Funding for Road Improvement
Fuel Tax - Yesterday’s Funding

Taxes! No one likes them. We would all prefer to find a way to provide services to Michigan citizens without paying for the services ourselves. But the facts are that public services are funded by taxpayer dollars. So, funding roads equals taxes.

Michigan currently funds road improvements through fuel taxes. The State of Michigan collects 19 cents on each gallon of gasoline and 15 cents per gallon on diesel fuel to fund road, bridge and culvert repair. The taxes on fuel go directly into the Michigan Transportation Fund (MTF). In addition, funds collected from vehicle registrations and licenses fees are deposited into the MTF and used to help fund road improvements. Michigan’s fuel tax is a flat tax meaning that it does not increase as the price of fuel increases – it remains 19 cents whether the price of fuel is $1.00 or $5.00. Many residents think that when they pay more at the pump then the road commission gets additional unexpected dollars. That is not the case. In fact when the price of fuel rises it usually means that fewer gallons of fuel will be sold thus sending fewer dollars to the state road funding coffers rather than more.

The 19/15 cents per gallon tax amounts have remained the same since 1997. In 1997 gas was approximately $1.20/gal and the MTF received 19 cents each time a consumer paid $1.20. Today gasoline is almost $3.50/gal (nearly triple) and the MTF still only receives 19 cents for each gallon. Furthermore, Michigan collects sales tax on gasoline, but those additional dollars DO NOT go toward road improvement. The sales tax on fuel does not go into the MTF. Though the State charges sales tax on fuel (the same as the tax charged on clothing, a car, a laptop, etc.), none of the tax collected on the sale of the fuel is used to improve roads. So, some would say there is a lot more than the 19 cents fuel tax on gasoline because in addition to the fuel tax there is additional sales tax. That is true. If you fill up at the pump for $35.00 for 10 gallons of gas at $3.50/gal., you pay an additional $2.10 to the state in sales tax. However, road funding still only gets 19 cents per gallon or $1.90 for your fill up. The additional $2.10 does not go to the MTF. True you have paid $4.00 to the state, but not even half is going to get better roads for your traveling pleasure.

Consider also that the funding structure for road improvement was determined in 1951 under Public Act 51. The last increase in tax per gallon was in 1997 following the same formula for distribution as in 1951. The State of Michigan is trying to fund 2007 road improvement with a 1951 formula and 1997 rate per gallon. Now consider that vehicles are more fuel efficient causing fewer gallons purchased and at the same time we are encouraging alternative fuels, which are not taxed as other fuels are taxed and are not supporting road funding, although the alternative fuels power a vehicle that travels on, and contributes to the deteriorating roads. Is it any wonder that the roads in Michigan are in the shape they are in? The time has come, and is overdue for taking a look at tomorrows funding for roads. Together we need to send that message to our lawmakers.