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DEPARTMENT OF TREASURY
LANSING

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REVENUE ADMINISTRATIVE BULLETIN 2006-2

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NOTICE OF CHANGE IN PREPAID GASOLINE SALES TAX RATE

(Replaces Revenue Administrative Bulletin 2005-1)

RAB 2005-1. 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 2005-1.

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 May 1, 2006, the new prepaid gasoline sales tax rate is 12.7 cents per gallon.
- II. The rate change is necessitated by MCL 205.56a, section 6a(2), which requires the department to determine the rate every 6 months unless the change in the price of a gallon of gasoline has been less than 10%. The rate shall be determined 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.

LAW & ANALYSIS

As provided in Section 6a of the General Sales Tax Act, MCL 205.56a, 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. The department must determine the 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. However, the department must determine and adjust the rate not less than annually, regardless of the percentage change.

The review most recently completed examined the gasoline prices for the period July 1, 2005 through December 31, 2005, and resulted in a determination and change in the rate to the 12.7 cents per gallon. Please note that a review of the previous six month period of January 2005 through June 2005 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.

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