



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bills 557 through 561 (as introduced 5-24-95)
Sponsor: Senator Mat J. Dunaskiss (Senate Bills 557 & 558)
Senator Dianne Byrum (Senate Bill 559)
Senator Walter H. North (Senate Bill 560)
Senator Dan L. DeGrow (Senate Bill 561)
Committee: Technology and Energy

Date Completed: 3-19-96

CONTENT

Senate Bills 557 through 560 would amend various acts to provide for tax credits related to the sale of “alternative-fueled vehicles” (AFVs) and the construction of natural gas fueling stations. Senate Bill 561 would amend the Fire Prevention Code to exempt from certification requirements a compressed gas or liquefied petroleum gas vehicular fueling location that did not have storage capacity.

“Alternative fuel” and “alternative-fueled vehicle” would mean those terms as defined in Title III of the Federal Energy Policy Act. Under that Act, alternative fuels include methanol, denatured ethanol, and other alcohol; blended alcohol fuels (containing at least 85% methanol, denatured ethanol, or other alcohol); natural gas; liquefied petroleum gas (propane); hydrogen; coal-derived liquid fuels; fuels (other than alcohol) derived from biological materials; electricity (including electricity derived from solar energy); and other fuels that the Secretary of the Department of Energy determined would yield substantial energy security and environmental benefits.

Senate Bill 557

The bill would amend the General Sales Tax Act to provide that, for sales made after December 31, 1994, and before January 1, 2000, a person subject to the sales tax could exclude from gross proceeds used for the computation of the tax the amount of gross proceeds from the sale of an AFV, equal to the difference between the cost of the AFV and the cost that the same vehicle would have had with a traditional fuel source.

Senate Bill 558

The bill would amend the General Property Tax Act to provide that an increase in the taxable value of real property due to new construction of a natural gas fueling station for the retail sale of natural gas to a consumer for use in a motor vehicle would be exempt from taxation under the Act for three years. In addition, a natural gas fueling station for the retail sale of natural gas to a consumer for use in motor vehicles that was taxable as personal property under the Act would be exempt from taxation for three years if the natural gas fueling station were new construction. The exemptions would begin on December 30 of the year construction of the natural gas fueling station began.

Senate Bills 559 and 560

Senate Bills 559 and 560 would amend the Income Tax Act and the Single Business Tax Act, respectively, to provide that, for tax years beginning after December 31, 1994, a taxpayer could claim a credit of up to \$1,500 against his or her income tax or single business tax for the year for both of the following:

- The difference between the cost of a "conventional-fueled vehicle" and the cost paid by the taxpayer in the tax year for a comparable AFV or "dual-fueled vehicle".
- The cost paid by the taxpayer in the tax year to purchase and install AFV conversion equipment.

If the credit allowed under either bill exceeded the taxpayer's tax liability for the year, the portion that exceeded the tax liability could not be refunded or carried forward to offset the tax liability in subsequent years.

"Conventional-fueled vehicle" would mean a vehicle propelled by a fuel that was suitable for use in spark-ignition internal combustion engines and was commonly or commercially known or sold as gasoline. "Dual-fueled vehicle" would mean a vehicle that had the capacity to be propelled by either conventional fuel or alternative fuel.

Senate Bill 561

The Fire Prevention Code prohibits a firm or person from establishing or maintaining a flammable compressed gas or liquefied petroleum gas container filling location without obtaining a certificate from the State Fire Marshal. The bill would exempt from that prohibition a compressed gas or liquefied petroleum gas vehicular fueling location that did not have storage capacity.

The bill specifies, however, that each compressed natural gas system for fueling a motor vehicle would have to comply with the standards established by the Department of State Police through rule promulgation. A city, village, township, county, or other governmental entity could not adopt a standard, ordinance, or rule that was inconsistent with this requirement.

Proposed MCL 205.54p (S.B. 557)
Proposed MCL 211.7ff & 211.9f (S.B. 558)
Proposed MCL 206.266 (S.B. 559)
Proposed MCL 208.37c (S.B. 560)
MCL 29.5c et al. (S.B. 561)

Legislative Analyst: P. Affholter

FISCAL IMPACT

Senate Bills 557-560

The fiscal analysis of Senate Bills 557-560 is based on a preliminary estimate that there will be an additional 2,000 alternative-fueled vehicles operating in Michigan each year through calendar year 1999 whose owners will, under current law, be subject to taxes in Michigan. Additional information on the number of alternative-fueled vehicles in Michigan is being pursued. Based on this estimate of the number of vehicles in Michigan and on a number of assumptions explained below, it is estimated that these bills, collectively, would reduce State revenue by \$3.5 million and local property taxes by \$140,000, on an annual basis.

Senate Bill 557. Assuming that the price differential between a traditional-fueled vehicle and a comparable alternative-fueled vehicle is about \$5,000, then this bill would reduce sales tax collections by about \$500,000 a year. This sales tax exemption would apply through calendar year 1999.

Senate Bill 558. At the present time, there are 29 compressed natural gas fueling stations in Michigan. The majority of these stations are owned by utility companies or are part of a gasoline station. Assuming that the average new natural gas fueling station is added to an existing fueling facility, it is estimated that each new natural gas fueling location would cost about \$200,000 to construct and equip. It is also assumed that the average property tax millage rate on this property would be 48 mills, which is equal to the current statewide average millage rate on business property. Based on these assumptions, it is estimated this bill would reduce property taxes by about \$4,800 per new station for each of the first three years after construction began. Of this amount, the State education property tax would be reduced by about \$600 per year. If the number of natural gas fueling stations in Michigan were to double, this bill would lower property taxes from what they otherwise will be by approximately \$140,000, including a \$17,400 reduction in the State education property tax, per year.

Senate Bill 559. Assuming that half of the new alternative-fueled vehicles are purchased by individuals, and assuming that each taxpayer would be eligible for the maximum \$1,500 tax credit, then it is estimated this bill would reduce income tax revenue, from what it otherwise will be, by \$1.5 million per year. This reduction in revenue would affect the following budget areas: General Fund/General Purpose revenue, down \$1.1 million; School Aid Fund, down \$0.3 million; and revenue sharing, down \$0.1 million.

Senate Bill 560. This bill is not clear as to whether the maximum \$1,500 single business tax credit would apply to the taxpayer, or to each alternative-fueled vehicle purchased by the taxpayer. Assuming that the credit applied to each vehicle purchased by a business, and assuming half of the new alternative-fuel vehicles are purchased by businesses, it is estimated that this bill would reduce single business tax revenue, from what it otherwise will be, by \$1.5 million per year. This reduction in revenue would affect the following areas of the budget: General Fund/General Purpose revenue, down \$1.3 million, and revenue sharing, down \$0.2 million.

Senate Bill 561

The bill would have a minimal fiscal impact on the Department of State Police. The Department is authorized to charge for plan review and inspections of compressed natural gas and liquefied gas storage systems.

Fiscal Analyst: J. Wortley (S.B. 557-560)
B. Baker (S.B. 561)

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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.