

# Whitmer, lawmakers announce road-funding deal, path to finalize budget

David Eggert - September 26, 2025



Gov. Gretchen Whitmer and legislative leaders announced a budget deal Thursday evening. Credit: Crain's Detroit Business

LANSING — Gov. Gretchen Whitmer and legislative leaders have a framework of a deal to permanently add \$1.5 billion to \$1.8 billion more funding into roadwork annually and to pass a state budget before a potential government shutdown.

The agreement, announced late Thursday, includes more than doubling marijuana taxes, dedicating all taxes at the pump to the transportation budget and “decoupling” Michigan’s tax code so businesses do not benefit from tax breaks in a law President Donald Trump signed in July. State law will be changed so provisions in the federal law — no taxation of overtime, tips and Social Security — are extended to residents’ state returns.

A final \$500 million deposit into Michigan’s marquee business incentives fund, the Strategic Outreach and Attraction Reserve, will be halted, with \$250 million going to public health care.

A lot of work remains, with little time left, to finalize the budget days before a Wednesday deadline, the start of the next fiscal year, following a monthlong impasse. Spending targets that are needed to hash out details for K-12, higher education, economic development and other areas had yet to be set.

“Today’s agreement in the legislature puts us on a path to lower costs, fix the damn roads, and pass a balanced, bipartisan budget by October 1,” the Democratic governor said in a statement.

**Keep up with all things West Michigan business. Sign up for our free newsletters today.**



"There's still a lot of work to do here over the next few details to work out details," Republican House Speaker Matt Hall said in a news conference. "But this large framework that myself and Gov. Whitmer and (Democratic Senate Majority Leader) Winnie Brinks have agreed to is putting us on the path to get this thing done on time."

The announcement came shortly after the House approved three bills that are facets of the agreement.

**House Bill 4951**, which was passed 78-21, would levy a 24% excise tax on the wholesale price of marijuana, generating \$420 million a year for a new Neighborhood Road Fund. Currently, a 10% excise tax and the 6% sales tax are levied on retail marijuana sales.

Whitmer has said the state's marijuana industry has grown exponentially in part due to friendly taxes that are fourth-lowest in the U.S. Operators and experts have said it would raise consumers' prices and put further strain on cultivators and processors in an industry devastated by oversupply and the cheapest prices in the country.

Eleven Democrats and 10 Republicans voted no on on the tax hike, which drew broad bipartisan backing in the GOP-led chamber.

**HB 4961**, which was OK'd 95-4, would repeal a law that earmarks \$600 million in revenue from the individual income tax to the Michigan Transportation Fund and instead earmark the following amounts to the Neighborhood Road Fund: \$688.0 million in 25-26, \$776.0 million in 26-27, \$864 million in 27-28, \$952 million in 28-29 and about \$1 billion in 29-30 and beyond.

The bill is tied to another one, which was approved by the House earlier this year, that would increase gasoline and diesel taxes by 20 cents a gallon as part of a revenue-neutral plan to remove the 6% sales tax on fuel. The \$1 billion would go to the Michigan Transportation Fund. Hall said the intent is to make schools, which get much of the fuel sales tax, "whole."

Michigan would decouple from five tax changes in Trump's "big beautiful bill," including the ability to immediately deduct domestic research and development expenditures, accelerate remaining deductions and, in the case of small businesses, retroactively claim deductions. The provisions had been expected to reduce state revenue by \$540 million in 25-26, according to the state Department of Treasury.

Individual taxpayers would save \$176 million to \$186 million a year under a plan to couple the state code with the federal code to provide overtime, tips and Social Security exemptions.

**HB 4968**, which was approved 95-4, would authorize Michigan to continue assessing and spending a Medicaid provider tax on health insurers until it no longer passes muster under Trump's tax law.

Reaction to the big development was mixed.

The Michigan Infrastructure & Transportation Association, an industry group, called the road-funding deal “a historic step forward.”

The \$1.5-\$1.8 billion is short of the \$3 billion-plus Whitmer and legislators had eyed to help address the pending end of a bonding program the governor instituted in 2020 after having unsuccessfully lobbied for a gas tax increase. A 2023 study commissioned by the road-construction industry estimated an annual funding shortfall of up to \$3.9 billion to maintain roads and bridges.

“Michigan must continue to make long-term, sustainable investments to keep our roads in good and fair condition for decades to come,” said Rob Coppersmith, MITA’s executive vice president. “This agreement lays the foundation for that future, and we look forward to working with Michigan’s leaders to build upon this progress.”

The National Federation of Independent Business criticized the decoupling bill, saying it was “dismayed” that “small businesses got caught in the middle” and accusing Democrats of “holding the state budget hostage in order to get additional revenue for roads.”

“Unfortunately, the tax savings small businesses experience on their federal taxes will be wiped out when filing their state taxes, as well as making state taxes more confusing,” said Amanda Fisher, NFIB’s Michigan director.

The House had proposed a budget blueprint without tax hikes, one that would have cut spending or redirected funds to boost road funding. Democrats who control the Senate had voiced objections to deep funding reductions.

Whitmer, who also opposed the House budget, had backed a mix of unspecified cost savings and had floated a higher corporate income tax, a 32% wholesale marijuana tax and a new digital advertising tax.

“You’re going to see basically equal waste, fraud and abuse eliminated in the budget to the revenue that was raised. That was important to me. It has to be one to one,” Hall said, saying thousands of unfilled “ghost” jobs in state government will be defunded to save money and vowing transparency about legislative earmarks, “if they’re in this budget.”

House Minority Leader Ranjeev Puri, D-Ann Arbor, said it takes compromise to operate in divided government.

“We’ve been very forthcoming with our priorities all term — making sure that our schools are funded, making sure that public safety is funded and making sure that our health care institutions can stay open,” he said. “These bills are a pathway to be able to do that while providing a platform for finding a long-term, sustainable road-funding solutions.”

He applauded Republicans for “seeing the light” and agreeing that “a little more (tax) revenue” is needed.

#### **More from Crain’s Grand Rapids Business:**

Bank sues Muskegon lakefront developer for \$28M in unpaid loans

Chicago Fed CEO: Independence from politics is 'critically important'

West Michigan native launches \$300M fund to invest in family-owned manufacturers

**David Eggert**

David Eggert is a senior reporter covering politics and policy. He joined Crain's in 2022 after a combined 15 years at The Associated Press in Lansing and jobs at MLive, the Lansing State Journal and various other newspapers. Email David at [david.eggert@crain.com](mailto:david.eggert@crain.com).