



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 4951 (Substitute H-1 as passed by the House)
Sponsor: Representative Samantha Steckloff
House Committee: Appropriations
Senate Committee: Committee of the Whole

Date Completed: 9-29-25

CONTENT

The bill would enact the "Comprehensive Road Funding Tax Act" to do the following:

- **Impose a 24% excise tax on the wholesale price of marihuana.**
- **Create the Comprehensive Road Funding Fund and allocate \$3.0 million of revenue from the Act in Fiscal Year (FY) 2025-2026 to the Fund and \$500,000 of revenue from the Act to the Fund in each following fiscal year.**
- **Allocate the remainder of revenue collected under the Act to the Neighborhood Road Fund.¹**
- **Beginning in FY 2027-2028 and in each following fiscal year, require the amount appropriated to the Comprehensive Road Funding Fund to be adjusted by the Consumer Price Index.**
- **Require the Department of the Treasury to administer the Act.**
- **Require a person subject to a tax imposed by the Act to file periodic returns at the times and in the manner prescribed by the Department.**

The bill is tie-barred to House Bills 4183, 4961, and 4968. House Bill 4183 would increase the gas tax beginning October 1, 2025. House Bill 4961 would modify income tax requirements to comply with Federal law. House Bill 4968 would modify requirements concerning insurance provider assessments to comply with Federal law.

Definitions

"Affiliated person" would mean a person that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, another person. "Average wholesale price" would mean the price of marihuana that was calculated and published by the Department of the Treasury each quarter based on the best available information.

"Marihuana establishment" would mean a marihuana grower, marihuana safety compliance facility, marihuana processor, marihuana microbusiness, marihuana retailer, marihuana secure transporter, or any other type of marihuana-related business licensed by the Cannabis Regulatory Agency.

"Marihuana microbusiness" would mean a person licensed to cultivate not more than 150 marihuana plants; process and package marihuana; and sell or otherwise transfer marihuana

¹ House Bill 4230 (H-1) would create the Neighborhood Road Fund and allocate from the Fund \$100.0 million to local bridges and the remaining revenue to county road commissions and cities and villages, among other things.

to individuals who are 21 years of age or older or to a marihuana safety compliance facility, but not to other marihuana establishments.

"Marihuana retail licensee" would mean a marihuana retailer, marihuana microbusiness, or any other person authorized by the Cannabis Regulatory Agency under the Michigan Regulation and Taxation of Marihuana Act to sell or otherwise transfer marihuana to individuals who are 21 years of age or older.

"Marihuana retailer" would mean a person licensed to obtain marihuana from marihuana establishments and to sell or otherwise transfer marihuana to marihuana establishments and to individuals who are 21 years of age or older.

"Provisioning center" would mean a licensee that is a commercial entity located in Michigan that purchases marihuana from a grower or processor and sells, supplies, or provides marihuana to registered qualifying patients, directly or through the patients' registered primary caregivers.

"Wholesale price" would mean the following in the following circumstances:

- For transactions between persons that are not affiliated persons, the actual price paid to a marihuana establishment by a marihuana retail licensee to acquire marihuana from the marihuana establishment; including any tax, fee, or other charge reflected on the invoice, bill of sale, purchase order, or other document evidencing the sale or transfer of the marihuana; and not including any rebate, trade allowance, licensing or exclusivity agreement, volume or other discount, or any other reduction given by the marihuana establishment.
- For transactions between persons that are affiliated persons, including transactions between provisioning centers and marihuana retail licensees, and for marihuana that is cultivated and processed for retail sale by the marihuana retail licensee, the average wholesale price of the marihuana.

"Person" would mean an individual, corporation, limited liability company, partnership of any type, trust, or other legal entity.

Marihuana Excise Tax

In addition to all other taxes, beginning January 1, 2026, the Act would levy and impose an excise tax on the wholesale price of the sale or other transfer of marihuana at the following rates in the following circumstances:

- For the first sale or other transfer of marihuana from a marihuana establishment to a marihuana retail licensee, a tax would be levied on the marihuana establishment at the rate of 24% of the wholesale price of the marihuana sold or otherwise transferred.
- For the sale of marihuana that was cultivated and processed for retail sale by the marihuana retail licensee, a tax would be levied on the marihuana retail licensee at the rate of 24% of the wholesale price on the aggregate amount or quantity of marihuana that was cultivated or processed for retail sale by that marihuana retail licensee.
- For the sale or transfer of marihuana from a provisioning center to a marihuana retail licensee, a tax would be levied on the provisioning center at the rate of 24% of the wholesale price of marihuana sold or otherwise transferred to the marihuana retail licensee.

Departmental Authority

The Department of Treasury would have to administer the excise taxes imposed by the Act pursuant to Public Act 122 of 1941 (Revenue Division of Department of Treasury) and this Act. If the provisions of PA 122 of 1941 and this Act conflicted, this Act would apply.

The Department would have to prescribe the forms necessary for the administration of the Act and could promulgate rules under the Administrative Procedures Act to implement the Act and prescribe a method and manner for payment and collection of the taxes imposed under the Act.

Comprehensive Road Funding Fund

The Comprehensive Road Funding Fund would be created in the State Treasury. The State Treasurer would have to deposit money and other assets received from any source in the Fund. The State Treasurer would have to direct the investment of money in the Fund and credit interest and earnings from the investments to the Fund. The Department would be the administrator of the fund for audits of the fund. The Department would have to spend money from the Fund, on appropriation, only for the implementation and administration of the Act. Money in the Fund at the close of the fiscal year would remain in the Fund and would not lapse to the General Fund.

Revenue Allocation

Except as otherwise provided below, the revenue collected under the Act would have to be deposited in the following manner:

- For the 2025-2026 Fiscal Year, \$3.0 million to the Comprehensive Road Funding Fund and the balance to the Neighborhood Road Fund.
- Except as otherwise provided below, beginning with the 2026-2027 Fiscal Year and each fiscal year thereafter, \$500,000 to the Comprehensive Road Funding Fund and the balance to the Neighborhood Road Fund.

For the 2027-2028 Fiscal Year and each fiscal year thereafter, the State Treasurer would have to adjust the amount to be deposited to the Comprehensive Road Funding Fund listed above for inflation, as measured by the ratio of the average published monthly Consumer Price Index values for the previous fiscal year to the published monthly Consumer Price Index values for the fiscal year prior to the previous fiscal year, minus one. If the calculated change in the Consumer Price Index were negative, the adjustment for that fiscal year would be zero. "Consumer Price Index" would mean the most comprehensive index of consumer prices available for this state from the Bureau of Labor Statistics of the United States Department of Labor.

Individual Tax Returns

A person subject to a tax imposed by the Act would have to file periodic returns at the times and in the manner prescribed by the Department and remit the total amount of tax due with each return. If a due date of a return fell on a Saturday, Sunday, or legal holiday, the taxes would be due on the next succeeding business day.

Legislative Analyst: Alex Krabill

FISCAL IMPACT

The bill would increase State revenue by approximately \$420.7 million per year to various funds associated with transportation purposes beginning in Fiscal Year (FY) 2025-26. In FY 2025-26, the bill would increase revenue to the Comprehensive Road Funding Fund by \$3.0 million, and any remaining revenue from the tax would be directed to the Neighborhood Road Fund. Beginning in FY 2026-27, the bill would earmark \$500,000 to the Comprehensive Road Funding Fund and remaining revenue would be directed to the Neighborhood Road Fund.

Beginning in FY 2027-28, the earmark to the Comprehensive Road Funding Fund would be adjusted for inflation.

The provisions of the bill would interact with revenue generated from the existing retail excise tax on marihuana. By increasing the underlying price of marihuana product at the wholesale level, there is a risk that consumption may fall at the retail level. Offsetting this impact, the wholesale tax would become part of the retail price, thereby increasing retail excise tax revenue (and sales tax revenue). The net impact of these two effects depends on the responsiveness of consumers to price changes and the degree to which retailers decide to absorb any of the wholesale tax by reducing their markup over wholesale prices.

Assuming a medium level of price responsiveness, and that absent the bill the retail excise tax would generate limited growth from the FY 2023-24 revenue total, the bill would be expected to generate \$420.7 million in wholesale tax revenue. Under these assumptions, an estimated 14.4% reduction in consumption from the price increase would be almost exactly offset by the increase in the tax base created by the wholesale tax, and retail excise tax revenue would decline by approximately \$2.2 million (of which \$760,000 would reduce School Aid Fund (SAF) revenue, \$760,000 would reduce revenue to the Michigan Transportation Fund (MTF), and the remainder would reduce local unit revenue).

Using the May 2024 Consensus Revenue Estimating Conference estimate for the retail excise tax in FY 2025-26 and keeping other assumptions the same, the bill would generate \$453.0 million in wholesale tax revenue, with a \$2.3 million reduction in excise tax revenue (\$818,000 loss to the SAF and MTF, the remainder to local units). Greater responsiveness to the price change would not change the estimates substantially for realistic assumptions about the degree of price response; however, greater responsiveness, as well as retailers choosing to absorb a portion of the tax increase with a smaller profit margin, would reduce revenue generated by the bill and increase the revenue loss under the retail excise tax.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.