

Legislative Analysis



EXCLUDE FEDERAL GAS TAX FROM SALES TAX

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4841

Sponsor: Rep. Robert Gosselin

Committee: Tax Policy

Complete to 10-4-05

A SUMMARY OF HOUSE BILL 4841 AS INTRODUCED 5-31-05

The bill would amend the General Sales Tax Act to exclude from the sales tax the amount of the federal gasoline tax paid on gasoline at the time of purchase.

The federal gasoline tax is 18.4 cents per gallon. The sales tax is currently imposed on the pre-tax price of the gallon of gasoline and the federal gasoline tax (but not on the state gasoline tax).

MCL 205.51

FISCAL IMPACT:

The bill would reduce sales tax revenue by one cent per gallon of gasoline sold. Based on actual 2004 and estimated 2005 gasoline sales in Michigan, the bill would reduce sales tax revenue by approximately \$49.1 million. Of this, about \$36 million would be earmarked to the School Aid Fund, along with an additional \$4.9 million for constitutional revenue sharing. The remainder would accrue to the General Fund.

Assuming that the retail price of gasoline actually declines by one cent (although the recent wide fluctuations in gas prices would make this extremely difficult to verify), a Michigan driver would save about \$7.50 per year, based on national averages of miles driven annually and miles per gallon.

Legislative Analyst: Mark Wolf
Fiscal Analyst: Jim Stansell

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.