

Road funding plan breakdown

Late last night/early this morning the legislature approved a road funding plan. The plan, among many other things, requires a special May election for the voters to decide on raising the sales & use tax to 7%, and removing the sales tax from motor fuels. This is a complex plan that involves many moving parts, and as I see it, at least 3 steps. Below is a breakdown of the plan, and a link to a blog you can share with your members. I urge you to share this with anyone interested.

<http://nmichiganbusiness.com/2014/12/19/michigans-road-funding-agreement-the-breakdown/>

The road funding package agreed to and passed by the House and Senate late last night during the final day of the legislature's lame duck session is essentially a three-step process.

Step One –

1. Legislature Approves Ballot Proposal
 - A. Raise rates on sales & use tax to 7%
 - B. Eliminate sales tax on motor fuels
 - C. Remove higher-Ed from School Aid Fund
 - D. Amend use tax distribution
2. Passes Mainstreet Fairness - \$60 M
3. School Adequacy Study

Step Two – Legislature Approves Additional Bills Effective ONLY If Ballot Proposal is Approved by Voters

1. Wholesale tax on motor fuel - \$1.2 B
2. Registration Changes - \$95 M
 - A. \$45 M in vehicle registrations
 - B. \$50 M Heavy Truck registrations
3. Transportation related reforms – warranties, competitive bidding
4. Earned Income Tax Credit restoration (tax year 2016) - \$260 M

Step Three – Ballot Proposal – May 2015

1. Increase General Sales/Use tax from 6% to 7% (+\$1.34 B)
2. Eliminate Sales Tax on Motor Fuels (-\$752 M)
3. Removes Higher-Ed from School Aid Fund
4. Dedicates portion of use tax for school aid
5. Activates laws approved by legislature in step two

Here is a breakdown on how the reported revenue would be dispersed:

- § \$1.2 billion for roads;
- § \$112 million for public transit and rail;
- § \$300 million to schools;
- § \$94 million to local units of government;
- § \$260 million toward fully restoring the Earned Income Tax Credit for low-wage workers.