and shall be based on 6% of the statewide average retail price of a gallon of undyed No. 2 ultra-low sulfur diesel fuel as determined and certified by the department rounded up to the nearest 1/10 of 1 cent. A person that makes prepayments directly to the department shall make those prepayments according to the schedule in subsection (6).

(3) Beginning April 1, 2016, at the time of purchase or shipment in this state from a refiner, pipeline terminal operator, or marine terminal operator, a purchaser or receiver of fuel other than an exporter or supplier for immediate export, as evidenced by the terminal's shipping papers or bill of lading, shall prepay a portion of the tax imposed by this act at the rates provided in this section to the refiner, pipeline terminal operator, or marine terminal operator for the purchase or receipt of fuel. If the purchase or receipt of fuel is made outside this state for shipment into and subsequent sale within this state, the purchaser or receiver, other than a refiner, pipeline terminal operator, or marine terminal operator as part of a bulk transfer, shall make the prepayment required by this section directly to the department. Prepayments for gasoline shall be made at a cents-per-gallon rate determined by the department and shall be based on 6% of the statewide average retail price of a gallon of self-serve unleaded regular gasoline as determined and certified by the department rounded up to the nearest 1/10 of 1 cent. Prepayments for diesel fuel shall be made at a cents-per-gallon rate determined by the department and shall be based on 6% of the statewide average retail price of a gallon of undyed No. 2 ultra-low sulfur diesel fuel as determined and certified by the department rounded up to the nearest 1/10 of 1 cent. A person that makes prepayments directly to the department shall make those prepayments according to the schedule in subsection (6).

(4) The rates of prepayment applied pursuant to subsections (2) and (3) shall be determined every month by the department. The department shall publish notice of the rates of prepayment applicable to gasoline and diesel fuel pursuant to subsections (2) and (3) not later than the tenth day of the month immediately preceding the month in which the rate is effective.

(5) A person subject to tax under this act that makes prepayment to another person as required by this section for gasoline may claim an estimated prepayment credit on its regular monthly return filed pursuant to section 6. The credit shall be for prepayments made during the month for which the return is required and shall be based upon the difference between prepayments made in the immediately preceding month and collections of prepaid tax received from sales or transfers during the month for which the return required under section 6 is made. A sale or transfer for which collection of prepaid tax is due the taxpayer is subject to a bad debt deduction under section 4i, whether or not the sale or transfer is a sale at retail. The credit shall not be reduced because of actual shrinkage. A taxpayer that does not, in the ordinary course of business, sell gasoline in each month of the year may, with the approval of the department, base the initial prepayment deduction in each tax year on prepayments made in a month other than the immediately preceding month. The difference in actual prepayments shall be reconciled on the annual return in

accordance with procedures prescribed by the department.

(6) Notwithstanding the other provisions for the payment and remitting of tax due under this act, a refiner, pipeline terminal operator, or marine terminal operator shall account for and remit to the department the prepayments received pursuant to this section in accordance with the following schedule:

(a) On or before the twenty-fifth of each month, prepayments received after the end of the preceding month and before the sixteenth of the month in which the prepayments are made.

(b) On or before the tenth of each month, payments received after the fifteenth and before the end of the preceding month.

(7) A refiner, pipeline terminal operator, or marine terminal operator that fails to remit prepayments made by a purchaser or receiver of fuel is subject to the penalties provided by 1941 PA 122, MCL 205.1 to 205.31.

(8) The refiner, pipeline terminal operator, or marine terminal operator shall not receive a deduction under section 4 for receiving and remitting prepayments from a purchaser or receiver pursuant to this section.

(9) The purchaser or receiver of fuel that makes prepayments is not subject to further liability for the amount of the prepayment if the refiner, pipeline terminal operator, or marine terminal operator fails to remit the prepayment.

(10) A person subject to tax under this act that makes prepayment to another person as required by this section for diesel fuel may claim an estimated prepayment credit on its regular monthly return filed pursuant to section 6. The credit shall be for prepayments made during the month for which the return is required and shall be based upon the difference between the prepayments made in the immediately preceding month and collections of prepaid tax received from sales or transfers during the month for which the return required under section 6 is made. A sale or transfer for which collection of prepaid tax is due the taxpayer is subject to a bad debt deduction under section 4i, whether or not the sale or transfer is a sale at retail. The credit shall not be reduced because of actual shrinkage. A taxpayer that does not, in the ordinary course of business, sell diesel fuel in each month of the year may, with the approval of the department, base the initial prepayment deduction in each tax year on prepayments made in a month other than the immediately preceding month. Estimated prepayment credits claimed with the return due in April 2013 shall be based on the taxpayer's retail sales of diesel fuel in March 2013. The difference in actual prepayments shall be reconciled on the annual return in accordance with procedures prescribed by the department. Repayment of the credit claimed on the return due in April 2013 shall be made by the earlier of the date that the taxpayer stops selling diesel fuel or October 15, 2013.

(11) As used in this section:

(a) "Alcohol" means fuel grade ethanol or a mixture of fuel grade ethanol and another product.

(b) "Blendstock" includes all of the following:

(i) Any petroleum product component of fuel, such as naphtha, reformate, or toluene.

(ii) Any oxygenate that can be blended for use in a motor fuel.

(c) "Boat terminal transfer" means a dock, a tank, or equipment contiguous to a dock or a tank, including equipment used in the unloading of fuel from a ship and in transferring the fuel to a tank pending wholesale bulk reshipment.

(d) "Bulk transfer" means a transfer of fuel from, or purchase for resale by, a refiner, pipeline terminal operator, or marine terminal operator to or from another refiner, pipeline terminal operator, or marine terminal operator through pipeline tender or marine delivery, including pipeline movements of fuel or marine vessel movements of fuel. Bulk transfer also includes a transaction involving the transfer by any transportation means to, or purchase for resale by, a refiner, pipeline terminal operator, or marine terminal operator of alcohol to be used exclusively for blending with gasoline. Notwithstanding anything to the contrary in this definition, fuel transferred to, or purchased for resale by, a refiner, pipeline terminal operator, or marine terminal operator must be delivered to, or otherwise remain within, the bulk transfer terminal system prior to removal across the rack in order to constitute a bulk transfer.

(e) "Bulk transfer terminal system" means the fuel distribution system consisting of refineries, pipelines, marine vessels, and terminals and includes fuel storage tanks and fuel storage facilities that are part of a refinery, boat terminal transfer, or terminal owned, operated, or controlled by a refiner, marine terminal operator, or pipeline terminal operator.

(f) "Diesel fuel" means any liquid other than gasoline that is capable of use as a fuel or a component of a fuel in a motor vehicle that is propelled by a diesel-powered engine or in a diesel-powered train. Diesel fuel includes number 1 and number 2 fuel oils, kerosene, and mineral spirits. Diesel fuel also includes any blendstock or additive that is sold for blending with diesel fuel and any liquid prepared, advertised, offered for sale, sold for use as, or used in the generation of power for the propulsion of a diesel-powered engine, airplane, or marine vessel. An additive or blendstock is presumed to be sold for blending unless a certification is obtained for federal purposes that the substance is for a use other than blending for diesel fuel. Diesel fuel does not include dyed diesel fuel, dyed kerosene, or an excluded liquid.

(g) "Dyed diesel fuel" means diesel fuel that is dyed in accordance with internal revenue service rules or pursuant to any other internal revenue service requirements, including any invisible marker requirements.

(h) "Dyed kerosene" means kerosene that is dyed in accordance with internal revenue service rules or pursuant to any other internal revenue service requirements, including invisible marker requirements.

- (i) "Excluded liquid" means that term as defined in 26 CFR 48.4081-1.
- (j) "Export" means to purchase or receive fuel in this state for immediate shipment and subsequent sale outside of this state.
- (k) "Exporter" means a person that exports fuel and is licensed under section 86 of the motor fuel tax act, 2000 PA 403, MCL 207.1086.
- (l) "Fuel" means gasoline and diesel fuel that is subject to tax under this act, collectively, except when gasoline or diesel fuel is referred to separately.
- (m) "Gasoline" means and includes gasoline, alcohol, gasohol, casing head or natural gasoline, benzol, benzine, naphtha, methanol, transmix, any blendstock additive, or other product that is sold for blending with gasoline or for use on the road, other than products typically sold in containers of less than 5 gallons. Gasoline also includes a liquid prepared, advertised, offered for sale, sold for use as, or used in the generation of power for the propulsion of a motor vehicle, airplane, or marine vessel, including a product obtained by blending together any 1 or more products of petroleum, with or without another product, and regardless of the original character of the petroleum products blended, if the product obtained by the blending is capable of use in the generation of power for the propulsion of a motor vehicle, airplane, or marine vessel. The blending of all of the above-named products, regardless of their name or characteristics, shall conclusively be presumed to have been done to produce fuel, unless the product obtained by the blending is entirely incapable of use as fuel. An additive or blendstock is presumed to be sold for blending unless a certification is obtained for federal purposes that the substance is for a use other than blending for gasoline. Gasoline does not include diesel fuel, dyed diesel fuel, dyed kerosene, or an excluded liquid.
- (n) "Kerosene" means all grades of kerosene, including, but not limited to, the 2 grades of kerosene, No. 1-K and No. 2-K, commonly known as K-1 kerosene and K-2 kerosene, respectively, described in American society for testing and materials specification D-3699, in effect on January 1, 1999, and kerosene-type jet fuel described in American society for testing and materials specification D-1655 and military specifications MIL-T-5624r and MIL-T-83133d (grades jp-5 and jp-8), and any successor internal revenue service rules or regulations, as the specification for kerosene and kerosene-type jet fuel. Kerosene does not include dyed kerosene or an excluded liquid.
- (o) "Marine terminal operator" means a person that stores fuel at a boat terminal transfer.
- (p) "Pipeline terminal operator" means a person that stores fuel in tanks and equipment used in receiving and storing fuel from interstate and intrastate pipelines pending wholesale bulk reshipment.
- (q) "Purchase", "receipt", or "shipment" does not include a two-party exchange, a bulk transfer, or a receipt of fuel as part of a bulk transfer.
- (r) "Rack" means a mechanism for delivering fuel from a refiner, a pipeline terminal operator, or a marine terminal operator into a railroad tank car, a transport truck, a tank wagon, or the fuel supply tank of a marine vessel.
- (s) "Refiner" means a person that meets all of the following requirements:
 - (i) Manufactures or produces fuel at a refinery by any process involving substantially more than the blending of fuel.
 - (ii) Is a taxable fuel registrant that is a refiner for purposes of 26 CFR 48.4081-1.
- (t) "Refinery" means a facility used by a refiner to produce fuel from crude oil, unfinished oils, natural gas liquids, or other hydrocarbons and from which fuel may be removed by pipeline or marine vessel or at a rack.
- (u) "Removal" or "removed" means a physical transfer other than by evaporation, loss, or destruction of fuel from a refiner, pipeline terminal operator, or marine terminal operator.
- (v) "Supplier" means a supplier or permissive supplier licensed under section 70 or 73 of the motor fuel tax act, 2000 PA 403, MCL 207.1070 and 207.1073.
- (w) "Tank wagon" means a straight truck having 1 or more compartments other than the fuel supply tank designed or used to carry fuel.
- (x) "Terminal" means a fuel storage and distribution facility that meets all of the following requirements:
 - (i) Is registered as a qualified terminal by the internal revenue service.
 - (ii) Is supplied by pipeline or marine vessel.
 - (iii) Has a rack from which fuel may be removed.
- (y) "Transport truck" means a semitrailer combination rig designed or used for the purpose of transporting fuel over the public roads or highways.
- (z) "Transmix" means the mixed product that results from the buffer or interface of 2 different products in a pipeline shipment, or a mixture of 2 different products within a terminal operated by a pipeline terminal operator, within a boat terminal transfer operated by a marine terminal operator, or at a refinery that results in an off-grade mixture.
- (aa) "Two-party exchange" means a transaction, including a book transfer, in which fuel is transferred from 1 supplier to another supplier where all of the following occur:
 - (i) The transaction includes a transfer of fuel from the person who holds the original inventory position for the fuel in fuel storage tanks as reflected in the records of the refiner, pipeline terminal operator, or marine terminal operator.

- (ii) The exchange transaction is completed before removal across the rack by the receiving supplier.
- (iii) The refiner, pipeline terminal operator, or marine terminal operator in its books and records treats the receiving exchange party as the supplier that removes the fuel across a rack for purposes of reporting the transaction to the department under the motor fuel tax act, 2000 PA 403, MCL 207.1001 to 207.1170.

History: Add. 1983, Act 244, Eff. Jan. 1, 1984 ;-- Am. 1985, Act 23, Imd. Eff. May 24, 1985 ;-- Am. 1993, Act 325, Eff. May 1, 1994 ;-- Am. 2008, Act 556, Eff. Jan. 20, 2009 ;-- Am. 2012, Act 509, Eff. Mar. 28, 2013 ;-- Am. 2013, Act 1, Imd. Eff. Mar. 12, 2013 ;-- Am. 2015, Act 264, Eff. Apr. 1, 2016

Compiler's Notes: Enacting section 1 of Act 467 of 2014 provides: "Enacting section 1. This amendatory act does not take effect unless House Joint Resolution UU of the 97th Legislature becomes a part of the state constitution of 1963 as provided in section 1 of article XII of the state constitution of 1963." House Joint Resolution UU was presented to the electors as Proposal 15-1 at the May 5, 2015 special election. The proposal to amend the constitution was not approved by the voters and Act 467 of 2014 does not go into effect.