



The Real Wheel Deal: Road Funding Gets First Committee Hearing

3/11/25

By reshaping how fuel is taxed and disincentivizing legacy companies from staying on the Michigan Business Tax (MBT), a long-term, revenue-neutral road funding plan is possible, House Republicans testifying before the House Transportation and Infrastructure Committee said today.

Under the current model for taxing fuel, the wholesale cost is \$2.38 per gallon with an 18.4-cent federal tax, a 31-cent state fuel tax and an average of a 14-cent state sales tax. Added all together, the March 2025 average for a gallon of gas is \$3.04.

The road funding package exempts fuel from the sales tax and raises the state fuel tax by 14 cents per gallon so that the cost of gas doesn't change compared to the March 2025 average.

However, the fixed, non-variable 14-cent tax replacing a six percent sales tax rate means that the amount of tax paid by the consumer would remain the same whether gas prices dropped or exceeded the average price, and this part of the road funding model wouldn't fluctuate with the price of fuel.

Combined with the existing state fuel tax, the fixed rate would be 45 cents per gallon and would be adjusted each year based on inflation.

[HB 4180](#) [HB 4181](#) , [HB 4182](#) , [HB 4183](#) , and [HB 4184](#) all deal with these tax code changes.

"I keep a copy of PA 51 on my nightstand. My wife thinks it's unhealthy. I'm the PA 51 guy," Rep. [Tom KUNSE \(R-Clare\)](#) said.

Kunse emphasized that this plan does not increase revenue and said by the time this is all over, everyone will be sick of hearing him say "revenue neutral".

Rep. [Steve CARRA \(R-Three Rivers\)](#)'s [HB 4187](#) deals in disincentivizing the remaining handful of businesses that still receive legacy Michigan Economic Growth Authority (MEGA) tax credits under the 4.95 percent Michigan Business Tax, which is coupled with a 0.8 percent tax on gross receipts (See "[MEGA Business Tax Credits Start Falling Off In 2025](#)," 3/7/25).

The six percent Corporate Income Tax rate would end up costing the legacy businesses less, Carra said, but thanks to the MEGA credits, they pay less in state income tax than some small businesses taxed under the CIT.

His bill raises the MBT to 30 percent, and businesses that decide to file under CIT instead of MBT would not have their MEGA credits honored.

The committee didn't get to the School Aid Fund (SAF) part of the conversation today that [HB 4185](#) covers, but the proposed model gives the SAF first dibs on sales tax revenue. It's not yet clear which other programs are funded by sales tax revenue and would lose funding to make up for backfilling the SAF.

"I strongly doubt the viability of the Republican roads plan and their commitment to making smart investments. The GOP proposed roads fix is full of potholes and it's going to fall on the backs of working people," Minority Leader [Ranjeev PURI \(D-Canton\)](#) said in a statement.

The committee will take more testimony on the bills next week, said Chair [Pat OUTMAN \(R-Six Lakes\)](#).