SFA BILL ANALYSIS

Senate Fiscal Agency • Lansing, Michigan 48909 • (517) 373-5383

House Bill 4169 (Substitute S-2 as reported)
Sponsor: Representative Tom Alley
House Committee: Taxation
Senate Committee: Finance

Date Completed: 12-9-87

RATIONALE

The State Waterways Act imposes a privilege tax on gasoline and diesel fuel used by boats. The State Waterways Commission uses the money to help local governments pay for building and improving harbors, docks, and other boating facilities. Because no method has been devised to determine how much of the fuel sold is sold for boating purposes, the Act contains a legislative finding that a certain percentage of fuel taxes will go to waterways projects. At present, the State Waterways Fund receives 1.25% of gasoline taxes. Over the years, the amount to be spent on waterways has caused controversy between road/transportation interests on one hand and boating enthusiasts on the other. Another issue of the past decade is whether snowmobilers (and other recreation interests) should get some fixed percentage of the fuel taxes paid. They point out that they receive no guaranteed benefit from the fuel taxes they pay on fuel for snowmobiles and on fuel used in vehicles that haul snowmobiles. At various times a unified fund for spending fuel taxes for recreational purposes has been proposed. As part of the current negotiations on a new transportation package, road and recreation interests have agreed on the formation of such a fund and on the allocation of fuel tax dollars.

CONTENT

The bill would create the "Recreation Improvement Fund Act" to do the following:

- Establish a Recreation Improvement Fund, and dedicate 2% of all gasoline taxes to the Fund, to be spent on waterways, recreational snowmobile trails, and other recreational projects.
- Designate how Fund expenditures were to be used and establish the percentages for those uses.
- Impose a privilege tax, at the same rate as all other motor fuel taxes, on gasoline and diesel fuel used in watercraft, off-road vehicles, and boats.
- Repeal Section 9 of the State Waterways Act. (This would eliminate provisions that currently tax gasoline and diesel fuel used in watercraft, and that dedicate 1.25% of all gasoline taxes to the State Waterways Fund.)

The bill would take effect October 1, 1988.

The Recreation Improvement Fund would be created in the Department of Treasury and would be administered by the Department of Natural Resources. The Treasury Department would annually have to present to the Natural Resources Commission an accurate total of all gasoline taxes, *and credit 2% of the total to the Fund*, less a deduction for collection costs and refunds. Any money remaining in the Fund at the end of a fiscal year would be carried over in the Fund to the next and succeeding fiscal years and could be used only for the purposes stated in the bill. (Note: Although one section of the bill would impose a privilege tax on all "gasoline and diesel fuel" sold in the State for recreational uses, another section would require the Treasury Department to present a total of all "gasoline taxes" and determine the portion of revenue derived from the "sale of gasoline".)

The bill would impose a privilege tax on all gasoline and diesel fuel sold in the State that is "used to generate power for the operation or propulsion of waterways of this state, of off-road vehicles, and of snowmobiles". The bill further contains a legislative finding that 2% of all the gasoline and diesel fuel sold in the State for consumption in internal combustion engines fits this description. The tax would be paid to the Treasury Department in the same manner, at the same time, and at the same rate per gallon as the motor fuel tax on gasoline. The tax would not apply to liquefied petroleum gas.

The Natural Resources Commission would have to make expenditure recommendations to the Legislature each year, but the bill would require that at least 80% of Fund revenue be credited to the State Waterways Fund, and at least 14% to the Recreational Snowmobile Trail Improvement Fund, with the remaining money to be distributed to recreational projects (e.g., trails and facilities for off-road vehicles, cross-country skiers, horseback riders, and hikers; and inland lake cleanup grants). At least 25% of any funds designated for off-road vehicle projects would have to be spent on projects to repair damage caused by the use of off-road vehicles.

The bill would require the Department of Natural Resources and the Department of Transportation to prepare a joint report on their estimate of actual gasoline and diesel fuel usage in off-road vehicles, watercraft, and snowmobiles. The Departments would be required to collect usage data from the effective date of the bill until January 1, 1991, and, along with historical usage trends, include the information in the report, to be submitted to the Legislature by January 1, 1992.

The bill is tie-barred to Senate Bill 152 and Senate Bill 321. Both bills are part of the transportation funding package.

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on State and local government. It is unclear whether the privilege tax would be imposed on both gasoline and diesel fuels. If the tax were imposed on both fuels, this bill would appropriate approximately $12.7 million to the Recreation Improvement Fund. As a result of this appropriation, the State Trunkline Fund (STF), county road commissions and cities and villages would lose revenue proportional to their formula distribution.

OVER

ARGUMENTS

Supporting Argument

Road and recreation interests have agreed to a reasonable apportionment of gas tax revenues to recreation and tourism projects. In addition to an increase in revenues for waterways projects, the bill would allocate gas tax revenue to snowmobile trails, and, at the discretion of the Department of Natural Resources, to trails for off-road vehicles, cross-country skiers, horseback riders, and hikers. Revenue also could be allotted to lake cleanup projects. The bill would create a unified fund for recreation projects rather than having such funding scattered about or nonexistent.

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