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## REVENUE ADMINISTRATIVE BULLETIN 2008-3

**Approved:** July 28, 2008

### NOTICE OF CHANGE IN PREPAID GASOLINE SALES TAX RATE

(Replaces Revenue Administrative Bulletin 2008-1)

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 2008-1.

#### 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 October 1, 2008 the new prepaid gasoline sales tax rate is 18.5 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.
- m. Effective April 1, 2008 through September 30, 2008 the rate was established at 16.0 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.

The most recent review examined the statewide average retail price of self-serve unleaded regular gasoline for the six month period commencing on January 2, 2008 and ending on June 30, 2008. It was determined that the prepaid sales tax rate on a gallon of unleaded regular gasoline will change to 18.5 cents per gallon pursuant to MCL 205.56a(2) effective October 1, 2008.

Questions may be directed to:  
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