

State tax package would increase driving costs

By Mike Scanlon
staff writer

Because Michigan motorists have been buying less gasoline lately, there is a legislative move afoot to hike the state's tax take.

A complex package of bills has been introduced which would accomplish this, at some cost to motorists who would pay higher license plate fees, higher car sales taxes and probably more in state gasoline sales taxes.

The five-bill package has been introduced in the state House. It would increase license plate fees for most state motorists to \$28, peg the fee in future years to income growth, hike taxes on car sales, and link state gasoline taxes to the price of fuel.

Area legislators surveyed by telephone agree the package is probably needed — but they also agree it's not likely to pass.

"I don't think they're politically achievable," said Senate Majority Leader William Faust, D-Westland.

Four of the five bills are tie-barred, meaning all must pass for any to take effect.

MOST MICHIGAN highway maintenance money and millions in public transit funds come from the state gasoline sales tax of 11 cents for every gallon sold.

Because gasoline sales are down, so is money for highways and public transit.

This has spurred the legislative move to keep the transportation network afloat. The package apparently would raise upwards of \$100-million-a-year more money. Exactly how big an increase is apparently still in doubt.

One of the sponsors, state Rep. Mary Brown, D-Kalamazoo, estimates the package would mean a \$114-million more tax money during the next year if the wholesale price of gas were to rise 10 percent from \$1.10 a gallon.

Mrs. Brown said the statewide average wholesale price of gasoline now ranges between 98 cents and \$1.02 a gallon.

The five-bill package offers a potential boon to highway lobbies, public transit agencies — especially SEMTA — and most villages and cities.

But a Sunoco spokesman said his company already wholesales its Detroit area best-octane, regular leaded gas, at \$1.123 a gallon.

An analyst for the House Taxation Committee, however, estimates the state will collect \$117 million more next year if the price of gas rises to \$1.13 a gallon from \$1.10. The sales tax would be 1½ cents higher at that price, the analyst said.

THE PACKAGE, introduced at the start of the current summer recess, offers a potential boon to highway lobbies, public transit agencies — especially SEMTA — and most villages and cities.

The Michigan Municipal League, an organization of cities and villages, is urging its member city councils to adopt a resolution of support. The SEMTA board and the Oakland County Road Commission have already endorsed the measure, which has been opposed by an organization of independent fuel dealers.

Oakland County Road Commission approval, incidentally, came with strings. The commission did not endorse the first of the five bills, a non-tie barred measure that would basically freeze the split of tax money for highway interests and public transit at the current level. The board also endorsed a 4 percent increase in all county road commission's share of overall state gas and weight taxes, a move not in the Brown package.

BIGGEST CHANGE in the package appears to be a gas tax shift designed to offset tax losses when gasoline sales fall.

If you once drove a large car and

filled it up every week with 20 gallons of gas, the state collected about \$2.20 in tax. If you now drive a subcompact and fill it up every week with 10 gallons of gas, the state collects only \$1.10.

The package would change the tax from a per-gallon basis, as it's now applied, to a tax based on 11 percent of the wholesale price of gasoline, with a

minimum 11 cents a gallon tax.

Levying a percentage tax would tend to insulate the highway fund from tax losses if people use less gas in future years.

It also would mean an immediate tax increase of around a penny a gallon, based on the wholesale price of Sunoco gasoline in the Detroit area.

Rep. Brown called the gas tax measure "a shift in the base," adding, "at this point, it probably does not represent a real increase."

The House tax committee analyst, however, estimated that first-year tax increases would be \$51 million for car registration, \$53 million for gasoline taxes — assuming gasoline rises three cents a gallon next year — and \$5 million in new taxes on diesel fuel.

Public transit would gain about \$8 million a year in new revenues next year under the measure through redefinitions of the share of total gas and weight taxes and through a staged, increasing share of sales taxes paid on auto-related goods.

REP. BROWN predicts passage for the measures.

"I think it has to pass this session. It's just a question of whether we get it through in the next month and a half. I'd like it to get to the senate by the 15th of October."

"We have to have that bill through by the first of November if it's going to be effective for next year's plates," Rep. Brown continued.

"The only way it'll have a chance,"

she continued, "is if we have the support not only of the interest groups — which we do have — but the support of the governor and the (legislative) leadership. Now I think that'll all come together. It's a matter of timing," she said.

SEN. FAUST, a key member of that legislative leadership, is less optimistic about the package's chances.

"The fact that we're going to cut on one side — hopefully — and raise taxes on the other? I just think that creates a dichotomy that's too much for (the tax bills) to take," said Faust.

The legislature is expected to enact some kind of property tax reduction measure when sessions resume in the fall.

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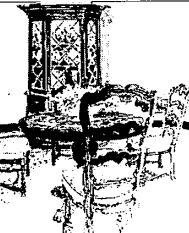
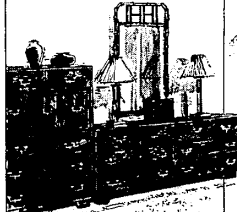
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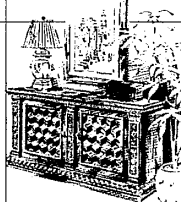
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