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**NOTICE CONCERNING CHANGES TO MOTOR FUEL TAXATION  
THAT WILL TAKE EFFECT ON JANUARY 1, 2017**

A recent amendment to the Motor Fuel Tax Act (P.A. 176 of 2015) will increase the tax on motor fuel and impact the way the Michigan Department of Treasury is required to administer motor fuel tax. The law will also extend the tax on motor fuel to certain alternative fuels used to propel motor vehicles on the public roads. The changes take effect on January 1, 2017 and include the following:

- Effective January 1, 2017, the tax rate on gasoline and diesel fuel will move from \$.19 per gallon for gasoline and \$.15 per gallon for diesel fuel to \$.263 per gallon for both fuel types. In addition, the tax rate of \$.15 per gallon on liquefied petroleum gas (LPG) that is used to propel a motor vehicle on the public roads will increase to \$.263 per gallon.
- Under the new law, LPG is defined and regulated as an alternative fuel. Other alternative fuels that will be taxed beginning January 1, 2017 include, but are not limited to, compressed natural gas (CNG), liquid natural gas (LNG), hydrogen, and hydrogen compressed natural gas. All alternative fuels will be taxed at the rate of \$.263 per gallon or gallon equivalent when used to propel a motor vehicle on the public roads.
- A person who intends to operate a business selling alternative fuel that will be used to propel a motor vehicle on the public roads must, by January 1, 2017, become licensed as an Alternative Fuel Dealer.
- A person who intends to operate a business that will use or consume alternative fuel in motor vehicles it propels on the public roads must, by January 1, 2017, become licensed as an Alternative Fuel Commercial User.
- A person who intends to become licensed as an Alternative Fuel Dealer or Commercial User must submit a motor fuel tax license application (form 3712) with the applicable fee.
- Certain licensees, retailers and other persons who purchased motor fuel taxed at the current tax rate (\$.19 for gas and .15 for diesel) may be required to pay an inventory tax on a portion of that fuel pursuant to MCL 207.1010. The Department will provide additional information on the inventory tax by November 30, 2016.
- The provision allowing diesel fuel retailers to claim a refund on sales of 100 gallons or less of undyed diesel fuel (MCL 207.1038) **has been repealed effective January 1, 2017**. Note that any refund request under this repealed provision must be submitted within 18 months of the date the undyed diesel fuel was purchased and no later than June 30, 2018.
- MCL 207.1040, which concerns a refund for lost or contaminated fuel, has been amended to include alternative fuel.
- MCL 207.1045, which concerns a refund for fuel from a common fuel supply tank that is used in attached equipment, has been amended to include gasoline and alternative fuel.

**If you have any questions, please contact the Motor Fuel Tax Unit at (517) 636-4600 for further assistance.** You can also review the FAQs located on the Michigan Department of Treasury website.