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$3.1B road-funding plan that pulls over $1B from business incentives moves forward

By David Eggert, 3/18/25

LANSING — House Republicans on Tuesday began advancing a plan to boost road funding by $3.1 billion, including by shifting $1.1 billion-plus in state business incentives to the transportation budget amid opposition from big business groups.

The legislation would stop scheduled $600 million in deposits into various economic development funds: $500 million to the Strategic Outreach and Attraction Reserve Fund, Michigan's marquee deal-closing account with an uncertain future; $50 million to the Revitalization and Placemaking Fund; and $50 million to the Housing and Community Development Fund. It also would increase an old business tax six-fold to force the Detroit Three and other companies from claiming credits that are worth more than $500 million a year.

The proposal would shift $2.2 billion in corporate income tax revenue — nearly all of it — from the general fund to the state Department of Transportation, which would disburse 90% to local road agencies and a new Neighborhood Roads Fund. Republicans have said that is doable by cutting the $1.1 billion in what they call "corporate welfare," eliminating budget earmarks that average $600 million a year and assuming a projected $500 million in surplus funds will continue into the future.

The Republican-controlled House Transportation and Infrastructure Committee approved much of the eight-bill package on 11-0 and 10-1 votes, with five Democrats abstaining, one Democrat in support and one Republican against some measures. The full House is expected to pass House Bills 4180-4187 and HB 4230 on Wednesday, setting the stage for negotiations in coming months with the Democratic-led Senate and Democratic Gov. Gretchen Whitmer.

Transportation revenue would go up by just under $3.2 billion in the next fiscal year under the proposal, up from around $5.5 billion — a 57% increase.

The 6% sales tax on motor fuels would go away, replaced with an equivalent 20-cent increase in per-gallon gasoline and diesel taxes so all taxes paid at the pump fund transportation projects. That would free up $1 billion more for roads because most sales tax revenue goes to schools and municipalities.

The plan would protect against a drop in school funding and, under an amendment adopted Tuesday, also keep intact state revenue-sharing payments to local governments.

Organizations representing counties, cities and townships got behind the legislation.

"We believe there's still a long ways to go. But the speaker (Matt Hall), in putting forward a proposal that starts to establish a path forward on a $3.3 billion package that puts significant resources into local roads, is something that we are happy to sit here and support here today," said John LaMacchia, director of state and federal affairs for the Michigan Municipal League.

Republicans want the 10 companies that currently pay the Michigan Business Tax to instead pay the corporate income tax, which replaced the MBT in 2012. That would relieve the state of billions of dollars in refundable Michigan Economic Growth Authority credits it owes General Motors Co., Ford Motor Co. and Stellantis NV for job-retention agreements from the Great Recession — money that would help pay for roads and bridges instead.

Other companies that received credits in recent years are Auto-Owners Insurance Co., Dow Inc., Farmers Group Inc., Gentex Corp., Hemlock Semiconductor, Hyundai America Technical Center Inc. and XALT Energy LLC.

HB 4186 would increase the tax rate for businesses that still claim the credits from 4.95% to 30%, effectively compelling them to pay the CIT and forgo their remaining credits.

The Michigan Chamber of Commerce, the Michigan Manufacturers Association and the Detroit Regional Chamber oppose the bill and are supportive of others. Brad Williams, the Detroit chamber's vice president of political affairs, told the panel last week that the overall package "brings us closer to a solution for solving our roads crisis" but could inadvertently harm the business environment and fairness in infrastructure funding.

The group's concerns include nixing contractual MEGA contracts and letting the SOAR and site readiness programs lapse.

"These incentives are vital tools that attract businesses to Michigan, foster job growth and generate investment across the state," he said. "Removing these incentives would send the wrong signal to companies, both here and abroad, who are considering investing in Michigan."

The committee's chair, Rep. Pat Outman, R-Six Lakes, said he understands their concerns but added: "I just feel like roads is the most pressing need right now and we should be putting all available resources to our road system and doing it with existing revenue."

Whitmer has floated higher business taxes, including potentially a corporate income tax increase, to help boost road funding. Williams said roads should be funded by users, not small businesses.

"While I don't want to raise the corporate income tax, I feel that we should move those folks over from the Michigan Business Tax and MEGA credits and capture that revenue and put it to the Michigan Transportation Fund," Outman said.

Transit groups said while they are neutral on the package, it should do more to ensure the extra transportation funding goes to public transportation.