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Let’s Roll

Michigan House package fixes roads without raising taxes

By James M. Hohman | April 2025

Michigan’s House members approved bills in March that would give a long-term solution to the state’s decade-plus road funding debate.

Michigan’s state and local governments own roads that get people where they want to go. It is the responsibility of these governments to keep the roads in good working order. But roads are falling apart faster than they are being repaired, and it will take more public dollars to get roads on the path to continual improvement.

Lawmakers must discern the way to pay for road repair and maintenance that is most acceptable to residents. A major part of road funding has been to levy fuel and vehicle registration taxes, which fall on the people who drive on the roads. These are not user fees, but they are taxes that largely fall on the people who use the roads. Tying the cost of roads to the people who use them tends to be defensible to lawmakers and tolerable to voters.

Fuel and registration taxes are not the only source of funds for road repair, however. Lawmakers use whatever means they have to cover the costs. They’ve earmarked money from the income tax to roads. They take federal money that drives up federal deficits. Local elected officials often levy property taxes to pay for roads.

It still hasn’t been enough to fix roads faster than they fall apart, but lawmakers are close.

The latest package, approved by the state House, found enough money to get the roads in the state to a path of continual quality improvement. These bills would do that without having to raise taxes.

There were a few pieces to the plan.

Most states levy a per-gallon fuel tax but do not charge sales taxes on fuel purchases. Michigan levies both. The House package eliminates the sales tax on fuel, revenue from which is restricted to schools and

local governments. The proposed laws replace that with per-gallon fuel taxes which go to transportation purposes.

The package earmarks revenue from sales taxes to schools and local governments in order to make up for the money reallocated to roads. That will mean less money for other government services.

Lawmakers would save money by reducing state business subsidies. Lansing gives hundreds of billions of taxpayer dollars to select companies on the promise that this spending will create jobs. Deals have been ineffective at creating jobs and expensive to taxpayers. It would benefit the public to spend this money on road repair, and that's what the House package does.

The lion's share of the money for roads would come from the state's corporate income tax. The package dedicates all of the state's \$2.2 billion corporate income tax revenue to transportation purposes.

The state can afford to redirect money away from its general funds and toward road repair because it has a lot more money to spend than it used to. Revenue

from state taxes has grown by nearly a third since the pandemic, increasing from \$34.0 billion to \$44.4 billion from fiscal year 2018-19 to the current fiscal year, well above inflation.

Lawmakers have not spent their increased revenue well, having authorized \$4.7 billion in business subsidies in the past legislative session and more than \$3 billion in pork.

There's plenty of money in the budget to fix roads faster than they fall apart, if that is a priority for legislators. The House package demonstrates that lawmakers can improve road quality without raising taxes.

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