

**SUBSTITUTE FOR
SENATE BILL NO. 972**

A bill to amend 1933 PA 167, entitled
"General sales tax act,"
by amending section 6a (MCL 205.56a), as amended by 2015 PA 264,
and by adding section 4ii.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 **Sec. 4ii. (1) Beginning June 15, 2022 through September 15,**
2 **2022, the sale of eligible fuel is exempt from the tax imposed by**
3 **this act.**

4 **(2) As used in this section, "eligible fuel" means any fuel**
5 **subject to the tax levied under the motor fuel tax act, 2000 PA**
6 **403, MCL 207.1001 to 207.1170.**

7 **Sec. 6a. (1) Through March 31, 2013, at the time of purchase**
8 **or shipment from a refiner, pipeline terminal operator, or marine**



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

17 (2) Beginning April 1, 2013 through March 31, 2016, at the
 18 time of purchase or shipment from a refiner, pipeline terminal
 19 operator, or marine terminal operator, a purchaser or receiver of
 20 fuel shall prepay a portion of the tax imposed by this act at the
 21 rates provided in this section to the refiner, pipeline terminal
 22 operator, or marine terminal operator for the purchase or receipt
 23 of fuel. If the purchase or receipt of fuel is made outside this
 24 state for shipment into and subsequent sale within this state, the
 25 purchaser or receiver, other than a refiner, pipeline terminal
 26 operator, or marine terminal operator, shall make the prepayment
 27 required by this section directly to the department. Prepayments
 28 for gasoline ~~shall~~**must** be made at a cents-per-gallon rate
 29 determined by the department and ~~shall~~**must** be based on 6% of the



1 statewide average retail price of a gallon of self-serve unleaded
 2 regular gasoline as determined and certified by the department
 3 rounded up to the nearest 1/10 of 1 cent. Prepayments for diesel
 4 fuel ~~shall~~**must** be made at a cents-per-gallon rate determined by
 5 the department and ~~shall~~**must** be based on 6% of the statewide
 6 average retail price of a gallon of undyed No. 2 ultra-low sulfur
 7 diesel fuel as determined and certified by the department rounded
 8 up to the nearest 1/10 of 1 cent. A person that makes prepayments
 9 directly to the department shall make those prepayments according
 10 to the schedule in subsection (6).

11 (3) Beginning April 1, 2016 **through June 14, 2022 and**
 12 **beginning September 16, 2022**, at the time of purchase or shipment
 13 in this state from a refiner, pipeline terminal operator, or marine
 14 terminal operator, a purchaser or receiver of fuel other than an
 15 exporter or supplier for immediate export, as evidenced by the
 16 terminal's shipping papers or bill of lading, shall prepay a
 17 portion of the tax imposed by this act at the rates provided in
 18 this section to the refiner, pipeline terminal operator, or marine
 19 terminal operator for the purchase or receipt of fuel. If the
 20 purchase or receipt of fuel is made outside this state for shipment
 21 into and subsequent sale within this state, the purchaser or
 22 receiver, other than a refiner, pipeline terminal operator, or
 23 marine terminal operator as part of a bulk transfer, shall make the
 24 prepayment required by this section directly to the department.
 25 Prepayments for gasoline ~~shall~~**must** be made at a cents-per-gallon
 26 rate determined by the department and ~~shall~~**must** be based on 6% of
 27 the statewide average retail price of a gallon of self-serve
 28 unleaded regular gasoline as determined and certified by the
 29 department rounded up to the nearest 1/10 of 1 cent. Prepayments



1 for diesel fuel ~~shall~~**must** be made at a cents-per-gallon rate
2 determined by the department and ~~shall~~**must** be based on 6% of the
3 statewide average retail price of a gallon of undyed No. 2 ultra-
4 low sulfur diesel fuel as determined and certified by the
5 department rounded up to the nearest 1/10 of 1 cent. A person that
6 makes prepayments directly to the department shall make those
7 prepayments according to the schedule in subsection (6).

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

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



1 month other than the immediately preceding month. The difference in
 2 actual prepayments ~~shall~~**must** be reconciled on the annual return ~~in~~
 3 ~~accordance with~~**pursuant to** procedures prescribed by the
 4 department.

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

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

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

15 (7) A refiner, pipeline terminal operator, or marine terminal
 16 operator that fails to remit prepayments made by a purchaser or
 17 receiver of fuel is subject to the penalties provided by 1941 PA
 18 122, MCL 205.1 to 205.31.

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

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

27 (10) A person subject to tax under this act that makes
 28 prepayment to another person as required by this section for diesel
 29 fuel may claim an estimated prepayment credit on its regular



1 monthly return filed pursuant to section 6. The credit ~~shall~~**must**
2 be for prepayments made during the month for which the return is
3 required and ~~shall~~**must** be based upon the difference between the
4 prepayments made in the immediately preceding month and collections
5 of prepaid tax received from sales or transfers during the month
6 for which the return required under section 6 is made. A sale or
7 transfer for which collection of prepaid tax is due the taxpayer is
8 subject to a bad debt deduction under section 4i, whether or not
9 the sale or transfer is a sale at retail. The credit ~~shall~~**must** not
10 be reduced because of actual shrinkage. A taxpayer that does not,
11 in the ordinary course of business, sell diesel fuel in each month
12 of the year may, with the approval of the department, base the
13 initial prepayment deduction in each tax year on prepayments made
14 in a month other than the immediately preceding month. Estimated
15 prepayment credits claimed with the return due in April 2013 ~~shall~~
16 **must** be based on the taxpayer's retail sales of diesel fuel in
17 March 2013. The difference in actual prepayments ~~shall~~**must** be
18 reconciled on the annual return ~~in accordance with~~**pursuant to**
19 procedures prescribed by the department. Repayment of the credit
20 claimed on the return due in April 2013 ~~shall~~**must** be made by the
21 earlier of the date that the taxpayer stops selling diesel fuel or
22 October 15, 2013.

23 (11) As used in this section:

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

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

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

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



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

5 (d) "Bulk transfer" means a transfer of fuel from, or purchase
6 for resale by, a refiner, pipeline terminal operator, or marine
7 terminal operator to or from another refiner, pipeline terminal
8 operator, or marine terminal operator through pipeline tender or
9 marine delivery, including pipeline movements of fuel or marine
10 vessel movements of fuel. Bulk transfer also includes a transaction
11 involving the transfer by any transportation means to, or purchase
12 for resale by, a refiner, pipeline terminal operator, or marine
13 terminal operator of alcohol to be used exclusively for blending
14 with gasoline. Notwithstanding anything to the contrary in this
15 definition, fuel transferred to, or purchased for resale by, a
16 refiner, pipeline terminal operator, or marine terminal operator
17 must be delivered to, or otherwise remain within, the bulk transfer
18 terminal system ~~prior to~~ **before** removal across the rack ~~in order to~~
19 constitute a bulk transfer.

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

26 (f) "Diesel fuel" means any liquid other than gasoline that is
27 capable of use as a fuel or a component of a fuel in a motor
28 vehicle that is propelled by a diesel-powered engine or in a
29 diesel-powered train. Diesel fuel includes number 1 and number 2



1 fuel oils, kerosene, and mineral spirits. Diesel fuel also includes
 2 any blendstock or additive that is sold for blending with diesel
 3 fuel and any liquid prepared, advertised, offered for sale, sold
 4 for use as, or used in the generation of power for the propulsion
 5 of a diesel-powered engine, airplane, or marine vessel. An additive
 6 or blendstock is presumed to be sold for blending unless a
 7 certification is obtained for federal purposes that the substance
 8 is for a use other than blending for diesel fuel. Diesel fuel does
 9 not include dyed diesel fuel, dyed kerosene, or an excluded liquid.

10 (g) "Dyed diesel fuel" means diesel fuel that is dyed ~~in~~
 11 ~~accordance with internal revenue service~~ **pursuant to Internal**
 12 **Revenue Service** rules or pursuant to any other ~~internal revenue~~
 13 ~~service~~ **Internal Revenue Service** requirements, including any
 14 invisible marker requirements.

15 (h) "Dyed kerosene" means kerosene that is dyed ~~in accordance~~
 16 ~~with internal revenue service~~ **pursuant to Internal Revenue Service**
 17 rules or pursuant to any other ~~internal revenue service~~ **Internal**
 18 **Revenue Service** requirements, including invisible marker
 19 requirements.

20 (i) "Excluded liquid" means that term as defined in 26 CFR
 21 48.4081-1.

22 (j) "Export" means to purchase or receive fuel in this state
 23 for immediate shipment and subsequent sale outside of this state.

24 (k) "Exporter" means a person that exports fuel and is
 25 licensed under section 86 of the motor fuel tax act, 2000 PA 403,
 26 MCL 207.1086.

27 (l) "Fuel" means gasoline and diesel fuel that is subject to
 28 tax under this act, collectively, except when gasoline or diesel
 29 fuel is referred to separately.



1 (m) "Gasoline" means and includes gasoline, alcohol, gasohol,
2 casing head or natural gasoline, benzol, benzine, naphtha,
3 methanol, transmix, any blendstock additive, or other product that
4 is sold for blending with gasoline or for use on the road, other
5 than products typically sold in containers of less than 5 gallons.
6 Gasoline also includes a liquid prepared, advertised, offered for
7 sale, sold for use as, or used in the generation of power for the
8 propulsion of a motor vehicle, airplane, or marine vessel,
9 including a product obtained by blending together any 1 or more
10 products of petroleum, with or without another product, and
11 regardless of the original character of the petroleum products
12 blended, if the product obtained by the blending is capable of use
13 in the generation of power for the propulsion of a motor vehicle,
14 airplane, or marine vessel. The blending of all of the above-named
15 products, regardless of their name or characteristics, shall
16 conclusively be presumed to have been done to produce fuel, unless
17 the product obtained by the blending is entirely incapable of use
18 as fuel. An additive or blendstock is presumed to be sold for
19 blending unless a certification is obtained for federal purposes
20 that the substance is for a use other than blending for gasoline.
21 Gasoline does not include diesel fuel, dyed diesel fuel, dyed
22 kerosene, or an excluded liquid.

23 (n) "Kerosene" means all grades of kerosene, including, but
24 not limited to, the 2 grades of kerosene, No. 1-K and No. 2-K,
25 commonly known as K-1 kerosene and K-2 kerosene, respectively,
26 described in American ~~society for testing and materials~~ **Society for**
27 **Testing and Materials** specification D-3699, in effect on January 1,
28 1999, and kerosene-type jet fuel described in American ~~society for~~
29 ~~testing and materials~~ **Society for Testing and Materials**



1 specification D-1655 and military specifications MIL-T-5624r and
 2 MIL-T-83133d (grades jp-5 and jp-8), and any successor ~~internal~~
 3 ~~revenue service~~ **Internal Revenue Service** rules or regulations, as
 4 the specification for kerosene and kerosene-type jet fuel. Kerosene
 5 does not include dyed kerosene or an excluded liquid.

6 (o) "Marine terminal operator" means a person that stores fuel
 7 at a boat terminal transfer.

8 (p) "Pipeline terminal operator" means a person that stores
 9 fuel in tanks and equipment used in receiving and storing fuel from
 10 interstate and intrastate pipelines pending wholesale bulk
 11 reshipment.

12 (q) "Purchase", "receipt", or "shipment" does not include a
 13 two-party exchange, a bulk transfer, or a receipt of fuel as part
 14 of a bulk transfer.

15 (r) "Rack" means a mechanism for delivering fuel from a
 16 refiner, a pipeline terminal operator, or a marine terminal
 17 operator into a railroad tank car, a transport truck, a tank wagon,
 18 or the fuel supply tank of a marine vessel.

19 (s) "Refiner" means a person that meets all of the following
 20 requirements:

21 (i) Manufactures or produces fuel at a refinery by any process
 22 involving substantially more than the blending of fuel.

23 (ii) Is a taxable fuel registrant that is a refiner for
 24 purposes of 26 CFR 48.4081-1.

25 (t) "Refinery" means a facility used by a refiner to produce
 26 fuel from crude oil, unfinished oils, natural gas liquids, or other
 27 hydrocarbons and from which fuel may be removed by pipeline or
 28 marine vessel or at a rack.

29 (u) "Removal" or "removed" means a physical transfer other



1 than by evaporation, loss, or destruction of fuel from a refiner,
2 pipeline terminal operator, or marine terminal operator.

3 (v) "Supplier" means a supplier or permissive supplier
4 licensed under section 70 or 73 of the motor fuel tax act, 2000 PA
5 403, MCL 207.1070 and 207.1073.

6 (w) "Tank wagon" means a straight truck having 1 or more
7 compartments other than the fuel supply tank designed or used to
8 carry fuel.

9 (x) "Terminal" means a fuel storage and distribution facility
10 that meets all of the following requirements:

11 (i) Is registered as a qualified terminal by the ~~internal~~
12 ~~revenue service.~~ **Internal Revenue Service.**

13 (ii) Is supplied by pipeline or marine vessel.

14 (iii) Has a rack from which fuel may be removed.

15 (y) "Transport truck" means a semitrailer combination rig
16 designed or used for the purpose of transporting fuel over the
17 public roads or highways.

18 (z) "Transmix" means the mixed product that results from the
19 buffer or interface of 2 different products in a pipeline shipment,
20 or a mixture of 2 different products within a terminal operated by
21 a pipeline terminal operator, within a boat terminal transfer
22 operated by a marine terminal operator, or at a refinery that
23 results in an off-grade mixture.

24 (aa) "Two-party exchange" means a transaction, including a
25 book transfer, in which fuel is transferred from 1 supplier to
26 another supplier where all of the following occur:

27 (i) The transaction includes a transfer of fuel from the person
28 who holds the original inventory position for the fuel in fuel
29 storage tanks as reflected in the records of the refiner, pipeline



1 terminal operator, or marine terminal operator.

2 (ii) The exchange transaction is completed before removal
3 across the rack by the receiving supplier.

4 (iii) The refiner, pipeline terminal operator, or marine
5 terminal operator in its books and records treats the receiving
6 exchange party as the supplier that removes the fuel across a rack
7 for purposes of reporting the transaction to the department under
8 the motor fuel tax act, 2000 PA 403, MCL 207.1001 to 207.1170.

