

STATE OF MICHIGAN  
DEPARTMENT OF TREASURYGRETCHEN WHITMER  
GOVERNORRACHAEL EUBANKS  
STATE TREASURER

**DATE:** March 17, 2026

**TO:** Patrick McCarthy, CPA  
Director, Bureau of Finance and Administration  
Michigan Department of Finance and Administration

**FROM:** Eric Bussis  
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**SUBJECT:** Neighborhood Roads Fund Revenue Collection Update

As a part of the road funding in the Fiscal Year (FY) 2026 budget, Public Act 16 of 2025 was enacted on October 8, 2025, and created the Neighborhood Roads Fund within the Michigan Department of Treasury (Treasury). This memo outlines Treasury's anticipated timelines for the deposit of Corporate Income Tax and Wholesale Marijuana Tax revenue.

**Corporate Income Tax (CIT)**

**Revenue collection:** Corporations are required to make quarterly estimated payments to Treasury. Because collections in October and November are accrued back to the prior fiscal year under state accounting rules, final fiscal-year totals are not known until mid-December. Under this process, CIT collections in each new fiscal year do not begin until December.

**Distribution:** For FY 2026, an estimated \$688.0 million in CIT revenue may be deposited into the Neighborhood Roads Fund (NRF). However, prior to any NRF distribution occurs, the following statutory requirements must be satisfied under MCL 206.695(3):

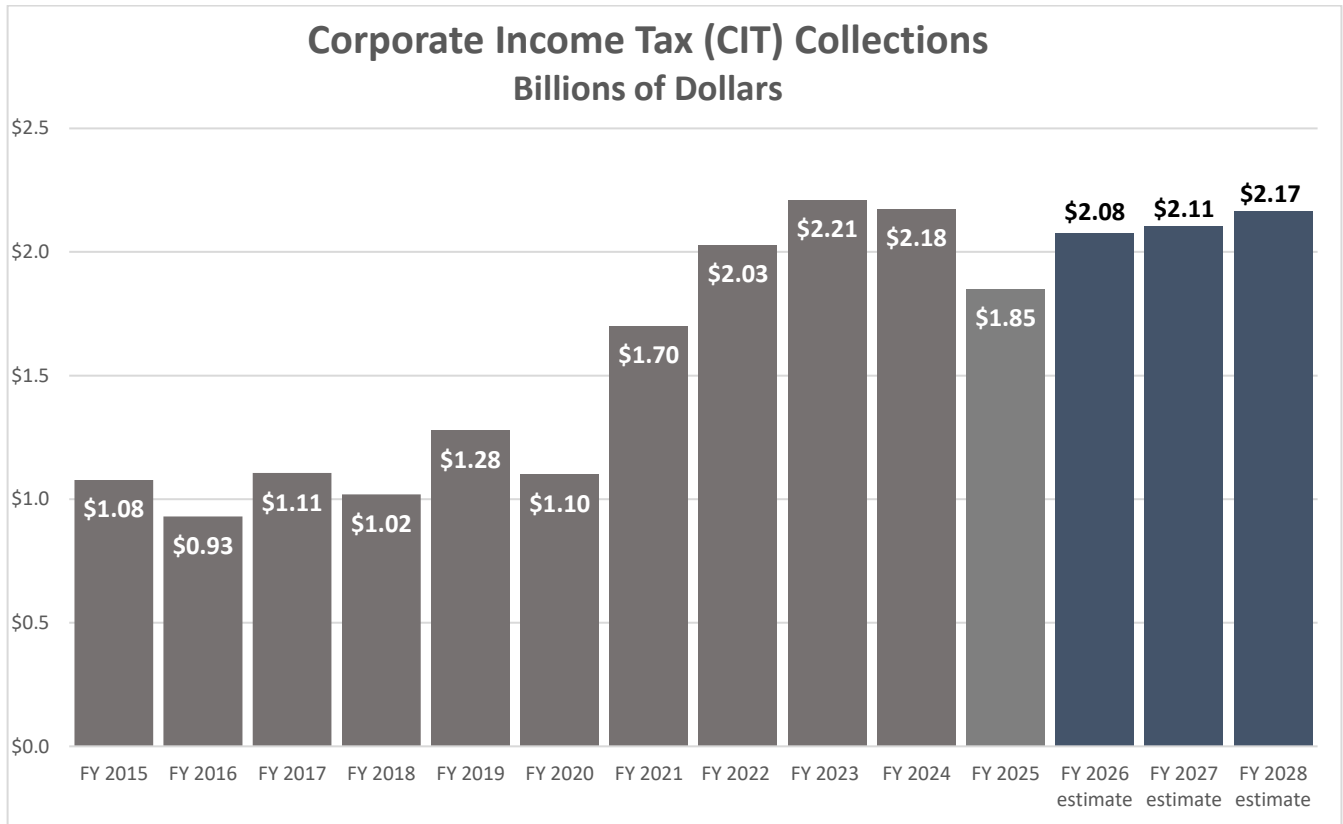
1. \$1.2 billion must be deposited into the State General Fund.
2. \$50.0 million must be deposited into the Michigan Housing and Community Development Fund.

Only after these thresholds are met will remaining CIT revenue, up to the estimated \$688.0 million, be deposited into the NRF. Given these requirements, it is likely that the NRF will not receive cash transfers attributable to CIT revenue until late state fiscal-year 2026 or into the beginning of state fiscal-year 2027. At that point, the CIT revenue reaches the NRF, and the Michigan Department of Transportation (MDOT) can begin to fund statutory carveouts and local agencies.

**CIT revenue history and forecast**

From FY 2015 to FY 2020, annual CIT revenue remained around \$1.0 billion. Since FY 2021, collections have increased to approximately \$2.0 billion annually. As shown in Figure 1, current projections for the next three years from the January Consensus Revenue Forecasting Conference anticipate enough funding to support the full NFR transfer. The CIT remains subject to volatility that may affect future revenue.

**Figure 1**



**Wholesale Marihuana Tax**

**Revenue collection:** Treasury anticipates beginning collection of estimated payments in April 2026 for the quarter ending March 2026.

**Distribution:** For FY 2026, revenue collected will be distributed as follows, per MCL 205.913(1)(a):

1. \$3.0 million to the Comprehensive Road Funding Fund.
2. The remaining balance to the NRF.

As funds remitted to Treasury are expected to begin in April, NRF revenue could begin flowing as early as May. Treasury forecasts that total collections under the wholesale marihuana tax will be \$315 million in FY 2026, \$418 million in FY 2027, and \$429 million in FY 2028. As with CIT revenue, any funds entering the NRF will first be applied to the statutory carveouts, which must be satisfied before distributions to road agencies begin. Ongoing litigation may affect both the timing and availability of collections.

Treasury understands the importance of this funding to MDOT and local road agencies. These funding streams will result in new sources of funding, along with uncertainty about the timing of those distributions. Treasury will continue to work to provide MDOT with the best available information as new forecasts and updated information become available.