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Road funding package, new tax for cannabis clears Legislature

Lawmakers completed work early Friday morning on passing a slate of budget implementation bills that will set up a long-term state road funding plan, including the enactment of a controversial wholesale tax on cannabis products.

Senators voted 19-17 to pass [HB 4951](#) which will enact a 24% wholesale tax on cannabis. The vote came after leadership spent much of Thursday and overnight into Friday morning working to round up the votes needed to get the key component of the road funding plan across the finish line.

The marijuana proposal drew sharp backlash from those in the cannabis industry, who showed up to the Capitol by the hundreds this week demanding lawmakers oppose the tax over concerns that it could upend the industry in Michigan and result in job losses.

Members also voted 22-14 for [HB 49161](#) , which will enable the state to "decouple" state and federal business taxes as well as [HB 4968](#) , which is an attempt to preserve some form of insurance provider tax.

Work on the road funding plan was completed with the passage of substitute versions of [HB 4180](#) , [HB 4181](#) , [HB 4182](#) and [HB 4183](#) , which will implement a fuel tax swap.

Substitutes were adopted for [HB 4180](#) , [HB 4181](#) , [HB 4182](#) and [HB 4183](#) prior to final passage changing the start date for the gas tax swap to January 1, 2026.

Exemptions for aviation fuel are removed under [HB 4180](#) and [HB 4182](#) . Language providing a backfill for revenue lost to the School Aid Fund is included in [HB 4180](#) . All four bills were also tie-barred to [SB 578](#) , which deals with the Movable Bridge Fund.

The Senate voted 30-6 on [HB 4180](#) , 31-5 on [HB 4181](#) and [HB 4182](#) , and 24-12 on [HB 4183](#) . The House later concurred in the Senate substitutes on all four bills, voting 102-7, 102-7, 101-8 and 98-11, respectively.

Three Republicans sided with the Democrats to pass [HB 4961](#) and [HB 4968](#) : [Sen. Mark Huizenga](#) of Walker, [Sen. Ed McBroom](#) of Vulcan and [Sen. Michael Webber](#) of Rochester Hills.

It was a bipartisan vote in support of [HB 4951](#) , with 15 Democrats being joined by four Republicans.

Democrats voting for [HB 4951](#) were [Sen. Sarah Anthony](#) of Lansing; [Sen. Rosemary Bayer](#) of West Bloomfield; Senate [Majority Leader Winnie Brinks](#) of Grand Rapids; [Sen. Darrin Camilleri](#) of Trenton; Sen. Mary Cavangh of Redford Township; [Sen. Stephanie Chang](#) of Detroit; [Sen. John Cherry](#) of Flint; [Sen. Erika Geiss](#) of Taylor; [Sen. Veronica Klinefelt](#) of Eastpointe; [Sen. Sean McCann](#) of Kalamazoo; [Sen. Mallory McMorrow](#) of Royal Oak; [Sen. Jeremy Moss](#) of Bloomfield Township; [Sen. Dayna Polehanki](#) of Livonia; [Sen. Sam Singh](#) of East Lansing and [Sen. Paul Wojno](#) of Warren.

Republicans supporting the bill were [Sen. Kevin Daley](#) of Lum, [Sen. Dan Lauwers](#) of Brockway, Sen. Ed McBroom of Vulcan and [Sen. Roger Victory](#) of Georgetown Township.

With this budget, Michigan will finally have a long-term road funding plan, House [Speaker Matt Hall](#), R-Richland Township, said.

"Republicans have been trying to do this sales tax swap since Jase Bolger, and we're finally getting it done," he said. "To dedicate all of the money collected at the pump to the roads, that's a big deal. People understand that ... that's an important tax policy change."

The 24% wholesale tax on marijuana was essential to the deal struck between the House, Senate and the governor's office for a budget deal and road funding, Hall said, and any of the heartburn the Senate had about voting for the increase was their own fault.

"Brinks provided options that she could do," Hall said. "Democrats should have passed a roads plan, that would have made this a lot easier. By not doing that, they empowered Winnie Brinks to decide behind closed doors which revenue they could back. She put that on the table."

Hall was unconcerned about the possibility of a legal challenge to the tax increase.

Cannabis was legalized in Michigan by a ballot proposal, and under Michigan law, a three-fourths majority is needed to amend an initiated act passed by voters. [HB 4951](#), the bill implementing the tax and creating the Comprehensive Road Funding Tax Act, fell short of that margin by five votes.

"When Brinks and the governor put this on the table, they did a legal review, and they came to the conclusion that you could do it this way," he said.

In addition to road funding, House Democrats also touted record funding for transit.

"We've heard that for a long time now, that we need to fix the damn roads, and we did a great job of our state lines and our trunk lines, but we're finally going to see money going straight to our neighborhood roads," [Rep. Alabas Farhat](#), D-Dearborn, said.

[Rep. Jason Morgan](#), D-Ann Arbor, said the funding included for transit in the budget was a major win for Democrats.

The Transportation Funding Package agreed to for the final budget provides money for state trunkline roads and bridges, makes changes to the distribution formula in Act 51 for cities, villages and counties, provides money for rail grade separation and local bus operations.

"This is going to be the largest investment in public transit, probably in my lifetime," Morgan said. "This budget will include about \$160 million a year for public transportation throughout our state ... this is going to be transformational for Michigan."

The debate over [HB 4951](#) was more divisive.

[Sen. Jeff Irwin](#), D-Ann Arbor, called the cannabis tax a terrible idea that will drive people to the black market and derail the marijuana industry in Michigan.

"This Legislature is trying to do an end-run around the will of the people and massively increase the tax on cannabis," Irwin said. "This is going to drive Michigan customers out of the legal market. This is telling customers from other states 'stop bringing your money to Michigan.'"

He said voters wanted the revenue from marijuana taxes to go not just to roads but to schools and local communities, adding the bill cuts out schools and communities.

McBroom spoke in support of the bill, saying he has seen communities in his district that have been swamped with marijuana businesses and a rise in crime.

"Where are the benefits?" McBroom said. "We have an industry that is out of control. It's too large and it's failing to deliver to the promises they gave to us when they said they come to our state."

McBroom said he believed the tax may "do some right-sizing" of the marijuana industry.

[Sen. Jonathan Lindsey](#), R-Coldwater, was also opposed to the proposal. He pointed to the effect it could have on small businesses and workers in the industry.

"I can understand the arguments about the practicality of the state believes that it needs more money, so we've got to tax something, and this seems like an easy target," Lindsey said, adding he was disappointed in hearing comments this week from people wanting to hurt the industry.

Lindsey said he believed the bill would not accomplish its purpose to raise significant revenue for road funding.

Irwin was also opposed to the fuel tax swap package, saying it is not revenue neutral for those who drive electric vehicles and hybrids, spiking fees for both.

The bills would increase the fee for plug-in hybrid electric vehicles to increase from \$30 to \$80, and for electric vehicles from \$60 to \$160.

"There is a huge problem in this package of legislation for K-12 schools and for our local governments," Irwin added.

Irwin said local governments have raised concerns about the possibility of losing constitutional revenue sharing and not receiving the full funding that is lost from the Legislature.

Senate [Minority Leader Aric Nesbitt](#), R-Porter Township, said for years roughly \$1 billion in revenue generated at the pump has gone to uses other than roads and that needs to end.

"It's about time we take that promise to make sure every dime that hard-working taxpayers pay at the pump actually goes to fix our roads," Nesbitt said.

-- By Nick Smith and Elena Durnbaugh

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