



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

REVENUE ADMINISTRATIVE BULLETIN 2008-1

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NOTICE OF CHANGE IN PREPAID GASOLINE SALES TAX RATE

(Replaces Revenue Administrative Bulletin 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 2007-1.

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 April 1, 2008 the new prepaid gasoline sales tax rate is 16.0 cents per gallon.
- II. Section 6a(2) of the General Sales Tax Act requires the department to determine the prepaid gasoline 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%. MCL 205.56a. Regardless of whether there is a 10% change, the prepaid gasoline sales tax rate must be adjusted not less 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.
- l. Effective May 1, 2007 through March 31, 2008 the rate was established at 13.1 cents per gallon.

LAW & ANALYSIS

As provided in Section 6a of the General Sales Tax Act, 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 determined 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 six month period, commencing on January 1, 2007 and ending on June 30, 2007, did not necessitate a change in the rate because the statewide average price of regular unleaded gasoline did not change more than 10% as required by statute. The most recent review examined the statewide average retail price of self-serve unleaded regular gasoline for the six month period commencing on July 1, 2007 and ending on December 31, 2007. It was determined that the prepaid sales tax rate on a gallon of unleaded regular self-serve gasoline will change to 16.0 cents per gallon pursuant to MCL 205.56a(2) effective April 1, 2008.

Questions may be directed to:
Michigan Department of Treasury
Technical Services Division
P.O. Box 30698
Lansing, MI 48909-8198
Telephone (517) 636-4230