

Tuesday, March 11, 2025

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Republicans Put Rubber To The Road With Testimony On Road Funding Package

House Republicans presented their road funding plan before the [House Transportation and Infrastructure Committee](#) on Tuesday.

"You're going to get tired of hearing us say 'revenue neutral,'" [Rep. Tom Kunse](#) (R-Clare) said about the bill package. "We're going to come up with \$3.1 billion for road funding that is revenue neutral ... this is \$3.1 billion of reprioritization of our existing funds. We're not raising taxes, but we're not cutting any vital services to fund this plan. We're hold the School Aid Fund harmless, and we're prioritizing one of our biggest needs right now, which is our road and bridge system."

The bills in the plan include [HB 4180](#) , [HB 4181](#) , [HB 4182](#) , [HB 4183](#) , [HB 4184](#) , [HB 4185](#) , [HB 4186](#) and [HB 4187](#) .

At a press conference prior to the committee hearing, House [Speaker Matt Hall](#) (R-Richland Township) said he believed that a roads deal was possible.

"What I think is critical about this roads funding plan that you're going to see hearings on today is Governor Whitmer and I agree on half," he said. "I really believe, because of the great relationship that we're building with Governor Whitmer, that we'll be able to solve that, and we'll come up with and vote on a solution."

Hall also emphasized that he thought a long-term road funding solution was possible without increasing revenue.

House Minority Leader [Rep. Ranjeev Puri](#) (D-Canton) expressed he didn't believe that was possible.

"I strongly doubt the viability of the Republican roads plan and their commitment to making smart investments," he said in a statement. "The

GOP proposed roads fix is full of potholes and it's going to fall on the backs off working people."

The first bill in the package, [HB 4180](#) , sponsored by [Rep. Donni Steele](#) (R-Orion), would exempt motor fuel and aviation fuel from sales tax. [HB 4181](#) , sponsored by [Rep. Steve Frisbie](#) (R-Battle Creek), would streamline the sales and use tax to exempt the 6 percent tax on motor fuel. Similarly, [HB 4182](#) , sponsored by [Rep. Bradley Slagh](#) (R-Zeeland) would exempt motor and aviation fuel sales from the use tax.

The House Fiscal Agency analysis noted that [HB 4180](#) and [HB 4181](#) would reduce sales and use tax revenue on motor fuels by approximately \$925.0 million based on the most recent year of data and that the effect on the budget would vary from year to year depending on fuel prices.

The committee adopted an H-1 substitute for [HB 4183](#) , sponsored by Kunse. The bill would increase the tax on gasoline and diesel fuel by 20 cents to 51 cents per gallon. . The amount would be adjusted for inflation.

[HB 4184](#) , sponsored by [Rep. Jamie Thompson](#) (R-Brownstown Township) would increase the tax imposed on aircraft fuel under the act and alter the distribution of money collected from that tax. Under the bill, the tax rate would increase to 8 cents per gallon, and the additional 5-cent tax added by the bill would be distributed between the State Aeronautics Fund and the Qualified Airport Fund.

The distribution of revenue under the General Sales Tax Act would change under [HB 4185](#) , which is sponsored by [Rep. Rylee Linting](#) (R-Wyandotte). Currently, the act requires the

Department of Treasury to distribute revenue based on the amount collected under the 2 percent of the use tax on the sale of aviation fuel in specific proportions between the State Aeronautics Fund and the Qualified Airport Fund.

The bill would change the law to allow the department to transfer money between funds, delay and adjust a distribution currently required by the act. It would add that, in addition to other deposits into the School Aid Fund already required by the act, an additional \$755 million would be deposited into the fund from the revenue collected under the 4 percent sales tax imposed by the act for each fiscal year.

[HB 4186](#) , sponsored by [Rep. Steve Carra](#) (R-Three Rivers), would increase to Michigan Business Tax rate from the current 4.95 percent to

30 percent. The Michigan Business Tax was eliminated in 2011 as part of the overhaul that created the current Corporate Income Tax, but certain businesses that had outstanding approved or assigned credits were allowed to continue filing until the credit is used up.

If all taxpayers discontinue filing under the MBT due to the tax rate increase under the bill, House Fiscal estimated that General Fund revenues from net business taxes will increase initially by approximately \$530 to \$540 million in fiscal year 2026-27 and by about \$350 to \$390 million in fiscal years 2027-28 through 2030-31 based on the most recent MEGA and Other

Certificated Credits Annual Report.

The final bill in the package, [HB 4187](#), sponsored by [Rep. Pat Outman](#) (R-Six Lakes) would redistribute revenue from the Corporate Income Tax. Currently, up to \$1.2 billion must initially be deposited into the General Fund. After that, \$50 million is earmarked for the Michigan Housing and Community Development Fund, \$50 million for the Revitalization and Placemaking Fund and \$500 million to the Strategic Outreach Attraction Reserve Fund. The bill would change that distribution to allow up to \$2.2 billion to the Department of Transportation. Of that, 50 percent would go to the department for county road commissions, and 40 percent would go toward cities and villages. The money would be distributed in accordance with [PA 51 of 1951](#).

The committee discussed the need to avoid artificially inflating the cost of road construction projects and ensuring that local townships were not hurt by the loss of fuel sales tax from revenue sharing.

Lance Binoniemi, vice president of government affairs for the Michigan Infrastructure and Transportation Association, testified in support of the legislation.

"We believe that this is a huge step in the right direction in improving the quality of our roads and limiting the deterioration of them and gets us much closer to that 90 percent good and fair condition that the state has tried to achieve for decades now," he said. "We have seen short term investments over the past five years through a bonding program and through increased investments through Congress that all run out in 2026 and as we approach that funding cliff, we appreciate this opportunity to look at how we can increase revenues for our system."

If nothing is done, Binoniemi said, the cost of fixing Michigan roads will only increase.

Brad Williams from the Detroit Regional Chamber also testified on the legislation.

He echoed that a long-term road funding solution was necessary but raised concerns about the elimination of economic development incentives, such as raising the Michigan Business Tax and eliminating the SOAR Fund.

"These incentives are vital tools that attract businesses to Michigan, foster job growth and generate investment across the state," Williams said. "We cannot afford to cede this ground to our neighboring states."

No further action was taken on the legislation on Tuesday. More testimony on the bill package is expected during next week's committee meeting.

– By Elena Durnbaugh

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