



Michigan League FOR Human Services

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Michigan League for Human Services Opposes S. B. 351

Those using the roads should pay for it.

Earmarking the sales tax for roads is bad tax policy. The state needs to modernize the gasoline tax instead of redirecting funds from the sales tax used to fund general government operations.

The sales tax is supposed to be a broad-based tax used to generate revenue for the Michigan government's core functions.

This is very different from the gasoline excise tax, which is a narrow "user-fee" style tax designed to raise money for transportation. If additional transportation funding is needed, then it is the gas excise tax – not the sales tax – that should be reformed. If those taxes had simply kept up with inflation, revenues would be generating \$563 million more a year for transportation costs.

The reluctance of the Michigan Legislature to increase gas taxes means that transportation costs are outstripping the ability to pay for them and policymakers are turning to other options. As a result, the state is missing out on a major funding source for transportation. It is putting unnecessary pressure to cut funding for the rest of our public structures – schools, health care and public safety.

Policies to consider:

- Restructure state gas taxes so that their rates rise automatically with the inevitable growth in the cost of transportation construction projects.
- To help consumers, the state should create a targeted tax credit to offset the disproportionate effects of a higher gas tax on low-income families' budgets. Seven states already offer low-income tax credits to offset consumption taxes like the gasoline tax.

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