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Hall Ready To Get To The Details Of Road Funding

House [Speaker Matt Hall](#) said that getting down to the details of a long-term road funding plan was critical, as he unveiled a new plan on Thursday that would provide \$3.145 billion for dedicated road funding without raising taxes.

"It's a serious proposal," he said. "So, I wanted to show the details."

The plan is an update to the proposal Hall (R-Richland Township) introduced in November during lame duck, which would have provided \$2.7 billion for road funding.

The biggest new component to Hall's plan is to eliminate tax breaks, which in many cases are 15 years old or older, authorized under the old Michigan Economic Growth Authority program. Those funds would then be redirected to roads.

The MEGA credits could be addressed in a variety of ways, Hall said.

One possibility is to renegotiate with the corporations, he said.

"That's the scenario where people say (the corporations) could sue, but Governor Whitmer would just negotiate us out of it," Hall said. "I have a lot of confidence in our governor's ability, and she'll negotiate great deals, but that would be the two step process."

The other possibility, Hall said, is to amend the Michigan Business Tax so that, even with the MEGA credit, it would be more advantageous for corporations to file under the Corporate Income Tax.

When the Corporate Income Tax took effect in 2012, nearly all businesses chose to switch to it from the hated Michigan Business Tax — except those corporations with MEGA tax breaks that made staying with the MBT a lower-cost proposition.

"So, we're not writing them a check, but also, they're filing somewhere else," Hall said. "We can't plan for what additional revenue comes in once they start filing under the CIT... If there is more revenue, that'll just go to where we dedicate it, which will be roads."

The total value of the remaining MEGA credits will start declining in 2026, drop to nearly nothing in 2030 and are scheduled to fully expire in 2031.

The November plan dedicated \$1.7 billion in funding from the Corporate Income Tax. The updated plan has identified specific line items, increasing that total to \$2.2 billion.

The \$3.145 billion proposal breaks down in the following way:

- \$500 million from eliminating outdated MEGA credits.
- \$500 million from preventing legislative earmarks, based on average annual spending levels of nearly \$600 million.
- \$600 million in ongoing general funds from higher-than-expected tax returns after the state's revenue estimating conference last week
- \$500 million from what have been automatic deposits into the Strategic Outreach and Attraction Reserve Fund. The funding is scheduled to sunset next fiscal year, which would free up the money in the budget. Hall's plan would require future SOAR deposits to be pitched to the Legislature on merit and on a case-by-case basis.
- \$50 million from automatic deposits into corporate placemaking fund (RAP) that's set to expire. Previously, that was set aside for automatic deposits into a corporate placemaking (RAP) fund that is set to expire.
- \$50 million from automatic deposits into the community development fund (HCDF) that are set to expire.
- \$945 million from permanently dedicating all taxes paid at the pump to road funding. The plan would remove the 6 percent sales tax on fuel and replace it with a revenue-neutral increase in the motor fuel tax, which goes entirely to roads.

Regarding the fuel tax, to backfill funding to K-12 schools – the primary beneficiary of the sales tax – \$700 million in sales tax revenue would be permanently dedicated to ensuring school funding is not reduced by the shift.

Hall said the plan would focus more on funding local roads and include zero new taxes and no new bonds. The funding would use a different

formula that's weighed toward local roads, rather than using the current PA 51 formula.

The change in the funding formula is important, Hall said, because Whitmer's bonding program and President Joe Biden's Infrastructure Investment and Jobs Act were weighted toward state and federal highways. None of the state bond proceeds went to local roads.

The plan comes one day after [Governor Gretchen Whitmer](#) renewed her call for a long-term road funding solution during her "Road Ahead" address at the Detroit Auto Show.

Whitmer's road bonding program will expire this year, and although she's emphasized the need for a long-term road funding source with those funds set to end, she has yet to present a plan of her own to the public. Her last public proposal for a long-term funding source was the 45-cent per gallon fuel tax increase of 2019 that did not win legislative support.

"Since taking office, Governor Whitmer has invested over \$19 billion in Michigan's roads and bridges as part of her Rebuilding Michigan bond plan, helping to fix more than 23,000 lane miles of road and 1,600 bridges, supporting over 118,000 jobs," said a statement from Whitmer's press secretary, Stacey LaRouche. "We know there's more work to do, and that's why the governor called for a sustainable, long-term road funding solution in her Road Ahead Address yesterday. We are going to need serious ideas, including new revenue streams and responsible cuts, to make sure we can fix our roads with the right mix and materials for years to come. Governor Whitmer is ready to roll up her sleeves and work with anyone to get this done."

Hall's legislative colleagues had less to say about the specifics of the plan.

"It's big on cuts and short on details," Senate [Majority Leader Winnie Brinks](#) (D-Grand Rapids) said on Thursday.

House [Minority Leader Ranjeev Puri](#) (D-Canton) did not provide a comment on Hall's road proposal.

When asked about his thoughts on Hall's plan, [Rep. Alabas Farhat](#) (D-Dearborn), the new minority vice chair of the [House Appropriations Committee](#) said school revenues should also be increased.

"Do (I) support the local road funding plan from Hall? Only if we also hold harmless and increase funding for the schools," Farhat said. "I introduced a bill last term to raise taxes on large corporations to fund schools. We have one of the lowest corporate income tax rates in the region. I want you to find a Rep or Senator to go on the record with you opposing that bill to increase funding for schools."

House Republicans, though, were enthusiastic.

Majority Floor Leader Bryan Posthumus (D-Cannon Township) said he supported the speaker's plan.

"Any plan that increases taxes or fees is a plan I won't support," he said. "Our budget has grown by 43 percent since the governor took office. There's plenty of room in the budget to finally prioritize the roads."

– By Elena Durnbaugh

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