

HOUSE BILL No. 5926

March 20, 2008, Introduced by Reps. Nitz and Sheltroun and referred to the Committee on Agriculture.

A bill to amend 2000 PA 403, entitled
"Motor fuel tax act,"
by amending section 8 (MCL 207.1008), as amended by 2006 PA 268.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 8. (1) Subject to the exemptions provided for in this
2 act, tax is imposed on motor fuel imported into or sold, delivered,
3 or used in this state at the following rates:

4 (a) Except as otherwise provided in subdivision (c), 19 cents
5 per gallon on gasoline.

6 (b) Except as otherwise provided in subdivision (d), 15 cents
7 per gallon on diesel fuel.

8 (c) ~~Subject to subsections (10) and (11), 12 cents per gallon~~
9 BEGINNING OCTOBER 1, 2008, NO TAX SHALL BE IMPOSED on gasoline that

1 is at least 70% ethanol. Under this subdivision, blenders of
2 ethanol and gasoline outside of the bulk transfer terminal system
3 shall obtain a blender's license and are subject to the blender
4 reporting requirements under this act. A licensed supplier who
5 blends ethanol and gasoline shall also obtain a blender's license.

6 ~~(d) Subject to subsections (10) and (11), 12 cents per gallon~~
7 **BEGINNING OCTOBER 1, 2008, NO TAX** on diesel fuel that contains at
8 least 5% biodiesel. Under this subdivision, blenders of biodiesel
9 and diesel fuel outside of the bulk transfer terminal system are
10 required to obtain a blender's license and are subject to the
11 blender reporting requirements under this act. A licensed supplier
12 who blends biodiesel and diesel fuel shall also obtain a blender's
13 license.

14 (2) Tax shall not be imposed under this section on motor fuel
15 that is in the bulk transfer/terminal system.

16 (3) The collection, payment, and remittance of the tax imposed
17 by this section shall be accomplished in the manner and at the time
18 provided for in this act.

19 (4) Tax is also imposed at the rate described in subsection
20 (1) on net gallons of motor fuel, including transmix, lost or
21 unaccounted for, at each terminal in this state. The tax shall be
22 measured annually and shall apply to the net gallons of motor fuel
23 lost or unaccounted for that are in excess of 1/2 of 1% of all net
24 gallons of fuel removed from the terminal across the rack or in
25 bulk.

26 (5) It is the intent of this act:

27 (a) To require persons who operate a motor vehicle on the

1 public roads or highways of this state to pay for the privilege of
2 using those roads or highways.

3 (b) To impose on suppliers a requirement to collect and remit
4 the tax imposed by this act at the time of removal of motor fuel
5 unless otherwise specifically provided in this act.

6 (c) To allow persons who pay the tax imposed by this act and
7 who use the fuel for a nontaxable purpose to seek a refund or claim
8 a deduction as provided in this act.

9 (d) That the tax imposed by this act be collected and paid at
10 those times, in the manner, and by those persons specified in this
11 act.

12 (6) Bills of lading and invoices shall identify the blended
13 product and the correct fuel product code. The motor fuel tax rate
14 for each product shall be listed separately on each invoice.
15 Licensees shall report the correct fuel product code for the
16 blended product as required by the department. When fuel is blended
17 below the terminal rack, new bills of lading and invoices shall be
18 generated and submitted to the department upon request. All bills
19 of lading and invoices shall meet the requirements provided under
20 this act.

21 (7) Notwithstanding any other provision of this act, all
22 facilities in this state that produce motor fuel and distribute the
23 fuel from a rack for purposes of this act are a terminal and shall
24 obtain a terminal operator license and shall comply with all
25 terminal operator reporting requirements under this act. All
26 position holders in these facilities shall be licensed as a
27 supplier and shall comply with all supplier requirements under this

1 act.

2 (8) If the tax on gasoline that contains at least 70% ethanol
3 or diesel fuel that contains at least 5% biodiesel held in storage
4 outside of the bulk transfer/terminal system on ~~the effective date~~
5 ~~of the amendatory act that added this subsection~~ **OCTOBER 1, 2008**
6 has previously been paid at the rates imposed by subsection (1)(a)
7 and (b), the person who paid the tax may claim a refund for the
8 difference between the rates imposed by subsection (1)(a) and (b)
9 and the rates imposed by subsection (1)(c) and (d). All of the
10 following shall apply to a refund claimed under this subsection:

11 (a) The refund shall be claimed on a form prescribed by the
12 department.

13 (b) The refund shall apply only to:

14 (i) Previously taxed gasoline containing at least 70% ethanol
15 or diesel fuel containing at least 5% biodiesel in excess of 3,000
16 gallons held in storage by an end user.

17 (ii) Previously taxed gasoline containing at least 70% ethanol
18 or diesel fuel containing at least 5% biodiesel held for sale that
19 is in excess of dead storage.

20 (9) A refund request shall be filed within 60 days after ~~the~~
21 ~~last day of the month in which the amendatory act that added this~~
22 ~~subsection took effect~~ **OCTOBER 1, 2008**. A taxpayer shall provide
23 documentation that the department requires in order to verify the
24 request for refund. A person who may claim a refund under
25 subsection (8) shall do all of the following to claim the refund:

26 (a) Not later than 12 a.m. on ~~the effective date of the~~
27 ~~amendatory act that added this subsection~~ **OCTOBER 1, 2008**, take an

1 inventory of gasoline containing at least 70% ethanol or undyed
2 diesel fuel containing at least 5% biodiesel.

3 (b) Deduct 3,000 gallons if the person claiming the refund is
4 an end user.

5 (c) Deduct the number of gallons in dead storage if the
6 gasoline containing at least 70% ethanol or the undyed diesel fuel
7 containing at least 5% biodiesel is held for subsequent sale.

8 ~~—— (10) Beginning on the effective date of the amendatory act~~
9 ~~that added this subsection, the state treasurer shall annually~~
10 ~~determine, for the 12 month period ending May 1 and for any~~
11 ~~additional times that the treasurer may determine, the difference~~
12 ~~between the amount of motor fuel tax collected and the amount of~~
13 ~~motor fuel tax that would have been collected but for the~~
14 ~~differential rates on gasoline pursuant to subsection (1)(c) and~~
15 ~~biodiesel pursuant to subsection (1)(d). Subsection (1)(c) and (d)~~
16 ~~is no longer effective the earlier of 10 years after the effective~~
17 ~~date of the amendatory act that added this subsection or the first~~
18 ~~day of the first month that is not less than 90 days after the~~
19 ~~state treasurer certifies that the total cumulative rate~~
20 ~~differential from the effective date of this amendatory act is~~
21 ~~greater than \$2,500,000.00.~~

22 ~~—— (11) The legislature shall annually appropriate to the~~
23 ~~Michigan transportation fund created in 1951 PA 51, MCL 247.651 to~~
24 ~~247.675, the amount determined as the rate differential certified~~
25 ~~by the state treasurer for the 12 month period ending on May 1 of~~
26 ~~the calendar year in which the fiscal year begins. Subsection~~
27 ~~(1)(c) and (d) shall not be effective beginning January of any~~

~~fiscal year for which the appropriation required under this subsection has not been made by the first day of the fiscal year.~~

(10) ~~(12)~~ As used in this section:

(a) "Biodiesel" means a fuel composed of mono-alkyl esters of long chain fatty acids derived from vegetable oils or animal fats and, in accordance with standards specified by the American society for testing and materials, designated B100 and meeting the requirements of D-6751, as approved by the department of agriculture.

(b) "Ethanol" means denatured fuel ethanol that is suitable for use in a spark-ignition engine when mixed with gasoline so long as the mixture meets the American society for testing and materials D-5798 specifications.