

Legislative Analysis



TRANSPORTATION FUNDING PACKAGE

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4180 as enrolled
Sponsor: Rep. Donni Steele

Analysis available at
<http://www.legislature.mi.gov>

House Bill 4181 as enrolled
Sponsor: Rep. Steve Frisbie

House Bill 4182 as enrolled
Sponsor: Rep. Bradley Slagh

House Bill 4183 as enrolled
Sponsor: Rep. Tom Kunse

House Bill 4961 as enrolled
Sponsor: Rep. Ann Bollin

House Bill 4951 as enrolled
Sponsor: Rep. Samantha Steckloff

Senate Bill 578 as enrolled
Sponsor: Sen. Veronica Klinefelt

House Committee (HBs 4180 to 4183): Transportation and Infrastructure
(HB 4951 and SB 578): Appropriations [Discharged]
(HB 4961): Finance [Discharged]

Senate Committee (HBs 4180 to 4183 and SB 578): Appropriations [Discharged]
(HBs 4951 and 4961): Committee of the Whole

Revised 10-29-25

(Enacted as Public Acts 16 to 20, 23, and 24 of 2025)

SUMMARY:

Broadly speaking, the bills would do the following, with details as described below:

- House Bills 4180 and 4182 would exempt motor fuel from the sales and use taxes beginning January 1, 2026, and hold the School Aid fund harmless for revenue lost due to the exemptions.
- House Bill 4181 would eliminate the 6% specific tax on interstate motor carriers that use motor fuel or alternative fuel beginning January 1, 2026.
- House Bill 4183 would increase the tax levied on motor fuel from 31 cents per gallon to at least 51 cents per gallon beginning January 1, 2026.
- House Bill 4951 would impose a 24% excise tax on certain wholesale sales or transfers of marijuana and direct the revenue to the Neighborhood Roads Fund.
- House Bill 4961 would decouple state income tax provisions used to determine taxable income from recently amended federal provisions; make changes for the 2026, 2027, and 2028 tax years to the income tax treatment of tips and overtime pay and Social Security income for certain taxpayers; and require specific revenue amounts from the corporate income tax (CIT) to be deposited in the Neighborhood Roads Fund beginning with the 2025-26 fiscal year.
- Senate Bill 578 would create the Neighborhood Roads Fund and the Infrastructure Projects Authority Fund and prescribe the distribution of money from each fund.

House Bills 4180 and 4182 would amend the General Sales Tax Act and the Use Tax Act to exempt, beginning January 1, 2026, the sale of *eligible fuel* from the sales tax and the storage, use, or consumption of eligible fuel from the use tax. The bills would require an annual deposit in the School Aid Fund of sales tax revenue equal to the amount of revenue lost to the School Aid Fund as a result of the exemptions.

Eligible fuel would mean *motor fuel*, *alternative fuel*, and *leaded racing fuel*, but would *not* include any of the following:

- Motor fuel sold for use in aircraft if the tax under the Aeronautics Code¹ is paid and the purchaser is registered (if required) under the Motor Fuel Tax Act.²
- Motor fuel sold as aviation fuel and identified as such on the shipping paper or invoice and on which the tax under the Aeronautics Code has been paid.
- Aviation fuel on which the tax under the Aeronautics Code is due.
- Motor fuel or alternative fuel sold for residential, commercial, or industrial use for heating, cooling, or ventilation purposes (as in utility systems, furnaces, boilers, space heaters, water heaters, dryers, and heat pumps), including motor fuel or alternative fuel that is exempt from the sales tax at the additional 2% rate under section 4n of the applicable act.³
- *Liquefied petroleum gas*, unless it is “used” or for “use” as defined in the Motor Fuel Tax Act.⁴

Motor fuel would mean gasoline, diesel fuel, or kerosene (as those terms are defined in the Motor Fuel Tax Act), a mixture of any of those fuels, or a mixture of any of those fuels and another substance, but it would not include leaded racing fuel.

Alternative fuel would mean a gas, liquid, or other fuel that can be used to generate power to propel a motor vehicle, such as natural gas, compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, hydrogen compressed natural gas, or hythane. The term would not include motor fuel, electricity, leaded racing fuel, or an *excluded liquid* as defined in 26 CFR 48.4081-1.⁵

Leaded racing fuel would mean a fuel other than diesel fuel that is leaded, at least 100 octane, and used in vehicles on a racetrack.

¹ This privilege tax is three cents per gallon. Commercial airlines receive a refund of half this tax amount (1.5 cents per gallon). <https://www.legislature.mi.gov/Laws/MCL?objectName=MCL-259-203>

² This provision requires persons that purchase aviation fuel for resale to register with the Department of Treasury. <https://www.legislature.mi.gov/Laws/MCL?objectName=mcl-207-1094>

³ For example, see <https://www.legislature.mi.gov/Laws/MCL?objectName=MCL-205-54N>

⁴ This provision defines “use,” “used,” and “uses” to mean selling or delivering alternative fuel not otherwise subject to tax under the Motor Fuel Tax Act by placing it into a permanently attached fuel supply tank of a motor vehicle or by exchanging or replacing the fuel supply tank of a motor vehicle; delivering alternative fuel into storage devoted exclusively to storing alternative fuel to be consumed in motor vehicles on public roads in Michigan; withdrawing alternative fuel from the cargo tank of a truck, trailer, or semitrailer to operate a motor vehicle on public roads in Michigan; or placing or delivering alternative fuel into the fuel supply tank of a motor vehicle by or through the operation of an alternative fuel filling station, by exchanging or replacing an alternative fuel supply tank of a motor vehicle with another alternative fuel supply tank of a motor vehicle filled with alternative fuel, or by any other means not involving the delivery, receipt, or purchase of alternative fuel from an alternative fuel dealer or any other means not otherwise previously described above. <https://www.legislature.mi.gov/Laws/MCL?objectName=mcl-207-1151>

⁵ *Excluded liquid* means any liquid that contains less than 4% normal paraffins or that has a distillation range of 125° F or less, a sulfur content of 10 ppm or less, and minimum color of + 27 Saybolt. <https://www.ecfr.gov/current/title-26/chapter-I/subchapter-D/part-48/subpart-H/subject-group-ECFRfec64af5287e9f1/section-48.4081-1>

Liquefied petroleum gas would mean gases derived from petroleum or natural gases that are in the gaseous state at normal atmospheric temperature and pressure, but may be maintained in the liquid state at normal atmospheric temperature by suitable pressure. The term includes products predominantly composed of propane, propylene, butylene, butane, and similar products. The term would not include compressed natural gas, liquefied natural gas, hydrogen, or hythane.

House Bill 4180 also would provide for the expiration on December 31, 2025, of provisions that now relate to the prepayment of sales tax on fuels that would be exempted by the bill.

Finally, House Bill 4180 would require an amount equal to the revenue lost to the School Aid Fund as a result of the exemptions under both bills to be deposited in the School Aid Fund from revenues from the collection of the sales tax imposed at a rate of 4%.

MCL 205.56a and proposed MCL 205.54gg (HB 4180)
MCL 205.111 and proposed MCL 205.94gg (HB 4182)

House Bill 4181 would amend the Streamlined Sales and Use Tax Revenue Equalization Act to eliminate, beginning January 1, 2026, the 6% specific tax levied on interstate motor carriers that use motor fuel or alternative fuel in Michigan. The bill also would eliminate the credits available against these taxes to offset any sales tax paid on fuel purchased in Michigan.⁶

MCL 205.173 and 205.175

House Bill 4183 would amend the Motor Fuel Tax Act to increase, beginning January 1, 2026, the tax levied on motor fuel.

Currently, the tax on gasoline and diesel fuel under the act is 31 cents per gallon.⁷ This rate is adjusted annually effective January 1 by the ***inflation rate*** or 5%, whichever is less, and rounded up to the nearest tenth of a cent.⁸

Inflation rate means the annual percentage change in the Consumer Price Index (CPI), as determined by the Department of Treasury, comparing the two immediately preceding October 1 through September 30 periods. If the annual percentage change is negative, the inflation rate is zero.

Under the bill, beginning January 1, 2026, the motor fuel tax rate would be 51 cents per gallon as adjusted by the lesser of the inflation rate or 5%, rounded up to the nearest tenth of a cent. Beginning January 1, 2027, this rate would then be adjusted annually effective January 1 by the lesser of the inflation rate or 5%, rounded up to the nearest tenth of a cent.

⁶ The Streamlined Sales and Use Tax Agreement is an agreement by 24 states and other governmental bodies to simplify the collection and administration of sales and use tax for retailers and states. The agreement is intended to ease tax compliance for businesses operating in more than one state by creating uniformity in state tax bases and definitions; simplifying exemptions, returns, and remittances; and requiring uniformity between state and local tax bases, with collections administered at the state level.

⁷ The motor fuel tax rate is also applied to the per-gallon equivalent of *alternative fuel* (defined as shown above).

⁸ <https://www.michigan.gov/taxes/business-taxes/motor-fuel/current-tax-rates-for-motor-fuel-and-alternative-fuel>

Transition provisions

The tax on motor fuel would be imposed at a rate that equals the difference between the current 31-cent rate and the rate effective January 1, 2026, on all of the following:

- Motor fuel in excess of 3,000 gallons held in storage by an end user as of 11:59 p.m. on December 31, 2025, or held for sale at the close of business on December 31, 2025 that is in excess of dead storage, for which the tax at the current 31-cent rate has been previously paid or has been accrued by either of the following:
 - A licensed supplier at the time of removal from a terminal.
 - A licensed importer, if all of the applicable conditions in sections 76, 82, and 104 of the act concerning the lawful importation of motor fuel by the importer have been met.⁹
- All nonexempt motor fuel held by a person outside of the bulk transfer/terminal system in the state as of 11:59 p.m. on December 31, 2025, in excess of 3,000 gallons, for which the tax at the current 31-cent rate has *not* been previously paid or has *not* been accrued by either of the following:
 - A licensed supplier at the time of removal from a terminal.
 - A licensed importer, if all of the applicable conditions in sections 76, 82, and 104 of the act concerning the lawful importation of motor fuel by the importer have been met.

A person that possesses motor fuel subject to tax as described above would have to determine the number of gallons subject to the tax and report them to the Department of Treasury, together with payment of the tax due, by February 20, 2026.

MCL 207.1008

House Bill 4951 would create a new act, the Comprehensive Road Funding Tax Act, to impose an excise tax on certain sales or transfers of marijuana and distribute nearly all of the revenue to the Neighborhood Roads Fund proposed by Senate Bill 578.

Excise tax

Beginning January 1, 2026, the bill would levy an excise tax on the following entities at the rate of 24% on the ***wholesale price*** of marijuana sold or otherwise transferred as follows:¹⁰

- On a *marijuana establishment*, for the first sale or other transfer of marijuana to a marijuana retail licensee.
- On a *marijuana retail licensee*, for the sale of marijuana it has cultivated or processed to sell itself at retail (based on the wholesale price of the aggregate amount of the marijuana).

⁹ These provisions require licensure for certain persons importing motor fuel from another country under certain conditions (<https://www.legislature.mi.gov/Laws/MCL?objectName=MCL-207-1076>) or from another state under certain conditions (<https://www.legislature.mi.gov/Laws/MCL?objectName=MCL-207-1082>) and prescribe certain procedures for an importer transporting motor fuel from outside the state that has not been dyed in accordance with the act (<https://www.legislature.mi.gov/Laws/MCL?objectName=MCL-207-1104>).

¹⁰ *Marijuana* and *marijuana establishment* would be defined as in the Michigan Regulation and Taxation of Marijuana Act. *Marijuana retail licensee* would mean a *marijuana retailer* or *marijuana microbusiness*, as defined in that act, or a person authorized by the Cannabis Regulatory Agency to sell or transfer marijuana to individuals 21 or older. See <https://www.legislature.mi.gov/Laws/MCL?objectName=mcl-333-27953> *Provisioning center* would be defined as in the Medical Marijuana Facilities Licensing Act. <https://www.legislature.mi.gov/Laws/MCL?objectName=MCL-333-27102> Note that, in Michigan law, marijuana is spelled *marihuana*.

- On a *provisioning center*, for the sale or transfer of marijuana to a marijuana retail licensee.

Wholesale price would mean either of the following, as applicable:

- For transactions between persons that are *not affiliated persons*, the actual price paid by a marijuana retail licensee to acquire marijuana from a marijuana establishment. The wholesale price would include any tax, fee, or other charge reflected on the invoice or other documentary evidence of the sale or transfer and could not be reduced by a rebate, trade allowance, licensing or exclusivity agreement, volume discount, or similar reduction.
- For transactions between persons that *are* affiliated persons, and for marijuana cultivated and processed for retail sale by a retail licensee, the *average wholesale price* (defined as the price of marijuana the Department of Treasury calculates and publishes each quarter based on the best available information).

Affiliated person would mean a person that, directly or indirectly through one or more intermediaries, controls another person, is controlled by another person, or is under common control with another person.

Each person subject to the tax would have to file periodic returns as prescribed by the Department of Treasury and remit the tax due with each return. The department would have to administer the tax under 1941 PA 122 and prescribe forms necessary to do so. (In a conflict between the bill and that act, the bill would prevail.) The bill would authorize the department to issue rules to implement the bill and prescribe a method for paying and collecting the tax.

Allocation of revenue

The revenue collected under the bill would have to be distributed as follows:

- For the 2025-26 fiscal year, \$3.0 million to the Comprehensive Road Funding Fund described below and the balance to the Neighborhood Roads Fund proposed by Senate Bill 578.
- For the 2026-27 and subsequent fiscal years, \$500,000 to the Comprehensive Road Funding Fund and the balance to the Neighborhood Roads Fund. (Beginning with the 2027-28 fiscal year, the Comprehensive Road Funding Fund amount would be adjusted annually for inflation based on the CPI for the state.)

Comprehensive Road Funding Fund

The bill would create the Comprehensive Road Funding Fund in the state treasury. Money in the fund at the close of the fiscal year would remain in the fund and not lapse to the general fund. The Department of Treasury could expend money from the fund, upon appropriation, to implement and administer the bill.

House Bill 4961 would amend the Income Tax Act to provide that, beginning with the 2025 tax year, a taxpayer's adjusted gross income (or federal taxable income, as applicable) must be calculated as though sections 168(n) and 174A of the federal Internal Revenue Code¹¹ were not in effect, and as though sections 163(j), 168(k), 174, and 179 of the Internal Revenue Code,

¹¹ Currently, *Internal Revenue Code*, when used in Parts 1 and 2 of the act, means the United States Internal Revenue Code of 1986 in effect on January 1, 2018, or, at the option of the taxpayer, in effect for the tax year. The bill would change the applicable date to January 1, 2025.

as in effect on December 31, 2024, applied.¹² In addition, beginning with the 2022 tax year, a taxpayer's adjusted gross income (or federal taxable income) would have to be calculated as if the transition rules under section 70302 of the One Big Beautiful Bill Act (OBBBA), Public Law 119-21, did not apply, including provisions related to the application of section 174A of the Internal Revenue Code.¹³

The above provisions would apply to determining the adjusted gross income (or federal taxable income, as applicable) of individuals, resident estates or trusts, and taxpayers subject to the corporate income tax (CIT), including flow-through entities.

Individual income tax

In addition, for the 2026, 2027, and 2028 tax years, in determining taxable income, an individual taxpayer could deduct from their adjusted gross income (to the extent not already deducted) an amount equal to the sum of the following deductions allowed to be claimed on their federal income tax return for the same tax year:

- Qualified tips under section 224 of the Internal Revenue Code.¹⁴ A nonresident could deduct tips only for services performed in Michigan.
- Qualified overtime compensation under section 225 of the Internal Revenue Code.¹⁵ A nonresident could deduct overtime pay only for services performed in Michigan.

Tier 3 retirement income

The act now contains a three-tier system under which a taxpayer's birth year determines how retirement income is taxed. For a joint return, the treatment of retirement income is based on the birth year of the older spouse. Currently, taxpayers in Tier 3 (those born after 1952) cannot exempt any retirement income (except Social Security income) until reaching age 67. After turning 67, these taxpayers can choose between taking a deduction of \$20,000 for single filers (\$40,000 for joint returns) against *all types* of income or continuing to exempt Social Security income and claiming other personal exemptions they are eligible for. Under the bill, for tax years that begin on and after January 1, 2026, and before January 1, 2029, a Tier 3 taxpayer opting to take the \$20,000/\$40,000 deduction against *all* income could also deduct Social Security income (but could not also take the standard personal exemptions).¹⁶

Current CIT distribution

The act now provides that, for the 2024-25 fiscal year, corporate income tax revenue must be distributed as follows, in the following order:

- Up to \$1.2 billion to the general fund.
- Up to \$50.0 million, if available, to the Michigan Housing and Community Development Fund.¹⁷

¹² If necessary, the state treasurer would have to modify the application of any references to the sections described above in the Internal Revenue Code and OBBBA to effect the purpose of the bill.

¹³ See https://www.house.mi.gov/hfa/PDF/Alpha/Fiscal_Brief_OBBBA_of_2025_Jul2025.pdf for a description of significant federal tax changes and other federal programming changes made by the OBBBA.

¹⁴ <https://www.law.cornell.edu/uscode/text/26/224>

¹⁵ <https://www.law.cornell.edu/uscode/text/26/225>

¹⁶ Under both current law and the bill, a Tier 3 taxpayer also could opt to take a percentage (the size of which is being phased in with annual increases) of the maximum deduction available to Tier 1 taxpayers (born before 1946) for private retirement income for retirement/pension benefits (for tax year 2024 this maximum is \$64,040 for a single filer and \$128,080 for a joint return).

¹⁷ <https://www.michigan.gov/mshda/developers/housing-and-community-development-fund-hcdf>

- Up to \$50.0 million, if available, to the Revitalization and Placemaking Fund.¹⁸
- Up to \$500.0 million, if available, to the Strategic Outreach and Attraction Reserve (SOAR) Fund.¹⁹
- The balance to the general fund.

For the 2025-26 and subsequent fiscal years, \$50.0 million of CIT revenue must be deposited into the Michigan Housing and Community Development Fund, and the balance into the state's general fund.

CIT distribution under the bill

Under the bill, for the 2024-25 fiscal year, CIT revenue would have to be distributed as follows, in the following order:

- Up to \$1.2 billion to the general fund.
- Up to \$50.0 million, if available, to the Michigan Housing and Community Development Fund.
- Up to \$50.0 million, if available, to the Revitalization and Placemaking Fund.
- Up to \$250.0 million, if available, to the Healthy Michigan Fund.²⁰
- The balance to the general fund.

For the 2025-26 and subsequent fiscal years, CIT revenue would have to be distributed as follows, in the following order:

- Up to \$1,200.0 million to the general fund.
- Up to \$50.0 million, if available, to the Michigan Housing and Community Development Fund.
- An amount to the Neighborhood Roads Fund as described below:
 - For the 2025-26 fiscal year, up to \$688.0 million, if available.
 - For the 2026-27 fiscal year, up to \$776.0 million, if available.
 - For the 2027-28 fiscal year, up to \$864 million, if available.
 - For the 2028-29 fiscal year, up to \$952.0 million, if available.
 - Beginning with the 2029-30 fiscal year, up to \$1,040.0 million, if available.
- The balance to the general fund.

Other provisions

The bill would repeal section 51d of the Income Tax Act, effective September 30, 2025. That section now provides for a \$600.0 million distribution of individual income tax revenue to the Michigan Transportation Fund (MTF) every October 1.

MCL 206.12 et seq.

Senate Bill 578 would amend 1951 PA 51 (“Act 51”), which governs the distribution of funding for state and local road and bridge programs, to create the Neighborhood Roads Fund, create the Infrastructure Projects Authority Fund, prescribe parameters and distributions for each fund, and expand allowable uses of money in the Movable Bridge Fund.

¹⁸ <https://www.michiganbusiness.org/rap/>

¹⁹ <https://www.michiganbusiness.org/real-estate/sites-and-buildings/ssrp-and-cip/>

²⁰ <https://www.michigan.gov/healthymiplan>

Neighborhood Roads Fund

The bill would create the Neighborhood Roads Fund in the state treasury. As described above, the fund would receive distributions from the marijuana excise tax under House Bill 4951 and from the CIT as directed by House Bill 4961. Money in the fund at the close of a fiscal year would not lapse to the general fund.

For the 2025-26 through 2029-30 fiscal years, money in the fund each fiscal year would be distributed as follows:

- \$100.0 million to a separate account to be spent by the Local Bridge Advisory Board for the repair of closed, restricted, and critical bridges as determined by the board.²¹
- After the above distribution, \$40.0 million to the Local Grade Separation Fund.²²
- After the above distributions, \$100.0 million as follows:
 - \$35.0 million to the Comprehensive Transportation Fund (CTF)²³ for *eligible authorities* and *eligible governmental agencies*, with 5% (\$1.75 million) reserved for agencies in urbanized areas with a Michigan population of up to 100,000 and nonurbanized areas under 49 USC 5311.²⁴
 - \$65.0 million to the Infrastructure Projects Authority Fund described below.
- Money remaining in the fund after the above distributions as follows:
 - 52% to county road commissions, to be allocated in the same way as MTF²⁵ revenue returned to counties under section 12 of Act 51.²⁶
 - 28% to city and village road agencies, allocated in the same way as MTF revenue returned to cities and villages under section 13 of Act 51.²⁷
 - 20% to the State Trunkline Fund (STF) for use under section 11 of Act 51.²⁸

For the 2030-31 and subsequent fiscal years, money in the fund each fiscal year would be distributed as follows:

- \$100.0 million to the Local Grade Separation Fund.
- After the above distribution, \$70.0 million as follows:
 - \$52.5 million to the CTF for eligible authorities and eligible governmental agencies, with 5% (\$2.63 million) reserved for agencies in urbanized areas with a Michigan population of up to 100,000 and nonurbanized areas under 49 USC 5311.
 - \$17.5 million to the Infrastructure Projects Authority Fund.
- After the above distributions, \$100.0 million as follows:
 - \$6.5 million to county road commissions, to be allocated in the same way as MTF revenue returned to counties under section 12.

²¹ The Local Bridge Advisory Board and the Local Bridge Fund are established under section 10 of Act 51. See: <https://www.legislature.mi.gov/Laws/MCL?objectName=MCL-247-660>

²² Money in the fund is used to separate motor vehicle traffic and railroad traffic by putting the roadway either above or below the railroad at intersections. See <https://www.legislature.mi.gov/Laws/MCL?objectName=MCL-247-661i>

²³ Money in the CTF is used for public transportation services and programs. For a detailed description, see: https://www.house.mi.gov/hfa/PDF/Alpha/Fiscal_Brief_CTF_and_State_Support_for_Public_Transit_Aug2023.pdf

²⁴ <https://www.law.cornell.edu/uscode/text/49/5311>

²⁵ Money in the MTF is distributed as prescribed by section 10 of Act 51. For a detailed description, see: https://www.house.mi.gov/hfa/PDF/Alpha/Fiscal_Brief_MTF_Distribution_Formula_to_LRA_Feb2025_Update.pdf

²⁶ <https://www.legislature.mi.gov/Laws/MCL?objectName=MCL-247-662>

²⁷ <https://www.legislature.mi.gov/Laws/MCL?objectName=MCL-247-663>

²⁸ Money in the STF is used for debt servicing, maintenance, and capital improvement for state trunkline roads and bridges as prescribed by section 11: <https://www.legislature.mi.gov/Laws/MCL?objectName=MCL-247-661>

- \$3.5 million to city and village road agencies, to be allocated in the same way as MTF revenue returned to cities and villages under section 13.
- \$90.0 million to the STF.
- Money remaining in the fund after the above distributions as follows:
 - 46.5% to county road commissions, to be allocated in the same way as MTF revenue returned to counties under section 12.
 - 25% to city and village road agencies, to be allocated in the same way as MTF revenue returned to cities and villages under section 13.
 - 29.5% to the STF.

Eligible authority means an authority organized under the Metropolitan Transportation Authorities Act.²⁹

Eligible governmental agency means a county, city, or village or an authority created under 1963 PA 55; the Urban Cooperation Act; 1967 (Ex Sess) PA 8; 1951 PA 35; the Public Transportation Authority Act; or the Revenue Bond Act. (These acts all authorize the formation of public transportation authorities by certain local units of government or other public entities or through intergovernmental arrangements.)

Matching funds would not be required from a local unit of government or county road commission as a condition for spending money distributed under the above provisions, but a government entity spending money distributed as above could request matching funds from other sources.

Infrastructure Projects Authority Fund

The bill would create the Infrastructure Projects Authority Fund in the state treasury. Money in the fund at the close of a fiscal year would not lapse to the general fund.

The Michigan Department of Transportation (MDOT) could expend money in the fund each year only for public transportation grants and investments as follows:

- *Only if* the amount appropriated in a fiscal year from the CTF for operating grants to eligible authorities and eligible governmental entities under section 10e(4)(a) of Act 51³⁰ is *not less than* the amount expended under that provision in the 2025-26 fiscal year, as adjusted for inflation using the Detroit CPI, then MDOT could expend up to 20% of the Infrastructure Projects Authority Fund for payment of supplemental operating grants to eligible authorities and eligible governmental entities, subject to all of the following:
 - MDOT would have to receive and review financial documents demonstrating that an eligible authority or eligible governmental entity is in compliance with a balanced budget plan before it could award a grant to the authority or entity.
 - MDOT would have to allocate grants in a way that conforms to, supplements, and is proportional to the formula for operating grants under section 10e(4)(a).

²⁹ The Metropolitan Transportation Authorities Act authorizes two or more counties in a metropolitan area to form a regional transportation authority. The Suburban Mobility Authority of Regional Transit (SMART), in southeast Michigan, is organized under this law.

³⁰ <https://www.legislature.mi.gov/Laws/MCL?objectName=MCL-247-660E>

- The grants would be in addition to any money an eligible authority or eligible governmental entity may receive under section 10b of Act 51.³¹
- After the above, MDOT could make ***qualified investments*** in infrastructure mobility projects consistent with section 10b to eligible authorities and eligible governmental entities. MDOT would have to consider the following criteria, as reasonably applicable, before entering into a written agreement for the qualified investment:
 - Whether the qualified investment is for the development, expansion, or enhancement of any of the following:
 - A high-capacity mobility transportation project.
 - Regional or multijurisdictional high-capacity mobility transportation that connects major centers of population, employment, education, health care, or other activity.
 - Innovative and flexible mobility transportation to meet mobility needs in lower density areas, for first- and last-mile transportation solutions, or for other specialized purposes such as access to health care.
 - Support for the qualified investment in the affected region, including from the following:
 - Local government.
 - An eligible authority or eligible governmental entity.
 - Regional anchor institutions such as major regional employers, local and regional economic development organizations, and educational institutions.
 - Financial participation from affected regional entities, including local units of government and public transportation providers.
 - The readiness, financial feasibility, and financial sustainability of the qualified investment, with the qualified investment facilitating a complete capital and operating financial model for the project it supports, with the highest priority for financial assistance given when the qualified investment is necessary to meet a capital or operating matching requirement for federal funding.
 - Whether the proposed qualified investment will provide locally or regionally significant benefits for the movement of people or goods, provide regional economic growth, and increase the attractiveness of the region for population growth, job growth, or tourism, with priority given to a qualified investment that includes a transit, nonmotorized, or multimodal (i.e., movement using multiple forms of transportation) component.

Qualified investment would mean a grant, loan, or other economic assistance provided by MDOT to an eligible authority or eligible governmental entity under the bill for a project eligible for assistance under the Federal Transit Act³² or Title 23 (Highways) of the United States Code.³³

Grants and qualified investments from the Infrastructure Projects Authority Fund could be used to match federal aid, grants, or other assistance.

³¹ <https://www.legislature.mi.gov/Laws/MCL?objectName=MCL-247-660b>

³² 49 USC 101 to 80504: <https://www.law.cornell.edu/uscode/text/49>

³³ 23 USC 101 to 611: <https://www.law.cornell.edu/uscode/text/23>

By December 31, 2026, and each subsequent calendar year in which the Infrastructure Projects Authority Fund receives appropriations, MDOT would have to report to the governor, the State Transportation Commission, and the legislature on the status of projects funded by the fund. The report would have to include all of the following for the previous fiscal year:

- The location of funded projects.
- A listing of total money distributed to each region.
- Individual project funding amounts.
- Project selection criteria.
- A listing of individual project support.
- A running total fund balance.
- Any other relevant details about the status of the fund.

Movable Bridge Fund

Finally, the bill would allow distributions from the Movable Bridge Fund to cover certain costs related to local federal bridge inspections or mandates. Money in the fund is generally used to offset the operational costs of publicly owned movable bridges in the state.³⁴

The bill would require MDOT to develop, each year before September 30, 2029, an estimate for the cost of local federal bridge load analysis, inspection, or other local federal bridge mandates. Before September 30, 2029, MDOT could use any money left in the Movable Bridge Fund in a fiscal year, after the required distribution for operational costs of publicly owned movable bridges, to cover other costs for required local federal bridge load analyses or inspections, or other local federal bridge mandates, if no other source of funding is available.

MCL 247.661g and proposed MCL 247.663c

FISCAL IMPACT:

House Bills 4180 and 4182 would amend the General Sales Tax Act, and the Use Tax Act, respectively, to exempt eligible motor fuels (defined above) from the sales and use tax. This exemption will reduce sales and use tax revenue by \$695.8 million in FY 2025-26 (this represents a partial fiscal year impact due to the January 1, 2026 effective date). On a full-fiscal-year basis, the exemption would reduce sales and use tax revenue by approximately \$927.7 million. It should be noted that the impact from year to year will vary depending on fuel prices and gallons sold.

Approximately 73% of sales tax revenue is constitutionally earmarked to the School Aid Fund, with 10% is constitutionally earmarked to local revenue sharing. In addition, a portion of the sales tax attributable to motor fuel sales, as well as sales of other automotive products, is earmarked in section 25 of the General Sales Tax Act to the Comprehensive Transportation Fund (CTF), a state restricted transportation fund established in 1951 PA 51 for public transportation purposes. This statutory earmark is sometimes described as the “auto-related sales tax.”

³⁴ Movable bridges have components that can move to allow outsized water traffic to pass. Drawbridges (technically called bascule bridges) are the most familiar type. Others include vertical-lift bridges (which raise vertically like an elevator) and swing bridges (which pivot horizontally). There are 25 publicly owned movable bridges in Michigan, 12 owned and operated by MDOT (11 drawbridges and one vertical-lift bridge) and 13 by local units of government (10 drawbridges and three swing bridges).

After the constitutional and statutory earmarks noted above, the balance of sales tax revenue is credited to the state general fund.

With respect to use tax revenue, after accounting for the Local Community Stabilization Authority share for personal property tax reimbursements, approximately 57% is deposited in the general fund and approximately 43% is deposited in the School Aid Fund.

The School Aid Fund would be held harmless from the exemption of eligible motor fuels from the sales and use tax. This would result in a corresponding general fund revenue reduction of approximately \$510.0 million in FY 2025-26 (represents a partial fiscal year) and approximately \$680.0 million in subsequent fiscal years, again an estimate that depends on the price and quantity of motor fuel sold.

Table 1 below summarizes the revenue effects of House Bills 4180, 4182, and 4183 for fiscal years 2025-26 and 2026-27.

Table 1: Revenue Effects of HBs 4180/4182 and HB 4183 (As Enacted)		
ESTIMATES		
<i>Millions of Dollars</i>		
	FY 2025-26 *	FY 2026-27
<u>Revenue Changes</u>		
HB 4180 and HB 4182 - Exempts Motor Fuels from Sales/Use tax		
School Aid Fund (held harmless by General Fund deposit under HB 4180)	\$0.0	\$0.0
Constitutional Revenue Sharing **	(69.6)	(92.8)
Comprehensive Transportation Fund (CTF) ***	(32.4)	(43.1)
General Fund (includes impact of SAF hold harmless - \$680M for full year)	<u>(593.8)</u>	<u>(791.8)</u>
TOTAL	(695.8)	(927.7)
HB 4183 - Increases Motor Fuel Tax		
Michigan Transportation Fund (MTF) ****	<u>\$707.1</u>	<u>\$1,079.9</u>
TOTAL	\$707.1	\$1,079.9
* Represents partial year.		
** The overall FY 2025-26 impact on revenue sharing payments would be less due to the structure of payments. It is estimated that FY 2025-26 constitutional revenue sharing payments to locals will be reduced by approximately \$46.4 million.		
*** The reduction in CTF revenue is due to the loss of the motor fuel tax component of the “auto-related sales tax” earmark. This loss would be offset by an increase in CTF revenue from the CTF’s 10% share of the increase in motor fuel tax under House Bill 4183. As a result, the net impact of these changes on CTF revenue is a net increase of \$37.5 million in FY 2025-26. The full-year impact in FY 2026-27 would be a net increase of \$65.6 million—the \$43.1 million loss of “auto-related sales tax” would be offset by a \$108.7 million increase from the CTF’s 10% share of increased MTF revenue.		
**** This MTF figure represents the gross impact on MTF revenue from House Bill 4183, without consideration of the bill’s impact on registration taxes or the earmark to the Recreation Improvement Account, as described further in this analysis.		

House Bill 4183 would amend the Motor Fuel Tax Act to increase the motor fuel tax rate by 20 cents per gallon (from 31.0 cents per gallon to 51.0 cents per gallon) beginning January 1, 2026.³⁵ This increase would generate approximately \$707.1 million in fiscal year 2025-26 (this represents a partial fiscal year impact because of the January 1, 2026 effective date). On a full-fiscal-year basis, the 20-cent increase would generate approximately \$1.08 billion in FY 2026-27 after adjusting the motor fuel tax for forecasted inflation. In subsequent fiscal years, the fuel tax rate would continue to be adjusted for inflation, and overall revenues would depend on gallons sold.

The increase in the motor fuel tax rate would also indirectly affect a vehicle registration surcharge assessed on plug-in hybrid and electric vehicles under the Michigan Vehicle Code—a surcharge linked to the motor fuel tax rate. Specifically, section 801(8) of the code requires the secretary of state to increase the “gas fee” registration surcharge if the tax on gasoline imposed under the Motor Fuel Tax Act is increased above 19 cents per gallon. The additional fees are as follows: for a plug-in hybrid electric vehicle, \$2.50 per each 1 cent above 19 cents per gallon; for an electric vehicle, \$5.00 per each 1 cent above 19 cents per gallon.

As noted above, House Bill 4183 would increase the motor fuel tax on gasoline from 31 cents per gallon to 51 cents per gallon—32 cents per gallon more than the 19 cents per gallon index rate. This would cause the “gas fee” for plug-in hybrid electric vehicles to increase from \$30 (the fee in effect in 2025) to \$80, and for electric vehicles from \$60 (the fee in effect in 2025) to \$160. These fee increases would increase state restricted revenue by an estimated \$11.0 million.³⁶

Except for a nominal increase in revenue for Recreation Improvement Account (described below) the revenue increases from House Bill 4183, as described above, would accrue to the Michigan Transportation Fund (MTF).

Impact on Recreation Improvement Account

Revenue from the motor fuel tax is constitutionally dedicated to transportation and directed by section 143 of the Motor Fuel Tax Act to the Michigan Transportation Fund (MTF), a state restricted transportation fund established in 1951 PA 51. As a result, and except as noted below, additional revenue from the bill’s increase in the motor fuel tax rate, including additional revenue from the increase in vehicle registration tax “gas fee” surcharge, would be credited to the MTF and distributed in accordance with the provisions of section 10 of 1951 PA 51, specifically, to the Comprehensive Transportation Fund (CTF), county road commissions, cities and villages, and the State Trunkline Fund (STF).

³⁵ House Bill 4183 would increase the motor fuel tax rate, effective January 1, 2026, from the 2025 rate of 31.0 cents per gallon to 51.0 cents per gallon. The new rate would then be adjusted by the lesser of the inflation rate or 5%, rounded up to the nearest tenth of a cent. As a result of this inflation adjustment, we estimate that the motor fuel tax rate effective January 1, 2026, will be 52.6 cents per gallon (the 2025 rate of 31.0 cents per gallon, plus 20.0-cent baseline increase, plus the 1.6-cent estimated inflation adjustment)—a total increase of 21.6 cents per gallon from 2025. As under current law, each subsequent January 1, the motor fuel tax rate will be adjusted by the lesser of the inflation rate or 5%, rounded up to the nearest tenth of a cent.

³⁶ In addition to the “gas fee” surcharge, hybrid and electric vehicles also pay fixed registration surcharges: for hybrid vehicles 8,000 pounds and under, \$30; if over 8,000 pounds, \$100. For electric vehicles 8,000 pounds and under, \$100; if over 8,000 pounds, \$200. These fixed registration surcharges would not be affected by House Bill 4183.

Although revenue from the motor fuel tax is constitutionally dedicated to transportation, and directed by statute to the MTF, 2% of revenue from the motor fuel tax on gasoline is credited to the Recreation Improvement Account in the Michigan Conservation and Recreation Legacy Fund. There is a presumption in current law that 2% of revenue from the motor fuel tax on gasoline is used for watercraft, snowmobiles, and off-road vehicles. As a result, section 40 of Article IX of the state constitution dedicates 2% of all tax revenue derived from the sale of gasoline for consumption in internal combustion engines to the Recreation Improvement Account. This constitutional dedication is reflected in Part 711 of the Natural Resources and Environmental Protection Act.

The revenue figures for the motor fuel tax on gasoline, shown in Table 2 below, are gross figures, prior to the 2% earmark for the Recreation Improvement Account. We estimate the 20-cent per gallon increase in the motor fuel tax on gasoline effected by House Bill 4183 would increase revenue to the Recreation Improvement Account by \$17.5 million on an annualized basis.

Table 2: House Bill 4183 Revenue Impacts (Figures in Millions)		
	Baseline FY 2025-26 Revenue Estimates ⁽¹⁾	Impact of 20-cent per gallon Increase ⁽²⁾
Motor Fuel Tax Impacts		
Gasoline	\$1,341.0	\$874.5
Diesel ⁽³⁾	286.0	186.4
Alternative Fuels	2.4	1.5
Total	\$1,629.4	\$1,062.4
Vehicle Registration Impact		\$11.0
Total Revenue Impact		\$1,073.4
Notes:		
1. Michigan Department of Treasury, Office of Revenue and Tax Analysis (ORTA) May 16, 2025.		
2. These figures show the estimated 12-month impact of a 20-cent per gallon increase in the motor fuel tax effective January 1, 2026.		
3. Including fuel tax revenue collected from interstate and cross-border motor carriers under the authority of the Motor Carrier Fuel Tax Act.		

House Bill 4951 would generate approximately \$420.0 million annually based on current estimates of marihuana wholesale sales.³⁷ In FY 2025-26, the bill would allocate \$3.0 million of the marihuana wholesale tax revenue to the Comprehensive Road Funding Fund for implementation and administration costs, with the remainder deposited in the newly created Neighborhood Roads Fund to be used for road funding purposes. In subsequent fiscal years,

³⁷ Currently, 35% of the revenue collected from the 10% excise tax on retail sales is deposited in the Michigan Transportation Fund (MTF). For FY 2026, this distribution to the MTF is estimated to be \$118.0 million.

the allocation to the Comprehensive Road Funding Fund for implementation and administration costs would be reduced to \$500,000, with an annual inflation adjustment beginning in FY 2027-28, with the balance deposited in the Neighborhood Roads Fund.

House Bill 4961 would make various changes to the Income Tax Act for individuals, resident estates or trusts, and taxpayers subject to the corporate income tax. The bill would also change current earmarks from the individual income tax and the CIT for transportation purposes. The changes are summarized below.

Decoupling from the One Big Beautiful Bill Act (OBBBA)

The bill would decouple from the following five federal tax changes made in the OBBBA:

- Immediate Deduction of Research and Experimental Expenses (IRC 174A).
- Special Depreciation of Certain Production Property (IRC 168(n)).
- Bonus Depreciation allowing for deduction of 100% of the cost of equipment in first year (IRC 168(k)).
- Business Interest Deduction Increase (IRC 163(j)).
- Increased Limit on Depreciable Business Assets Deduction (IRC 179).

Taken together, these provisions were expected to reduce revenues (almost exclusively GF/GP) by approximately \$540.0 million in FY 2025-26, \$443.0 million in FY 2026-27, \$434.0 million in FY 2027-28, \$349.0 million in FY 2028-29, and \$275.0 million in FY 2029-30 according to the Department of Treasury.

The bill would preempt any state revenue loss from these federal tax changes under the OBBBA by reverting to the pre-OBBBA tax base through decoupling.

Individual income tax

The bill would authorize an individual taxpayer to deduct qualified tips and qualified overtime compensation from adjusted gross income when calculating their state income tax liability for tax years 2026 through 2028. The deductions for qualified tips and qualified overtime compensation were included in the OBBBA to reduce or eliminate the federal tax liability on these forms of income subject to certain limitations.³⁸ However, because the deductions were considered “below the line,” under current law they would not affect an individual taxpayer’s Michigan tax base. The bill would permit the deductions against adjusted gross income for state tax liability purposes.

Table 3 provides revenue loss estimates for the deduction for qualified overtime compensation according to the Department of Treasury:

Table 3: Estimated Revenue Loss - Deduction for Qualified Overtime Compensation (millions)

	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>
GF/GP	(\$97.9)	(\$110.9)	(\$97.6)
SAF	(14.6)	(16.6)	(14.6)
TOTAL	(\$112.5)	(\$127.4)	(\$112.2)

³⁸ For more details, see <https://www.irs.gov/newsroom/one-big-beautiful-bill-act-tax-deductions-for-working-americans-and-seniors>

Table 4 provides revenue loss estimates for the deduction for qualified tips according to the Department of Treasury:

Table 4: Estimated Revenue Loss - Deduction for Qualified Tips
(millions)

	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>
GF/GP	(\$39.2)	(\$44.2)	(\$44.1)
SAF	(5.9)	(6.6)	(6.6)
TOTAL	(\$45.1)	(\$50.8)	(\$50.7)

Retirement tax treatment of taxable Social Security for Tier 3

The bill would allow Tier 3 individuals (taxpayers born after 1952) to exempt taxable Social Security benefits if they choose to take the \$20,000 (single)/\$40,000 (joint) standard deduction on *all* income after reaching the age of 67. Under current law, Tier 3 individuals who elect the standard deduction against *all* income will have that deduction reduced by the taxable Social Security benefits included in adjusted gross income and the personal exemption amount. By allowing Tier 3 individuals to exempt taxable Social Security benefits, it is expected that the bill would reduce revenues by between \$20.0 million and \$30.0 million annually. To the extent that the reduction is realized through gross income tax collections (withholding, estimated payments, and annual payments), the School Aid Fund would absorb about 23.8% of the impact, with the rest coming from the general fund. If the reduction is a result of higher refunds, the impact would be borne by the general fund.

Earmarks for transportation

The bill would change how FY 2024-25 CIT revenues are distributed by eliminating the \$500.0 million deposit into the Strategic Outreach and Attraction Reserve (SOAR) Fund and instead include a new deposit of \$250.0 million to the Healthy Michigan Fund. This would also result in an increase of FY 2024-25 general fund revenues from the CIT of \$250.0 million.

Beginning in FY 2025-26, the bill would remove the distribution of revenue from the individual income tax to the Michigan Transportation Fund (MTF) of \$600.0 million. In its place, the bill would include an earmark of CIT revenue for the Neighborhood Road Fund that would begin at \$688.0 million in FY 2025-26 and grow by \$88.0 million annually until it reaches a total of \$1.04 billion in FY 2029-30, if CIT revenues were great enough to permit the maximum distribution. There would be a corresponding reduction in GF/GP revenues equal to \$88.0 million in FY 2025-26, \$176.0 million in FY 2026-27, \$264.0 million in FY 2027-28, \$352.0 million in FY 2028-29, and \$440.0 million in each subsequent year.

House Bill 4968 would allow the Department of Health and Human Services to continue to collect and expend Insurance Provider Assessment revenue to provide for a portion of the state share of Medicaid program expenditures required to draw federal matching revenues for reimbursable services under the Traditional Medicaid program and Healthy Michigan Plan, if the Centers for Medicare and Medicaid Services approves the continued use of the tax structure if it meets the provider tax restrictions under the One Big Beautiful Bill Act (OBBBA), Public Law 119-21.

Currently, the state collects approximately \$650.0 million annually in IPA revenue. This revenue is appropriated as state restricted funds to support the state share of capitated payments to Medicaid managed care organizations for behavioral and physical health services rendered, and drawing approximately \$1,750.0 million in federal match. Additionally, the revenue generated under the IPA is used to offset less-restrictive GF/GP revenue, which would otherwise be used to cover the state-share of costs.

The OBBBA, enacted July 2025, contains various revisions to how states can structure provider taxes that are eligible for use in providing state-share of Medicaid costs. Specifically, the IPA (or any new/existing provider tax) would be required to be assessed uniformly at a rate not exceeding 6.0% beginning in FY 2027-28 and phased down incrementally to a cap of 3.5% by FY 2031-32. Michigan's IPA does not currently meet this new uniformity standard, and, to date, CMS has not provided additional guidance on the legality of state provider taxes prior to the effective date of the first cap. This bill would require DHHS to request a waiver from CMS to continue the collection and expenditure of IPA at current rates as the state prepares to implement the required provider tax changes.

Senate Bill 578 would create the Neighborhood Roads Fund and would establish a model for the appropriation and distribution of revenue earmarked to the fund as proposed in House Bills 4951 and 4961.

The specific fund recipients, as described in the summary above, are primarily local units of government, including county road commissions, cities and villages, and local public transit agencies (eligible authorities and eligible governmental agencies). The State Trunkline Fund also would receive a distribution equal to 20% of the balance after distributions to the Local Bridge Advisory Board, the Local Rail Grade Separation Fund, and the Comprehensive Transportation Fund.

The bill's provisions regarding the Movable Bridge Fund would not affect state or local costs or revenues generally. The bill would authorize the transfer of funds from a state restricted fund, the Movable Bridge Fund, to support local road agency bridge inspections.

Since the Movable Bridge Fund's establishment in 2016, more money has been credited to the fund than needed to reimburse eligible bridge owners for operating costs of movable bridges. The bill would allow for transfer of funds not needed for movable bridge operations to support local road agency bridge inspections. The fund has built up a fund balance, and funds are available for transfer as authorized under the bill.

The benefit of allowing the transfer of Movable Bridge Fund revenue for local bridge inspections would accrue primarily to those local road agencies that have a relatively large number of bridges and that incur significant costs related to required bridge inspections.

Total Transportation Impacts:

When taken together with the estimated \$420.0 million of revenue from the wholesale tax on marijuana under House Bill 4951³⁹ and the expanded corporate income tax (CIT) earmark (the amount that exceeds the \$600.0 million replacement of the income tax earmark for transportation purposes) of \$88.0 million in FY 2025-26, growing to \$440.0 million in FY

³⁹ See <https://www.legislature.mi.gov/Bills/Bill?ObjectName=2025-HB-4951>

2029-30, under House Bill 4961,⁴⁰ the bills would generate approximately \$1.11 billion in new dedicated transportation funding in FY 2025-26 (motor fuel tax and marijuana wholesale tax reflect a partial fiscal year due to the January 1, 2026, effective date), growing to over \$2.0 billion by FY 2029-30 once the expanded CIT earmark is fully phased in.

⁴⁰ See <https://www.legislature.mi.gov/Bills/Bill?ObjectName=2025-HB-4961>

Table 5 - Transportation Funding Package: Transportation Related Revenue and Distribution Impacts Only
Fiscal Years 2025-26 through 2029-30¹
(Figures in Millions)

	<u>House Bill 4183</u> <u>Motor Fuel Tax and</u> <u>MTF Impacts</u>	<u>House Bill 4961</u> <u>Corporate</u> <u>Income Tax (CIT)</u>	<u>House Bill 4951</u> <u>Marijuana</u> <u>Wholesale Tax</u>	<u>Senate Bill 578</u> <u>Neighborhood Roads</u> <u>Fund (NRF)</u>	<u>Total</u> <u>Transportation</u> <u>Impacts</u>
Gross Revenue Increase²	\$1,073.4				
Recreation Improvement Account	17.3				
MTF Balance for Distribution	\$1,056.1				
Distribution per 1951 PA 51					
Comprehensive Transportation Fund ³	105.6				
Subtotal for Road Agencies	\$950.5				
Elimination of Income Tax Earmark to MTF ⁴	(600.0)				
Net MTF Balance for Distribution	\$350.5				
Fund Sources to NRF					
Income Tax Replaced with CIT		\$600.0			
CIT Earmarked for NRF		88.0			
Total CIT for NRF		\$688.0			
Marijuana Wholesale Tax to NRF			\$417.0		
Total Designated for NRF				\$1,105.0	
NRF Distribution					
Local Bridge Advisory Board				100.0	100.0
Local (Rail) Grade Separation Fund				40.0	40.0
Public Transportation (Gross)				100.0	
Comprehensive Transportation Fund (CTF) ⁵					35.0
Infrastructure Projects Authority Fund					65.0
Balance to Distribute to Road Agencies	\$350.5			\$865.0	
Distribution to Road Agencies⁶					
County Road Commissions	39.1%	\$137.0	52.0%	\$449.8	\$586.8
Cities/Villages	21.8%	76.4	28.0%	242.2	318.6
State Trunkline Fund	39.1%	137.0	20.0%	173.0	310.0
Total to Road Agencies		\$350.5		\$865.0	\$1,215.5
Total Transportation Impacts					\$1,455.5

Table 5 Notes:

1. This table shows the estimated revenue and distribution impacts of the Transportation Funding Package for the first five fiscal years after enactment (FYs 2025-26 through FY 2029-30) by showing an initial 12-month period, without adjusting for fiscal year impacts or potential revenue changes in subsequent years.
2. This figure, calculated in Table 2, represents the impact of a 20-cent per gallon increase in the motor fuel tax rate, effective January 1, 2026, on an annualized basis, as compared to FY 2025-26 baseline estimates.
3. Although House Bill 4183 would increase CTF revenue by \$105.6 million, House Bill 4180, by exempting motor fuels from the state sales tax, would decrease the CTF share of "auto-related" sales tax by an estimated \$44.4 million. As a result, the impact of the two bills taken together is a net increase to CTF revenue of \$61.2 million.
4. The elimination of the \$600.0 million earmark of Income Tax revenue to the MTF is not actually an impact of House Bil 4183, but rather of House Bill 4961. It is shown in the "Motor Fuel Tax/MTF" column because it effectively reduces MTF revenue for distribution to road agencies through the 1951 PA 51 formula. The \$600.0 million Income Tax earmark is effectively replaced with a \$600.0 million earmark of CIT revenue for credit to the NRF.
5. Senate Bill 578 directs that the 35% (\$35.0 million) NRF earmark to the CTF is for use under section 10b of 1951 PA 51, the section that broadly defines the uses of CTF monies, for eligible authorities and eligible governmental agencies (defined terms in 1951 PA 51) that provide public transportation services. Of the \$35.0 million, Senate Bill 578 reserves 5% (\$1.75 million) for agencies in urbanized areas $\leq$ 100,000 population, and nonurbanized areas as defined in 49 USC 5311.
6. The MTF distribution to road agencies would follow the current distribution formula of Section 10(1)(l) of 1951 PA 51. The distribution of the net NRF balance to road agencies under Sente Bill 578 would be as follows: County road commissions, 65.0% of 80.0% (52.0%); Cites and villages, 35.0% of 80.0% (28.0%); the STF would receive 20.0% of the net NRF balance.

Legislative Analysts: Rick Yuille
Alex Stegbauer
Fiscal Analysts: Ben Gielczyk
William E. Hamilton

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.