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REVENUE ADMINISTRATIVE BULLETIN 2007-1

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NOTICE OF CHANGE IN PREPAID GASOLINE SALES TAX RATE

(Replaces Revenue Administrative Bulletin 2006-2)

RAB 2007 -1. This Revenue Administrative Bulletin (RAB) announces a change in the prepaid gasoline sales tax rate, and describes the prepayment of gasoline sales tax and the corresponding rate determination, MCL 205.56a. This RAB supersedes RAB 2006-2.

ISSUES

- I. What is the new rate?
- II. Why do we need to change rates?
- III. What is the recent historical information on the rate?

CONCLUSIONS

- I. Effective May 1, 2007, the new prepaid gasoline sales tax rate is 13.1 cents per gallon.
- II. The rate change is necessitated by MCL 205.56a. Section 6a(2) requires the department to determine the prepaid gasoline sales tax rate every six months, unless the change in the statewide average retail price of a gallon of self-serve unleaded regular gasoline has been less than 10%. Regardless of whether there is a 10% change, the prepaid gasoline sales tax rate must be adjusted not less often than annually.
- III.
 - a. Effective May 1, 1994 through July 31, 1999, the rate was established at 5.4 cents per gallon.
 - b. Effective August 1, 1999 through December 31, 1999, the rate was established at 4.6 cents per gallon.
 - c. Effective January 1, 2000 through August 31, 2000, the rate was established at 5.7 cents per gallon.
 - d. Effective September 1, 2000 through February 28, 2001, the rate was established at 6.8 cents per gallon.
 - e. Effective March 1, 2001 through February 28, 2002, the rate was established at 8.1 cents per gallon.
 - f. Effective March 1, 2002 through July 31, 2002, the rate was established at 7.9 cents per gallon.
 - g. Effective August 1, 2002 through December 31, 2002, the rate was established at 5.8 cents per gallon.

- h. Effective January 1, 2003 through January 31, 2004, the rate was established at 7.2 cents per gallon.
- i. Effective February 1, 2004 through March 31, 2005 the rate was established at 7.9 cents per gallon.
- j. Effective April 1, 2005 through April 30, 2006 the rate was established at 9.9 cents per gallon.
- k. Effective May 1, 2006 through April 30, 2007 the rate was established at 12.7 cents per gallon.

LAW & ANALYSIS

As provided in Section 6a of the General Sales Tax Act, MCL 205.51 et.seq., at the time of purchase or shipment from a refiner, pipeline terminal operator, or marine terminal operator, a purchaser or receiver of gasoline shall prepay a portion of the sales tax at a rate determined and certified by the department. MCL 205.56a(1). The department must determine the prepaid sales tax rate every 6 months unless the change in the statewide average retail price of a gallon of self-serve unleaded regular gasoline has been less than 10% during the 6-month period. The department, however, must determine and adjust the rate not less than annually, regardless of the percentage change. MCL 205.56a(2).

The prepaid sales tax rate is calculated by starting with the statewide average retail price of a gallon of self-serve unleaded regular gasoline for the period being examined, subtracting the amounts of state motor fuel and sales taxes per gallon and then multiplying that net amount by 6 percent.

A review of the statewide average retail price of unleaded self-serve gasoline for the prior period, which commenced on January 1, 2006 and ended on June 30, 2006, did not necessitate a change in the rate as the statewide average price of regular unleaded gasoline did not change more/less than 10% as required by statute. The most recent review examined the statewide average retail price of self-serve unleaded regular gasoline for the period July 1, 2006 and ending on December 31, 2006. It was determined that the statewide average retail price of unleaded regular self-serve gasoline per gallon for this period was \$2.498667.

As noted above, regardless whether there has been a 10% change in the statewide average price of regular unleaded gasoline, the department must determine and adjust the prepaid sales tax rate not less than annually. Consequently, the prepaid sales tax rate on a gallon of unleaded regular self-serve gasoline has been changed to 13.1 cents per gallon pursuant to MCL 205.56a(2).

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