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To: Members of the House Transportation, Mobility, and Infrastructure Committee

From: Great Lakes Timber Professionals Association (GLTPA)

Re: Support of House Bills 5378-5379 - Fuel Tax Reciprocity Legislation

Issue:

Several wood-consuming industries are located within short distances (as short as 1 mile) of the Michigan-Wisconsin border. However, despite these short distances, log trucking companies have for years been burdened with onerous record keeping processes under the International Fuel Tax Agreement (IFTA) to record routes used, miles accrued, and fuel purchased as part of the IFTA record process. Because of the limited number of miles driven during short hauls, most border haulers have fuel stations at their home location which drivers utilize nightly to prepare for the next day's activities. Because mill locations and wood yards are permanent, the miles driven to locations in both Michigan and Wisconsin are always consistent and the paperwork rarely, if ever, changes. In comparison, long-haul "Over-the-Road" trucks deliver product and fuel at different locations in multiple states on a regular basis, which more accurately reflects the intended purpose of IFTA.

Background:

IFTA is an agreement among all states (except Alaska and Hawaii) and most Canadian provinces to simplify the reporting of fuel used by motor carriers operating in more than one jurisdiction. The IFTA license offers interstate/inter-jurisdictional motor carriers the following benefits: one set of decals per vehicle, and one quarterly fuel tax report that reflects the net tax or refunds due.

Wisconsin, Iowa, and Minnesota have entered into fuel tax reciprocity agreements to allow certain qualified motor carriers to opt out of IFTA mandates. Specifically, these carriers no longer have the administrative burden of registering under IFTA, carrying an IFTA license, purchasing and possessing a Fuel Tax Trip Permit, or compiling quarterly returns to report and track fuel purchases and mileage traveled in each jurisdiction, provided they are operating within a 30-mile distance limit of the state border in Iowa, Wisconsin, and Minnesota.

To address this issue, Great Lakes Timber Professionals Association (GLTPA) worked with the Michigan Department of Treasury in the 2021-2022 session of the Michigan Legislature to enact legislation allowing Michigan to enter into a similar fuel reciprocity agreement between Michigan and Wisconsin. On March 10, 2022,



Governor Whitmer signed Public Acts 24-26 of 2022 into law, and in the months following, Michigan and Wisconsin worked out a reciprocity agreement that reduced unnecessary paperwork for log trucks operating within 30 air miles of the border with zero impact on state tax revenue, as fuel tax still applies to fuel purchased in Michigan. We want to thank both Rep. Markkanen for sponsoring this legislation last session and Treasury for working with us to iron out a simple fix agreeable to everyone.

So, what has prompted the need for the legislation before you today? After Public Acts 24-26 of 2022 were signed into law and the reciprocity agreement was executed between Michigan and Wisconsin, we discovered that the interpretation of the 30 air miles limitation on either side of the border inadvertently just excluded the Billerud mill in Escanaba, which is a major Upper Peninsula employer and destination for raw forest products from both states. The bills before you simply make the following changes:

- HB 5379 amends the Highway Reciprocity Board Act to extend the air miles limitation for “qualified fuel tax reciprocity agreements” allowing the transportation of raw forest products from 30 to 50 to include the Escanaba Billerud mill.
- HB 5378 updates a calculation in the Motor Carrier Fuel Tax Act to match the existing calculation in the Michigan-Wisconsin qualified fuel tax reciprocity agreement.

GLTPA urges support of these bills, as we believe the existing agreement is mutually beneficial to both industry and state government and the bills maintain the intent of Public Acts 24-26 of 2022.

Sincerely,

A handwritten signature in cursive script that reads "Henry Schienebeck".

Henry Schienebeck
Executive Director, Great Lakes Timber Professionals Association