

Environmental E-news

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Governor Signs Laws to Promote Alternative Fuel Use and Production In Michigan

Last month, the Governor signed into law a series of bills intended to promote the use of alternative fuels in the State of Michigan and to make it easier for producers of alternative fuels to locate in the state of Michigan. Given the rising cost of energy and fuel in the state of Michigan and throughout the United States, the Governor has made the promotion and creation of opportunities for producers of sustainable alternative energy and fuels a key component of her economic strategy for the State of Michigan. These laws provide incentives to promote the production and use of alternatives to gasoline and diesel such as biodiesel, biodiesel blends, E85 fuel, ethanol and hydrogen fuels.

Act 321 amends the Motor Fuels Quality Act by creating the Renewable Fuels Fund ("RFF"). This fund, administered by the Michigan Department of Agriculture, would provide monies to:

1. promote the production and use of alternative fuels;
2. award grants for the improvement of alternative fuels production;
3. encourage development of motor fuel quality standards applicable to renewable fuels;
4. provide incentives for retail sellers of alternative fuels;
5. promote the sale of vehicles powered by alternative fuels.

To provide an initial source of monies for the RFF, Act 322 amends the Income Tax Act to allow individuals to designate on their income tax return that a portion of their income tax refund be credited to the RFF. Another source of funds proposed would be through the sale of fund raising specialty license plates promoting renewable fuels. Legislation requiring the Secretary of State to issue such fund raising plates was introduced last year but failed to pass before the legislature adjourned for the year. Public Act 313 further amends the Motor Fuels Quality Act to require the Director of MDA to develop standards to ensure the purity and quality of diesel fuel that is biodiesel or a biodiesel blend.

Act 330 requires the MDA to compile and publish information relative to establishing an alternative fuel production facility in Michigan, and to identify existing state regulations which would hinder the use, research and development of alternative fuels or vehicles and to recommend changes to

the Governor. The Michigan Strategic Fund Act was amended by [Act 320](#) to identify, publish and market via internet, a list of prime sites for the location of renewable fuel plants. The idea is to market locations near existing industrial facilities which create by-products which could be used as feed stock for the renewable fuel plants. To provide additional incentives for location of renewable fuel producing plants in Michigan, [Act 329](#) amends the Michigan Renaissance Zone Act to allow the State Administrative Board to designate up to 15 renaissance zones for renewable energy facilities that use agricultural crops or residues or processed products from agricultural crops as their primary raw material source. At least five of the renaissance zones created must focus on cellulosic biofuels. Ethanol, the most common biofuel produced in the U.S., uses corn kernels. Cellulosic biofuels are made from the leaves, stems and stalks of plants.

[Acts 314, 332 and 334](#) provided exemptions from the Use Tax Act, the General Sales Tax Act and the General Property Tax Act for agricultural machinery which can be utilized not only for harvesting crops but for biomass residue from grains, corn or other crops. [Act 335](#) amends the Michigan Business Tax Act to provide a tax credit to assist gas station owners to convert existing fuel delivery systems to provide E85 fuel or qualified biodiesel blends and to create new fuel delivery systems designed to provide E85 fuel or qualified biodiesel blends.

Finally, [Act 333](#) extends the sunset date on the Renewable Fuels Commission Act to January 1, 2012 and requires the Commission to report on the source of alternative fuels sold in Michigan; the location of fuels producers in Michigan, and the industry's impact on Michigan's economy and environment.

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