



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

ROBERT J. KLEINE
STATE TREASURER

October 7, 2009

Michigan School Business Officials
David Martell, Executive Director
1001 Centennial Way
Lansing, MI 48917-8249

Dear Mr. Martell:

I am writing to follow up on the Department's June 16, 2009 letter concerning the use of tax-free dyed diesel fuel in public school busses operated by a private contractor.

After conducting a comprehensive review of various statutory provisions that impact this issue, the Department has determined that, when a private contractor enters into an agreement with a public school district that provides for the private contractor to operate school busses for that District, the busses may be operated using tax-free dyed diesel fuel.

Section 122 of the Motor Fuel Tax Act (MFTA), MCL 207.1122, generally prohibits the use of dyed diesel fuel in vehicles that are operated on the public roadways in Michigan. However, MCL 207.1122 provides an exception for:

(d) A passenger vehicle that has a capacity of 10 or more and that operates over regularly traveled routes expressly provided for in 1 or more of the following that applies to the passenger vehicle:

* * *

(v) A municipal agreement.

The Department has concluded that this statutory language would permit a private contractor to operate public school district busses using tax-free dyed diesel fuel for the purpose of transporting students over regularly traveled routes pursuant to a contract with the public school district.

Similarly, if taxed, clear diesel fuel is used in public school busses operated by a private contractor pursuant to an agreement with a public school district, the public school district, the private contractor, or the fuel vendor that sold the fuel to the public school district would be eligible for a refund of the diesel fuel tax.

We would appreciate it if you could disseminate this updated information to your members as soon as possible.

If you have any questions or concerns, please contact me at (517) 636-6230.

Sincerely,

Douglas R. Miller, Administrator
Special Taxes Division
Bureau of Tax Policy

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