



Higher Tax On Pot Clears Senate After All-Day Delay

October 2, 2025

The Senate passed [HB 4951](#) around 3:14 a.m., imposing the 24 percent wholesale tax on marijuana, aiming to create about \$420 million in new yearly revenue. The majority of the revenue will go toward a new Neighborhood Road Fund, focusing on locally managed roads.

The bill's passage came after hours of delay and an early morning Senate visit from House Speaker [Matt HALL \(R-Richland Township\)](#), who needed the tax money to fund the roads.

Senate Democrats were not united on the issue, and many of the Republicans in the chamber were devoted to not approving any type of tax increases. Multiple House members walked onto the Senate floor around 3 a.m. to see if the road funding implementation bill would pass.

[HB 4951](#) also passed 19-17. Sens. [Thomas ALBERT \(R-Lowell\)](#), [Joseph BELLINO JR. \(R-Monroe\)](#), [Jon BUMSTEAD \(R-North Muskegon\)](#), [John DAMOOSE \(R-Harbor Springs\)](#), [Roger HAUCK \(R-Union Twp.\)](#), [Kevin HERTEL \(D-St. Clair Shores\)](#), [Michele HOITENGA \(R-Manton\)](#), [Bill HUIZENGA \(R-Zeeland\)](#), [Jeff IRWIN \(D-Ann Arbor\)](#), [Ruth JOHNSON \(R-Holly\)](#), [Jonathan LINDSEY \(R-Coldwater\)](#), [Aric NESBITT \(R-Lawton\)](#), [Jim RUNESTAD \(R-White Lake\)](#), [Sylvia SANTANA \(D-Detroit\)](#), [Sue SHINK \(D-Dexter\)](#), [Lana THEIS \(R-Brighton\)](#) and [Michael WEBBER \(R-Rochester Hills\)](#) voted against the legislation.

The tax begins in the beginning of next year.

Sen. [Ed MCBROOM \(R-Waucedah Twp.\)](#) supported the legislation, saying he's excited that out-of-state folks driving into the Upper Peninsula likely won't drive into his Upper Peninsula district to buy their weed, "they might as well stick with their illegal markets where they live."

"So many of them already get busted at the border driving back into Wisconsin. We have an industry that is out of control, is too large and is failing to deliver on the promises they gave to us," McBroom said. "Where is the community revitalization? Where are the thriving restaurants and businesses that should have come along with this? They're not there. Instead, we have blight and crime and loss of investment in my communities along the border."

As for the cannabis industry demonstrators who have spent this week at the Capitol protesting the new tax, McBroom said "they don't seem to mind blasting music at us for hours long, letting us know they have enough money to pay for it."

In his no-vote explanation, Lindsey said he's personally not a huge fan of marijuana, but spent this week meeting folks who invested everything they had to build small businesses in the recent legal industry.

"This should never be the role of anybody serving in state government to look for opportunities to be joyful about crushing businesses in our communities," Lindsey said. "Michigan is trying to dig our way out of what is a negative trajectory on our economy in general."

All Gas Pump Taxes Go To Roads, All Road Funding Implementation Bills Clear Senate

The Senate tonight passed the bills necessary to create \$1.85 billion in new yearly money for the roads. Measures include a 24 percent wholesale tax on weed, directing all state taxes paid at the gas pump to roads and having Michigan refrain from giving businesses the same large tax deductions as under the federal One Big Beautiful Bill Act (OBBBA).

[HB 4180](#) , [HB 4181](#) , [HB 4182](#) and [HB 4183](#) passed to direct state taxes paid at the fuel pump toward gas. The bills were substituted in the Senate, so the change doesn't occur until the start of 2026. The substitute also would backfill the School Aid Fund – which currently receives funding from the sales tax on gas – "fully" with \$680 million from Michigan's General Fund.

[HB 4180](#) was opposed by Sens. [Thomas ALBERT \(R-Lowell\)](#), [Rosemary BAYER \(D-Keego Harbor\)](#), [Joseph BELLINO JR. \(R-Monroe\)](#), [Mark HUIZENGA \(R-Walker\)](#), [Jeff IRWIN \(D-Ann Arbor\)](#) and [Sue SHINK \(D-Dexter\)](#).

Albert, Bayer, Bellino, Huizenga and Irwin opposed [HB 4181](#) and [HB 4182](#) . Meanwhile, [HB 4183](#) , making the gas tax 51 cents overall per gallon, up from 31 cents not including how the sales tax is eliminated on motor fuel, was opposed by Albert, Bellino, Bumstead, [Roger HAUCK \(R-Union Twp.\)](#), [Kevin HERTEL \(D-St. Clair Shores\)](#), [Mark HUIZENGA \(R-Walker\)](#), [Jeff IRWIN \(D-Ann Arbor\)](#), [Ruth JOHNSON \(R-Holly\)](#), [Jonathan LINDSEY \(R-Coldwater\)](#), [Jim RUNESTAD \(R-White Lake\)](#) and Shink.

When Assistant Senate Secretary Margaret **O'BRIEN** carried the bills into the House after 4 a.m. for concurrence, the chamber erupted into applause. The House concurred the bills by 102-7, 102-7, 101-8, and 98-11, respectively.

According to the Governor's office, the new road funding plan dedicates \$100 million to transit like local bus operations and “transformational” transit programs, \$100 million to

bridges and \$40 million to rail grade separation projects to communities negatively affected by railroad crossings. However, the lionshare of the new funding – 80 percent of a \$1 billion spending formula – will go toward local roads, split between counties and municipalities.

Decoupling Michigan From OBBBA Tax Incentives

[HB 4961](#) also passed 22-14. Without [HB 4961](#) by House Appropriations Chair [Ann BOLLIN \(R-Brighton\)](#), the state was expected to match several tax incentives offered to businesses under the OBBBA that President Donald **TRUMP** signed in early July.

Sens. [Mark HUIZENGA \(R-Walker\)](#), [Michael WEBBER \(R-Rochester Hills\)](#) and [Ed MCBROOM \(R-Waucedah Twp.\)](#) joined Democrats in supporting [HB 4961](#) .

According to Mike **JOHNSTON**, Michigan Manufacturers Association executive vice president of government affairs, OBBBA allowed businesses to take tax deductions for all research and development (R&D) expenses for 2025 and looking back to 2022.

However, manufacturers won't be able to take deductions the same way at the state level under the House bill. Going forward, federally, businesses will be able to take deductions for eligible acquisition costs all at once annually for their R&D expenditures, but in Michigan, businesses must expense things for state-level tax deductions over a five-year period.

"Prior to the federal tax cuts, companies would have to take five years to expense an expenditure in any one year...to spread them out over five years so their value is significantly less," Johnston said about pre-OBBBA tax structures.

"The action the Legislature (took) denies Michigan companies the benefits provided by the federal tax cuts in July on their state returns, costing businesses \$2 billion over the next five years," Johnston said in opposition to [HB 4961](#) .

[HB 4961](#) seeks to have Michigan hang onto \$540 million in tax revenue in the new fiscal year, \$443 million in Fiscal Year (FY) 2027 and \$433 million in FY '28 by decoupling Michigan from the new federal tax incentives.

The House concurred the Senate's tweaks to [HB 4961](#) 102-7.

Lindsey tried to prevent the decoupling through a failed amendment. The amendment failed 18-18, as Sen. [Kevin HERTEL \(D-St. Clair Shores\)](#) – who represents one of Michigan's most competitive legislative seats, based in Macomb County and covering Lake Saint Clair's shoreline – joined Republicans in supporting the provision.

Another misfired amendment was from Nesbitt, which would have Michigan match the OBBBA incentives beginning in 2028.

“Our businesses are set to see an incredible opportunity to have some of their business taxes cut. This is because of work that President Trump and the Republicans in Congress did to achieve historic tax cuts all across the nation, including some that we could inherit here in Michigan,” Lindsey said. “Unfortunately, the legislation in front of us would prevent businesses in Michigan from taking full advantage of those tax cuts. I think that's an unwise thing to do, especially in an environment where Michigan cannot afford to become a less competitive state.”

The state does offer other provisions beyond the decoupling, like establishing state income deductions for tips and overtime pay. It also officially drains funding from Michigan's corporate incentive fund, the Strategic Outreach and Attraction Reserve (SOAR) Fund, which lawmakers agreed to discontinue in this year's budget-making process. The fund offered multi-million dollar grants for corporations to develop in the state.

It also mirrors OBBBA's efforts to offset taxes on Social Security benefits for retirees in tax years 2026 through 2028.