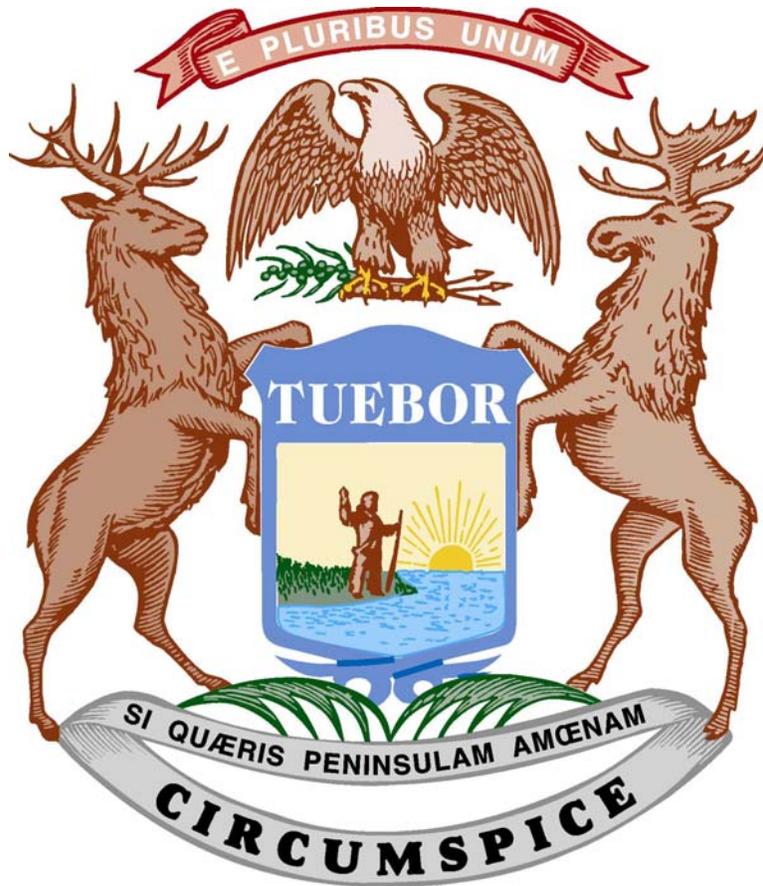
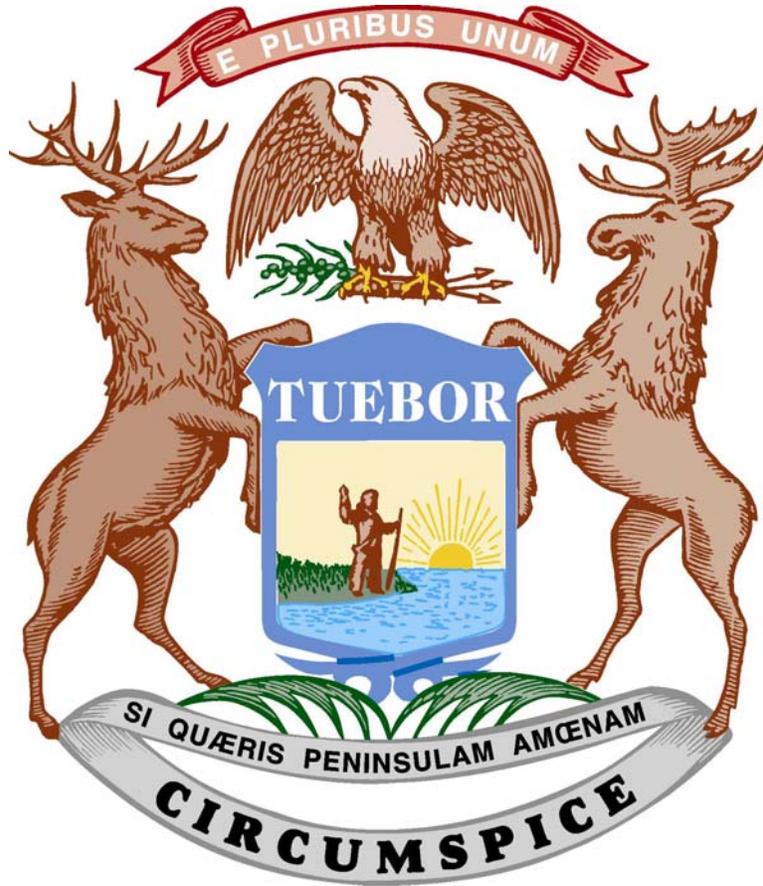


**MICHIGAN'S
INDIVIDUAL INCOME TAX
2007**



**Michigan Department of Treasury
Office of Revenue and Tax Analysis
Tax Analysis Division
June 2009**

MICHIGAN'S INDIVIDUAL INCOME TAX 2007



Tax Analysis Division
June 2009

This report was prepared by Denise T. Heidt under the direction of Howard Heideman, Director of Tax Analysis Division, Office of Revenue and Tax Analysis (ORTA). Scott Darragh and Eric Krupka of ORTA provided assistance. Andrea Duncan of ORTA provided editorial and secretarial assistance.

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I. EXECUTIVE SUMMARY

Returns and Revenue

For tax year 2007, Michigan's personal income tax generated \$5.8 billion in state revenues after all credits and refunds were paid.

Net revenue increased \$282.0 million (5.1 percent) from 2006 levels, reflecting a taxable income increase of \$3.1 billion (2.2 percent) from 2006 to 2007, and rate increase from 3.9 percent to 4.35 percent on October 1, 2007.

About 4.6 million returns were filed for the 2007 tax year, or 73,400 more filers (1.6 percent) than the previous year.

Although the personal income tax was levied at a nominal flat rate of 4.01 percent in 2007, the effective tax rate varied from negative 23.2 percent for filers with an AGI under \$2,000 to positive 3.2 percent for taxpayers with an AGI between \$200,001 and \$400,000. The overall effective tax rate was 2.0 percent. The negative effective rates for lower incomes arise because some taxpayers receive net payments from the state, due principally to the refundable credits for property taxes and home heating expenses.

Interstate Comparisons

For fiscal year 2007, Michigan's income tax revenue was fifth lowest in the nation, both as a percentage of personal income and on a per capita basis, among the 41 states with a general income tax. Compared to the average for those 41 states, Michigan's income tax revenue was 42 percent below average on a per capita basis, and 36 percent below average as a percent of personal income.

Property Tax Credit

About 1.6 million Michigan homeowners, renters, and farmers received \$929.4 million in property tax credits, including farmland preservation credits, for 2007. The average property tax credit was \$588. Excluding farmland preservation credits, the average property tax credit for tax year 2007 was \$570. The total amount of property tax credits, including farmland preservation credits, increased by \$49.8 million (5.7 percent) with 55,900 more taxpayers benefiting compared to tax year 2006.

Senior citizens received about \$321.6 million in homestead property tax credits, an increase of \$13.3 million from tax year 2006. For about 429,500 senior citizens receiving homestead property tax credits, the average credit was \$749.

Home Heating Credit

Home heating credits totaled \$64.6 million for tax year 2007 with about 444,600 households qualifying for an average credit of \$145. Home heating credits decreased \$18.3 million from 2006 while approximately 38,000 more taxpayers claimed the credit.

Adoption Credit

In tax year 2007, \$1.0 million in adoption credit was claimed by 800 taxpayers, resulting in an average credit of \$1,250 per taxpayer. This credit became effective in tax year 2001, allowing taxpayers to offset qualified expenses for single or multiple adoptions, but it is limited to a maximum of \$1,200 per adopted child.

Tribal Credit

In tax year 2007, about \$1.2 million in tribal credit was claimed by 5,200 taxpayers. This credit became effective in tax year 2005, allowing resident tribal members to claim a sales tax credit on their income tax returns.

Stillbirth Credit

About 600 taxpayers claimed a total of \$39,600 in stillbirth credits for tax year 2007. The credit became effective in tax year 2007, and it allows taxpayers who received a Certificate of Stillbirth from the Department of Community Health to claim a credit equal to 4.5 percent of a single personal exemption amount for the tax year, rounded up to the nearest \$10 increment. In 2007, the credit amount was \$160 per certificate.

City Income Tax Credit

In 2007, city income tax credits were claimed by 853,600 taxpayers amounting to \$32.4 million in total credits. This was an decrease of \$1.1 million from the prior year, with 41,600 fewer taxpayers claiming the credit.

Public Contribution Credit

Michigan taxpayers claimed \$24.9 million in credits for contributions to Michigan colleges, libraries, museums, and public broadcasting stations for tax year 2007. This was a decrease of \$1.1 million from tax year 2006, with 16,000 fewer taxpayers claiming this credit.

Community Foundation Credit

For tax year 2007, about 35,600 taxpayers claimed \$3.3 million in community foundation credits. This figure represents a decrease of about \$1,700 from tax year 2006, with 3,300 fewer taxpayers claiming the credit.

Homeless Shelter/Food Bank Credit

About 225,000 taxpayers claimed homeless shelter/food bank credits totaling \$18.1 million for tax year 2007. Compared with tax year 2006, this represented a decrease of \$352,200 with 10,100 fewer taxpayers claiming a credit.

College Tuition Credit

For tax year 2007, 63,500 taxpayers claimed \$9.5 million in tuition credits. Compared with tax year 2006, this was an increase of \$2.9 million with 19,800 additional taxpayers claiming a credit.

Historic Preservation Credit

For tax year 2007, about 200 taxpayers claimed \$553,600 in historic preservation credits. Compared with tax year 2006, this was a decrease of \$48,600 with 300 fewer taxpayers claiming a credit.

Credit for Income Paid to Another State

For tax year 2007, 49,400 taxpayers received a total of \$42.7 million credit for income tax paid to another state, resulting in an average credit of \$864. This represented an increase of \$1.0 million with 1,400 fewer taxpayers claiming a credit.

Vehicle Donation Credit

About 3,000 taxpayers claimed vehicle donation credits totaling \$154,600 for tax year 2007, resulting in an average credit of \$52 per taxpayer. The vehicle donation credit equals 50 percent of the fair market value of certain automobile donations to qualified charitable organizations, up to \$50 for single return or \$100 for a joint return, and it became effective in TY 2005.

Use Tax Payments

Starting in tax year 1999, taxpayers were asked to remit use tax payments along with their personal income tax returns. In 2007, 104,800 taxpayers paid \$4.1 million in use tax.

Tax Law Changes in 2008

In 2008, a number of Public Acts were passed creating new checkoffs on the income tax return, and imposing standardized requirements regarding the availability of the contribution designation on the income tax form and minimum contribution amounts to the newly created and some existing checkoffs. The newly created checkoffs were the following: the Michigan Law Enforcement Memorial Monument Fund, the Renewable Fuels Fund, the Foster Care Trust Fund, the Children's Miracle Network Fund, Children's Hospital of Michigan Fund, United Way Fund, and the Michigan Council for the Arts Fund.

Public Act (P.A.) 287 established two new credits: 1) a new refundable credit, effective for tax years 2009 through 2011, equal to 10 percent of the amount spent on the purchase and installation of qualified home improvements located on the eligible taxpayer's principal residence that meet Energy Star energy efficiency guidelines, subject to a maximum of \$75 (single, MFS) or \$150 (MFJ), where eligible taxpayers refers to those with AGI up to \$37,500 (single, MFS) or \$75,000 (MFJ); and 2) a new nonrefundable credit, effective tax years 2009 through 2011, equal to a percentage of the additional utility charges paid that were imposed so that electric utilities would meet newly enacted renewable energy standards, where the credit is restricted to eligible taxpayers with AGI up to \$65,000 (single, MFS), or \$130,000 (MFJ).

P.A. 360 allowed employers or flow-through entities to redirect employment withholdings from the State to certain community colleges, where those payments, pursuant to agreement between the employer and the college under Chapter 13 of the Community College Act, are to be considered as income taxes paid to the State. Agreements under the Community College Act established that community colleges will provide employee training to eligible employers. The community college districts are required to provide information on those agreements to the Department of Treasury, which in turn must submit, by July 1 of each year, an annual report containing information on the operation and effectiveness of the new jobs training programs and the corresponding income tax withholding requirements.

II. INTRODUCTION

This report summarizes information regarding the Michigan individual income tax for tax year 2007. It is based on returns filed and processed in calendar year 2008.

Section III reports the history of the Michigan individual income tax. Section IV presents an overview of the number of taxpayers, revenue collections, refunds, and effective tax rates. Section V details the major income tax credits, while Section VI discusses the designated contributions listed on the personal income tax form. Section VII compares Michigan's personal income tax to the income taxes levied by other states. Section VIII lists the geographic pattern of revenue and credits by county.

The Michigan income tax builds on the federal income tax, specifically federal adjusted gross income (AGI). As such, changes in federal law that alter the calculation of AGI will generally have an impact on the Michigan income tax base and revenues. Section IX summarizes the significant changes in federal income tax law in 2007 and 2008 and how those changes affect Michigan's income tax base. Section X summarizes the Michigan Public Acts (P.A.) in 2007 and 2008 that amended the Michigan Income Tax Act.

Section XI contains tables and charts presenting detailed data on returns, exemptions, credits, revenue, and effective tax rates.

Section XII contains a summary of significant changes in federal income tax law since the landmark Tax Reform Act of 1986 through changes in 2006, the Michigan personal income tax legislative history through 2006, and a table with chronological changes to the Michigan income tax requirements and limits since 1967.

III. HISTORY OF THE MICHIGAN INDIVIDUAL INCOME TAX¹

The Michigan individual income tax became effective on October 1, 1967, under P.A. 281. The tax was enacted to help eliminate a state budget deficit. When originally enacted, the state income tax was levied at 2.6 percent and allowed a \$1,200 exemption per person. On August 1, 1971, the personal income tax rate was raised to 3.9 percent. In 1973, the personal exemption was raised from \$1,200 to \$1,500, and the homestead property tax credit was established. The income tax rate rose to 4.6 percent on May 1, 1975, to replace revenue lost from the exemption of food and prescription drugs from the state sales tax. Although scheduled to be rolled back to 4.4 percent on July 1, 1977, the state income tax rate was permanently set at 4.6 percent in 1977.

Michigan suffered from budget deficits in the early 1980s due to an economic recession. In response, the state income tax rate was raised to 5.6 percent between April 1 and September 30, 1982, and the income tax rate was further increased to 6.35 percent in 1983. As the Michigan economy improved over the years, new legislation passed, rolling back the income tax rate to 5.85 percent in 1984, 5.33 percent in 1985, and 4.6 percent in 1986. On May 1, 1994, the rate was lowered to 4.4 percent, following the passage of the property tax reform package known as Proposal A. For the 1995 tax year only, the Headlee Amendment Refund reduced the income tax liability of all Michigan taxpayers by 2.0 percent. In 1999, new legislation reduced the income tax rate to 4.2 percent effective January 1, 2000, and further reduced the rate by 0.1 percentage point on January 2002, January 2003, and July 2004, bringing the rate to 3.9 percent, where it remained through September 2007. As the pace of the Michigan economy slowed considerably in the mid 2000s, the income tax rate was raised to 4.35 percent effective October 1, 2007, in response to renewed budgetary pressures. The new law also provided for a gradual reduction of the rate (0.1 percentage point) on each October 1 beginning in 2011, until the rate reaches 3.95 percent, and finally drops back to 3.9 percent on October 1, 2015. (For a complete list of average Michigan Individual Income tax rates since 1968, see Exhibit 36 on page 59.)

The Michigan individual income tax is based on federal AGI with additions (principally interest on obligations issued by other states) and subtractions (including income from U.S. Government bonds, military pay, social security benefits, most pension income, and income attributable to another state). Therefore, changes in federal tax law can affect Michigan income tax collections. The broad changes in AGI affected by the Tax Reform Act of 1986 significantly increased the Michigan income tax base. In response, the personal exemption was gradually increased from \$1,500 in 1986 to \$2,100 in 1990, a 40 percent overall increase. P.A. 2 of 1995 increased the personal exemption to \$2,400 for tax years 1995 and 1996. The exemption increased to \$2,500 in 1997 and P.A. 3 of 1995 indexed the personal exemption to inflation with the personal exemption rounded to the nearest \$100 after tax year 1997. P.A. 86 of 1997 increased the personal exemption by an additional \$200 starting in tax year 1998. A table with chronological changes to the Michigan Income Tax (filing requirements, average rates, maximum limits of deductions and credits, and others) can be found in Appendix A on page 91.

¹ For a complete Michigan personal income tax legislative history through 2006, see Appendix A, p. 69.

For 2007, a \$3,400 per person personal exemption was allowed, while an extra \$2,200 exemption was provided for senior citizens, filers with certain disabilities, and filers receiving at least 50 percent of their AGI from unemployment compensation. The child exemption was \$600 per child aged 18 years and under, while the exemption for taxpayers claimed as dependent by another taxpayer remained at \$1,500. Exhibit 1 summarizes the changes in the Michigan individual income average annual tax rate and allowed exemptions since 1999.

Exhibit 1 Michigan Individual Income Tax Exemption Allowances

<u>Tax Year</u>	<u>Average Rate</u>	<u>Personal Exemption</u>	<u>Claimed as Dependent Exemption</u>	<u>Special Exemptions</u>					<u>Child Exemptions</u>	
				<u>Senior</u>	<u>Blind or Disabled **</u>	<u>Deaf **</u>	<u>Unemployment Compensation</u>	<u>Disabled Veteran</u>	<u>Age 6 and Under</u>	<u>Age 7 to 18 *</u>
1999	4.40%	\$2,800	\$1,000	\$900	\$900	\$900	\$900	n.a.	\$600	\$300
2000	4.20%	2,900	1,500	1,800	1,800	1,800	1,800	n.a.	600	600
2001	4.20%	2,900	1,500	1,900	1,900	1,900	1,900	n.a.	600	600
2002	4.10%	3,000	1,500	1,900	1,900	1,900	1,900	n.a.	600	600
2003	4.00%	3,100	1,500	1,900	1,900	1,900	1,900	n.a.	600	600
2004	3.95% ***	3,100	1,500	2,000	2,000	2,000	2,000	n.a.	600	600
2005	3.90%	3,200	1,500	2,000	2,000	2,000	2,000	n.a.	600	600
2006	3.90%	3,300	1,500	2,100	2,100	2,100	2,100	n.a.	600	600
2007	4.01% ****	3,400	1,500	2,200	2,200	2,200	2,200	n.a.	600	600
2008	4.35%	3,500	1,500	2,200	2,200	2,200	2,200	\$250	600	600
2009	4.35%	3,600	1,500	2,300	2,300	2,300	2,300	\$300	600	600

* Until tax year 1999, included only children ages 7 to 12.

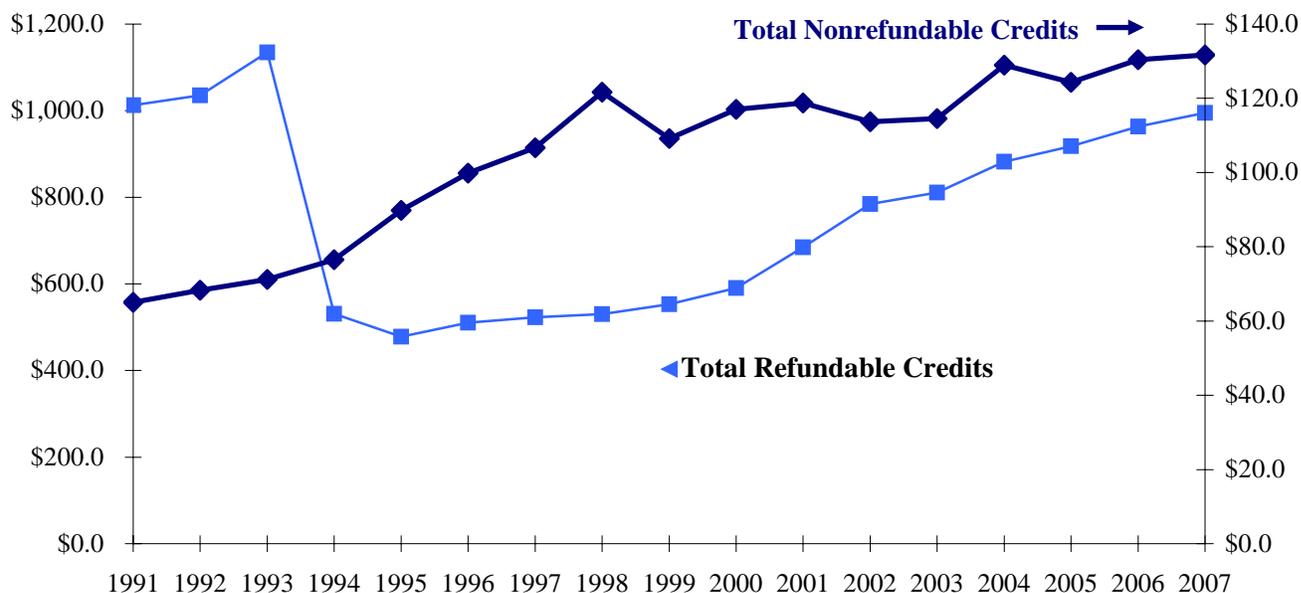
** Starting tax year 2000, both exemptions were combined.

*** Tax rate equals 4.0% through June 2004, then it decreases to 3.9%.

****Tax rate equals 3.9% through September 2007, then it increases to 4.35% thereafter.

The Michigan individual income tax is a flat rate tax. The Michigan Constitution prohibits graduated income tax rates. Proposals to allow graduated rates were defeated by voters in 1968, 1972, and 1976. However, a degree of progressivity is achieved with exemptions and credits, such as the homestead property tax and home heating credits. These provisions help to make the tax less burdensome on low income taxpayers. Except in 1994, when property tax reductions enacted as a part of school finance reform led to reduced property tax credits, both refundable and nonrefundable credits paid and claimed have steadily increased over the years as a result of the increase in the number of credits available as well as the eligibility expansion for existing credits. Exhibit 2 provides information on the total amount of refundable and nonrefundable credits paid since 1991. For tax year 2007, credits were provided for: property taxes, home heating expenses, qualified adoption expenses, stillbirth certificate, tribal credit, city income taxes, taxes paid to another state, tuition paid to qualified Michigan colleges, qualified expenses made to rehabilitate historic resources, vehicle donation credit and contributions to community foundations, qualified homeless shelters, food banks or food kitchens, Michigan public colleges, universities, libraries, museums, and public broadcasting stations. (See Chapter V, on page 18, for more information on credits available in tax year 2007.) A total of \$995.0 million was paid in refundable credits, and \$131.7 million was paid in nonrefundable credits for tax year 2007.

**Exhibit 2
Individual Income Tax Credits
(millions)**



A portion of income tax revenues is earmarked to the School Aid Fund (SAF) with the remainder distributed as General Fund/General Purpose (GF/GP) revenues. Beginning in fiscal year 1994-95, 14 percent of gross income tax collections was statutorily allocated to the SAF with the remainder of net income tax revenue allocated to GF/GP. For fiscal year 1996-97, the SAF allocated percentage increased to 23 percent, where it remained until tax year 1999. For tax years 2000 and after, the percentage of gross income tax collections earmarked to the SAF changed to equal 1.012 percent divided by the income tax rate. The inverse relationship between the income tax rate and the percent allocated to the SAF has resulted on a steady increase of the earmarking percentage for tax years 2000 through 2006, from 24.1 to 25.95 percent, and a recent decline on that percentage to 25.24 percent in 2007, and 23.26 percent for tax year 2008. Exhibit 3, on page 9, summarizes the income tax revenue earmarking to the SAF and GF/GP since 1995.

USE TAX PAYMENTS

Taxpayers owe use tax when they purchase tangible personal property, either for use, consumption, or storage in Michigan, from companies that do not collect Michigan sales or use tax. This includes mail order and Internet purchases, as well as purchases made while traveling in other states or foreign countries. In those cases, compliant Michigan taxpayers must submit a use tax form, remitting the use tax owed on the total price (including shipping and handling charges) of all taxable items purchased from the out-of-state retailer who does not collect Michigan tax. An out-of-state business that does not have a store, warehouse, or employees in Michigan does not have to register and collect Michigan use tax. However, many out-of-state businesses voluntarily collect use tax for their customers.

Starting in tax year 1999, Michigan taxpayers were able to remit use tax payments while filing their income tax return, instead of filing separate numerous use tax forms. This alternative simplifies the tax compliance process for the taxpayer. In tax year 2007, 104,800 taxpayers remitted \$4.1 million in use tax (see Exhibit 4 below).

Exhibit 3
Earmarking of Income Tax Revenue

<u>Tax Years</u>	<u>Average Tax Rate</u>	<u>Earmarking Percentages</u>	
		<u>SAF</u>	<u>GF/GP</u>
1995	4.40%	14.00 %	86.00 %
1996 - 1999	4.40%	23.00	77.00
2000 - 2001	4.20%	24.10	75.90
2002	4.10%	24.68	75.32
2003	4.00%	25.30	74.70
2004	3.95%	25.62	74.38
2005 - 2006	3.90%	25.95	74.05
2007	4.01%	25.24	74.76
2008	4.35%	23.26	76.74

Exhibit 4
Use Tax Liability Reported on Income Tax Returns

<u>Tax Year</u>	<u>Number Of Returns</u>	<u>Use Tax Amount</u>	<u>Average Per Return</u>
1999	64,650	\$2,895,475	\$44.79
2000	79,627	2,976,223	37.38
2001	72,913	2,877,459	39.46
2002	70,619	2,872,252	40.67
2003	79,684	3,302,217	41.44
2004	86,774	4,041,439	46.57
2005	82,691	3,409,451	41.23
2006	81,360	3,346,874	41.14
2007	104,836	4,086,157	38.98

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury

IV. INCIDENCE OF THE INDIVIDUAL INCOME TAX

For tax year 2007, about 4.6 million MI-1040 returns were filed, 73,400 more than for 2006 (see Exhibit 5 below). An additional 189,000 “credit-only” returns were filed for 2007. These “credit-only” returns refer to returns from taxpayers who did not file a MI-1040 form, but who did claim a refundable tax credit, such as a property tax credit, or a home heating credit by filing the appropriate forms. Of those “credit-only” returns, 52,500 claimed only a home heating credit, 30,200 claimed only a property tax credit, and 53,100 claimed both refundable credits.

The personal income tax generated \$5.8 billion in net revenue for tax year 2007, which is total revenue after all credits and refunds are paid. Income tax revenues increased \$282.0 million (5.1%) from 2006, reflecting the higher tax rate (4.01% instead of 3.9%) and increased taxable income of \$3.1 billion (2.2%) from 2006 to 2007.

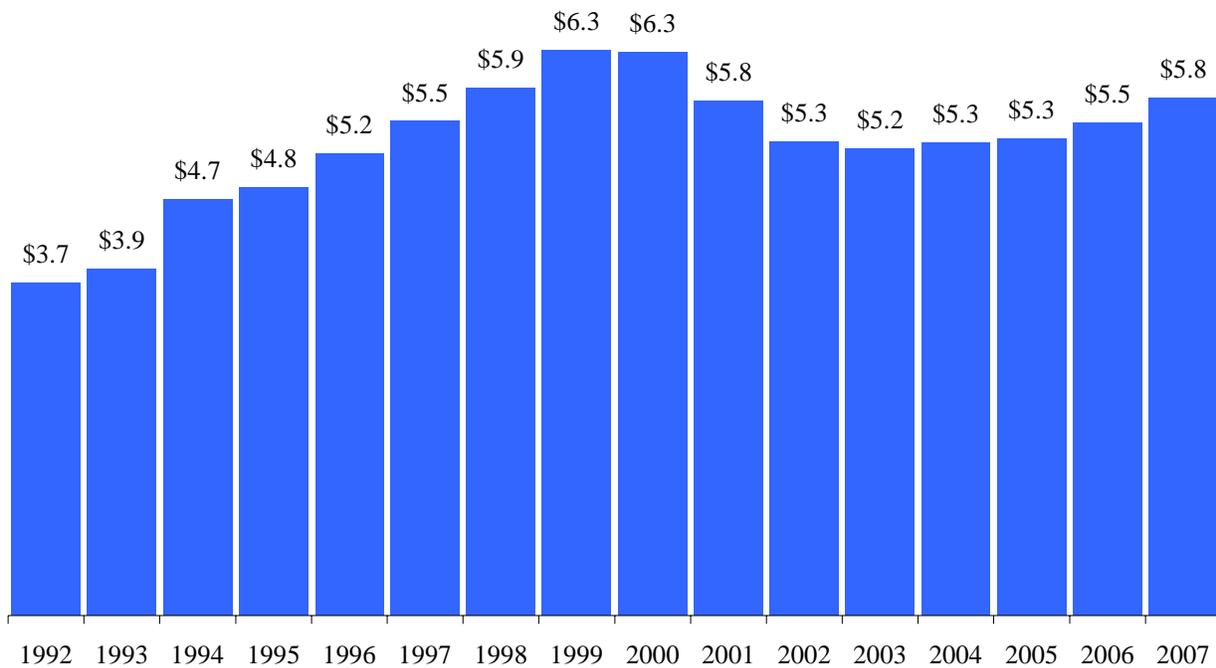
Exhibit 5
Fifteen-Year History of Income Tax Rates and Revenue

<u>Year</u>	<u>Number of 1040s Filed</u>	<u>Adjusted Gross Income</u>	<u>Average AGI</u>	<u>Nominal Rate</u>	<u>Average Effective Rate</u>	<u>Revenue</u>
1992	3,984,600	134,802,283,400	33,831	4.60%	2.77%	3,730,007,100
1993	4,034,000	141,599,188,400	35,101	4.60%	2.75%	3,888,847,900
1994	4,123,200	153,895,394,200	37,324	4.47%	3.03%	4,668,579,100
1995	4,214,300	167,307,933,535	39,700	4.40%	2.87%	4,794,937,300
1996	4,260,200	180,087,338,060	42,272	4.40%	2.88%	5,177,919,400
1997	4,308,575	190,806,002,405	44,285	4.40%	2.90%	5,540,653,500
1998	4,350,006	205,229,640,000	47,179	4.40%	2.88%	5,919,624,100
1999	4,414,720	222,092,788,315	50,307	4.40%	2.86%	6,343,222,500
2000	4,511,561	235,714,626,207	52,247	4.20%	2.68%	6,313,315,900
2001	4,456,031	222,960,889,578	50,036	4.20%	2.59%	5,774,007,800
2002	4,405,687	213,455,154,939	48,450	4.10%	2.49%	5,309,790,100
2003	4,369,995	223,070,894,889	51,046	4.00%	2.35%	5,232,779,200
2004	4,390,300	241,419,608,339	54,989	3.95%	2.20%	5,301,966,200
2005	4,424,662	260,604,722,102	58,898	3.90%	2.05%	5,341,831,700
2006	4,487,257	272,454,940,745	60,717	3.90%	2.03%	5,521,426,800
2007	4,560,672	292,321,301,678 ³	64,096	4.01%	1.99%	5,803,415,000

²The AGI above is reduced by returns reporting a negative AGI totaling a negative \$3.3 billion. AGI data for these returns were not available prior to 1997. The data for negative AGI returns are included throughout this report unless otherwise noted.

The number of income tax returns and tax revenues both generally increase when the economy expands and decrease during a recession. Changes in AGI reflect both economic growth and changes in the definition of federal AGI. For example, ending the 60 percent deduction for capital gains and including all unemployment benefits increased AGI beginning in 1987. Exhibit 6 below provides a graphical representation of Michigan individual income tax annual collections since 1992.

Exhibit 6
Annual Collections from Michigan Individual Income Tax
(billions of dollars)

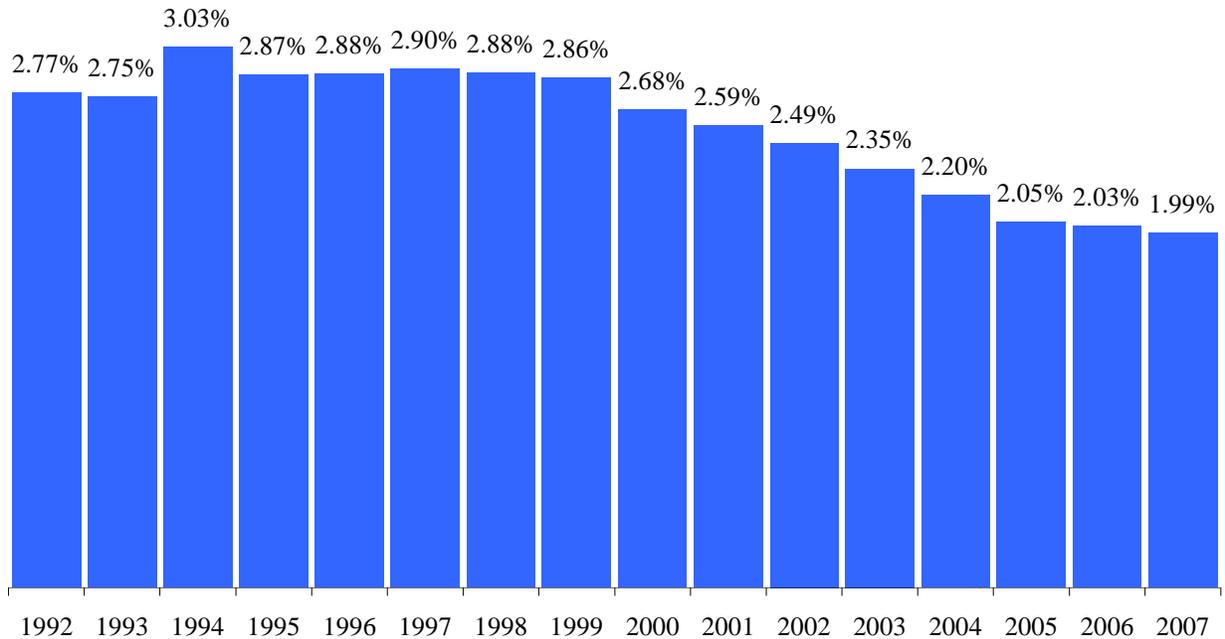


Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Even though the nominal Michigan personal income tax is levied at a flat rate (4.35 percent starting October 2007), exemptions and credits help to lessen the relative burden on taxpayers with lower AGIs. As a result, the average effective tax rate is considerably lower than the nominal flat rate. As shown in Exhibit 7, the average effective tax rate for 2007 decreased to 1.99 percent, compared to an average of 2.88 percent calculated for the 1995-1999 period, when the tax rate was 4.4 percent. Over the 1992-2007 period, the highest average effective rate was 3.03 percent for 1994, and the lowest average was 1.99 percent for 2007. The high average in 1994 resulted from the dramatic decline in homestead property tax credits, since property taxes

across the state fell as a result of Proposal A³. The low average rate in 2007 results from a combination of increased and expanded exemptions and credits.

Exhibit 7
Individual Income Tax
Effective Tax Rate



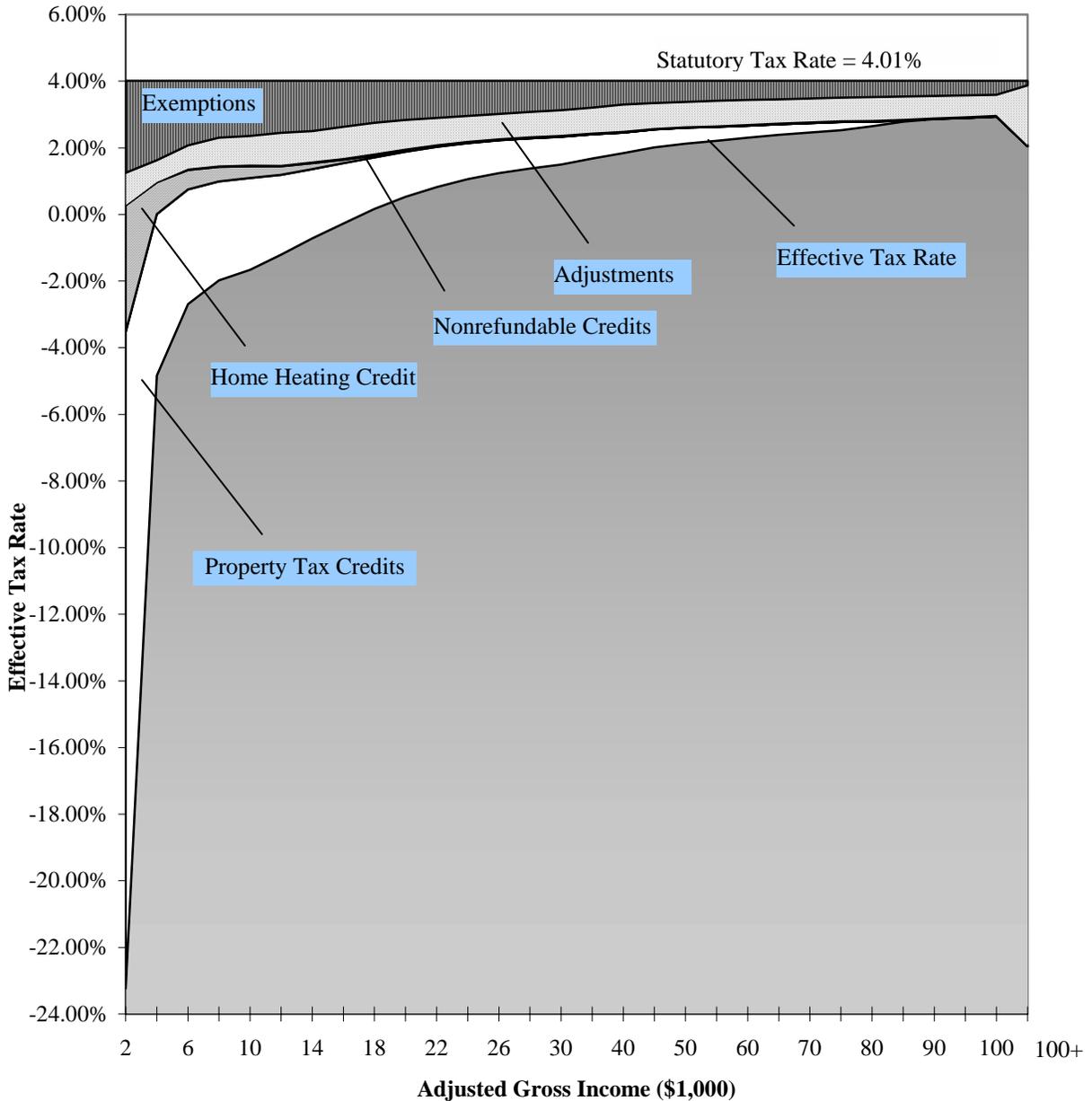
Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

As shown in Exhibits 8, 21 and 22 (see pages 13, 39 and 40, respectively), the effective tax rate in 2007 varied from negative 23.2 percent for taxpayers in the \$1 - \$2,000 AGI group, to positive 3.2 percent for taxpayers with an AGI between \$200,001 and \$400,000. The effective rate for taxpayers with an AGI above \$1,000,000 was 0.7 percent, lower than the peak of 3.2 percent. The reason for this lower rate is because the above \$1,000,000 AGI group includes a large number of nonresidents with relatively low Michigan income compared to their total AGI, affording them large subtractions for income not taxable in Michigan, and consequently lower taxable income and effective rate. Resident taxpayers included in that AGI group are also more likely than resident taxpayers in other AGI groups to have part of their income from business activities outside of Michigan, resulting in their Michigan tax base being lower than their AGI. Overall, the effective tax rate was 2.0 percent rather than the nominal rate of 4.01 percent.

³ For more information on the impact of Proposal A, see Office of Revenue and Tax Analysis, *Proposal A: A Retrospective*, December 2002, at http://www.michigan.gov/treasury/0,1607,7-121-44402_44404---,00.html .

Taxpayers with AGIs of less than \$16,000 on average received net payments from the state, mostly due to the refundable credits for property taxes and home heating expenses. The effective rates in Exhibits 21 and 22 were calculated before taking into account the farmland credit, because the distribution of these credits by AGI is not available. In 2007, farmland credits totaled \$33.8 million. Subtracting these credits reduces the effective rate by a marginal amount.

Exhibit 8
Effective Income Tax Rates, 2007



Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 8 reveals the influence of the various exemptions and credits on the effective tax rate and illustrates the data in Exhibit 23 (see page 41). Exhibit 23 details the effects of the personal exemption, various adjustments, and credits on the distribution of the Michigan income tax burden. As a percentage of income, the \$3,400 personal exemption and the property tax credit benefit lower income taxpayers the most, while reducing the effective tax rate for most taxpayers. The personal exemption, property tax credit, and home heating credit make Michigan's income tax more progressive, since these provisions decline as a percentage of AGI as income increases. The nonrefundable credits, which include the city income tax, college tuition, and college contribution credits, have a more proportional effect on income.

Michigan taxpayers claimed about 9.0 million personal exemptions for 2007. Since the total exemption amount for some taxpayers is greater than their income, not all exemptions were used at lower income levels. In the lowest income groupings, the exemptions and child deductions offset all income. As noted in Exhibit 21 (see page 39), there were an estimated 7.6 million effective personal exemptions, i.e., exemptions that actually offset income. The effective exemptions for 2007 were calculated assuming all personal exemptions, special exemptions, and all child deductions were equally likely to offset taxable income.

Michigan taxpayers claimed over 1.2 million special exemptions for tax year 2007. About 85.0 percent of the special exemptions were claimed by senior citizens. Michigan families claimed 2.5 million deductions for children age 18 and under. Exhibits 24 and 25 (see pages 43 through 45) present distributions of all the exemptions claimed for tax year 2007 by income group. The number of special exemptions or child deductions that actually offset taxable income for each income group can be estimated by dividing the number of effective exemptions listed for that income group in Exhibit 21 (see page 39) by the number of claimed exemptions, and then multiplying that quotient by the number of exemptions/deductions in Exhibit 25 (see page 45). For example, the number of effective deductions for children age 18 and under in the \$30,001 to \$35,000 income group would be estimated by dividing 377,585 by 434,486 and then multiplying the result (0.8690) by 118,057. The result is an estimate of 102,592 effective deductions.

The Michigan income tax is paid almost exclusively by Michigan residents. Non- or part-year residents pay about 3.3 percent of the income tax. Exhibit 9 below summarizes the distribution of Michigan returns and net tax liability by residency. While nonresidents report \$61.3 billion in AGI, they claim subtractions totaling \$44.8 billion, mostly for income not taxable in Michigan.

Exhibit 9
2007 Income Tax Returns Distribution by Residency

<u>Residency</u>	<u>Number of Returns</u>	<u>Adjusted Gross Income</u>	<u>Total Tax Liability</u>
Resident	4,369,759	\$224,792,530,378	\$5,792,061,823
Part-year resident	101,230	6,224,872,916	98,370,940
Nonresident	89,683	61,303,898,384	101,394,093
Totals	4,560,672	\$292,321,301,678	\$5,991,826,856

Married taxpayers filing jointly reported 70.3 percent of AGI and paid 73.8 percent of the Michigan income tax. Married couples tend to be older and earn higher wages, due to greater accumulated human capital. Human capital includes formal education plus skills acquired through work experience and on-the-job training. Couples also have an additional potential worker. The Michigan income tax does not have a “marriage penalty” or “marriage bonus” as potentially exists with the federal income tax. Exhibit 10 summarizes the distribution of Michigan returns and net tax liability by filing status. Note that the total tax liability does not include refundable income tax credits claimed by individuals not required to file a Michigan income tax return.

Exhibit 10
2007 Income Tax Returns Distribution by Filing Status

<u>Filing Status</u>	<u>Number of Returns</u>	<u>Adjusted Gross Income</u>	<u>Total Tax Liability</u>
Single	2,628,570	\$81,025,623,192	\$1,487,398,736
Married filing jointly	1,860,949	205,362,706,636	4,423,329,229
Married filing separately	64,373	5,732,997,792	77,012,635
Status not reported	<u>6,780</u>	<u>199,974,058</u>	<u>4,086,255</u>
Totals	4,560,672	\$292,321,301,678	\$5,991,826,856

The Michigan tax data overstate the aggregate effective tax rate, since taxpayers who itemize deductions on their federal returns may deduct their state income tax payments. Federal data for tax year 2007 show that 34.3 percent of Michigan taxpayers itemized deductions on their federal income tax returns.⁴ With federal deductibility, taxpayers offset part of their state income tax with a lower federal tax liability. For example, taxpayers in the 28 percent federal income tax bracket who itemized would have up to 28 percent of their state income tax offset by lower federal income tax liability. Federal deductibility provides greater benefits to taxpayers with higher incomes, since higher income people are both more likely to itemize their deductions and face higher marginal tax rates. For 2007, 89.4 percent of Michigan taxpayers reporting an AGI of \$100,000 or more itemized their deductions, while 15.9 percent of taxpayers with an AGI up to \$50,000 itemized. While providing relief for some taxpayers, federal deductibility reduces the progressivity of the Michigan income tax.

Exhibit 11 presents estimates of the growth of Michigan personal income from 2006 to 2007 prepared by the U.S. Bureau of Economic Analysis. While personal income grew 4.0 percent overall, the strongest growth was in dividends, interest, and rent income (8.6 percent), and transfer payments (7.5 percent). Wage and salary disbursements increased 1.5 percent in 2007.

⁴Data on itemized deductions was obtained from the Internal Revenue Service, Statistics of Income Division, Individual Master File System, May 2009.

Exhibit 11
Growth in Michigan Income from 2006 to 2007
(thousands)

		<u>2006</u>	<u>2007</u>	<u>Percentage</u> <u>Change</u>
Labor Earnings				
Wage and salary disbursements		\$185,263,514	\$188,062,367	1.5%
Other labor income		29,288,953	30,138,361	2.9%
Proprietors' income		<u>27,839,275</u>	<u>29,364,694</u>	5.5%
Total labor earnings	(A)	\$242,391,742	\$247,565,422	2.1%
Adjustments				
Personal contributions for social insurance		-\$15,050,407	-\$15,352,982	2.0%
Adjustment for residence		<u>1,442,342</u>	<u>1,490,262</u>	3.3%
Total adjustments	(B)	-\$13,608,065	-\$13,862,720	1.9%
Net Michigan labor earnings	(C)=(A)-(B)	\$228,783,677	\$233,702,702	2.2%
Dividends, interest, and rent	(D)	\$48,181,049	\$52,340,476	8.6%
Transfer payments	(E)	<u>55,688,863</u>	<u>59,842,159</u>	7.5%
Michigan Personal Income	(C)+(D)+(E)	\$332,653,589	\$345,885,337	4.0%

Source: Bureau of Economic Analysis, U.S. Department of Commerce, September 18, 2008 release.

Michigan income tax revenues are slightly income inelastic. Elasticity is a concept economists use to describe the responsiveness of one variable, in this case net tax revenues, to changes in another variable, in this case income. The income elasticity of tax revenue is equal to the percentage change in tax revenues divided by the percentage change in income. If tax revenues are inelastic, revenues on average grow at a slower rate than income. An inelastic tax is also less volatile than the business cycle and thus provides a more stable source of financing for government operations than an elastic tax.

A flat rate income tax like Michigan's, with no exemptions or credits, should theoretically have an income elasticity equal to exactly one (exemptions and credits result in the measured elasticity being potentially higher or lower than one). Generally, a flat rate tax will be less elastic than a graduated-rate tax like the federal income tax. With a flat rate tax, tax liability for most taxpayers increases proportionally as income increases. With increasing marginal tax rates, tax liability increases faster than income as income begins to be taxed at progressively higher rates.

A simple calculation will clarify the concept of elasticity. In Exhibit 5 (see page 10), net tax revenues increased by 7.16 percent from 1998 to 1999, and total AGI increased by 8.22 percent for the same period. This resulted in an elasticity estimate of 0.871 (7.16 divided by 8.22), meaning that a 10 percent increase/decrease in income will, on average, increase/decrease tax

revenues by 8.71 percent. However, this method of calculating income elasticity is not suitable when changes in other important variables that affect tax revenues are also present (e.g., tax rate, or exemption amounts change). Using 1999 and 2000 data, the reported changes of net income tax revenues and of AGI would result in a calculated elasticity of -0.077, suggesting that a 10 percent increase in income will lead, on average, to tax revenues declining 0.7 percent. The problem with this estimate is that the drop in tax revenue in 2000 reflected not only the change in AGI, but also the decrease in the tax rate and the increase in the exemption amount, which cannot be accounted for using this simple method. Using 2000 and 2001 data, the simple method yields an income elasticity estimate of 1.58, suggesting that a 10 percent increase in income will increase tax revenues by, on average, 15.8 percent. Here, the strong responsiveness of tax revenues to income suggested by the elasticity estimate results from the fact that the simple calculation method does not properly account for the large drop in capital gains, which was concentrated among taxpayers with high marginal rates.

Regression analysis provides a more thorough method of estimating the income elasticity of net income tax revenues. It allows the investigator to isolate the effect of changes in income on tax revenues by controlling other variables that influence tax collections, such as changes in the personal exemption or tax rate. Regression analysis of Michigan income tax collections from the fourth quarter of 1978 through the third quarter of 2008 results in an estimated elasticity of 0.954, suggesting that a 10 percent increase in income will increase tax revenue by, on average, 9.54 percent. This estimate is based on net quarterly income tax collections and quarterly personal income as reported by the Bureau of Economic Analysis (BEA), the latter added by annual capital gains realizations estimates from the Congressional Budget Office (CBO).⁵

⁵ The Michigan income tax is based on federal AGI, however, quarterly AGI data are not available. Therefore, quarterly personal income is used as proxy for AGI. BEA's personal income figure does not include capital gains. This omission understates the absolute value of the income growth rate. Capital gains tend to be more volatile than other income sources (e.g., wages, interest, and pensions) so their exclusion will make the growth of the personal income variable lower than the growth in AGI in good times and higher in bad times. In order to remedy this situation, the CBO's estimate of capital gains realizations was added to the personal income data.

V. INCOME TAX CREDITS

For tax year 2007, Michigan's personal income tax offered 14 different credits to taxpayers: six refundable credits (homestead property tax, farmland preservation property tax, home heating credit, adoption credit, tribal credit, and the stillbirth credit), and eight nonrefundable credits (city income tax credit, college contribution credit, community foundation credit, homeless shelter/food bank credit, college tuition and fees credit, other state income tax credit, Michigan historic preservation credit, and vehicle donation credit). The credits convert the flat rate Michigan income tax into a more progressive tax structure.

REFUNDABLE CREDITS

Homestead Property Tax Credit

Michigan's property tax credit is designed to provide property tax relief through the income tax. When property taxes exceed specific income thresholds, the credit provides relief to taxpayers. For tax year 2007, taxpayers with household income less than \$82,650 may claim a property tax credit, and the computed credit is reduced by 10 percent for every \$1,000 that household income exceeds \$73,650.

Most homeowners and renters receive credits equal to 60 percent of the amount by which homestead property taxes (or 20 percent of rent for renters) are greater than 3.5 percent of income. Senior citizens, paraplegic, hemiplegic, quadriplegic, totally and permanently disabled, deaf, or blind filers receive a credit for 100 percent of their property taxes above the following percentages of income:⁶

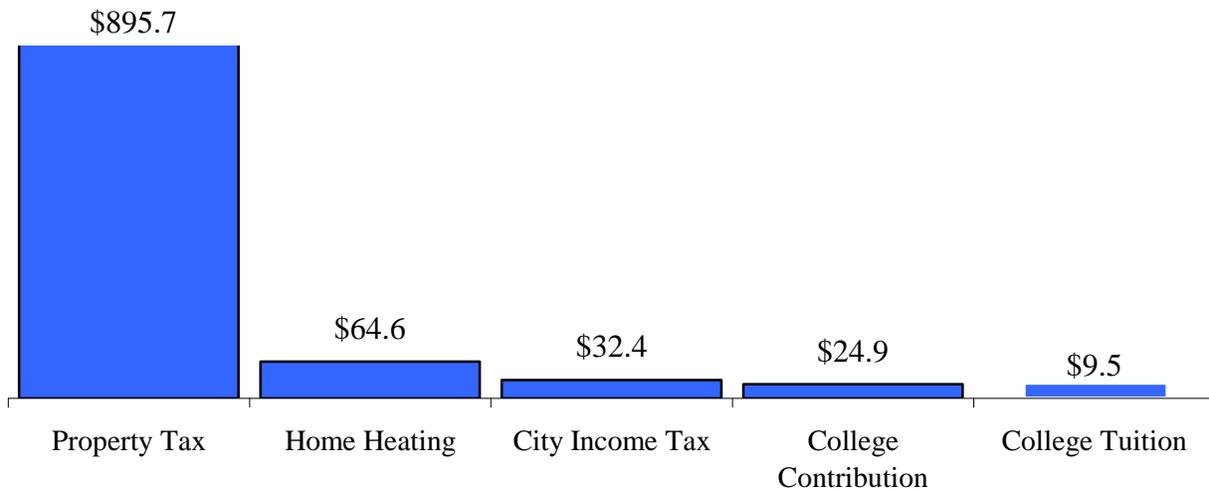
<u>Income</u>	<u>Percent Not Refundable</u>
\$ 0 - \$3,000	0.0%
\$3,001 - \$4,000	1.0%
\$4,001 - \$5,000	2.0%
\$5,001 - \$6,000	3.0%
Over \$6,000	3.5%

About 1.6 million Michigan taxpayers received \$895.7 million of homestead property tax credits and \$33.8 million in farmland preservation property tax credits for tax year 2007. Michigan's

⁶P.A. 41 of 2001 increased the Homestead Property Tax Credit for taxpayers who are deaf, blind, or totally and permanently disabled. Prior to tax year 2000, deaf filers received the same credit as other homeowners and renters, while blind, or totally and permanently disabled filers received 60 percent of the credit calculated for senior citizens and paraplegic, hemiplegic, or quadriplegic.

property tax credit program is one of the largest property tax relief programs in the country. The \$895.7 million in total 2007 property tax credits represented an increase of \$49.8 million (5.7 percent) from the prior year, and 55,900 additional taxpayers received assistance. Senior citizens received \$321.6 million of the credits, a \$13.3 million increase from 2006. Exhibit 12 illustrates the amount of money paid to taxpayers for property tax credits compared to other credits.

Exhibit 12
2007 Individual Income Tax Credits
(millions of dollars)



Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

The average 2007 homestead property tax credit was \$569.64 (excluding the farmland credit), a \$11.00 increase from the tax year 2006 average. Senior citizens' credits averaged \$748.76, a \$6.35 increase from 2006 (see Exhibit 26 on page 46). Exhibit 13, on page 20, provides a summary of the number of credits received by taxpayers, according to AGI levels.

Exhibits 13 and 23 (on pages 20 and 41) confirm that the homestead property tax credit is a progressive element in the state income tax structure. Credits as a fraction of AGI decline continuously as incomes rise. While accounting for only 3.5 percent of total AGI, taxpayers with incomes between \$10,001 and \$20,000 received 21.2 percent of the total homestead credits. On the other hand, taxpayers with AGIs over \$50,000 accounted for 81.6 percent of total 2007 Michigan AGI, but received only 16.2 percent of total homestead credits. Exhibits 27 through 30 (see pages 47 through 51) provide the distribution of property tax credits by income group.

Exhibit 13
2007 Homestead Property Tax Credits
(excludes farmland credit)

<u>AGI Range</u>	<u>Number of Credits Allowed</u>	<u>Dollar Amount of Credit</u>	<u>Average Credit</u>
Under \$10,000	400,135	\$251,788,801	\$629.26
\$10,001 - \$20,000	331,032	189,861,778	573.55
\$20,001 - \$50,000	571,990	308,725,577	539.74
Over \$50,000	<u>269,187</u>	<u>145,294,389</u>	<u>539.75</u>
Total	1,572,344	\$895,670,545	\$569.64

The farmland preservation program, originally P.A. 116 of 1974 which was replaced by P.A. 451 of 1994 (part 361 of chapter 1, article III of the Natural Resources and Environmental Protection Act), provides additional property tax relief for farmers. Under the farmland program, farmers may receive additional property tax relief by entering into an agreement with the state not to convert the farmland to other uses for at least seven years. The program benefited over 8,000 farms in 2007, providing credits of \$33.8 million for an average credit of \$4,230.52. Including the farmland preservation credit, the average property tax credit was \$588.13 in tax year 2007. For 6,400 farmers claiming both a farmland credit and homestead property tax credit, the combined credits averaged about 85.4 percent of total property taxes paid; property taxes totaled \$34.8 million, farmland credits totaled \$22.9 million, and homestead credits totaled \$6.8 million.

P.A. 269 of 1982 provided a special tax credit for senior citizens with high rent burdens. This additional credit is the amount by which rent paid exceeds 40 percent of household income. For 2007, 9,400 senior citizens claimed an additional \$3.0 million using this alternate homestead property tax credit calculation. These amounts represent a decrease of about \$41,000 from 2006 with about 140 more people receiving the additional credit. The amount of this credit is included in the senior citizens' homestead property tax credit statistics, but shown separately in Exhibit 26 (see page 46).

Qualified blind, or veteran filers are also eligible for special alternate homestead property tax credit calculation, and may claim the largest of the standard or alternate credits. For these qualified filers, the alternate credit equals to the property tax amount paid times the ratio of the specific statutorily allowable taxable value with respect to the filer's homestead taxable value. Statistics for these alternate credits amount are shown separately in Exhibit 26 (see page 46).

Home Heating Credit

The home heating credit program, designed to help low-income taxpayers with the cost of heating their homes, is financed almost exclusively with federal funds. The credit is based both on the number of exemptions for which the household is eligible and on the household income

level. Senior citizens as well as individuals who are disabled, deaf, blind, or have received unemployment compensation greater than 50 percent of their AGI are entitled to extra exemptions.

Home heating credits totaled \$64.6 million for tax year 2007 with 444,600 households qualifying. This represented an \$18.3 million decrease from the previous year, with 38,000 additional households receiving assistance. Prior to 1991, recipients of Aid to Families with Dependent Children or General Assistance were not eligible for this credit, but were provided comparable benefits from other state and local programs. Senior citizens received \$10.3 million of the \$64.6 million in home heating credits claimed for tax year 2007 (see Exhibit 14). Exhibit 31 (see page 52) provides information on the distribution of the home heating credit by household income.

**Exhibit 14
2007 Home Heating Credits**

	Number of Credits <u>Allowed</u>	Dollar Amount of Credit	Average Credit
Senior Citizens	79,735	\$10,281,852	\$128.95
General	322,142	48,303,074	149.94
Disabled	42,367	5,954,223	140.54
Veteran	391	47,820	122.30
Total	444,635	\$64,586,969	\$145.26

About 87,400 taxpayers used the alternative calculation based on energy consumption claiming credits worth \$26.6 million. The average credit under the standard calculation was \$105.32 compared to \$303.79 under the alternative calculation.

Adoption Credit

Effective with tax year 2001, the adoption credit is available to persons who claimed the federal adoption expenses credit under Section 23 of the Internal Revenue Code for the same tax year. The credit equals the amount of qualified expenses that exceed the amount of the federal adoption credit or \$1,200 per child, whichever is less. Qualified adoption expenses refer to those expenses eligible for the federal credit. For 2007, about 800 taxpayers claimed total credits of \$1.0 million, resulting in an average credit of \$1,250.53 per taxpayer.

Tribal Credit

Starting in tax year 2005, Michigan resident tribal members whose tribes have implemented a tax agreement with the Michigan Department of Treasury under P.A. 616 of 2002 were able to claim a sales tax credit while filing their income tax return, under Form 4013. The agreements specify whether, and to what extent, Michigan's tax laws apply to each tribe, the tribe members, and other individuals and businesses conducting business with a tribe or its members. At the same time, tribes would promote the enforcement of Michigan tax laws on business conducted by them involving non-resident tribal members and non-tribal members. In tax year 2007, 5,200 qualified resident tribal members claimed about \$1.2 million in sales tax credits (see Exhibit 26 on page 46). As of June 2009, 9 of the 12 Michigan federally recognized tribes have signed the agreement with Treasury⁷, allowing their members to take advantage of this credit.

Stillbirth Credit

Under P.A. 319 of 2007, taxpayers receiving a Certificate of Stillbirth from the Department of Community Health may take a credit equal to 4.5 percent of a single personal exemption amount for the tax year, rounded up to the nearest \$10 increment. The new credit became effective in tax year 2006, and equaled \$150 in its first year. The credit increased to \$160 in tax year 2007, where about 560 taxpayers claimed \$39,600 in stillbirth credit (see Exhibit 26 on page 46).

NON-REFUNDABLE CREDITS

City Income Tax Credit

Partial credit is allowed for taxpayers who paid income taxes to Michigan cities. The credit is based on the amount of tax paid less any refunds received during the tax year, and it is calculated as follows:

<u>City Income Tax</u>	<u>Credit</u>
Under \$100	20 Percent
\$101 - \$150	\$20.00 + 10 percent of excess over \$100
Over \$150	\$25.00 + 5 percent of excess over \$150

In 2007, 22 cities in Michigan levied an income tax (see Exhibit 15 on page 23), and a total of \$32.4 million in city income tax credits were claimed for the tax year (see Exhibit 27 on page 47 and 48). That represented a \$1.1 million decrease from 2006 credit amount, with 41,600 fewer taxpayers claiming the credit. Exhibit 16 (see page 24) lists the number of city income tax

⁷ Michigan Tribal-State Tax agreements can be found at http://www.michigan.gov/taxes/0,1607,7-238-43513_43517---,00.html.

credits, total credits received, and the average city income tax credit for taxpayers at different levels of AGI.

Exhibit 15
Michigan Cities that Levy an Income Tax

<u>County</u>	<u>City</u>	<u>Year Adopted</u>	<u>TY 2004 - 2008 Rates</u>	
			<u>Residents</u>	<u>Non-residents</u>
Calhoun	Albion	1972	1%	0.5%
Calhoun	Battle Creek	1967	1	0.5
Calhoun	Springfield	1989	1	0.5
Crawford	Grayling	1972	1	0.5
Genesee	Flint	1965	1	0.5
Ingham	Lansing	1968	1	0.5
Ionia	Ionia	1994	1	0.5
Ionia	Portland	1969	1	0.5
Jackson	Jackson	1970	1	0.5
Kent	Grand Rapids	1967	1.3	0.65
Kent	Walker	1988	1	0.5
Lapeer	Lapeer	1967	1	0.5
Lenawee	Hudson	1971	1	0.5
Mecosta	Big Rapids	1970	1	0.5
Muskegon	Muskegon	1993	1	0.5
Muskegon	Muskegon Heights	1990	1	0.5
Oakland	Pontiac	1968	1	0.5
Saginaw	Saginaw	1965	1.5	0.75
St. Clair	Port Huron	1969	1	0.5
Wayne	Detroit	1962	2.5	1.25
Wayne	Hamtramck	1962	1	0.5
Wayne	Highland Park	1966	2	1

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 16
2007 City Income Tax Credits

<u>Adjusted Gross Income</u>	<u>Number of Credits Allowed</u>	<u>Dollar Amount of Credit</u>	<u>Average Credit</u>
Under \$10,000	100,488	\$1,223,498	\$12.18
\$10,001 - \$20,000	122,882	2,772,736	22.56
\$20,001 - \$50,000	265,695	9,371,909	35.27
Over \$50,000	<u>364,579</u>	<u>19,061,991</u>	<u>52.28</u>
Totals	853,644	\$32,430,133	\$37.99

Public Contribution Credit

Taxpayers may claim partial credits for contributions to Michigan colleges and universities, public libraries, museums, and public broadcasting stations. The credit is equal to 50 percent of the amount contributed up to a maximum credit of \$200 for a joint return (\$100 on a single return). For 2007, 274,900 taxpayers received \$24.9 million in credits (see Exhibit 26 on page 46). Credits decreased by about \$1.1 million from the prior year, when 290,800 taxpayers received \$26.0 million in credits.

Community Foundation Credit

The community foundation credit, implemented in tax year 1989, is a partial credit for donations to certified community foundations. The credit is equal to 50 percent of the donation up to a maximum credit of \$200 for a joint return (\$100 on a single return). For tax year 2007, 35,600 taxpayers claimed \$3.3 million in community foundation credits. This was a decrease of about 3,300 taxpayers claiming about \$1,700 fewer credits than in 2006 (see Exhibit 26 on page 46).

Homeless Shelter/Food Bank Credit

The homeless shelter/food bank credit provides a partial credit for cash donations to a qualifying homeless shelter, food bank, or food kitchen whose primary purpose is to provide accommodations or food to indigent persons. The credit is equal to 50 percent of the donation up to a maximum credit of \$200 for a joint return (\$100 on a single return). For tax year 2007, 225,000 taxpayers claimed \$18.1 million in food bank credits. This represented a decrease of 10,100 taxpayers and \$352,200 fewer credits claimed from the previous tax year (see Exhibit 26 on page 46).

College Tuition and Fees Credit

Created by Public Act 7 of 1996, the college tuition and fees credit allows resident taxpayers with AGIs of less than \$200,000 to claim a credit equal to a percentage of tuition and fee payments made on behalf of the taxpayer or any other student to a qualified Michigan college or university. To qualify, the school must have certified that tuition and fees will not increase by more than the rate of inflation. The amount of the credit is the lesser of 8 percent of the tuition and fees paid or \$375 for each student for tax year 2007. The credit cannot be claimed for more than 4 years for any one student. For tax year 2007, 63,500 taxpayers claimed the credit, 19,800 more than in 2006. The \$9.5 million in credits for 2007 represented a \$2.9 million increase from tax year 2006. In order to qualify for tax year 2007, institutions had to limit tuition and fee increases for the 2007-2008 academic year to 2.8 percent over the 2006-2007 academic year. Fifteen private colleges, two private universities, and eight community colleges qualified for tax year 2007 (see Exhibit 26 on page 46).

Historic Preservation Credit

The Michigan historic preservation credit provides tax incentives for homeowners, commercial property owners and businesses to rehabilitate historic commercial and residential resources located in the State of Michigan. The credit was created by Public Acts 534 and 535 of 1999, and is equal to 25 percent of the qualified expenditures. For tax year 2007, about 200 taxpayers claimed a total of \$553,600 in historic preservation credits (see Exhibit 26 on page 46).

Credit for Income Paid to Another State

For tax year 2007, 49,400 taxpayers received a total of \$42.7 million credit for income tax paid to another state, resulting in an average credit of \$864.06. This credit is designed so that taxpayers are not taxed twice (in two states) for the same income. For tax year 2006, 50,800 taxpayers claimed a total of \$41.8 million for this credit (see Exhibit 26 on page 46).

Credit for Vehicle Donation

The vehicle donation credit was created by Public Act 313 of 2004. It provides a nonrefundable credit equal to 50 percent of the fair market value of certain automobile donations to qualified charitable organizations. The credit is limited to a maximum of \$50 for single filers or \$100 for joint filers, and the donated automobile must be transferred by the charity to an individual for employment purposes. For tax year 2007, 3,000 taxpayers received a total of \$154,600 in vehicle donation credit, resulting in an average credit of \$52.20 (see Exhibit 26 on page 46).

VI. DESIGNATED CONTRIBUTIONS

For tax year 2007, Michigan taxpayers could make four separate contributions on their tax returns: the Military Family Relief Fund, the Children's Trust Fund, Children of Veterans Tuition Grant Program, and the State Campaign Fund. Contributions to the Military Family Relief Fund, the Children's Trust Fund, or the Children of Veterans Tuition Grant Program either reduce taxpayers' refund or increase their liability, while contributions to the State Campaign Fund result in a designated portion of the taxpayers' tax liability to be deposited in the campaign fund.

Prior to tax year 2000, taxpayers could donate a portion of their income tax refund or increase their liability to support the Non-Game Wildlife Fund. The Michigan Non-Game Wildlife Fund was created by P.A. 189 of 1983. Contributions were used for research and management of non-game fish and wildlife. P.A. 291 of 2000 appropriated amounts to fully fund the Non-Game Wildlife Funds, eliminating the need to continue to solicit contributions on the income tax form.

Military Family Relief Fund

Created by Public Acts 363 and 364 of 2004, the Military Family Relief Fund benefits qualifying families of military members in either the Michigan National Guard who are serving in the U.S. Armed Forces or those reserve forces called to active duty by the federal government. About \$473,500 was contributed by 46,800 taxpayers for 2007 to the Military Family Relief Fund (see Exhibit 17 on page 28).

Children's Trust Fund

The Children's Trust Fund was first created by P.A. 211 of 1982. Contributions to the fund were dedicated to the prevention of child abuse. P.A. 291 of 2000 appropriated amounts to also fully fund both the Non-Game Wildlife Fund and the CTF. However, P.A. 160 of 2005 reinstated the CTF checkoff on the income tax form. For tax year 2007, 35,000 taxpayers contributed a total of \$333,900 (subject to a minimum of \$5 dollars) to the fund (see Exhibit 17 on page 28).

Children of Veterans Tuition Grant Program

Starting tax year 2006, taxpayers may designate a minimum of \$2 via a new checkoff box on the Michigan income tax return to fund the Children of Veterans Tuition Grant Program. The Program is designed to provide undergraduate tuition assistance to eligible Michigan veteran children older than 16 and less than 26 years of age who have been a Michigan resident for the 12 months prior to grant application. About \$252,600 was contributed by 34,200 taxpayers to fund this program for tax year 2007 (see Exhibit 17 on page 28).

State Campaign Fund

For the 2007 tax year, taxpayers were able to designate \$3 of their tax liability for the State Campaign Fund. Revenues from this fund are disbursed only to gubernatorial candidates, regardless of political party, who agree to limit campaign spending and meet the campaign fund requirements. For 2007, 399,500 taxpayers contributed \$1.2 million to the State Campaign Fund (see Exhibit 17 on page 28). On average, there was one designation for every 11 returns.

Exhibit 17
Returns Designating Contributions 1987 - 2007

Tax Year	Number of 1040's Filed	Children's Trust Fund Donations		Non-Game Wildlife Fund Donations		State Campaign Fund Donations		Military Family Relief Fund Donations		Children of Veterans Tuition Donations	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1987	3,763,900	155,618	\$926,909	89,195	\$500,337	787,600	\$1,575,200	--	--	--	--
1988	3,880,300	115,088	\$718,176	83,269	\$520,127	779,000	\$1,558,000	--	--	--	--
1989	3,977,900	122,107	\$857,614	87,296	\$566,270	767,300	\$1,534,600	--	--	--	--
1990	4,022,300	138,294	\$959,428	106,224	\$668,379	741,900	\$1,483,800	--	--	--	--
1991	4,011,600	119,468	\$858,263	93,517	\$598,454	653,000	\$1,306,000	--	--	--	--
1992	3,984,600	86,430	\$923,018	68,188	\$627,145	593,000	\$1,186,000	--	--	--	--
1993	4,034,000	72,458	\$807,617	61,616	\$603,468	491,333	\$1,474,000	--	--	--	--
1994	4,123,200	63,375	\$697,414	58,056	\$576,111	473,600	\$1,420,800	--	--	--	--
1995	4,214,300	62,971	\$779,471	53,153	\$586,999	437,200	\$1,311,600	--	--	--	--
1996	4,260,200	57,251	\$650,323	51,289	\$587,699	459,400	\$1,378,200	--	--	--	--
1997	4,308,575	54,639	\$629,652	49,037	\$576,840	469,000	\$1,407,000	--	--	--	--
1998	4,350,006	70,496	\$859,000	49,600	\$559,500	429,632	\$1,288,896	--	--	--	--
1999	4,414,720	78,242	\$938,300	48,900	\$534,400	393,111	\$1,179,333	--	--	--	--
2000	4,511,561	--	--	--	--	496,840	\$1,490,520	--	--	--	--
2001	4,456,031	--	--	--	--	534,955	\$1,604,865	--	--	--	--
2002	4,405,687	--	--	--	--	506,120	\$1,518,360	--	--	--	--
2003	4,369,995	--	--	--	--	492,625	\$1,477,875	--	--	--	--
2004	4,390,300	--	--	--	--	467,503	\$1,402,509	53,541	\$1,233,661	--	--
2005	4,424,662	28,613	\$390,695	--	--	425,526	\$1,276,578	34,484	\$549,167	--	--
2006	4,487,257	28,587	\$325,337	--	--	406,646	\$1,219,938	36,603	\$553,021	22,970	\$212,110
2007	4,560,672	35,043	\$333,912	--	--	399,482	\$1,198,446	46,849	\$473,501	34,226	\$252,582

Notes:

- . The Children's Trust Fund was started under P.A. 211 of 1982.
- . The Non-Game Wildlife Fund was started under P.A. 189 of 1983.
- . P.A. 291 of 2000 appropriated amounts to fully fund both the Children's Trust and Non-Game Wildlife Funds, eliminating the need to solicit contributions on the income tax form. Later, P.A. 160 of 2005 reinstated the Children's Trust Fund effective TY 2005.
- . The State Campaign Fund checkoff was increased from \$2 to \$3 in 1993.
- . The Military Family relief Fund was started under P.A's 363 and 364 of 2004.
- . The Children of Veterans Tuition Fund was enacted under P.A. 249 of 2005.

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

VII. INTERSTATE COMPARISONS

In 2007, Michigan along with five other states (Colorado, Illinois, Indiana, Massachusetts, and Pennsylvania) had a flat rate income tax. Seven states (Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming) had no state personal income tax. Two states (New Hampshire and Tennessee) taxed only dividend and interest income, and one other state (Rhode Island) taxed a certain percentage of the taxpayer's federal income tax liability. The remaining 34 states had income taxes with graduated rates. A state-by-state comparison of the income tax burden per person and tax revenue as a percent of personal income is shown in Exhibit 18 (see page 30). Exhibits 19 and 20 (see page 31) compare Michigan's income tax to that of other states in the Great Lakes region.

For fiscal year 2007, Michigan ranked fifth lowest in state income taxes as a percent of personal income among the 41 states with a general income tax, with Oregon ranking first. Michigan's income tax as a percent of personal income was 1.88 percent, 0.48 of a percentage point below the U.S. average, and 1.06 of a percentage point below the average of the 41 states with a general income tax. This is a slight increase from the results in 2006, when Michigan's income tax as a percent of personal income was 1.84; however, it is still much smaller than the peak of 2.70 percent registered in 1999. The above calculations use estimates of quarterly state personal income, released by the U.S. Bureau of Economic Analysis on December 18, 2008, and compiled by the Office of Revenue and Tax Analysis for each state's fiscal year. Because personal income does not include capital gains but tax revenues include the tax on realized gains, and capital gains are not uniformly distributed among states, the calculated ratios are skewed.

Michigan ranked fifth lowest in income taxes per person among the 41 states with a general income tax, and Connecticut ranked first. In fiscal year 2007, the average collections of \$641 per person in Michigan were still considerably lower than the average of \$750 in fiscal year 1999, when the tax rate was 4.4 percent. National average income tax collections per person were \$883, and for the 41 states with an income tax, average income tax collections per person were \$1,106. (For Michigan income tax rates from 1968 to present, see Exhibit 36 on page 59.) Over the FY 1994 - 2007 period, the income tax burden in Michigan has been declining relative to that in other states. In fiscal year 1994, Michigan ranked 11th highest in per capita income taxes and 14th highest in income taxes as a percent of personal income. For fiscal year 2007, Michigan ranked 37th highest in both categories.

Exhibit 18
State Individual Income Taxes for FY 2007
Per Person and Percentage of Personal Income

<u>State</u>	<u>Per Person Individual Income Taxes</u>	<u>Rank</u>	<u>Income Taxes as a Percent of Personal Income</u>	<u>Rank</u>
Alabama	\$653	36	2.04%	35
Alaska	No Tax	N/A	No Tax	N/A
Arizona	503	39	1.56%	40
Arkansas	766	29	2.63%	23
California	1,466	5	3.60%	4
Colorado	990	16	2.48%	29
Connecticut	1,815	1	3.40%	7
Delaware	1,190	10	3.02%	14
Florida	No Tax	N/A	No Tax	N/A
Georgia	924	23	2.83%	15
Hawaii	1,222	9	3.20%	11
Idaho	940	20	3.05%	13
Illinois	734	33	1.85%	38
Indiana	728	34	2.24%	32
Iowa	894	24	2.66%	21
Kansas	988	17	2.79%	17
Kentucky	718	35	2.39%	31
Louisiana	735	32	2.20%	33
Maine	1,033	14	3.12%	12
Maryland	1,189	11	2.62%	25
Massachusetts	1,762	3	3.71%	3
Michigan	641	37	1.88%	37
Minnesota	1,395	6	3.50%	6
Mississippi	480	41	1.74%	39
Missouri	822	27	2.49%	28
Montana	871	26	2.72%	19
Nebraska	933	22	2.67%	20
Nevada	No Tax	N/A	No Tax	N/A
New Hampshire	82	42	0.20%	42
New Jersey	1,334	7	2.77%	18
New Mexico	585	38	1.96%	36
New York	1,780	2	4.01%	2
North Carolina	1,171	12	3.58%	5
North Dakota	497	40	1.46%	41
Ohio	874	25	2.59%	26
Oklahoma	946	19	2.82%	16
Oregon	1,498	4	4.39%	1
Pennsylvania	790	28	2.09%	34
Rhode Island	1,031	15	2.64%	22
South Carolina	735	31	2.43%	30
South Dakota	No Tax	N/A	No Tax	N/A
Tennessee	36	43	0.11%	43
Texas	No Tax	N/A	No Tax	N/A
Utah	960	18	3.29%	8
Vermont	936	21	2.58%	27
Virginia	1,330	8	3.27%	9
Washington	No Tax	N/A	No Tax	N/A
West Virginia	752	30	2.63%	24
Wisconsin	1,131	13	3.20%	10
Wyoming	No Tax	N/A	No Tax	N/A
U.S. Average	\$883		2.36%	
U.S. Average for States With a General Income Tax	\$1,106		2.94%	

Sources: Census Bureau and Bureau of Economic Analysis, U.S. Department of Commerce.

Exhibit 19
State Income Taxes Per Person
Great Lakes Region – FY 2007

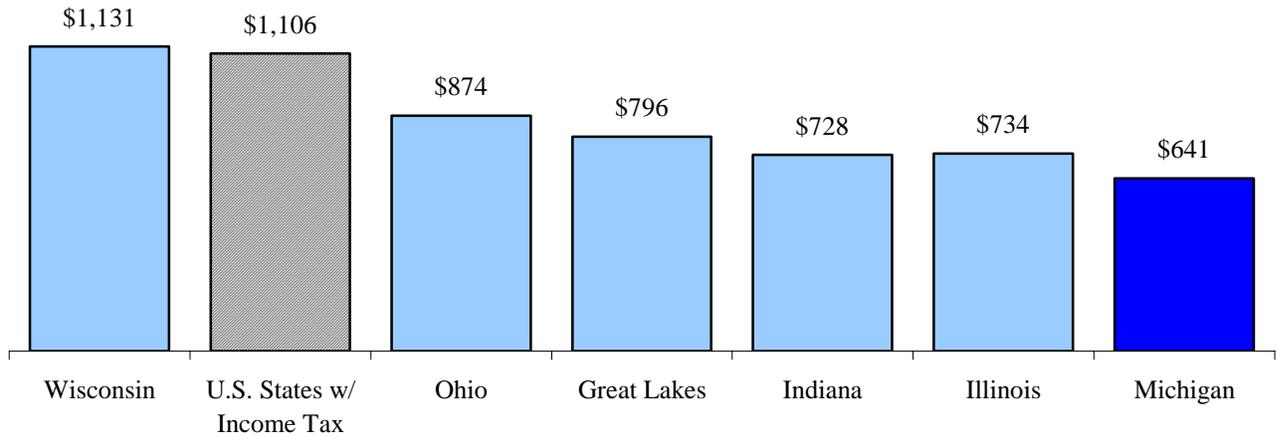
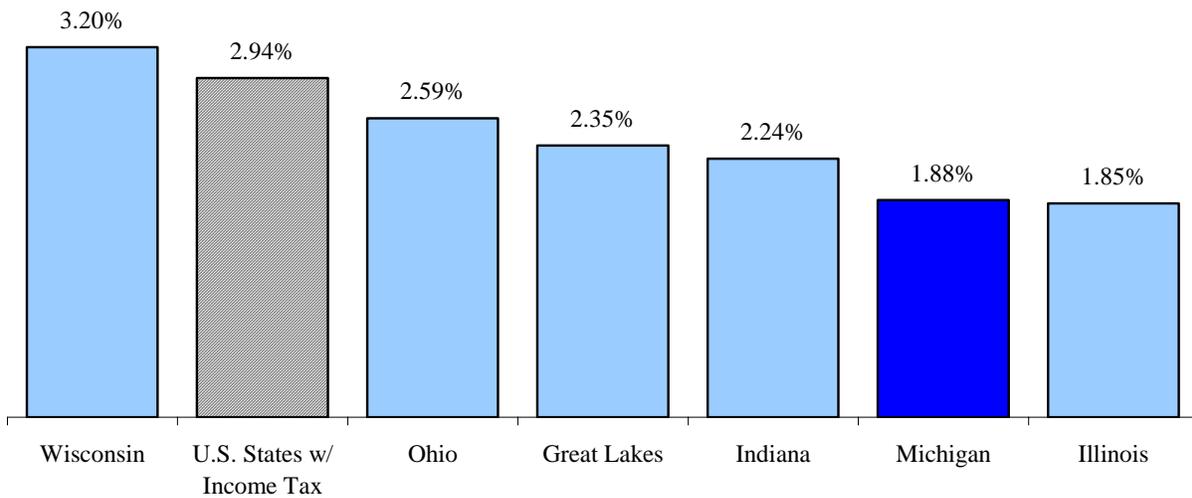


Exhibit 20
State Income Taxes
Percentage of Personal Income
Great Lakes Region – FY 2007



VIII. GEOGRAPHIC PATTERN OF TAX AND CREDITS

Exhibit 32 (see pages 53 and 54) reports the distribution of income tax collections and property tax and home heating credits. Since farms receive special treatment for the homestead property tax credit and the separate farmland credit, rural counties benefit substantially from these programs.

Exhibit 33 (see pages 55 and 56) provides a ranking by county of average AGI, average income tax before and after credits, credits as a percentage of income tax before credits, ratio of property tax credits to returns filed, and average property tax credit. A summary of Exhibit 33 is provided below.

Exhibits 34 and 35 (see pages 57 and 58) compare the average AGI and property tax credit for each Michigan county.

County-level statistics are compiled using the zip code provided on each tax return. Adjustments were made to the zip code database in 1999 to more accurately identify the county of residence. While the change is relatively small in magnitude, the reader should exercise caution when comparing the information in this report to similar statistics contained in reports from prior years.

Personal Income Tax County Data Summary

	<u>State Average</u>	<u>Highest County</u>	<u>Lowest County</u>
Average AGI	\$65,192	\$76,656 Oakland	\$30,454 Lake
Average Income Tax Before Credits	\$1,517	\$2,492 Oakland	\$687 Lake
Average Income Tax After Credits	\$1,273	\$2,212 Oakland	\$495 Lake
Income Tax Credits as a Percent of Tax Before Credits	16.1%	47.6% Huron	8.2% Keweenaw
Ratio of Property Tax Credits to 1040s Filed	34.7%	45.5% Wayne	14.7% Keweenaw
Average Property Tax Credit	\$588	\$1,242 Huron	\$267 Luce

Note: Property tax credits include farmland preservation credits.

IX. FEDERAL INCOME TAX INTERACTION

The starting point for calculating the Michigan income tax is federal AGI. Thus, Michigan income tax revenues can be influenced by changes in federal tax law that modify the calculation of AGI. For example, a change in federal tax law requiring self-employed individuals and rental property owners to depreciate their assets over a longer time period would expand the Michigan tax base and increase tax revenues. Conversely, a change in federal tax law increasing the amount a taxpayer can contribute each year to a tax-deferred retirement account would reduce the Michigan tax base, thus lowering revenues.

The Michigan income tax base increased due to significant changes in federal tax law contained in the Tax Reform Act of 1986 (TRA-86). Almost all of the changes to federal law during the 1990s caused AGI to become narrower, thus reducing the Michigan tax base. The changes in the 1990s pale, however, in comparison to the scope of the expansions brought about by TRA-86. Changes observed since 2000 in the federal tax law have been numerous and significant. While they continued the 1990s trend to narrow the AGI (like increases in deduction limits, and temporarily generous depreciation allowances), the most significant federal tax changes have provided sizable federal tax relief mainly via targeted new credits and lower tax rates (and brackets). Those mechanisms, however, have no direct effect on the calculation of the federal AGI, and therefore, the Michigan income tax base.

Changes in AGI at the federal level can be offset or reinforced at the state level. Expansions in the tax base can be offset with tax cuts. In response to TRA-86, the Michigan personal exemption was increased steadily from \$1,500 in 1986 to \$2,100 for 1990, and the Michigan special exemptions for senior citizens, blind, disabled persons, and those taxpayers with 50 percent or more of their AGI attributable to unemployment compensation were created in 1987. For 2007, the Michigan personal exemption was \$3,400, and Michigan special exemptions were \$2,200.

Summary of Federal Tax Law Changes Passed Before 2009

Significant federal tax law changes affecting Michigan's tax base are discussed below. The changes are grouped based on when they first became effective. For changes prior to 2007, see Appendix A on page 60.

2007

Prior to 2007, the maximum allowed for the small businesses expensing deduction was \$100,000 in annual investment expenditures for qualifying property (which did not include off-the-shelf computer software expenses). This maximum amount that could be expensed was reduced by the amount by which the taxpayer's cost of qualifying property exceeded \$400,000. New legislation increased the deduction and annual investment limit to \$125,000 and \$500,000, respectively, included off-the-shelf computer software expenses, and indexed both limits for inflation.

The Mortgage Forgiveness Debt Relief Act of 2007 expanded the types of qualified discharges of indebtedness excluded from gross income to include up to \$2 million (\$1 million per spouse, if married filing separately) of qualified principal residence indebtedness discharged on 2007 through 2012 (extended year).

Eligible taxpayers are allowed an annual exclusion from gross income for up to \$3,000 in otherwise taxable distributions from eligible retirement plan of a qualified public safety officer for the payment of qualified health insurance premiums made directly to the insurer starting in 2007. Eligible retirement plan refers to a tax-sheltered annuity, an eligible deferred compensation plan maintained by a state or local government, or an IRA.

Various provisions set to expire were made permanent or extended: permanent higher dollar amount for IRA contributions (\$4,000 starting in 2007, \$5,000 in 2008, inflation adjusted thereafter); permanent higher dollar limits on defined contribution plans (\$44,000 in 2007), elective deferrals (including \$15,000 in 2007 for 401(k) plan deferrals, 457 plan deferrals (\$15,000 in 2007), SIMPLE plan contributions (\$10,000 in 2007) and compensation that may be taken into account under a plan; permanent catch-up contributions for older workers (\$1,000 after 2005 for IRAs, \$2,500 for SIMPLE plans, \$5,000 for 401(k) plans); permanent Roth 401(k) and 403(b)s; and extension of combat pay, which is otherwise excluded from gross income, to be treated as earned income for purposes of calculating the EITC.

2008

Starting for 2008, taxpayers are allowed to direct rollovers from a qualified retirement plan, tax-sheltered annuity, or governmental plan directly to a Roth IRA, where the rollover is treated as a Roth conversion if all other conversion qualifications (e.g. income below the \$100,000 level before 2010) are met. Prior to the law, taxpayers had first to roll over the amount to a traditional IRA, and then convert the traditional IRA to a Roth.

New legislation increases to \$500,000 the maximum amount of gain a surviving spouse can exclude from tax on the sale or exchange of a principal residence that occurs within two years of death of the spouse. For all other circumstances, the gain amount exclusion remains limited to \$250,000 (\$500,000 if married, filing jointly), provided the taxpayer owned and used the residence as a principal residence for at least two of the five years ending on the date of the sale or exchange.

For tax years beginning in 2008, the small business expenses deduction and annual investment limit increased from \$125,000 and \$500,000 to \$250,000 and \$800,000, respectively, while the first year additional 50 percent depreciation deduction was extended to include certain property acquired and placed in service in calendar year 2008 through 2009.

The above-the-line deductions of up to \$4,000 for qualified higher education expenses, and up to \$250 for qualified out-of-pocket classroom expenses were reinstated for tax years beginning in 2008 and before 2010.

Victims of Midwestern severe storms, tornados and flooding in 2008 (Midwestern disaster area) were allowed: partial expensing for certain demolition and clean-up costs; expensing of certain environmental remediation costs; five-year carryback of certain NOLs; a temporary income exclusion for employer-provided lodging; suspension of limitations on personal casualty losses; exclusion from taxable income of mileage reimbursements received by charitable volunteers; exclusion from taxable income of certain cancellations of indebtedness; and an extended replacement period for non-recognition of gain on principal residences and business properties.

2009 and beyond

Effective in 2009, eligible small businesses may elect to increase the carryback period for applicable NOLs from two years to five years, while the percentage of exclusion from tax for capital gains realized on the sale of certain small business stock held for more than five years increases from 50 to 75 percent for stock issues after February 17, 2009 through 2010.

Starting in 2009, the gain realized from the sale or exchange of a principal residence allocated to periods of nonqualified use of the property (period during which the property was not used by the taxpayer as a principal residence) can no longer be excluded from gross income.

Starting tax year beginning in 2010, farming losses as a reduction to income of a taxpayer (other than a C corporation) receiving qualified subsidies will be limited to the greater of \$300,000 or the taxpayer's total net farm income from the prior five taxable years. Losses resulted from disease or drought, or from a fire, storm or other casualty, though, are disregarded for purposes of calculating the limitation.

X. MICHIGAN PUBLIC ACTS – INCOME TAX

For changes prior to 2007, see Appendix A on page 69.

2007

Public Act 94 amended the Income Tax Act, modifying the tax rate and establishing a new exemption for qualified disabled veterans. The income tax rate increased to 4.35 percent effective October 1, 2007. Beginning October 1, 2011, and each October 1 thereafter, the income tax rate is reduced by 0.1 percentage point annually until the rate is 3.95 percent. On October 1, 2015, the rate declines to 3.9 percent. Effective tax year 2008, a qualified disabled veteran, or the veteran's dependent who files an annual income tax return, but not both, may claim an additional exemption equal to \$250, adjusted annually according to changes in the US consumer price index.

Public Act 133 amended the Income Tax Act, establishing four new checkoffs on the income tax return effective tax year 2008. Taxpayers will be allowed to contribute \$5, \$10, or more to the Prostate Cancer Research Fund; Amanda's Fund (for breast cancer prevention and treatment); the Animal Welfare Fund; and the Michigan Housing and Community Development fund. Taxpayers' contributions to those funds decrease their refunds or increase their tax liability, and Treasury may cease to include a contribution designation on the income tax form if that contribution designation fails to raise \$100,000 in any tax year for 2 consecutive tax years. Moreover, starting on tax year 2010, both the Children of Veteran Tuition Grant Program and the Children's Trust Fund contribution designation will follow the same guidelines regarding contribution amount and availability in the form as prescribed to the newly enacted checkoffs.

Public Act 154 amended the Income Tax Act, allowing qualified contributions to a newly created Michigan broker-assisted 529 education savings plan to also be deducted from the taxpayers' gross income, as contributions to the existing Michigan Education Trust (MET) and Michigan Education Savings Program (MESP) currently are.

2008

Public Act 79 amended the Income Tax Act to allow a qualified production company eligible to claim a Michigan Business Tax (MBT) Film Production credit to claim instead, a nonrefundable income tax credit in the same amount as the MBT credit. Like the MBT credit, the income tax credit is reduced by an application and redemption fee equal to 0.5 percent of the credit, which will be deposited in the Michigan Film Promotion Fund.

Public Act 149 amended the Income Tax Act by imposing to the Military Family Relief Fund the same guidelines that govern the newly created checkoffs on P.A. 133 of 2007, resulting in new contribution amounts requirement (\$5, \$10 or more) and a new requirement regarding the availability of the contribution designation on the income tax form effective tax year 2010.

Public Act 151 amended the Income Tax Act by creating a new checkoff on the income tax return for the Michigan Law Enforcement Memorial Monument Fund. Contributions to this fund will be used to finance the construction of a memorial monument dedicated to law enforcement officers from Michigan who died in the line of duty.

Public Act 207 amended the Income Tax Act to allow not only cash donations but also the value of food items donated to qualified entities for the homeless shelter/food bank contribution credit if the food items are donated in conjunction with a program where the food vendor makes matching contributions of similar items to the qualified entity, effective tax year 2008.

Public Act 287 amended the Income Tax Act to establish two new credits: 1) a new refundable credit, effective for tax years 2009 through 2011, equal to 10 percent of the amount spent on the purchase and installation of qualified home improvements located on the eligible taxpayer's principal residence that meet Energy Star energy efficiency guidelines, subject to a maximum of \$75 (single, MFS) or \$150 (MFJ) (eligible taxpayers refers to those with AGI up to \$37,500 (single, MFS) or \$75,000 (MFJ)); and 2) a new nonrefundable credit, effective for tax years 2009 through 2011, equal to a percentage of the additional utility charges paid that were imposed so that electric utilities would meet newly enacted renewable energy standards (the credit is restricted to eligible taxpayers with AGI up to \$65,000 (single, MFS), or \$130,000 (MFJ)).

Public Act 322 amended the Income Tax Act to create a new checkoff on the income tax form, starting in tax year 2009, with the proceeds to go to the Renewable Fuels Fund. Contributions to this fund will be used to promote the production and use of alternative fuels, award grants to improve the production of alternative fuels in Michigan, encourage the development of quality standards for renewable fuels, provide incentives to retailers who sell renewable fuels, or promote the sale of vehicles that run on renewable fuels.

Public Act 360 amended the Income Tax Act to allow business entities to redirect state income tax withholdings from the State to certain community colleges, where those payments, pursuant to an agreement under Chapter 13 of the Community College Act, are to be considered as income taxes paid to the State. Agreements establish that redirected state income tax withholdings are to be used as payments for employee training provided by community colleges to eligible employers. The community college districts are to provide information on those agreements to the Department of Treasury, which in turn must submit an annual report containing information on the operation and effectiveness of the new jobs training programs and the corresponding income tax withholding requirements.

Public Act 447 amended the Income Tax Act to modify the Historic Preservation credit structure. Among other things, starting in tax year 2009, qualified taxpayers may transfer the credit, and the ownership of the rehabilitated property to a new owner, and may receive refund up to 90 percent the credit amount exceeds tax liability if the total credit certified amount is less than \$250,000.

Public Acts 526, 558, and 560 amended the Income Tax Act by allowing taxpayers to contribute towards the Foster Care Trust Fund, the Children's Miracle Network Fund, and the Michigan Council for the Arts Fund, Children's Hospital of Michigan Fund, and United Way Fund, respectively, via checkoffs on the income tax form, starting in tax year 2009.

XI. EXHIBITS 21 THROUGH 36

Exhibit 21
Effective Rate of the Michigan Individual Income Tax, 2007

<u>Adjusted Gross Income Group</u>	<u>Number of Returns Filed⁽¹⁾</u>	<u>Adjusted Gross Income</u>	<u>Effective Personal Exemptions⁽²⁾</u>	<u>Claimed Exemptions</u>	<u>Subtractions Minus Additions</u>	<u>Total Credits⁽³⁾</u>	<u>Effective Tax</u>	<u>Effective Tax as a % of Income</u>
Less than \$1 ⁽⁴⁾	254,031	(\$3,310,712,814)		99,377	(\$1,676,693,454)	\$107,965,210	(\$105,134,758)	
\$ 1 - 2,000	165,671	168,426,870	21,925	126,086	40,902,314	39,585,870	(39,122,686)	-23.2%
2,001 - 4,000	187,029	562,021,921	65,623	141,193	91,293,976	32,641,128	(27,163,269)	-4.8%
4,001 - 6,000	178,734	891,834,721	91,234	165,825	155,822,975	36,325,809	(24,050,481)	-2.7%
6,001 - 8,000	169,176	1,183,722,194	112,870	189,636	244,793,646	40,921,152	(23,470,695)	-2.0%
8,001 - 10,000	164,320	1,474,832,878	141,862	217,884	317,391,651	46,577,208	(24,526,315)	-1.7%
10,001 - 12,000	157,773	1,736,792,012	160,650	237,471	413,392,831	47,014,236	(21,077,059)	-1.2%
12,001 - 14,000	152,574	1,981,254,893	180,266	248,502	449,913,283	45,916,742	(14,357,472)	-0.7%
14,001 - 16,000	144,944	2,173,114,596	182,228	243,333	505,832,242	42,935,777	(5,997,754)	-0.3%
16,001 - 18,000	133,910	2,274,999,038	176,240	231,012	520,469,399	38,072,886	3,588,196	0.2%
18,001 - 20,000	123,967	2,353,871,020	172,390	219,397	502,636,320	33,986,438	12,545,229	0.5%
20,001 - 22,000	117,015	2,455,739,735	172,342	211,811	484,353,612	31,492,688	20,200,633	0.8%
22,001 - 24,000	110,452	2,539,733,874	170,027	203,382	474,835,769	29,208,684	26,856,372	1.1%
24,001 - 26,000	106,116	2,652,783,088	168,484	198,110	481,338,658	27,750,813	32,955,095	1.2%
26,001 - 28,000	102,067	2,755,164,251	164,807	193,366	504,118,435	26,685,660	37,891,481	1.4%
28,001 - 30,000	98,354	2,851,626,626	161,483	187,593	527,744,970	25,433,165	42,649,152	1.5%
30,001 - 35,000	224,097	7,272,158,286	377,585	434,486	1,361,955,947	56,653,293	121,963,373	1.7%
35,001 - 40,000	199,898	7,485,478,598	347,221	397,081	1,478,599,647	50,018,708	137,578,268	1.8%
40,001 - 45,000	176,435	7,489,572,515	329,550	365,227	1,381,549,616	44,078,054	150,538,479	2.0%
45,001 - 50,000	160,322	7,611,518,779	316,710	346,236	1,376,456,191	40,092,848	161,687,192	2.1%
Over 50,000	<u>1,622,744</u>	<u>242,717,368,597</u>	<u>4,072,235</u>	<u>4,360,049</u>	<u>87,459,713,180</u>	<u>236,569,534</u>	<u>5,374,669,502</u>	2.2%
Totals	4,749,629	\$297,321,301,678	7,585,732	9,017,057	\$97,096,421,208	\$1,079,925,902	\$5,838,222,483	2.0%

⁽¹⁾Includes 188,957 credit-only returns.

⁽²⁾Since the value of some taxpayers' exemptions exceed their income, "effective exemptions" are defined as those personal exemptions that offset income.

⁽³⁾Does not include Farmland Preservation Credit, Adoption Tax Credit, Tribal Credit, or Stillbirth Credit.

⁽⁴⁾The less than \$1 category includes tax returns reporting a negative AGI.

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 22
Breakdown of Upper Income Filers
Individual Income Tax, 2007

<u>Adjusted Gross Income Group</u>	<u>Number of Returns Filed</u>	<u>Adjusted Gross Income</u>	<u>Effective Personal Exemptions⁽¹⁾</u>	<u>Claimed Exemptions</u>	<u>Subtractions Minus Additions</u>	<u>Total Credits⁽²⁾</u>	<u>Effective Tax</u>	<u>Effective Tax as a % of Income</u>
\$50,001 - 55,000	148,710	\$7,802,024,374	307,617	335,695	\$1,435,532,398	\$36,313,677	\$172,165,421	2.2%
55,001 - 60,000	137,638	7,911,042,914	300,153	323,202	1,422,418,302	32,581,213	182,013,537	2.3%
60,001 - 65,000	128,623	8,036,369,758	293,431	312,896	1,407,161,777	29,485,121	191,902,523	2.4%
65,001 - 70,000	120,931	8,158,783,615	285,770	303,515	1,399,812,753	27,130,513	200,667,985	2.5%
70,001 - 75,000	110,758	8,026,458,693	269,010	285,499	1,359,794,342	23,476,958	203,172,534	2.5%
75,001 - 80,000	100,871	7,813,254,349	249,959	265,823	1,350,800,055	14,611,412	206,729,738	2.6%
80,001 - 85,000	91,259	7,524,576,530	232,900	246,466	1,259,593,044	6,339,243	209,714,548	2.8%
85,001 - 90,000	81,735	7,148,035,744	215,062	226,171	1,140,039,998	3,752,296	204,766,079	2.9%
90,001 - 95,000	73,364	6,783,321,362	196,908	206,449	1,062,673,887	3,505,484	196,249,791	2.9%
95,001 - 100,000	66,062	6,438,749,154	180,382	189,450	967,484,819	3,445,364	188,885,210	2.9%
100,001 - 110,000	109,198	11,440,508,439	303,673	317,705	1,659,825,314	6,031,841	340,643,219	3.0%
110,001 - 120,000	82,817	9,506,149,840	233,184	243,108	1,353,666,351	4,857,409	287,116,847	3.0%
120,001 - 130,000	62,020	7,737,076,654	175,445	182,360	1,091,016,747	4,105,947	236,089,092	3.1%
130,001 - 140,000	49,238	6,636,100,950	141,011	146,481	908,722,499	3,545,891	205,025,702	3.1%
140,001 - 150,000	38,669	5,600,039,863	111,367	116,011	761,838,348	2,984,246	174,352,765	3.1%
150,001 - 160,000	29,449	4,555,343,416	83,151	87,340	641,727,416	2,485,485	141,969,474	3.1%
160,001 - 170,000	23,833	3,927,829,826	68,307	71,599	543,179,157	2,150,985	123,322,976	3.1%
170,001 - 180,000	19,309	3,375,719,602	54,842	58,226	478,760,533	1,673,558	106,251,335	3.1%
180,001 - 190,000	15,748	2,910,618,994	44,028	46,809	424,196,552	1,498,731	91,561,711	3.1%
190,001 - 200,000	13,129	2,557,863,927	36,169	39,043	378,684,052	1,442,832	80,480,071	3.1%
200,001 - 300,000	61,020	14,603,714,885	164,968	182,206	2,251,207,410	7,545,369	462,757,523	3.2%
300,001 - 400,000	20,965	7,193,374,012	54,266	63,471	1,187,154,501	3,518,108	229,070,464	3.2%
400,001 - 500,000	10,546	4,696,961,318	25,875	31,768	875,153,392	2,331,340	146,983,419	3.1%
500,001 - 750,000	11,394	6,872,637,717	22,700	34,266	1,487,677,971	2,954,599	209,522,489	3.0%
750,001 - 1,000,000	4,674	4,023,712,993	5,640	13,924	1,124,983,560	1,649,209	113,729,103	2.8%
Over \$1,000,000	10,784	71,437,099,668	16,420	30,566	59,486,608,002	7,152,703	469,525,946	0.7%
Totals for AGI over \$50,000	1,622,744	\$242,717,368,597	4,072,235	4,360,049	\$87,459,713,180	\$236,569,534	\$5,374,669,502	2.2%

⁽¹⁾Since the value of some taxpayers' exemptions exceed their income, "effective exemptions" are defined as those exemptions that offset income.

⁽²⁾Does not include Farmland Preservation Credits.

Exhibit 23
Tax Base Deductions as a Percentage of AGI
Individual Income Tax, 2007

Adjusted Gross Income Group	Total Effective Exemptions	Subtractions Minus Additions	Nonrefundable Credits⁽¹⁾	Property Tax Credits	Home Heating Credits
Less than \$1					
\$ 1 - 2,000	68.9%	24.3%	0.0%	491.2%	94.9%
2,001 - 4,000	59.5%	16.2%	0.3%	120.7%	23.9%
4,001 - 6,000	48.2%	17.5%	1.0%	86.0%	14.6%
6,001 - 8,000	42.6%	20.7%	1.2%	74.3%	10.8%
8,001 - 10,000	41.2%	21.5%	1.3%	68.7%	8.8%
10,001 - 12,000	39.0%	23.8%	1.1%	60.0%	6.3%
12,001 - 14,000	37.6%	22.7%	1.3%	52.0%	4.4%
14,001 - 16,000	34.3%	23.3%	1.3%	45.3%	2.7%
16,001 - 18,000	31.5%	22.9%	1.3%	38.8%	1.5%
18,001 - 20,000	29.3%	21.4%	1.4%	33.8%	0.9%
20,001 - 22,000	27.8%	19.7%	1.4%	30.1%	0.5%
22,001 - 24,000	26.3%	18.7%	1.4%	27.0%	0.3%
24,001 - 26,000	24.8%	18.1%	1.3%	24.6%	0.2%
26,001 - 28,000	23.3%	18.3%	1.3%	22.7%	0.1%
28,001 - 30,000	22.0%	18.5%	1.3%	20.9%	0.1%
30,001 - 35,000	20.0%	18.7%	1.2%	18.2%	0.0%
35,001 - 40,000	17.7%	19.8%	1.2%	15.5%	0.0%
40,001 - 45,000	16.8%	18.4%	1.2%	13.5%	0.0%
45,001 - 50,000	15.8%	18.1%	1.2%	12.0%	0.0%
50,001 - 55,000	15.0%	18.4%	1.1%	10.5%	0.0%
55,001 - 60,000	14.4%	18.0%	1.1%	9.1%	0.0%
60,001 - 65,000	13.8%	17.5%	1.1%	8.0%	0.0%
65,001 - 70,000	13.2%	17.2%	1.2%	7.1%	0.0%
70,001 - 75,000	12.6%	16.9%	1.2%	6.1%	0.0%
75,001 - 80,000	12.1%	17.3%	1.2%	3.5%	0.0%

Exhibit 23 (cont.)

Adjusted Gross Income Group	Total Effective Exemptions	Subtractions Minus Additions	Nonrefundable Credits⁽¹⁾	Property Tax Credits	Home Heating Credits
80,001 - 85,000	11.7%	16.7%	1.2%	0.9%	0.0%
85,001 - 90,000	11.3%	15.9%	1.2%	0.1%	0.0%
90,001 - 95,000	10.9%	15.7%	1.2%	0.1%	0.0%
95,001 - 100,000	10.5%	15.0%	1.3%	0.0%	0.0%
100,001 - 110,000	9.9%	14.5%	1.3%	0.0%	0.0%
110,001 - 120,000	9.2%	14.2%	1.2%	0.0%	0.0%
120,001 - 130,000	8.5%	14.1%	1.3%	0.0%	0.0%
130,001 - 140,000	7.9%	13.7%	1.3%	0.0%	0.0%
140,001 - 150,000	7.4%	13.6%	1.3%	0.0%	0.0%
150,001 - 160,000	6.8%	14.1%	1.3%	0.0%	0.0%
160,001 - 170,000	6.5%	13.8%	1.3%	0.0%	0.0%
170,001 - 180,000	6.1%	14.2%	1.2%	0.0%	0.0%
180,001 - 190,000	5.7%	14.6%	1.3%	0.0%	0.0%
190,001 - 200,000	5.3%	14.8%	1.4%	0.0%	0.0%
200,001 - 300,000	4.3%	15.4%	1.3%	0.0%	0.0%
300,001 - 400,000	2.9%	16.5%	1.2%	0.0%	0.0%
400,001 - 500,000	2.1%	18.6%	1.2%	0.0%	0.0%
500,001 - 750,000	1.3%	21.6%	1.1%	0.0%	0.0%
750,001 - 1,000,000	0.5%	28.0%	1.0%	0.0%	0.0%
Over \$1,000,000	0.1%	83.3%	0.2%	0.0%	0.0%
Overall Percent	9.3%	32.7%	1.0%	7.5%	0.5%

⁽¹⁾Nonrefundable credits, home heating credits, and property tax credits are divided by the tax rate (4.01%) to determine the equivalent income tax deduction. Nonrefundable credits for 2007 are: the city income tax credit, the public contribution credit, the homeless shelter/food bank contribution credit, the community foundation credit, the other state tax credit, the tuition tax credit, the Michigan historic preservation credit, and the vehicle donation credit.

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 24
Distribution of Personal Exemptions
Claimed on 2007 Individual Income Tax Returns⁽¹⁾

Adjusted Gross Income Group	Exemptions Claimed							Total Returns	Total Exemptions⁽²⁾
	Zero	One	Two	Three	Four	Five	Six or More		
Zero Income	5,019	37,168	14,933	3,222	2,605	1,316	811	65,074	99,377
\$ 1 - 2,000	71,416	72,471	15,541	3,875	1,544	518	306	165,671	126,086
2,001 - 4,000	87,341	72,162	18,331	6,096	2,076	692	331	187,029	141,193
4,001 - 6,000	65,825	78,331	22,350	8,277	2,648	875	428	178,734	165,825
6,001 - 8,000	45,024	81,892	26,792	10,399	3,402	1,157	510	169,176	189,636
8,001 - 10,000	30,035	80,466	33,950	13,413	4,321	1,475	660	164,320	217,884
10,001 - 12,000	20,317	78,643	31,675	18,160	5,836	2,170	972	157,773	237,471
12,001 - 14,000	13,435	76,796	32,605	19,083	6,742	2,556	1,357	152,574	248,502
14,001 - 16,000	8,488	74,517	34,201	17,158	6,664	2,564	1,352	144,944	243,333
16,001 - 18,000	5,634	68,765	33,724	15,050	6,746	2,636	1,355	133,910	231,012
18,001 - 20,000	3,626	63,316	32,311	14,060	6,647	2,679	1,328	123,967	219,397
20,001 - 22,000	2,411	59,523	30,516	13,774	6,691	2,765	1,335	117,015	211,811
22,001 - 24,000	1,648	56,168	28,697	12,881	6,845	2,847	1,366	110,452	203,382
24,001 - 26,000	1,195	53,565	27,726	12,632	6,703	2,840	1,455	106,116	198,110
26,001 - 28,000	797	50,945	27,281	11,787	6,757	3,015	1,485	102,067	193,366
28,001 - 30,000	590	48,851	26,717	11,105	6,556	2,988	1,547	98,354	187,593
30,001 - 35,000	910	109,605	62,263	24,138	15,930	7,268	3,983	224,097	434,486
35,001 - 40,000	534	93,316	59,067	20,846	15,278	7,009	3,848	199,898	397,081
40,001 - 45,000	296	76,848	53,514	19,645	15,518	6,977	3,637	176,435	365,227
45,001 - 50,000	185	63,847	50,540	19,206	15,975	7,096	3,473	160,322	346,236
50,001 - 55,000	164	52,996	49,103	18,783	16,956	7,318	3,390	148,710	335,695
55,001 - 60,000	112	43,611	47,533	18,273	17,569	7,175	3,365	137,638	323,202
60,001 - 65,000	79	36,072	45,857	18,211	17,811	7,459	3,134	128,623	312,896
65,001 - 70,000	74	29,702	44,689	17,853	18,285	7,280	3,048	120,931	303,515
70,001 - 75,000	46	24,098	41,815	16,954	17,936	7,099	2,810	110,758	285,499
75,001 - 80,000	48	19,274	39,178	15,686	17,416	6,706	2,563	100,871	265,823

Exhibit 24 (cont.)

Adjusted Gross Income Group	Exemptions Claimed							Total Returns	Total Exemptions⁽²⁾
	<u>Zero</u>	<u>One</u>	<u>Two</u>	<u>Three</u>	<u>Four</u>	<u>Five</u>	<u>Six or More</u>		
80,001 - 85,000	30	15,171	35,714	14,933	16,669	6,401	2,341	91,259	246,466
85,001 - 90,000	23	12,041	31,829	13,653	15,952	5,977	2,260	81,735	226,171
90,001 - 95,000	35	9,860	28,437	12,285	14,903	5,830	2,014	73,364	206,449
95,001 - 100,000	31	7,941	25,094	11,674	14,067	5,377	1,878	66,062	189,450
100,001 - 110,000	69	11,761	41,533	19,290	24,081	9,282	3,182	109,198	317,705
110,001 - 120,000	43	8,089	31,892	14,421	18,752	7,188	2,432	82,817	243,108
120,001 - 130,000	22	5,793	24,192	10,726	14,034	5,451	1,802	62,020	182,360
130,001 - 140,000	30	4,223	18,939	8,632	11,486	4,478	1,450	49,238	146,481
140,001 - 150,000	22	3,161	14,835	6,768	8,943	3,738	1,202	38,669	116,011
150,001 - 160,000	21	2,457	11,588	5,075	6,754	2,706	848	29,449	87,340
160,001 - 170,000	18	2,009	8,979	4,139	5,691	2,264	733	23,833	71,599
170,001 - 180,000	13	1,593	7,282	3,333	4,620	1,843	625	19,309	58,226
180,001 - 190,000	13	1,370	6,138	2,630	3,672	1,445	480	15,748	46,809
190,001 - 200,000	16	1,176	5,109	2,108	3,061	1,266	393	13,129	39,043
200,001 - 300,000	53	5,735	23,601	9,512	13,952	6,122	2,045	61,020	182,206
300,001 - 400,000	32	2,114	7,977	3,001	4,601	2,342	898	20,965	63,471
400,001 - 500,000	18	1,133	4,005	1,469	2,255	1,232	434	10,546	31,768
500,001 - 750,000	27	1,226	4,437	1,495	2,384	1,315	510	11,394	34,266
750,001 - 1,000,000	9	535	1,839	618	932	529	212	4,674	13,924
Over \$1,000,000	<u>39</u>	<u>1,548</u>	<u>4,499</u>	<u>1,285</u>	<u>1,840</u>	<u>1,103</u>	<u>470</u>	<u>10,784</u>	<u>30,566</u>
Totals	365,813	1,701,884	1,268,828	527,614	440,106	180,369	76,058	4,560,672	9,017,057

⁽¹⁾ Values in this table are based on 4,560,672 MI-1040 tax returns on file.

⁽²⁾ Total exemptions calculation assumes 7 exemptions for each return listing 6 or more exemptions.

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 25
Distribution of Special Exemptions and Child Deductions
Claimed on 2007 Individual Income Tax Returns⁽¹⁾

Adjusted Gross Income Group	Age Exemptions	Deaf/ Blind/Disabled Exemptions	Unemployed Exemptions	Child 18 and Under Exemptions	Claimed as Dependent Exemptions	Total
Zero Income	24,479	9,880	1,082	16,915	4,286	56,642
\$ 1 - 2,000	39,337	13,596	1,181	17,744	72,376	144,234
2,001 - 4,000	31,206	7,632	2,306	27,414	87,911	156,469
4,001 - 6,000	33,924	7,150	2,989	35,544	66,195	145,802
6,001 - 8,000	38,429	7,347	2,893	44,515	45,218	138,402
8,001 - 10,000	40,967	7,384	2,854	57,419	30,139	138,763
10,001 - 12,000	45,553	6,984	2,467	68,528	20,397	143,929
12,001 - 14,000	44,601	6,136	2,114	74,489	13,470	140,810
14,001 - 16,000	44,275	5,848	1,867	69,728	8,523	130,241
16,001 - 18,000	41,127	5,341	1,502	64,263	5,640	117,873
18,001 - 20,000	35,705	4,668	1,045	61,193	3,626	106,237
20,001 - 22,000	30,949	4,472	462	59,708	2,403	97,994
22,001 - 24,000	26,945	4,033	296	57,996	1,647	90,917
24,001 - 26,000	25,123	3,737	200	56,531	1,191	86,782
26,001 - 28,000	23,665	3,516	134	54,887	792	82,994
28,001 - 30,000	22,709	3,203	97	52,269	599	78,877
30,001 - 35,000	49,856	7,150	204	118,057	917	176,184
35,001 - 40,000	42,094	6,173	106	103,556	541	152,470
40,001 - 45,000	35,823	5,347	52	96,105	306	137,633
45,001 - 50,000	32,720	4,618	28	92,686	193	130,245
50,001 - 55,000	30,962	4,392	11	91,070	180	126,615
55,001 - 60,000	28,674	4,096	13	88,787	116	121,686
60,001 - 65,000	26,046	3,855	5	86,789	85	116,780
65,001 - 70,000	24,905	3,540	7	84,177	74	112,703
70,001 - 75,000	23,253	3,172	5	79,718	48	106,196
75,001 - 80,000	21,984	2,699	10	73,908	60	98,661
80,001 - 85,000	19,764	2,429	4	68,860	44	91,101
85,001 - 90,000	17,168	2,089	5	63,941	36	83,239
90,001 - 95,000	15,498	1,722	5	58,603	37	75,865
95,001 - 100,000	13,298	1,453	0	53,816	33	68,600
Over \$100,000	126,935	9,098	29	475,919	472	612,453
Totals	1,057,974	162,760	23,973	2,455,135	367,555	4,067,397

⁽¹⁾ Values in this table are based on 4,560,672 MI-1040 tax returns on file.

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 26
Four-Year Comparison of Individual Income Tax Credits
 (Number and Amount in Thousands)

	2004			2005			2006			2007		
	Number	Amount	Average									
Property Tax Credits												
General	983.4	\$441,451.7	\$448.90	1,002.3	\$466,036.9	\$464.95	1,022.8	\$495,083.6	\$484.04	1,053.4	\$522,632.5	\$496.14
Senior Citizen ⁽¹⁾												
Total	418.2	304,368.7	727.78	416.4	306,092.4	735.10	415.3	308,300.2	742.41	429.5	321,563.9	748.76
Low Income Rent	10.6	3,527.5	331.60	10.0	3,251.3	325.78	9.3	3,017.5	325.02	9.4	2,976.4	315.96
Veteran	9.3	1,183.0	126.69	9.1	1,132.0	124.89	9.0	1,150.5	128.54	9.0	1,207.7	133.84
Blind	1.4	170.4	123.93	1.4	171.6	125.45	1.3	168.6	129.58	1.3	178.8	133.47
Disabled	57.6	34,040.6	591.12	59.6	35,952.5	603.33	68.0	42,392.9	623.17	79.1	50,087.6	633.06
Farmland	8.1	29,965.3	3,677.17	8.1	30,395.1	3,731.29	8.1	32,560.0	4,021.74	8.0	33,763.8	4,230.52
Total Property Tax Credits	1,478.1	\$811,179.8	\$548.81	1,496.9	\$839,780.5	\$561.01	1,524.5	\$879,655.8	\$577.03	1,580.3	\$929,434.3	\$588.13
Home Heating Credit	388.4	\$69,522.7	\$179.00	392.7	\$75,644.7	\$192.61	406.7	\$82,847.3	\$203.72	444.6	\$64,587.0	\$145.26
Adoption Credit	1.2	\$1,509.1	\$1,239.01	1.0	\$1,283.0	\$1,264.02	0.8	\$1,007.6	\$1,242.45	0.8	\$979.2	\$1,250.53
Tribal Credit	n.a.	n.a.	n.a.	4.3	\$992.9	\$233.45	4.5	\$1,071.8	\$240.26	5.2	\$1,226.3	\$237.38
StillBirth Credit	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.1	\$17.6	\$158.11	0.6	\$39.6	\$70.35
City Income Tax Credit	912.5	\$33,697.6	\$36.93	900.0	\$33,345.3	\$37.05	895.2	\$33,485.4	\$37.41	853.6	\$32,430.1	\$37.99
Public Contribution Credit	291.7	\$25,399.7	\$87.07	294.3	\$26,115.2	\$88.73	290.8	\$26,042.7	\$89.56	274.9	\$24,940.9	\$90.74
Credit for Income Tax Paid to												
Another State	46.3	\$36,789.5	\$794.88	48.7	\$38,567.6	\$791.68	50.8	\$41,771.6	\$822.76	49.4	\$42,671.5	\$864.06
Community Foundation Credit	38.3	\$2,996.4	\$78.21	39.9	\$3,207.7	\$80.49	38.9	\$3,336.8	\$85.73	35.6	\$3,335.2	\$93.70
Homeless/Food Bank Credit	224.3	\$16,990.1	\$75.75	235.9	\$18,161.6	\$76.99	235.0	\$18,414.8	\$78.36	225.0	\$18,062.6	\$80.29
College Tuition Credit	95.6	\$12,581.6	\$131.66	32.4	\$4,224.3	\$130.53	43.7	\$6,658.6	\$152.46	63.5	\$9,526.0	\$150.13
Historic Preservation Credit ⁽²⁾	1.1	\$531.7	\$482.01	0.9	\$581.1	\$664.07	0.5	\$602.1	\$1,108.92	0.2	\$553.6	\$2,241.20
Vehicle Donation Credit	n.a.	n.a.	n.a.	1.5	\$111.7	\$74.93	1.4	\$108.3	\$75.87	3.0	\$154.6	\$52.20

⁽¹⁾The low-income rent credit amount represents an amount over the standard senior credit. Therefore, the number of filers listed and the credit amount for the total senior credit includes the low-income rent credit recipients, and the number of low-income rent credits is not included (again) in the total number and amount of property tax credits.

⁽²⁾Figures based on Tax Analysis Individual Income Tax simulation model and income tax samples for each tax year.

Exhibit 27
Distribution of Credits
Individual Income Tax, 2007⁽¹⁾

Adjusted Gross Income Group	MI-1040s Filed		General Property Tax Credit ⁽²⁾			City Income Tax Credit			College Contribution Credit		
	Number	% of Total ⁽²⁾	Number	% of Property	Credit Amount	Number	AGI Group %	Credit Amount	Number	AGI Group %	Credit Amount
			Claiming Credit	Tax Credits Filed		Claiming Credit	of MI-1040s Filed		Claiming Credit	of MI-1040s Filed	
Less than \$1	65,074	1.4%	18,619	1.8%	\$15,564,161	2,205	0.3%	\$59,625	1,070	0.4%	\$90,739
\$ 1 - 2,000	165,671	3.6%	15,217	1.5%	7,700,266	8,007	0.9%	42,172	686	0.2%	36,495
2,001 - 4,000	187,029	4.1%	20,582	2.0%	9,256,265	18,977	2.2%	143,856	1,337	0.5%	66,777
4,001 - 6,000	178,734	3.9%	27,008	2.6%	12,304,848	22,140	2.6%	242,169	1,803	0.7%	96,524
6,001 - 8,000	169,176	3.7%	33,224	3.2%	15,403,398	23,827	2.8%	326,687	2,022	0.7%	114,197
8,001 - 10,000	164,320	3.6%	41,978	4.0%	20,609,562	25,332	3.0%	408,989	2,324	0.8%	138,518
10,001 - 12,000	157,773	3.5%	43,789	4.2%	21,780,333	25,261	3.0%	472,752	2,342	0.9%	144,919
12,001 - 14,000	152,574	3.3%	46,061	4.4%	23,047,302	25,486	3.0%	553,117	2,578	0.9%	160,799
14,001 - 16,000	144,944	3.2%	45,332	4.4%	22,394,977	25,155	2.9%	569,220	2,728	1.0%	174,131
16,001 - 18,000	133,910	2.9%	42,349	4.1%	20,539,430	24,049	2.8%	582,365	2,784	1.0%	180,197
18,001 - 20,000	123,967	2.7%	41,020	3.9%	19,558,719	22,931	2.7%	595,282	2,736	1.0%	179,838
20,001 - 22,000	117,015	2.6%	40,045	3.9%	19,034,422	22,383	2.6%	624,857	2,780	1.0%	186,805
22,001 - 24,000	110,452	2.4%	38,807	3.7%	18,281,283	22,011	2.6%	662,525	2,923	1.1%	202,591
24,001 - 26,000	106,116	2.3%	37,782	3.6%	17,793,719	21,839	2.6%	675,194	3,057	1.1%	212,278
26,001 - 28,000	102,067	2.2%	36,664	3.5%	17,322,088	21,086	2.5%	699,625	3,087	1.1%	212,244
28,001 - 30,000	98,354	2.2%	35,216	3.4%	16,678,328	20,394	2.4%	705,561	3,315	1.2%	230,381
30,001 - 35,000	224,097	4.9%	78,965	7.6%	37,911,664	45,962	5.4%	1,609,585	8,150	3.0%	567,205
35,001 - 40,000	199,898	4.4%	69,157	6.6%	34,133,127	40,500	4.7%	1,582,025	8,391	3.1%	594,074
40,001 - 45,000	176,435	3.9%	59,250	5.7%	30,321,979	37,103	4.3%	1,420,655	8,612	3.1%	623,059
45,001 - 50,000	160,322	3.5%	51,927	5.0%	27,295,843	34,417	4.0%	1,391,882	9,043	3.3%	667,069
50,001 - 55,000	148,710	3.3%	45,542	4.4%	24,314,862	31,907	3.7%	1,332,627	9,359	3.4%	702,977
55,001 - 60,000	137,638	3.0%	39,665	3.8%	21,548,986	30,247	3.5%	1,297,718	9,585	3.5%	729,725
60,001 - 65,000	128,623	2.8%	35,352	3.4%	19,520,385	29,014	3.4%	1,279,639	9,740	3.5%	771,710
65,001 - 70,000	120,931	2.7%	31,818	3.1%	17,763,257	27,313	3.2%	1,242,404	9,869	3.6%	787,332
70,001 - 75,000	110,758	2.4%	27,530	2.6%	15,229,462	25,129	2.9%	1,148,535	9,820	3.6%	803,362
75,001 - 80,000	100,871	2.2%	22,995	2.2%	8,731,192	22,526	2.6%	1,033,866	9,660	3.5%	827,015
80,001 - 85,000	91,259	2.0%	12,327	1.2%	2,182,804	20,628	2.4%	947,722	9,588	3.5%	824,853
85,001 - 90,000	81,735	1.8%	696	0.1%	229,218	18,864	2.2%	882,667	9,121	3.3%	802,785

Exhibit 27 (cont.)

Adjusted Gross Income Group	MI-1040s Filed		General Property Tax Credit ⁽²⁾			City Income Tax Credit			College Contribution Credit		
	Number	% of Total ⁽²⁾	Number	% of Property	Credit Amount	Number	AGI Group %	Credit Amount	Number	AGI Group %	Credit Amount
			Claiming Credit	Tax Credits Filed		Claiming Credit	of MI-1040s Filed		Claiming Credit	of MI-1040s Filed	
90,001 - 95,000	73,364	1.6%	215	0.0%	114,849	17,125	2.0%	817,458	8,791	3.2%	794,714
95,001 - 100,000	66,062	1.4%	132	0.0%	84,955	15,730	1.8%	767,355	8,533	3.1%	779,484
100,001 - 110,000	109,198	2.4%	209	0.0%	133,626	26,244	3.1%	1,341,178	15,036	5.5%	1,417,032
110,001 - 120,000	82,817	1.8%	109	0.0%	75,390	19,870	2.3%	1,063,094	12,693	4.6%	1,226,983
120,001 - 130,000	62,020	1.4%	86	0.0%	53,062	14,871	1.7%	830,408	10,282	3.7%	1,027,318
130,001 - 140,000	49,238	1.1%	65	0.0%	46,768	11,781	1.4%	676,101	9,068	3.3%	937,352
140,001 - 150,000	38,669	0.8%	47	0.0%	30,335	9,123	1.1%	541,936	7,629	2.8%	809,365
150,001 - 160,000	29,449	0.6%	37	0.0%	28,985	6,732	0.8%	416,371	5,996	2.2%	662,148
160,001 - 170,000	23,833	0.5%	31	0.0%	25,372	5,338	0.6%	335,573	5,183	1.9%	579,954
170,001 - 180,000	19,309	0.4%	22	0.0%	17,830	4,254	0.5%	281,700	4,307	1.6%	495,966
180,001 - 190,000	15,748	0.3%	20	0.0%	17,139	3,286	0.4%	216,666	3,742	1.4%	438,134
190,001 - 200,000	13,129	0.3%	23	0.0%	16,545	2,856	0.3%	197,613	3,190	1.2%	376,218
200,001 - 300,000	61,020	1.3%	66	0.0%	49,077	11,703	1.4%	940,465	16,183	5.9%	2,031,764
300,001 - 400,000	20,965	0.5%	9	0.0%	7,739	4,080	0.5%	419,327	5,988	2.2%	816,911
400,001 - 500,000	10,546	0.2%	6	0.0%	5,371	1,990	0.2%	241,416	3,226	1.2%	445,936
500,001 - 750,000	11,394	0.2%	7	0.0%	5,855	2,064	0.2%	310,851	3,295	1.2%	481,930
750,001 - 1,000,000	4,674	0.1%	1	0.0%	762	716	0.1%	136,556	1,285	0.5%	193,226
Over \$1,000,000	<u>10,784</u>	<u>0.2%</u>	<u>3</u>	<u>0.0%</u>	<u>3,600</u>	<u>1,188</u>	<u>0.1%</u>	<u>362,745</u>	<u>1,920</u>	<u>0.7%</u>	<u>297,842</u>
Totals	4,560,672	19.2%	1,040,005	1.4%	\$517,169,140	853,644	23.2%	\$32,430,133	274,857	52.8%	\$24,940,876

⁽¹⁾ Values in this table are based on 4,560,672 MI-1040 tax returns on file.

⁽²⁾ 13,394 general property tax credits totaling \$5,463,371 were claimed on MI-1040CR returns that were filed without an MI-1040.

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 28
Distribution of Property Tax Credits Claimed
Individual Income Tax, 2007 ⁽¹⁾

Adjusted Gross Income Group	General			Senior Citizens ⁽²⁾			Veterans			Disabled ⁽³⁾		
	Number of Credits	% of Total Credits	Credit Amount	Number of Credits	% of Total Credits	Credit Amount	Number of Credits	% of Total Credits	Credit Amount	Number of Credits	% of Total Credits	Credit Amount
	<u>Allowed</u>	<u>Allowed</u>	<u>Amount</u>	<u>Allowed</u>	<u>Allowed</u>	<u>Amount</u>	<u>Allowed</u>	<u>Allowed</u>	<u>Amount</u>	<u>Allowed</u>	<u>Allowed</u>	<u>Amount</u>
Zero Income ⁽⁴⁾	28,886	2.7%	\$19,948,286	62,968	14.7%	\$45,312,039	888	9.8%	\$151,093	32,285	40.1%	\$19,373,728
\$ 1 - 2,000	15,353	1.5%	7,735,047	26,388	6.1%	20,427,012	313	3.5%	54,980	7,856	9.8%	4,958,118
2,001 - 4,000	20,715	2.0%	9,292,118	20,147	4.7%	15,622,762	144	1.6%	20,335	3,556	4.4%	2,267,004
4,001 - 6,000	27,137	2.6%	12,334,974	21,254	4.9%	16,352,819	176	2.0%	25,879	3,139	3.9%	2,027,036
6,001 - 8,000	33,386	3.2%	15,453,315	23,346	5.4%	17,725,462	214	2.4%	30,919	3,107	3.9%	2,036,856
8,001 - 10,000	42,114	4.0%	20,644,949	23,521	5.5%	17,981,894	204	2.3%	30,824	3,038	3.8%	1,981,352
10,001 - 12,000	43,912	4.2%	21,822,315	23,983	5.6%	18,165,707	236	2.6%	32,475	2,738	3.4%	1,778,926
12,001 - 14,000	46,214	4.4%	23,089,636	22,171	5.2%	16,663,327	247	2.7%	34,812	2,310	2.9%	1,541,083
14,001 - 16,000	45,473	4.3%	22,443,190	20,929	4.9%	15,675,980	244	2.7%	31,689	1,972	2.5%	1,283,041
16,001 - 18,000	42,456	4.0%	20,567,389	18,232	4.2%	13,677,101	266	2.9%	34,226	1,766	2.2%	1,162,692
18,001 - 20,000	41,143	3.9%	19,590,622	14,893	3.5%	11,232,661	294	3.3%	43,332	1,553	1.9%	991,574
20,001 - 22,000	40,171	3.8%	19,069,943	12,766	3.0%	9,597,825	218	2.4%	28,569	1,463	1.8%	929,619
22,001 - 24,000	38,887	3.7%	18,310,570	11,047	2.6%	8,344,378	245	2.7%	32,538	1,260	1.6%	807,368
24,001 - 26,000	37,889	3.6%	17,825,445	10,066	2.3%	7,495,295	238	2.6%	28,727	1,169	1.5%	768,059
26,001 - 28,000	36,758	3.5%	17,351,126	9,425	2.2%	7,010,983	210	2.3%	32,949	1,084	1.3%	702,656
28,001 - 30,000	35,306	3.4%	16,713,646	8,640	2.0%	6,535,610	231	2.6%	29,941	905	1.1%	576,983
30,001 - 35,000	79,188	7.5%	37,989,280	17,999	4.2%	13,584,427	554	6.1%	75,518	2,083	2.6%	1,340,614
35,001 - 40,000	69,337	6.6%	34,207,265	14,675	3.4%	11,087,562	509	5.6%	67,081	1,744	2.2%	1,120,805
40,001 - 45,000	59,374	5.6%	30,364,716	12,106	2.8%	9,230,237	492	5.5%	61,660	1,452	1.8%	911,333
45,001 - 50,000	52,040	4.9%	27,347,303	10,873	2.5%	8,369,612	487	5.4%	63,666	1,099	1.4%	712,268
50,001 - 55,000	45,657	4.3%	24,364,691	9,920	2.3%	7,702,918	468	5.2%	59,572	1,031	1.3%	664,024
55,001 - 60,000	39,760	3.8%	21,590,549	8,677	2.0%	6,708,599	467	5.2%	61,160	955	1.2%	624,962
60,001 - 65,000	35,419	3.4%	19,543,895	7,292	1.7%	5,675,530	451	5.0%	54,700	821	1.0%	545,579
65,001 - 70,000	31,897	3.0%	17,796,202	6,426	1.5%	4,930,588	419	4.6%	53,120	734	0.9%	489,658
70,001 - 75,000	27,577	2.6%	15,251,619	5,513	1.3%	3,883,137	354	3.9%	39,163	641	0.8%	431,441
75,001 - 80,000	23,035	2.2%	8,750,796	4,287	1.0%	1,928,989	307	3.4%	21,654	469	0.6%	177,386
80,001 - 85,000	12,369	1.2%	2,199,295	1,580	0.4%	447,366	118	1.3%	4,464	190	0.2%	43,565
85,001 - 90,000	726	0.1%	242,188	181	0.0%	75,642	10	0.1%	555	18	0.0%	5,185
90,001 - 95,000	243	0.0%	128,679	55	0.0%	31,717	5	0.1%	507	7	0.0%	3,582
95,001 - 100,000	151	0.0%	93,965	22	0.0%	18,206	4	0.0%	391	3	0.0%	1,100
Over 100,000	826	0.1%	569,497	79	0.0%	68,482	11	0.1%	1,245	12	0.0%	8,826
Totals	1,053,399	100.0%	\$522,632,511	429,461	100.0%	\$321,563,867	9,024	100.0%	\$1,207,744	80,460	100.0%	\$50,266,423

⁽¹⁾Values in this table are based on a sample of the 4,749,629 MI-1040 and MI-1040CR returns.

⁽²⁾Includes Senior Citizen Low Income Rent Credits.

⁽³⁾Includes blind, blind/deaf, paraplegic, quadriplegic, and totally disabled.

⁽⁴⁾Represents those individuals who had no taxable income, but did receive a property tax credit.

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 29
Distribution of Senior Citizen Property Tax Credits by Household Income
Individual Income Tax, 2007

<u>Household Income</u>	<u>Number of Returns</u>	<u>Property Tax Paid</u>	<u>Property Tax Credit</u>	<u>Property Tax Paid After Credit</u>
\$1,000 and below	1,964	\$7,065,838	\$2,113,310	\$4,952,528
1,001 - 2,000	382	835,568	310,742	524,826
2,001 - 3,000	474	734,820	399,823	334,997
3,001 - 4,000	774	1,004,845	615,511	389,334
4,001 - 5,000	1,206	1,469,799	937,469	532,330
5,001 - 6,000	1,917	2,295,423	1,470,986	824,437
6,001 - 7,000	3,214	3,727,077	2,380,946	1,346,131
7,001 - 8,000	9,145	8,815,516	6,366,077	2,449,439
8,001 - 9,000	6,247	6,917,374	4,345,611	2,571,763
9,001 - 10,000	7,692	9,117,128	5,507,663	3,609,465
10,001 - 11,000	8,615	10,511,270	6,182,405	4,328,865
11,001 - 12,000	10,089	12,846,373	7,297,667	5,548,706
12,001 - 13,000	9,786	13,005,225	7,172,256	5,832,969
13,001 - 14,000	10,042	14,223,120	7,506,635	6,716,485
14,001 - 15,000	9,986	14,556,074	7,624,301	6,931,773
15,001 - 16,000	10,128	15,400,790	7,765,382	7,635,408
16,001 - 17,000	10,188	15,664,047	7,723,677	7,940,370
17,001 - 18,000	10,457	16,588,740	7,955,421	8,633,319
18,001 - 19,000	10,596	17,248,514	8,084,553	9,163,961
19,001 - 20,000	10,787	18,172,208	8,275,027	9,897,181
20,001 - 21,000	10,770	18,687,962	8,283,289	10,404,673
21,001 - 22,000	10,514	18,452,766	8,001,195	10,451,571
22,001 - 23,000	10,392	18,578,353	7,957,757	10,620,596
23,001 - 24,000	10,145	18,747,103	7,718,609	11,028,494
24,001 - 25,000	10,124	19,246,446	7,712,641	11,533,805
25,001 - 26,000	9,954	19,146,614	7,614,198	11,532,416
26,001 - 27,000	9,529	18,635,010	7,197,676	11,437,334
27,001 - 28,000	9,304	18,711,859	7,100,846	11,611,013
28,001 - 29,000	9,342	19,205,992	7,151,364	12,054,628
29,001 - 30,000	9,044	19,357,858	6,937,264	12,420,594
30,001 - 35,000	41,117	90,860,621	31,127,915	59,732,706
35,001 - 40,000	34,847	83,596,273	26,153,255	57,443,018
40,001 - 45,000	28,873	75,209,309	21,516,163	53,693,146
45,001 - 50,000	23,449	65,890,728	17,520,457	48,370,271
50,001 - 60,000	32,869	102,624,716	24,871,090	77,753,626
60,001 - 70,000	20,295	73,686,174	15,914,981	57,771,193
70,001 - 80,000	12,877	52,363,456	8,386,568	43,976,888
Over 80,000	<u>2,327</u>	<u>10,055,651</u>	<u>363,137</u>	<u>9,692,514</u>
Totals	429,461	\$933,256,640	\$321,563,867	\$611,692,773

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 30
Distribution of General Property Tax Credits by Household Income
Individual Income Tax, 2007

<u>Household</u>	<u>Number of Returns</u>	<u>Property Tax Paid</u>	<u>Property Tax Credit</u>	<u>Property Tax Paid After Credit</u>
\$1,000 and below	20,082	\$45,883,783	\$15,312,196	\$30,571,587
1,001 - 2,000	3,988	4,901,323	2,232,619	2,668,704
2,001 - 3,000	5,390	5,852,235	2,650,403	3,201,832
3,001 - 4,000	7,951	8,727,245	3,773,105	4,954,140
4,001 - 5,000	9,600	10,502,164	4,399,926	6,102,238
5,001 - 6,000	11,663	12,600,858	5,189,019	7,411,839
6,001 - 7,000	13,980	15,173,419	6,272,652	8,900,767
7,001 - 8,000	19,240	20,940,849	8,553,338	12,387,511
8,001 - 9,000	20,909	24,741,013	9,945,224	14,795,789
9,001 - 10,000	19,964	24,355,533	9,529,689	14,825,844
10,001 - 11,000	21,233	27,028,186	10,331,336	16,696,850
11,001 - 12,000	23,422	30,719,350	11,630,516	19,088,834
12,001 - 13,000	23,957	32,102,079	11,955,874	20,146,205
13,001 - 14,000	23,668	32,851,948	11,724,945	21,127,003
14,001 - 15,000	24,057	34,076,826	11,923,334	22,153,492
15,001 - 16,000	24,187	35,015,030	11,967,500	23,047,530
16,001 - 17,000	23,450	34,177,986	11,417,792	22,760,194
17,001 - 18,000	22,950	34,656,888	11,130,739	23,526,149
18,001 - 19,000	22,692	34,374,837	10,907,136	23,467,701
19,001 - 20,000	22,292	34,663,873	10,693,366	23,970,507
20,001 - 21,000	22,053	35,128,531	10,582,966	24,545,565
21,001 - 22,000	21,253	34,950,578	10,096,006	24,854,572
22,001 - 23,000	20,916	34,615,496	9,876,157	24,739,339
23,001 - 24,000	20,769	35,455,137	9,948,607	25,506,530
24,001 - 25,000	20,419	35,231,947	9,656,757	25,575,190
25,001 - 26,000	19,943	35,489,029	9,482,970	26,006,059
26,001 - 27,000	19,733	35,634,659	9,312,102	26,322,557
27,001 - 28,000	18,985	35,087,776	8,979,630	26,108,146
28,001 - 29,000	18,734	35,612,355	8,972,335	26,640,020
29,001 - 30,000	18,406	35,490,511	8,682,448	26,808,063
30,001 - 35,000	83,012	171,357,188	40,089,745	131,267,443
35,001 - 40,000	72,793	166,411,614	36,118,509	130,293,105
40,001 - 45,000	61,845	154,734,426	31,708,654	123,025,772
45,001 - 50,000	53,768	145,689,361	28,318,770	117,370,591
50,001 - 60,000	87,086	263,352,011	47,030,772	216,321,239
60,001 - 70,000	67,888	233,153,974	37,738,962	195,415,012
70,001 - 80,000	50,951	194,752,960	23,329,432	171,423,528
Over 80,000	<u>10,170</u>	<u>41,284,969</u>	<u>1,166,980</u>	<u>40,117,989</u>
Totals	1,053,399	\$2,226,777,948	\$522,632,511	\$1,704,145,437

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 31
Distribution of Home Heating Credits by Household Income
Individual Income Tax, 2007

<u>Household Income</u>	<u>Senior Citizens</u>		<u>General</u>		<u>Disabled⁽¹⁾</u>		<u>Veterans</u>	
	<u>Number of Returns</u>	<u>Home Heating Credit</u>	<u>Number of Returns</u>	<u>Home Heating Credit</u>	<u>Number of Returns</u>	<u>Home Heating Credit</u>	<u>Number of Returns</u>	<u>Home Heating Credit</u>
\$ 1,000 and below	1,129	\$521,551	14,474	\$5,010,490	406	\$165,318	6	\$2,729
1,001 - 2,000	254	87,263	5,488	1,343,631	142	45,708	1	95
2,001 - 3,000	319	105,502	6,979	1,579,481	194	56,298	3	467
3,001 - 4,000	543	161,603	10,087	2,177,021	341	87,158	1	136
4,001 - 5,000	936	257,080	11,767	2,407,821	567	131,660	9	1,293
5,001 - 6,000	1,535	380,728	13,713	2,613,542	840	176,861	7	1,380
6,001 - 7,000	2,741	588,769	16,644	2,934,012	1,903	334,069	14	2,222
7,001 - 8,000	8,797	1,554,679	32,157	5,106,741	11,967	1,703,080	33	6,906
8,001 - 9,000	5,554	956,911	24,636	3,702,862	3,478	517,089	20	3,465
9,001 - 10,000	6,763	1,011,636	23,324	3,208,101	3,573	501,874	19	2,646
10,001 - 11,000	7,458	951,332	23,715	2,960,826	3,373	444,130	39	4,210
11,001 - 12,000	8,423	986,483	20,923	2,944,735	3,025	395,811	27	3,034
12,001 - 13,000	7,726	715,285	18,546	2,478,555	2,415	282,708	18	2,160
13,001 - 14,000	7,555	562,126	17,062	2,000,449	2,062	209,557	29	2,335
14,001 - 15,000	6,501	388,170	16,522	1,721,454	1,946	201,145	29	2,943
15,001 - 16,000	2,371	268,182	11,461	1,371,308	1,072	144,568	13	1,692
16,001 - 17,000	1,902	205,195	10,266	1,070,225	903	115,054	18	2,560
17,001 - 18,000	1,808	155,693	9,566	848,698	838	90,241	10	1,054
18,001 - 19,000	1,696	125,355	8,393	656,412	744	73,052	23	1,584
19,001 - 20,000	1,434	98,437	5,102	493,606	459	58,177	17	1,563
Over 20,000	4,290	199,872	21,317	1,673,104	2,119	220,665	55	3,346
Totals	79,735	\$10,281,852	322,142	\$48,303,074	42,367	\$5,954,223	391	\$47,820
Average Credit		\$128.95		\$149.94		\$140.54		\$122.30

⁽¹⁾Includes blind, blind/deaf, paraplegic, quadriplegic, and totally disabled persons.

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 32
2007 Income Tax Collections by County

<u>County</u>	<u>Property Tax</u> <u>Credits</u>	<u>Home Heating</u> <u>Credits</u>	<u>Tax After</u> <u>Credits</u>	<u>Percent of</u> <u>Total Tax</u>
ALCONA	\$491,512	\$121,949	\$2,878,380	0.0%
ALGER	344,540	74,755	3,353,727	0.1%
ALLEGAN	7,626,957	532,819	49,998,287	0.9%
ALPENA	1,698,805	320,509	12,011,006	0.2%
ANTRIM	1,766,801	206,559	9,856,413	0.2%
ARENAC	1,208,695	176,185	4,462,202	0.1%
BARAGA	247,451	66,238	2,501,839	0.0%
BARRY	3,312,843	229,836	29,436,176	0.5%
BAY	9,031,907	772,088	49,570,676	0.9%
BENZIE	998,342	138,569	6,912,350	0.1%
BERRIEN	9,815,693	1,289,480	88,863,679	1.5%
BRANCH	3,116,979	314,357	16,199,028	0.3%
CALHOUN	10,902,390	909,565	57,383,363	1.0%
CASS	2,867,322	294,843	19,071,255	0.3%
CHARLEVOIX	2,144,298	215,486	15,885,031	0.3%
CHEBOYGAN	1,225,515	260,963	9,251,414	0.2%
CHIPPEWA	1,795,071	301,084	10,422,416	0.2%
CLARE	1,335,935	473,929	10,215,912	0.2%
CLINTON	5,044,968	238,789	35,225,026	0.6%
CRAWFORD	526,484	139,173	3,666,675	0.1%
DELTA	1,835,553	349,108	17,183,258	0.3%
DICKINSON	1,486,039	178,483	14,066,729	0.2%
EATON	10,973,627	465,601	62,820,963	1.1%
EMMET	2,651,726	248,736	22,411,022	0.4%
GENESEE	33,125,325	3,431,200	206,938,437	3.6%
GLADWIN	1,534,023	291,336	8,420,336	0.1%
GOGEBIC	508,509	171,512	5,825,156	0.1%
GRAND TRAVERSE	8,191,537	456,830	58,096,676	1.0%
GRATIOT	3,629,634	363,778	16,190,702	0.3%
HILLSDALE	3,015,377	412,734	17,918,891	0.3%
HOUGHTON	1,051,209	305,350	13,430,086	0.2%
HURON	8,177,560	382,728	8,772,340	0.2%
INGHAM	29,258,467	1,521,452	149,280,611	2.6%
IONIA	4,100,305	404,964	26,855,332	0.5%
IOSCO	1,255,631	286,385	7,962,342	0.1%
IRON	471,119	125,578	4,128,372	0.1%
ISABELLA	4,553,534	398,251	42,924,730	0.7%
JACKSON	10,049,996	1,014,597	77,031,951	1.3%
KALAMAZOO	20,136,769	1,258,110	146,637,521	2.5%
KALKASKA	851,756	177,875	6,559,259	0.1%
KENT	48,230,047	3,043,231	383,627,637	6.6%
KEWEENAW	60,404	17,965	859,657	0.0%
LAKE	468,712	200,150	1,818,630	0.0%
LAPEER	5,306,716	424,246	46,594,330	0.8%

Exhibit 32 (cont.)

<u>County</u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>	<u>Tax After Credits</u>	<u>Percent of Total Tax</u>
LEELANAU	\$1,544,476	\$86,916	\$10,687,352	0.2%
LENAWEE	9,488,905	465,160	44,431,893	0.8%
LIVINGSTON	9,897,933	310,181	96,300,730	1.7%
LUCE	121,137	76,133	2,099,105	0.0%
MACKINAC	682,050	114,137	3,817,249	0.1%
MACOMB	107,849,773	3,434,642	470,411,368	8.1%
MANISTEE	1,501,662	221,020	8,962,891	0.2%
MARQUETTE	2,201,253	384,267	32,411,456	0.6%
MASON	2,185,778	264,874	11,039,999	0.2%
MECOSTA	2,024,477	340,053	13,687,737	0.2%
MENOMINEE	841,190	211,504	10,783,915	0.2%
MIDLAND	4,409,685	439,261	63,692,205	1.1%
MISSAUKEE	1,085,373	155,563	3,605,702	0.1%
MONROE	10,052,653	550,424	82,784,927	1.4%
MONTCALM	4,432,826	627,855	22,757,107	0.4%
MONTMORENCY	378,027	127,832	2,922,668	0.1%
MUSKEGON	12,634,297	1,396,820	71,035,904	1.2%
NEWAYGO	2,927,071	397,485	15,224,625	0.3%
OAKLAND	126,366,918	3,672,913	1,168,826,728	20.1%
OCEANA	1,845,221	290,341	9,182,026	0.2%
OGEMAW	1,158,264	298,746	6,699,972	0.1%
ONTONAGON	199,256	74,782	2,544,410	0.0%
OSCEOLA	1,336,419	323,028	8,693,293	0.1%
OSCODA	207,432	76,678	1,974,000	0.0%
OTSEGO	951,495	160,914	10,304,396	0.2%
OTTAWA	20,012,782	770,868	174,448,317	3.0%
PRESQUE ISLE	730,854	195,250	4,643,836	0.1%
ROSCOMMON	1,447,721	296,441	7,463,728	0.1%
SAGINAW	12,992,310	1,725,938	83,029,752	1.4%
ST. CLAIR	14,251,633	972,576	88,170,725	1.5%
ST. JOSEPH	3,872,743	395,810	26,726,762	0.5%
SANILAC	4,655,464	484,046	14,397,937	0.2%
SCHOOLCRAFT	255,514	100,343	3,151,692	0.1%
SHIAWASSEE	5,493,262	481,994	37,524,842	0.6%
TUSCOLA	6,729,063	491,805	20,363,182	0.4%
VAN BUREN	6,212,383	646,684	38,101,534	0.7%
WASHTENAW	35,498,064	1,209,336	268,450,795	4.6%
WAYNE (excludes Detroit)	126,091,945	4,607,226	549,017,421	9.5%
WEXFORD	2,291,112	341,461	12,668,920	0.2%
OUTSIDE OF MICHIGAN	20,093,899	1,081,713	278,204,264	4.8%
DETROIT	96,055,942	13,276,573	239,783,588	4.1%
	<u>\$929,434,345</u>	<u>\$64,586,969</u>	<u>\$5,804,548,776</u>	<u>100.0%</u>

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 33
2007 Income Tax Data by County

County	2007	2007	Income Tax		Average			Average			Credits as a		Ratio of Property		Average	
	AGI	Average	AGI	Rank	Before	Rank	Income Tax	Rank	Income Tax	Rank	Before	Rank	to 1040s Filed	Rank	Property Tax	Rank
	(Millions)				Credits		Before Credits		After Credits		Credits				Credit ⁽¹⁾	
ALCONA	\$173.2	\$36,075	70	\$3,526,707	76	\$734	80	\$599	80	18.4%	24	24.1%	70	\$426	58	
ALGER	155.7	38,310	58	3,850,695	74	947	62	825	56	12.9%	62	23.4%	71	363	74	
ALLEGAN	1,968.9	45,001	26	58,602,740	22	1,339	22	1,143	22	14.7%	50	31.4%	32	555	20	
ALPENA	543.8	38,896	48	14,199,981	49	1,016	52	859	51	15.4%	46	29.4%	44	413	60	
ANTRIM	487.3	44,480	31	12,101,340	54	1,105	40	900	45	18.6%	21	30.1%	41	536	25	
ARENAC	233.0	35,298	73	5,869,366	68	889	70	676	75	24.0%	7	31.8%	26	575	17	
BARAGA	117.6	37,984	61	2,830,150	79	914	66	808	60	11.6%	70	20.5%	78	391	65	
BARRY	1,112.9	50,975	14	33,209,836	30	1,521	12	1,348	9	11.4%	72	28.7%	47	529	28	
BAY	2,157.8	42,505	37	59,954,517	21	1,181	35	976	37	17.3%	31	33.5%	18	530	27	
BENZIE	325.1	42,348	38	8,271,671	64	1,077	43	900	44	16.4%	39	28.6%	48	455	51	
BERRIEN	3,515.4	47,159	20	101,765,216	13	1,365	21	1,192	19	12.7%	64	29.1%	46	452	52	
BRANCH	713.6	38,694	50	19,799,810	39	1,074	44	878	48	18.2%	25	29.7%	43	570	18	
CALHOUN	2,497.5	44,843	27	70,577,282	18	1,267	28	1,030	30	18.7%	20	36.1%	6	542	23	
CASS	829.4	44,827	28	22,877,034	36	1,236	31	1,031	29	16.6%	36	26.5%	62	586	14	
CHARLEVOIX	660.9	49,858	16	18,462,610	43	1,393	18	1,198	18	14.0%	55	31.2%	34	518	35	
CHEBOYGAN	425.9	38,140	60	10,870,631	58	973	59	828	55	14.9%	49	27.8%	53	395	63	
CHIPPEWA	567.7	36,848	66	12,902,580	51	837	75	676	74	19.2%	14	35.7%	8	326	81	
CLARE	489.7	34,850	76	12,220,985	53	870	72	727	69	16.4%	41	25.4%	67	374	70	
CLINTON	1,394.7	54,544	7	40,982,847	28	1,603	7	1,378	7	14.0%	54	31.6%	29	625	10	
CRAWFORD	186.6	35,100	75	4,407,736	73	829	76	690	71	16.8%	34	27.2%	56	365	73	
DELTA	724.9	40,601	43	19,509,547	40	1,093	42	962	39	11.9%	66	26.1%	63	393	64	
DICKINSON	561.0	44,244	32	15,859,512	46	1,251	30	1,109	25	11.3%	73	26.5%	61	442	56	
EATON	2,642.9	48,792	18	75,234,584	17	1,389	19	1,160	20	16.5%	37	35.0%	12	579	16	
EMMET	893.5	53,151	8	25,731,149	35	1,531	11	1,333	10	12.9%	63	31.7%	27	498	42	
GENESEE	8,950.2	46,116	22	247,606,312	6	1,276	27	1,066	28	16.4%	40	35.0%	13	488	44	
GLADWIN	434.9	37,884	62	10,329,000	61	900	67	733	67	18.5%	22	30.1%	40	444	55	
GOGEBIC	259.9	38,739	49	6,600,395	67	984	57	868	49	11.7%	68	22.3%	72	340	78	
GRAND TRAVERSE	2,315.6	51,706	13	67,689,378	20	1,511	14	1,297	13	14.2%	53	34.3%	15	533	26	
GRATIOT	714.6	40,279	44	20,042,838	38	1,130	39	913	43	19.2%	15	28.0%	52	731	3	
HILLSDALE	788.1	38,669	51	21,755,830	37	1,068	45	879	47	17.6%	28	28.0%	51	528	31	
HOUGHTON	567.5	39,161	47	14,998,290	48	1,035	49	927	42	10.5%	78	19.7%	80	367	72	
HURON	647.6	38,486	55	16,727,480	44	994	56	521	82	47.6%	1	39.1%	4	1,242	1	
INGHAM	6,174.9	49,756	17	183,895,248	8	1,482	16	1,203	17	18.8%	18	40.4%	3	584	15	
IONIA	1,096.2	41,822	39	31,678,859	31	1,209	33	1,025	31	15.2%	48	28.5%	49	548	21	
IOSCO	438.1	34,466	79	9,585,332	62	754	79	626	78	16.9%	33	26.1%	64	378	68	
IRON	194.4	34,667	77	4,789,895	72	854	73	736	66	13.8%	57	22.2%	73	378	69	
ISABELLA	1,698.5	52,585	11	48,436,785	25	1,500	15	1,329	12	11.4%	71	26.9%	59	525	33	
JACKSON	3,076.1	45,434	24	89,489,845	15	1,322	24	1,138	23	13.9%	56	31.2%	33	475	46	
KALAMAZOO	5,594.0	52,430	12	169,973,033	9	1,593	9	1,374	8	13.7%	58	36.4%	5	519	34	
KALKASKA	293.8	38,293	59	7,682,839	66	1,001	54	855	52	14.6%	52	27.6%	54	402	62	
KENT	14,264.3	52,781	10	444,190,147	4	1,644	6	1,420	6	13.6%	59	35.2%	11	507	39	
KEWEENAW	38.1	41,779	40	936,044	83	1,027	51	944	41	8.2%	83	14.7%	83	451	53	
LAKE	111.9	30,454	83	2,525,786	80	687	83	495	83	28.0%	2	33.3%	21	384	66	
LAPEER	1,830.5	48,696	19	53,066,537	24	1,412	17	1,240	15	12.2%	65	26.9%	58	525	32	

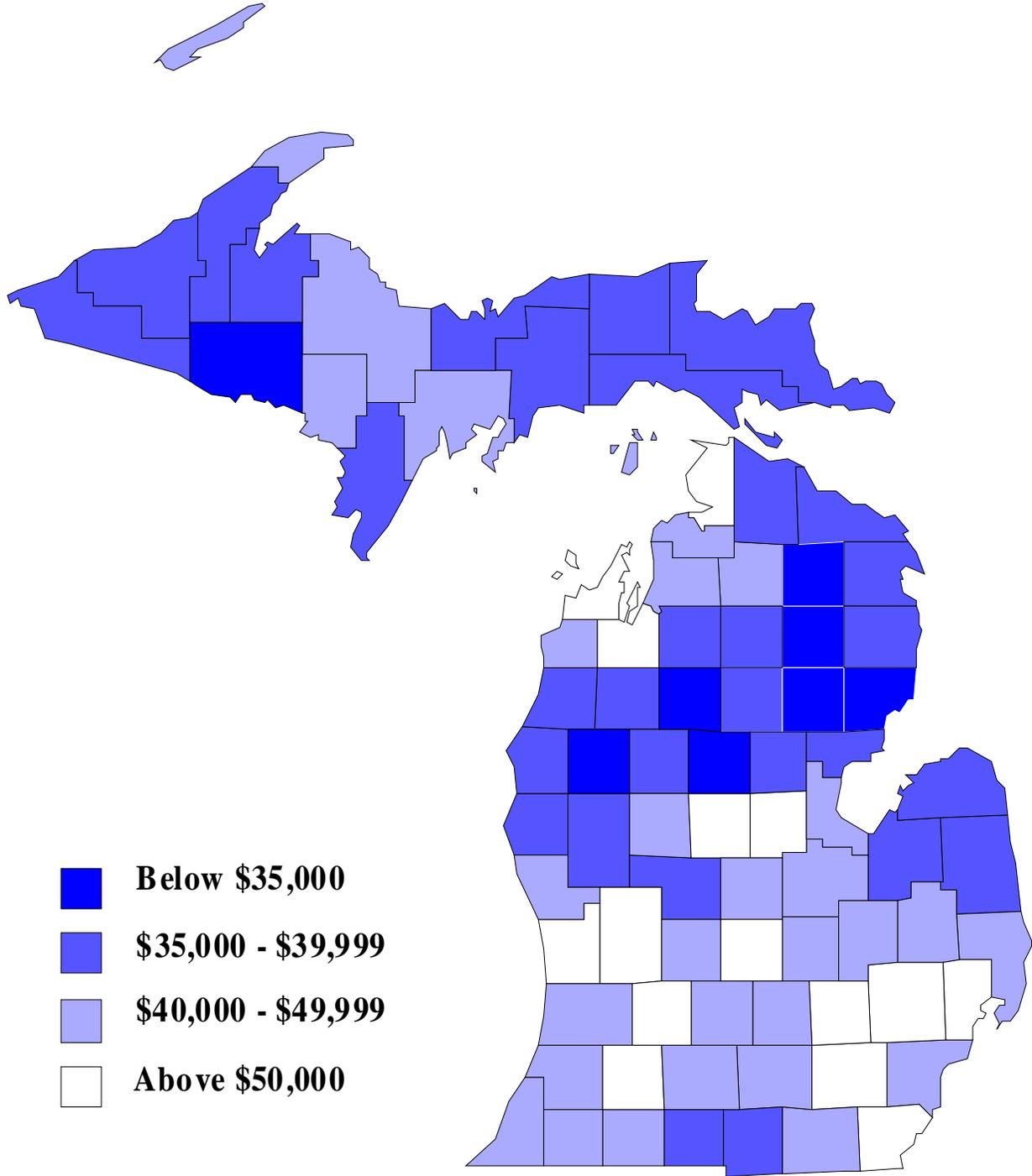
Exhibit 33 (cont.)

County	2007	2007	Income Tax		Average			Average			Credits as a		Ratio of Property		Average	
	AGI	Average	Rank	Before	Rank	Income Tax	Rank	Income Tax	Rank	% of Tax	Rank	Tax Credits	Rank	Property Tax	Rank	Property Tax
	(Millions)	AGI		Credits		Before Credits		After Credits		Before Credits		to 1040s Filed		Credit ⁽¹⁾		
LEELANAU	\$476.1	\$59,345	5	\$12,834,150	52	\$1,600	8	\$1,332	11	16.7%	35	30.9%	35	\$622	11	
LENAWEE	1,982.2	45,266	25	55,999,587	23	1,279	26	1,015	32	20.7%	8	33.7%	17	643	9	
LIVINGSTON	3,483.9	64,188	3	107,676,595	10	1,984	3	1,774	3	10.6%	77	29.9%	42	610	13	
LUCE	95.8	37,484	63	2,361,037	81	923.36	65	821	57	11.1%	75	17.8%	82	267	83	
MACKINAC	205.8	38,529	54	4,795,518	71	898	68	715	70	20.4%	9	35.3%	10	361	75	
MACOMB	19,784.6	50,838	15	589,722,841	3	1,515	13	1,209	16	20.2%	11	41.4%	2	669	7	
MANISTEE	430.1	38,415	57	10,850,886	59	969	60	801	62	17.4%	30	30.1%	38	445	54	
MARQUETTE	1,284.2	44,621	29	35,390,126	29	1,230	32	1,126	24	8.4%	81	21.5%	76	356	76	
MASON	511.5	39,353	46	13,633,680	50	1,049	48	849	53	19.0%	16	33.5%	19	502	40	
MECOSTA	632.4	40,732	42	16,358,549	45	1,054	47	882	46	16.3%	42	27.3%	55	478	45	
MENOMINEE	432.3	39,978	45	11,920,439	55	1,102	41	997	35	9.5%	80	20.9%	77	372	71	
MIDLAND	2,301.7	62,658	4	69,409,755	19	1,890	4	1,734	4	8.2%	82	25.6%	66	470	48	
MISSAUKEE	190.0	34,221	80	4,848,988	70	873	71	649	76	25.6%	5	30.4%	37	643	8	
MONROE	3,534.3	53,006	9	103,910,767	12	1,558	10	1,242	14	20.3%	10	27.0%	57	559	19	
MONTCALM	1,009.0	37,138	64	28,000,486	33	1,031	50	838	54	18.7%	19	31.9%	25	511	38	
MONTMORENCY	170.0	33,966	81	3,457,671	77	691	82	584	81	15.5%	45	22.0%	74	344	77	
MUSKEGON	3,025.5	40,733	41	86,737,887	16	1,168	36	956	40	18.1%	27	36.0%	7	472	47	
NEWAYGO	684.1	38,646	52	18,762,075	42	1,060	46	860	50	18.9%	17	32.3%	24	512	37	
OAKLAND	40,501.2	76,656	1	1,316,851,440	1	2,492	1	2,212	1	11.2%	74	34.2%	16	700	5	
OCEANA	440.7	37,099	65	11,422,982	57	962	61	773	64	19.6%	13	30.1%	39	516	36	
OGEMAW	336.7	34,470	78	8,209,541	65	840	74	686	72	18.4%	23	28.3%	50	420	59	
ONTONAGON	113.8	35,809	71	2,837,793	78	893	69	801	61	10.3%	79	18.6%	81	337	79	
OSCEOLA	403.5	36,245	69	10,470,544	60	940	63	781	63	17.0%	32	25.8%	65	465	49	
OSCODA	97.7	31,378	82	2,283,053	82	733	81	634	77	13.5%	60	20.1%	79	331	80	
OTSEGO	443.5	43,344	35	11,562,887	56	1,130	38	1,007	33	10.9%	76	24.4%	69	381	67	
OTTAWA	6,425.1	55,076	6	197,952,163	7	1,697	5	1,495	5	11.9%	67	31.6%	30	543	22	
PRESQUE ISLE	240.5	35,201	74	5,622,274	69	823	77	680	73	17.4%	29	25.1%	68	426	57	
ROSCOMMON	430.0	35,700	72	9,317,664	63	774	78	620	79	19.9%	12	29.3%	45	410	61	
SAGINAW	3,641.7	43,481	34	99,375,572	14	1,187	34	991	36	16.4%	38	31.6%	28	491	43	
ST. CLAIR	3,593.7	46,989	21	105,000,279	11	1,373	20	1,153	21	16.0%	43	34.4%	14	541	24	
ST. JOSEPH	1,179.4	42,921	36	31,584,817	32	1,149	37	973	38	15.4%	47	26.7%	60	528	29	
SANILAC	724.2	36,724	67	19,375,146	41	983	58	730	68	25.7%	3	32.9%	22	717	4	
SCHOOLCRAFT	148.2	38,446	56	3,570,448	75	926	64	817	59	11.7%	69	21.8%	75	304	82	
SHIAWASSEE	1,552.6	44,582	30	43,958,049	27	1,262	29	1,077	27	14.6%	51	31.5%	31	501	41	
TUSCOLA	1,048.9	38,558	53	27,401,923	34	1,007	53	749	65	25.7%	4	30.5%	36	812	2	
VAN BUREN	1,541.9	43,759	33	45,311,999	26	1,286	25	1,081	26	15.9%	44	33.4%	20	528	30	
WASHTENAW	9,843.1	68,089	2	310,342,112	5	2,147	2	1,857	2	13.5%	61	35.5%	9	693	6	
WAYNE (including Detroit)	36,343.2	46,011	23	1,052,233,160	2	1,332	23	999	34	25.0%	6	45.5%	1	618	12	
WEXFORD	567.9	36,687	68	15,477,772	47	1,000	55	818	58	18.1%	26	32.5%	23	456	50	
OUTSIDE OF MICHIGAN	74,602.4	323,634		305,697,332		1,326		1,207		9.0%		14.0%		621		
DETROIT	13,127.8	37,627		363,239,303		1,041		687		34.0%		50.3%		547		
TOTALS	\$297,321.3	\$65,192		6,918,148,385		\$1,517		\$1,273		16.1%		34.7%		588		

⁽¹⁾Includes credits for blind/deaf, paraplegic, quadriplegic, and totally disabled persons.

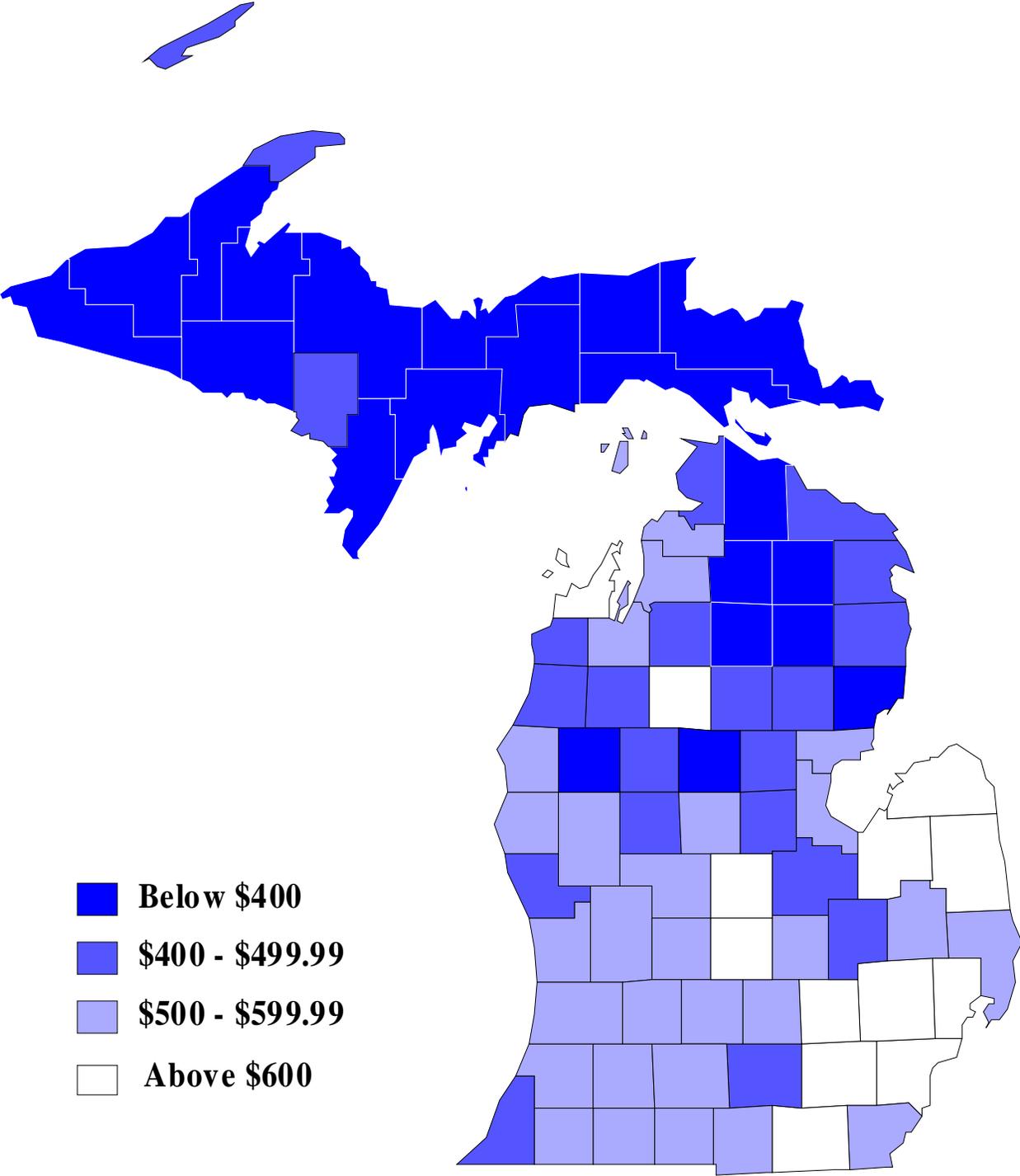
Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 34
Average Adjusted Gross Income by County
2007



Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 35
Average Property Tax Credits by County
2007



Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 36
Average Annual Individual Income Tax Rates

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
1968	2.60%	1991	4.60%
1969	2.60%	1992	4.60%
1970	2.60%	1993	4.60%
1971	3.14%	1994	4.47%
1972	3.90%	1995	4.40%
1973	3.90%	1996	4.40%
1974	3.90%	1997	4.40%
1975	4.37%	1998	4.40%
1976	4.60%	1999	4.40%
1977	4.60%	2000	4.20%
1978	4.60%	2001	4.20%
1979	4.60%	2002	4.10%
1980	4.60%	2003	4.00%
1981	4.60%	2004	3.95%
1982	5.10%	2005	3.90%
1983	6.35%	2006	3.90%
1984	5.85%	2007	4.01%
1985	5.33%	2008	4.35%
1986	4.60%	2009	4.35%
1987	4.60%		
1988	4.60%		
1989	4.60%		
1990	4.60%		

Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

XII. APPENDIX A

FEDERAL TAX LAW CHANGES (from 1987 through 2006)

1987

The Tax Reform Act of 1996 (TRA-86) contained many provisions that expanded the definition of AGI. The dividend exclusion and 60 percent long-term capital gain deduction were eliminated. The deduction for married couples when both work was eliminated. Most employee and moving expenses were no longer removed from AGI but only subtracted as an itemized deduction. However, self-employed taxpayers were allowed to subtract 25 percent of their health insurance premiums as an adjustment to income.

New rules reduced the deductibility of contributions to individual retirement arrangements (IRAs) for taxpayers covered by employer-sponsored pension plans. Losses from passive activities, such as real estate partnerships, were generally no longer deductible from other income. New rules limited the deductibility of losses from rental property activities. New depreciation rules slowed the rate at which investment assets could be depreciated. Finally, all unemployment compensation was included in AGI.

TRA-86 made other changes to Michigan's tax base unrelated to AGI. Michigan taxpayers had been allowed to claim the same number of exemptions on their Michigan return as they claimed on that year's federal return. Before 1987, taxpayers were able to claim an extra full federal exemption if they were blind or a senior citizen. TRA-86 replaced these extra federal exemptions with an increased standard deduction. Also, individuals eligible to be claimed as dependents on someone else's tax return, such as a parent's return, were no longer able to claim their own personal exemption.

In response to the reduced number of federal exemptions, new Michigan exemptions were created for taxpayers who were deaf, blind, or disabled, or a senior citizen. In response to the full inclusion of unemployment benefits in AGI, a new exemption was created for taxpayers who received unemployment compensation equal to at least 50 percent of their AGI. The new special exemption amount was set so that a taxpayer claiming one extra exemption received the same exemption amount in tax years 1987 through 1990 as in 1986. Also, for tax years beginning in 1988 and following, an individual required to file a tax return and eligible to be claimed as a dependent on another taxpayer's return could claim a smaller personal exemption. The exemption was set at \$500 in tax year 1988 and \$1,000 for tax years beginning after 1988.

1994

The Omnibus Budget Reconciliation Act of 1993 (OBRA-93) made minor revisions to federal tax law, generally reducing reported AGI. Moving expenses were reinstated as an adjustment to income. This reduced AGI for taxpayers with these expenses, thus lowering their Michigan income tax liability. Similarly, OBRA-93 also made it easier for taxpayers to deduct losses from rental activities if they "materially participate" in operating the rental properties. Such losses only affect the Michigan income tax for properties located in Michigan.

1995

AGI could now be reduced by 30 percent of the amount paid for health insurance by the self-employed. Separate legislation later increased the deductible percentage to 40 percent for tax year 1997, 45 percent for 1998, and 60 percent for tax year 2002. For tax years after 2003, all health insurance premiums for the self-employed will be deductible.

1996

New legislation made payments from qualified state tuition programs (QSTP) taxable only if the amount received was greater than the amount originally contributed. This resolved a legal dispute that initially began over the Michigan Education Trust (MET), a prepaid tuition program Michigan started in 1988. The new law has led to the rapid growth of QSTPs, including the Michigan Education Savings Program.

1997

A number of federal law changes became effective in 1997, resulting in changes to Michigan's tax base. Most gains on the sale of a primary residence were excluded from AGI if the taxpayer owned and lived in the house for two of the last five years preceding the sale. Single taxpayers have a \$250,000 exclusion, and married taxpayers filing a joint return may exclude \$500,000. Previously, gains on the sale of a primary residence were deferred only if the taxpayer purchased a new residence for a price greater than the taxpayer's cost basis in the former residence. Prior to the effective date of this new provision, taxpayers who were 55 or older were allowed under certain conditions to make a one-time exclusion of a gain on the sale of a primary residence of up to \$125,000.

Taxpayers were granted a full \$2,000 IRA deduction for a non-working spouse. Previously, the deduction for a spouse without earned income was \$250. A new deduction for contributions to medical savings accounts was also created. This new federal deduction resulted in the elimination of the separate Michigan deduction for contributions to these accounts.

1998

Effective for 1998, taxpayers were able to establish new Education and Roth IRAs. Contributions to these accounts are not deductible, but both accounts allow investment earnings to accumulate tax-deferred and withdrawals may be tax-free. If a distribution from an Education IRA is used for qualified higher education expenses, the distribution is tax exempt. If a distribution from a Roth IRA is received five years after the taxpayer established the account and after the taxpayer reaches age 59½, the entire distribution is tax exempt.

Education IRAs' only impact on Michigan income tax revenues will be that the investment earnings on these particular savings arrangements may be tax exempt. Eventually the tax

exemption will reduce income tax revenues somewhat, but the short-term impact will be insignificant. While Roth IRAs also allow investment earnings to accumulate tax-exempt, they resulted in an immediate, short-term increase in Michigan income tax collections. Taxpayers eligible to contribute to a Roth IRA are also allowed to convert a traditional IRA into a Roth IRA. The amount converted is generally included in the taxpayer's AGI in the year of conversion. A provision in the initial legislation, however, allowed taxpayers to spread the conversion amount over four years, from 1998 through 2004. This provision was only available in 1998, and it resulted in a large number of conversions. The increase in AGI from these conversions resulted in a one-time, four-year increase in Michigan income tax revenues. However, for taxpayers meeting the distribution rules described above, withdrawals from Roth IRAs will be free from further income taxes.

New legislation effective in 1998 also increased the deductibility of contributions to traditional IRAs. The income limits for making deductible contributions when the taxpayer participates in an employer-sponsored retirement plan were increased. These limits will continue to increase each year up to \$50,000 for singles and \$80,000 for married couples for tax years beginning after 2007. Full deductions were also allowed for taxpayers with AGIs below \$150,000 whose spouses participate in an employer-sponsored retirement plan. Taxpayers who do not participate themselves nor have a spouse participating in an employer-sponsored retirement plan have been allowed a full IRA deduction since the inception of these arrangements.

A new adjustment to income allowed taxpayers to subtract a percentage of the interest they pay on student loans. For tax year 1998, the deduction was limited to \$1,000. The limit increased to \$1,500 in 1999 and will increase to \$2,500 in 2003.

2001

Restitution payments received after 1999 by victims of Nazi persecution or their heirs became excludable from federal gross income.

For net operating losses (NOL) arising in taxable years ending in 2001 and 2002, the Job Creation and Worker Assistance Act of 2002 (JCWAA-02) extends the carryback period from two to five years, effectively expanding the possibility of federal AGI calculation decrease from previous tax years.

2002

Increased maximum annual contribution limits for education IRAs, traditional and Roth IRAs, and annual elective deferrals for qualified retirement plans were effective in 2002. While contributions to these accounts are not deductible, accumulated investment earnings are tax-deferred and withdrawals may be tax-free.

The maximum annual contribution limits to IRAs (both traditional and Roth) increased from \$2,000 to \$3,000 in 2002 through 2004, \$4,000 in 2005 through 2007, and up to \$5,000 in 2008,

when the limit is adjusted for inflation for tax years thereafter. Individuals who are age 50 or older are also allowed to make additional “catch-up contributions” to an IRA. The dollar limit on annual elective deferrals under 401(k), 403(b) annuities and 408(k) salary reduction simplified employee pension (SEP) plans increased to \$11,000 in 2002, with \$1,000 annual increments until the limits reach \$15,000 in 2007 (limit indexed for inflation in \$500 increments for tax years thereafter). The maximum annual contribution for education IRAs (a.k.a. Coverdell education savings account) increased, from \$500 to \$2,000 per beneficiary in tax year 2002.

The AGI phase-out ranges for eligibility for the student loan interest deduction increased to \$50,000 through \$65,000 for single taxpayers and to \$100,000 through \$130,000 for married taxpayers filing joint returns.

Other provisions that also became effective in tax year 2002 are as follows:

- the additional 30 percent first-year depreciation deduction for eligible property;
- the extension of qualified medical savings accounts (Archer MSAs), scheduled to expire in 2002, through 2003;
- extension for two years both deductions for qualified clean-fuel vehicles (deduction is now available for vehicles placed in service in 2002 and 2003, begins to phase down in 2004, and is unavailable after 2007) and for qualified clean-fuel vehicle refueling property (deduction available for property placed in service prior to 2007, instead of 2006); and
- new, above-the-line deductions for qualified expenses incurred by educators for classroom materials (up to \$250 in qualified out-of-pocket classroom expenses, and/or nonreimbursed expenditures for certain books, supplies and equipment related to classroom instruction qualify for the deduction) and for qualified higher education expenses (up to \$3,000 in expenses in tax year 2002, increased to \$4,000 in 2006 and repealed after tax year 2007).

2003

The Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA-03) accelerated many of the federal individual income tax reductions provided in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA-01). Those incentives comprised an additional 50 percent first-year “bonus” depreciation for eligible property (in lieu of the 30 percent additional deduction provided under the JCWA-02), with combined extension of acquisition deadline for property eligible to the 30 percent additional depreciation deduction from September 11, 2004 to January 1, 2007, and increased expensing limits for small businesses. Prior to the JGTRRA-03, in lieu of depreciation, small businesses could elect to deduct up to \$25,000 of the cost of qualifying property placed in service during the taxable year, where the expense amount was reduced by the amount by which the taxpayer's cost of qualifying property exceeded \$200,000. The Act increased the maximum deduction amount to \$100,000 for tax years beginning in 2003, 2004, and 2005, and raises the phase-out threshold from \$200,000 to \$400,000. Both the deduction and phase-out threshold are indexed annually for inflation for 2004 and 2005.

The Military Family Tax Relief Act of 2003 (MFTRA-03) provided a number of tax reductions to military personnel and their families, most of which will reduce the federal AGI calculation.

Some provisions were made effective retroactively, like the special rules for the exclusion of gain on the sale of qualified principal residence, while others were made effective starting tax year 2003, like the new above-the-line deduction of qualified expenses for National Guard and Reserve members.

The provisions under the Act likely to affect Michigan individual income tax receipts are:

- the new above-the-line deduction for overnight travel expenses of National Guard and Reserve members. Effective for tax years after 2002, reservists who stay overnight more than 100 miles away from home while in service may deduct non-reimbursed travel expenses (transportation, meals and lodging), limited to the rates for such expenses authorized for federal employees, including per diem in lieu of subsistence;
- the expansion of military death benefit: the military death benefit was increased to \$12,000 and made it not taxable (it was \$6,000, with \$3,000 tax-free), effective for deaths occurring after September 10, 2001; and
- the new special election regarding sale of principal residence available for members of the uniformed services or the Foreign Service, which applies retroactively for home sales after May 6, 1997. Under current law, all taxpayers may exclude up to \$250,000 of gain from the sale or exchange of their principal residence (\$500,000 of gain for married filing jointly), if the taxpayer owned and used the property as a principal residence for two years or more during the five-year period that ends on the date of sale of the property. The new law allows uniformed and foreign service personnel called to active duty away from home to elect to suspend for up to ten years of such duty time the running of the five-year ownership-and-use period before the sale of a residence. The election applies to only one property at a time, and was made permanent in 2008.

Other provisions in the MFTRA-03 likely to have a small impact on the Michigan personal income tax include:

- Clarification that dependent care assistance programs for military personnel are excludable benefits, therefore not included in a taxpayer's income. The exclusion is effective for tax years after 2002;
- Extension of the same tax benefits enjoyed by victims of terrorism under the Victims of Terrorism Act of 2001 to astronauts who lose their lives in the line of duty (death benefits are allowed to be excluded from income); and
- Exclusion from service members' taxable income of payments received under the Department of Defense Homeowners Assistance Program to offset the adverse effects on housing values of military base realignments or closures. The excludable amount is limited to the reduction in the fair market value of the property, and is effective for payments made after November 11, 2003.

2004

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MPDIMA-03) allowed eligible taxpayers to make tax-free contributions to a Health Savings Account (HSA).

Employer contributions made to an HSA on behalf of the taxpayer (including contributions made through a cafeteria plan) are also excluded from gross income and wages for income and employment tax purposes to the extent that the contribution would be deductible if made by the employee. The maximum aggregate annual deductible contribution is the lesser of 100 percent of the annual deductible under the high-deductible plan, or the maximum deductible permitted under an Archer MSA high-deductible health plan, as adjusted for inflation. For 2004, the maximum contribution is \$2,600 (self-only plan), or \$5,150 (family coverage), where contributions to an Archer MSA reduce the annual contribution limit for HSAs. Taxpayers who have attained age 55 are allowed “catch-up” contributions, greater than the otherwise applicable limits by the following amounts: \$500 in 2004, \$600 in 2007, \$700 in 2007, \$800 in 2007, \$900 in 2008, and \$1,000 in 2009 and subsequent years. The Act also allows distributions from an HSA for qualified medical expenses of the individual, spouse, or dependents to be tax-free. As a result, the impact of HSAs in the Michigan personal income tax are two fold, since both contributions to, and distributions from HSAs are not included in the taxpayer’s AGI.

Under the MPDIMA-03, employers providing prescription drug benefits to their retirees at least equivalent to the standard Medicare drug plan are eligible for a subsidy. The subsidy consists of 28 cents for every dollar between \$250 and \$5,000 spent on a drug benefit for an employee, and is excluded from the gross income of the employer.

The Working Families Tax Relief Act (WFTRA-04) instituted a new uniform definition of child to be used throughout the Tax Code and provided for the extension of two sets of expiring provisions: four accelerated tax cuts from the EGTRRA-01 and the JGTRRA-03 scheduled to expire on 12/31/2004, and a package of regularly expiring tax provisions that, for the most part, had expired on 12/31/2003. Of the extensions provided by the Act, two provisions affected the federal AGI calculation: the teacher’s classroom expense deduction, and the availability of Archer medical savings accounts, both of which were extended through tax year 2006.

Major provisions from the American Jobs Creation Act (AJCA-04) likely to have a direct impact on the Michigan individual income tax via federal AGI calculation in 2004 were:

- Extension through 2007 of the increased expensing for small business (from \$25,000 to \$100,000 in 2003, and inflation indexed starting in 2004) enacted under the JGTRRA-03;
- Limitation of the exclusion for gain on the sale or exchange of a principal residence (exclusion will not apply if the principal residence was acquired in a like-kind exchange in which any gain was not recognized within the prior 5 years); and
- Enactment of an above-the-line deduction for attorney’s fees and court costs incurred in connection with an unlawful discrimination claim. (Prior to the law, itemized deductions of those costs were allowed.)

2005

The AJCA-04 provided a new above-the-line deduction for domestic production activities; and the new limitations on non-qualified deferred compensation plans.

The new above-the-line deduction for manufacturers replaced the Extraterritorial Income Exclusion (ETI). The new deduction will be completely phased-in by 2010, starting at a 3 percent rate in 2005 and 2006, increasing to 6 percent in 2007 through 2009, and reaching 9 percent in 2010. It allows, under certain limitations, deduction from taxable income of a percentage of net income attributable to qualified domestic production activity. The deduction is limited to 50 percent of the W-2 wages paid by the taxpayer during the tax year, and corporations, individuals, S corporations, partnerships, estates, trusts, and cooperatives can take advantage of it.

New restrictions provide that all amounts deferred under a nonqualified deferred compensation plan are to be included in the gross income of the individual earning the compensation when the amounts are not subject to a substantial risk of forfeiture and were not previously included in gross income. (Under previous law, the facts and circumstances of a non-qualified deferred compensation arrangement plan determined when the deferred amounts were includible in the gross income of the individual earning the compensation.)

The Energy Policy Act of 2005 (EPC-05) provided new amortization recapture rules that are likely to impact the calculation of the federal AGI for certain taxpayers. Under the Act, the same treatment applied to depreciation recapture for tangible personal property is extended to section 197 intangible property. In this case, multiple qualified section 197 intangibles sold in a single transaction or in a series of transactions after August 8, 2007 will be treated as a single asset for the purpose of calculating the amount of gain to be recaptured as ordinary income. This netting requirement generally will result in a higher amount of recapture than previously observed.

Michigan taxpayers who own property in the states affected by hurricanes Katrina, Rita and Wilma, may be impacted by the following provisions in the Katrina Emergency Tax Relief Act of 2005 (KETRA-05), and the Gulf Opportunity Zone Act (GOZA-05)⁸:

- The suspension of limitation on personal casualty losses related to hurricanes Katrina, Rita, and Wilma (under current law, those losses are deductible only to the extent they exceed 10 percent of the taxpayers' AGI, and \$100 limit);
- The extension from 2 to 5 years the replacement period for nonrecognition of gain for property in the Hurricane Katrina disaster area compulsorily or involuntarily converted, as a result of the hurricane;
- The provision that allows taxpayers who received a qualified distribution from a retirement plan (401(k), 403(b), or IRA) in order to purchase a home (first-time buyer) in the disaster area but were not able to do so on account of the hurricane, may re contribute to such plans, where the amount re contributed is treated as a rollover;
- Special additional 50 percent first-year depreciation allowance for qualified Gulf Opportunity (GO) zone property;
- For qualified GO zone property placed in service during the taxable year, increased expensing for small businesses by the lesser of \$100,000 or the cost of eligible, qualified

⁸ Hurricane tax relief under the GOZA-05 is distributed based on residency and activity in each designated area: Gulf Opportunity (GO) zone, Hurricane Katrina Disaster area, Rita GO zone, Hurricane Rita disaster area, Wilma GO zone, and Hurricane Wilma Disaster area.

property, and increased phase-out threshold investment amount by the lesser of \$600,000 or the cost of eligible, qualified property; and

- Special 5-year NOL carryback to the aggregate amount of the following deductions: qualified GO zone casualty losses, depreciation deductions with respect to qualified GO zone property for the taxable year the property is placed in service, and deductions for certain repair expenses resulting from Hurricane Katrina.

2006

The major provisions of the Pension Protection Act of 2006 (PPA-06) likely to affect Michigan's tax base are the following:

- Exclusion from gross income for otherwise taxable distributions from a traditional or a Roth IRA made directly to a qualified charitable organization. The exclusion may not exceed \$100,000 per taxpayer per taxable year, is applicable only to distributions made on or after the date the IRA owner attains age 70 ½, and is effective for distributions made in taxable years 2006 and 2007, and extended through 2009.

The Tax Relief and Health Care Act of 2006 (TRHCA-06) extended a number of expired or expiring tax provisions, modified health savings accounts, modified various trade measures, and made a number of other changes to tax law. The major provisions likely to impact Michigan's individual income tax are the following:

- Extend the expiration of the above-the-line deduction of up to \$4,000 for qualified higher education expenses from TY 2005 through TY 2007.
- Extend the expiration of the above-the-line deduction for qualified out-of-pocket classroom expenses from TY 2005 through TY 2007.
- Extend the expiration of the reduced recovery period for qualified leasehold improvement property and qualified restaurant property, from 39 years to 15 years, for property placed in service by TY 2005, to property placed in service by TY 2007.

MICHIGAN PERSONAL INCOME TAX LEGISLATIVE HISTORY⁹

1967

Public Act 281 instituted the Michigan Income Tax (both on personal and corporate income), and repealed the business activities and bank share taxes. As originally enacted, the Act provided for a distribution of 17 percent of net collections to local units on a per capita basis with one-half of the total amount being distributed to counties and one-half of the total amount being distributed to cities, villages, and townships, and the following provisions:

- For personal income tax:
 - Federal adjusted gross income (AGI), with several adjustments, as the base for the personal income tax
 - Tax rate of 2.6 percent
 - Personal exemption of \$1,200
 - A sliding scale credit for city income taxes with a maximum credit of \$10,000
 - A credit for property taxes paid and a renter's credit that allowed renters to impute their property tax liability
 - Credit for income taxes paid to other states
- For corporate income tax:
 - Tax rate of 5.6 percent
 - Tax rate of 7.0 on profits of financial institutions

The personal income tax became effective October 1, 1967. The income taxes on corporations and financial institutions became effective January 1, 1968.

1968

Public Act 132 made technical changes regarding the distribution of income tax proceeds.

Public Act 315 provided that if national banking associations are determined by judicial action to be exempt from the tax, then state banks would also be exempt.

1969

Public Act 332 made technical, clarifying, and administrative changes.

⁹ Source for Public Acts from 1967 through 1994 from Michigan House Fiscal Agency, *State of Michigan: The Income Tax*, April 1999, at www.house.mi.gov/hfa/PDFs/inco_tax.pdf. Source for Public Acts after 1994 from Michigan Department of Treasury, *Michigan's Individual Income Tax Report*, various years.

1970

Public Act 101 reduced the property tax and city income tax credits, provided that for calendar year 1970 and fiscal year 1971, the tax credit is 12 percent of city income taxes or property taxes paid but not more than \$15.

Public Act 140 updated the reference to the United States Internal Revenue Code (IRC) to December 31, 1969; rewrote the definition of "taxable income" so that the language used is uniform as it applies to individuals, corporations, financial institutions, and resident estates or trusts; provided that income taxable both within and without the state, if purely personal services by an individual, is not allocated and apportioned as is such income from other business activity; and imposed a penalty payment of interest at the rate of 3/4 of 1 percent per month on deficiencies in quarterly estimated payments.

Public Act 233 corrected a problem which arose from language in 1970 P.A. 101 which was not clear on the method which fiscal year taxpayers would use in calculating their property and city income tax credits.

1971

Public Act 16 amended the Income Tax Act to redefine compensation as that defined in the IRC. Updated the reference to the Internal Revenue Code to December 31, 1970.

Public Act 25 accelerated the tax payment from July 31 to June 30 for all taxpayers other than individuals, estates, or trusts, and provided that 1/4 of the estimate must be paid at the time of filing a yearly estimate.

Public Act 76 increased the tax rate from 2.6 to 3.9 percent for individuals, from 5.6 to 7.8 percent for corporations, and from 7.0 to 9.7 percent for financial institutions, changed the property tax credit and city income tax credit to a form similar to that in effect in 1968, and also changed the method of determining allocation to local governments. The Act set the expiration for the Income Tax Act as August 1, 1972, unless constitutional amendments on property tax reduction for schools and a graduated income tax proposal were submitted to the people.

Public Act 150 created a deduction, not in excess of \$50 per year, for a contribution to a political party or candidate beginning 1972.

1972

Public Act 181 provided for continuation of the rate at 3.9 percent for personal income beyond August 1, 1972.

Public Act 332 provided a definition of what constitutes a college contribution.

1973

Public Act 20 increased the personal exemption from \$1,200 to \$1,500 beginning in 1974. The Act also granted all Michigan business firms a credit against their income tax equal to 25 percent of the property tax on the inventory portion of their personal property, and changed property tax relief provisions to relate the amount of taxes paid on a principal residence to total household income from all sources (homestead property tax credit).

1974

Public Act 12 allowed each blind spouse in a household to claim a blind homestead tax exemption, and also provided additional property tax relief to paraplegic and quadriplegic persons.

Public Act 33 provided a more restrictive definition of bank holding companies for income tax purposes and clarified the definition and tax status of such companies.

Public Act 62 amended the Income Tax Act to make the employer trustee for the state with respect to income tax withholding.

Public Act 116, known as the Farmland and Open Space Preservation Act, provided a tax credit equal to the amount of property tax which exceeds 7 percent of household income to farmers who pledge to keep their land in agricultural production for ten years and to owners of certain non-farm, open-space lands.

Public Act 125 amended the Income Tax Act to set up a credit schedule for sales tax paid on food and prescription drugs by families with incomes less than \$15,000 a year. The inventory property tax credit was increased from 25 percent in tax year 1973 to 32 percent in 1974, 39 percent in 1975, and an additional 6 percent each year until the credit reached 75 percent in tax year 1981. The Act also allowed a credit equal to 20 percent of the corporate franchise fee for those businesses which have no inventories except materials and supplies valued at \$1,500 or less.

Public Act 156 redefined "senior citizen" under the property tax relief act of 1973 to include the unmarried remaining spouse of a person who was at least 65 years old at the time of death.

Public Act 211 allowed for advance payment of a property tax credit to low-income seniors, blind persons, and eligible servicemen, veterans, and widows.

Public Act 217 permitted recipients of private pension plans and disability benefits to deduct up to \$7,500 on a single tax return and \$10,000 on a joint return.

Public Act 290 allowed, for the years 1974 through 1980, a credit for a charitable contribution to a non-profit corporation, fund, foundation, or trust operated exclusively to benefit institutions of higher learning.

Public Act 308 required the state to pay a daily interest rate of 9 percent per annum for each day an income tax refund is delayed beyond June 30.

1975

Public Act 19 increased the personal tax rate from 3.9 to 4.6 percent beginning May 1, 1975. The tax rate was set to drop to 4.4 percent after July 1, 1997.

Public Act 94 increased the penalty for late payment of income taxes.

Public Act 98 required that income taxes withheld by employers accrue to the state on the last day of the month in which they are withheld.

Public Act 168 permitted paraplegics, quadriplegics, senior citizens, eligible servicemen or veterans, eligible widows, or blind persons with incomes less than \$10,000 to defer payment of summer homestead taxes until the following February 15.

Public Act 225 altered the distribution of state income taxes available to municipalities and counties under the State Revenue Sharing Act of 1971.

Public Act 233 repealed the financial institutions and corporate income taxes in conjunction with the enactment of the single business tax (1975 P.A. 228). Created a tax credit for individuals subject to both the income and single business taxes. Repealed the credit for personal property tax paid on inventories.

Public Act 298 made administrative changes related to the statement of compensation paid and taxes withheld required of employers.

Public Act 320 increased the maximum allowable property tax credit from \$500 to \$1,200 beginning January 1, 1976.

1976

Public Act 388 created the Campaign Finance Act which allowed taxpayers to designate \$2 (\$4 in the case of a joint return) of their tax liability toward the State Campaign Fund.

Public Act 78 amended the Farmland and Open Space Preservation Act to remove the requirement of an on-site appraisal by the state tax commission in order to qualify for the farmland development credit.

Public Act 379 permitted a property tax credit on a tax return two years after the year the credit is claimed.

Public Act 434 updated the reference to the federal Internal Revenue Code to November 15, 1976.

Public Act 435 amended the additional income tax exemption to include hemiplegics.

1977

Public Act 1 required submission of income tax forms to the Taxation Committee for format approval. Altered the definition of household income that is used in computing the property tax credit.

Public Act 44 maintained the tax rate at 4.6 percent, overriding the legislated July 1, 1977 decrease to 4.4 percent.

Public Act 163 required tax forms to include a summary of the state's tax revenues and expenditures by major category.

Public Act 291 eliminated the income tax credit based on single business taxes paid beginning with the 1978 tax year.

1978

Public Act 43 exempted state and federal energy assistance grants to low-income and senior citizen households.

Public Act 321 provided a tax credit for an eligible serviceman, veteran, or widow in the case that the individual rents a homestead.

Public Act 458 provided an income tax credit for the 1978 tax year to assist poor families with high home heating bills.

Public Act 503 made it a felony to file a false income tax return with the intent to defraud the state. Imposed a penalty of up to two years in jail and a \$5,000 fine. Set a misdemeanor penalty for failing to file a return.

Public Act 554 increased the maximum allowable deduction for political contributions from \$50 to \$100 for married couples filing a joint return.

Public Act 589 permitted state residents who work in Canada to claim a credit for income taxes paid to a province and not claimed on the federal income tax form beginning in 1979.

Public Act 605 provided credits for the purchase and installation of solar, wind, or water energy conservation devices in residences.

1979

Public Act 30 allowed a retroactive credit for Canadian taxes paid in 1978.

Public Act 41 expanded the credit for the purchase and installation of energy conservation devices.

Public Act 126 allowed a credit for heating fuel costs for low-income homesteads for 1979 and 1980. The credit was based on a formula related to income and the number of exemptions claimed.

Public Act 132 provided for separate payment of the homestead property tax credit. Revised the computation of certain rental credits.

Public Act 199 allowed a credit for contributions to certain public broadcast stations. Removed the cutoff date on certain other contributions.

1980

Public Act 169 provided for administration under the Revenue Act of 1941, as amended.

Public Act 227 would have allowed an added credit for certain renters whose rent exceeds 40 percent of income but was tie-barred to SB 923 which was not enacted.

Public Act 250 updated the reference to the Internal Revenue Code to November 14, 1979. Would have temporarily increased the tax rate to 4.7 percent for the purpose of constructing new prisons but was contingent upon 1980 Ballot Proposal E which was rejected by voters on November 4, 1980 (For: 1,288,999, Against: 2,202,042).

Public Act 253 would have tied the personal exemption to inflation and provided a credit to low income senior citizens who are owners of homesteads but was contingent upon Ballot Proposal C (SJR X) which was rejected by voters on November 4, 1980 (For: 894,441; Against: 2,583,253).

Public Act 352 reduced the homestead property tax credit by the proportion of income received from Aid to Families with Dependent Children (AFDC) or General Assistance (GA) payments in 1980 and 1981 only.

Public Act 452 decreased payments to counties by \$7 million in fiscal year 1981 only.

Public Act 475 allowed a credit for artwork contributions to certain public and nonprofit entities.

Public Act 517 allowed for the deduction of public retirement system benefits from another state provided that the other state offers a reciprocal deduction.

1981

Public Act 43 would have ensured that senior citizens whose rent exceeds 40 percent of their income receive a tax credit equal to the difference but was contingent upon 1981 Ballot Proposal A (HJR G) which was rejected by voters on May 19, 1981 (For: 560,924; Against: 1,451,305).

Public Act 135 allowed a deduction for certain unemployment compensation benefits repaid to an employer in 1980 only.

Public Act 152 extended and enlarged the home heating credit through 1983. Narrowed the homestead definition.

1982

Public Act 155 increased the tax rate to 5.6 percent over the time period of April 1, 1982 through September 30, 1982.

Public Act 169 made certain corporate officers personally liable for withholding payments due from a corporation. Required employers to furnish copies of exemption certificates for certain employees.

Public Act 208 added a credit for farmers who allowed produce to be gleaned and donated as food for tax years 1982 through 1984.

Public Act 211 allowed a taxpayer to designate up to \$2 of any refund (\$4 on a joint return) to the Children's Trust Fund.

Public Act 240 included in taxable income the federal "marriage penalty" deduction.

Public Act 269 reduced the property tax credit for households with income greater than \$65,000. Extended the reduction of the property tax credit for households with public assistance income. Provided an added credit for senior citizens with rent over 50 percent of income in 1982, 45 percent in 1983, and 40 percent thereafter.

Public Act 387 updated the reference to the Internal Revenue Code to November 15, 1982.

Public Act 480 deleted the disallowance of homestead property tax credit for claimants' delinquent property taxes.

Public Act 515 allowed certain farmers and commercial fisherman to file annual estimates. Required payments therewith under certain conditions.

1983

Public Act 15 increased the tax rate to 6.35 percent retroactive from January 1, 1983 and dedicated 0.25 percentage points of the increase to a special fund (created by 1983 P.A. 14) to permit the state treasurer to allow several funds to operate under generally accepted accounting principles. The Act also required the rate increase to decline to a maximum of 1.5 percentage points on January 1, 1984, to a maximum of 0.75 percentage point on January 1, 1985, and to a maximum of 0.5 percentage point on October 1, 1986. The rate was required to decrease further if unemployment decreased at a rate sufficient to effectuate a formula equating 0.5 percent of the unemployment rate with 0.1 percent of the income tax rate.

Public Act 99 added language to the tax revenue sharing formula to take into account collections under the three income tax rates in effect successively during the last quarter of 1982 and the first quarter of 1983 in order to prevent local governments from losing \$10.7 million.

Public Act 189 authorized a taxpayer receiving a refund to credit \$2 or more of the refund to the Nongame Fish and Wildlife Fund.

Public Act 190 extended the credit for the purchase and installation of energy conservation devices. The act also increased the size of the credits.

1984

Public Act 36 restructured and extended the home heating tax credit through 1986.

Public Act 221 decreased the tax rate to 5.35 percent (beginning September 1, 1984) and 4.6 percent (beginning October 1, 1987).

Public Act 265 allowed for the transfer of up to \$46 million from the state accounting and fiscal responsibility account to the Counter-Cyclical Budget and Economic Stabilization Fund.

Public Act 283 updated the reference to the Internal Revenue Code to November 15, 1984.

Public Act 284 allowed taxpayers to deduct Social Security benefits from taxable income to the extent that the benefits are included in their federal adjusted gross income.

Public Act 285 continued through 1985 the reduction in property tax credits claimed by recipients of public assistance. Specified that child support payments from non-custodial parents, which are sometimes passed through custodial parents in public assistance checks, are not to be considered public assistance and may not be used to reduce property tax credits. Continued through 1984 the reduction in property tax credits for those who earn more than \$65,000 a year.

Public Act 415 allowed deaf persons to claim a \$1,500 exemption in addition to the \$1,500 standard personal exemption beginning in 1985.

Public Act 417 extended the gleaning tax credit program for the period of December 31, 1984 through December 31, 1985.

Public Act 419 specified that contributions to a public broadcast station may be claimed as a tax credit only if the station is located within Michigan. Provided that contributions made to a nonprofit organization, fund, foundation, trust, or association organized and operated exclusively for the benefit of the institutions of higher learning may be claimed as a tax credit only if the institution is located within the state.

1985

Public Act 145 allowed taxpayers to designate a portion of their income tax refunds through 1994 to the Nongame Fish and Wildlife Fund unless the fund's assets exceeded \$6 million beforehand. The nongame checkoff had been scheduled to end with the 1984 tax year.

Public Act 156 allowed taxpayers to designate that \$2 or more of their income tax refund should go to the Children's Trust Fund. The checkoff program had been limited to \$2 per refund.

Public Act 158 made credits for heating fuel costs in excess of certain percentages of household income comply with federal guidelines for minimum poverty standards.

Public Act 187 extended through 1986 provisions that reduce property tax credits claimed by recipients of public assistance and by persons who earn more than \$73,650 a year (increased from \$65,000).

Public Act 211 amended the Revenue Act to require the interception of a taxpayer's income tax refunds for application to the taxpayer's liabilities to the state, including support liabilities, and to provide for an allocation of the refund to a joint taxpayer's nonobligated spouse.

1986

Public Act 16 decreased the tax rate to 4.6 percent beginning April 1, 1986.

Public Act 130 reenacted and enhanced the expired gleaning tax credit program through December 31, 1988. Under the act, farmers may receive tax credits equal to 20 percent of the wholesale value of crops they allow to be gathered by charitable organizations after normal harvesting is completed.

Public Act 160 amended the Farmland and Open Space Preservation Act to require that a person applying for a credit under that act against the income tax or single business tax include with the application a copy of a receipt showing payment of property taxes for the year for which the credit is claimed or the prior year. If a copy of the receipt is not included, the tax credit check

may be issued to the appropriate county treasurer to be credited toward the delinquent tax and fees.

Public Act 286 repealed specific uses for refund credits to the Nongame Fish and Wildlife Trust Fund.

Public Act 315 allowed taxpayers to deduct from taxable income the amount of a payment made for an advance tuition payment contract under the Michigan Education Trust Act (1986 P.A. 316).

1987

Public Act 88 altered formulas to increase the amount of income tax revenue dedicated for disbursement to local governments. Increased the amount of payments earmarked for cities, villages, and townships, but left unchanged the amount dedicated to counties.

Public Act 254 increased the personal exemption to \$1,600 for the 1987 tax year; to \$1,800 for 1988; to \$2,000 for 1989; and to \$2,100 for 1990. Extended, through the 1987 tax year, provisions that allow for a home heating tax credit. Extended provisions which reduce property tax credits for persons who receive public assistance and persons with household income in excess of \$73,650. Made numerous other technical, clarifying, and administrative changes to the Income Tax Act.

1988

Public Act 1 provided that a person who has a federal adjusted gross income of \$1,500 or less and is not allowed to claim a personal exemption under the Internal Revenue Code (i.e., a dependent) is exempt from state income tax liability and does not have to file a return beginning in 1987.

Public Act 70 allowed individuals classified under federal law as “seafarer” the option of paying their income taxes on an annual basis (rather than requiring quarterly payments) just as farmers and commercial fishers can.

Public Act 153 allowed a taxpayer to claim a credit of up to \$100 (\$200 for a joint return) against the income tax for certain charitable contributions regardless of the credit's impact on tax liability. Eliminated the additional limitation based on the percentage of tax liability and added the state museum and the state archives to the list of contribution recipients eligible for the credit.

Public Act 261 modified the definition of income used in calculating farmland preservation tax credits and homestead property tax credits so that beginning with the 1988 tax year, a deduction for a carryback or carryover of a net operating loss cannot exceed federal modified taxable income as defined in the Internal Revenue Code.

Public Act 423 amended the Farmland and Open Space Preservation Act to specify the taxpayers who are able to claim the income tax credit for property taxes paid when the property in question is owned by a partnership, S-corporation, trust, or other multiple-owner arrangement.

Public Act 486 would have expanded the property tax credits available to certain categories of low-income, elderly, and disabled taxpayers, and to renters. The bill, however, was tie-barred to a school financing proposal (SJR K) that would have amended the State Constitution to increase the sales tax and reduce property taxes. Senate Joint Resolution K was not approved, however, so the act did not take effect.

Public Act 515 allowed a taxpayer to claim a credit against tax liability equal to 50 percent of the amount the taxpayer contributes during the tax year to a community foundation for 1989 through 1991. The total credit cannot exceed \$100 for a single return, \$200 for a joint return, or the lesser of 10 percent of a tax liability or \$5,000 for a resident estate or trust. The credit cannot apply in a tax year for which the aggregate amount of such credits claimed by all taxpayers for all prior tax years (together with the single business tax credit allowed under 1988 P.A. 514) exceeds \$3 million.

Public Act 516 allowed low-income seniors to claim a credit of up to \$600 for the cost of prescription drugs. Granted a \$500 exemption to dependents who earned over \$1,500 in 1988. Extended through 1989 provisions that reduce property tax credits claimed by recipients of public assistance. Extended for two years, through 1991, a credit for the purchase and installation of alternative energy devices. Extended through 1988 the home heating tax credit for low-income taxpayers. Allowed a deduction for persons who have certain self-insured medical plans. Amended the Lottery Act to repeal the exemption for state lottery winnings.

1989

Public Act 75 extended through 1991 the home heating tax credit and increased the amount of the credit allowable under the alternative credit computation.

Public Act 95 made technical and administrative changes to the provisions of the Campaign Finance Act which allow a taxpayer to designate \$2 (\$4 in the case of a joint return) toward the State Campaign Fund.

Public Act 166 in the case of the passage of school finance revision Proposal B (HJR I), allowed a credit for low-income households for the sales tax on utilities and increased the homestead property tax credit for renters, senior-citizens, and handicappers. Proposal B was rejected by voters, however, on November 7, 1989 (For: 436,958; Against: 1,392,053), so the act did not take effect.

1990

Public Act 136 allowed a taxpayer to claim a credit for a contribution made to a community foundation if the foundation was incorporated or established before September 1 of the year prior to the tax year. Previously, the deadline was January 1. The tax credit, created in 1988, was in place only through the 1991 tax year.

Public Act 283 extended through 1991 provisions that limit the amount of property tax credit that can be claimed by those receiving public assistance and by those whose income exceeds \$73,650.

Public Act 285 amended the Revenue Act to allow retired federal employees to claim a refund of income taxes paid on their pension or retirement benefits from 1984 on and spread those refunds out over four years. The act represented an exception to the usual requirement that a claim for a refund based on the validity of a tax law be filed within 90 days after the date set for filing a return.

Public Act 344 provided that an income tax refund claim for the 1984 tax year or thereafter for taxes paid on retirement or pension benefits from a U.S. government public retirement system is not subject to Section 27a(6) of the Revenue Act (which provides that a refund claim, based upon the validity of a tax law based on the laws or Constitution of the U.S. or the State Constitution, cannot be paid unless the claim is filed within 90 days after the date set for filing a return or unless ordered pursuant to an appeal). Specified that claims for refunds for tax years 1988 and 1987 were payable on or after July 1, 1990; claims for tax year 1986 were payable on or after July 1, 1991; claims for tax year 1985 were payable on or after July 1, 1992; and claims for tax year 1984 were payable on or after July 1, 1993.

1991

Public Act 82 provided that withholding taxes deposited under the Revenue Act by certain employers on the same schedule as federal withholding deposits (pursuant to 1991 P.A. 83) will accrue to the state on the last day of the filing period. Withholding taxes deposited by other employers continue to accrue to the state on the last day of the month.

Public Act 171 expanded and extended through 1994 the tax credit available to contributors to community foundations but specified that the credit applies to contributions to an endowment fund of a community foundation. Allowed a taxpayer also to claim the credit for contributions to a shelter for homeless persons, food kitchen, food bank, or other entity that provides such services to the indigent if the contribution is deductible for the donor under the Internal Revenue Code. Raised to \$6 million (from \$3 million) the cap on the aggregate amount that may be claimed for the years this credit is in effect under both the Income Tax Act of 1967 and the Single Business Tax Act.

Public Act 181 extended the home heating tax credit through 1994. Made recipients of public assistance eligible for the credit. Required the Department of Treasury to mail an application for the credit by December 1 of each year to those who are recipients of public assistance during the tax year and to provide a simplified procedure for claiming the credit to recipients of public assistance. Cut in half the amount of the credit available to claimants whose heating costs are included in rent payments.

1992

Public Act 67 provided for fiscal year 1992 the amount of revenue sharing payments that was available for distribution to cities, villages, and townships from state income tax collections in August 1992 could not be distributed. Instead, that amount lapsed to the General Fund at the close of the 1992 fiscal year. Discontinued, after June 1992, the \$27.4 million advance that previously was made in June on the August payment.

Public Act 160 reduced revenue sharing payments by \$24.1 million for fiscal year 1993 only.

Public Act 277 provided that state income taxes of persons employed by the federal government who work at a qualified facility must be deposited in the Federal Facility Development Fund (created by 1992 P.A. 275) to be appropriated and used solely for the purposes of the fund.

Public Act 293 extended through 1994 restrictions on the amount of property tax credits that can be claimed by those receiving AFDC, State Family Assistance, or State Disability Assistance, and by those whose household income exceeds \$73,650.

Executive Order 10 delayed \$111 million of state revenue sharing payments, including \$35.9 million of income tax revenues.

1993

Public Act 128 provided for a credit against the income tax equal to taxes paid by a taxpayer in a prior year on income received and repaid by the taxpayer if the taxpayer is eligible for the federal deduction allowed for the repayment of income under the Internal Revenue Code. The state credit is allowed only if the taxpayer has not deducted the repayment in calculating his or her federal adjusted gross income.

Public Act 162 allowed taxpayers to designate refunds to the Nongame Fish and Wildlife Trust Fund until the fund's assets exceed \$6 million.

Public Act 167 reduced revenue sharing payments by \$48.1 million for fiscal year 1994 only. Provided that a city, village, township, or county is not eligible for revenue sharing payments unless it requires sealed competitive bidding for any contract of \$20,000 or more, except for a contract for professional services or emergency repairs exempted pursuant to a written policy of that local unit.

Public Act 262 amended the Campaign Finance Act to increase to \$3 (\$6 in the case of a joint return) the amount of a taxpayer's liability which he or she can designate toward the State Campaign Fund.

Public Act 315 extended for 1992 to 1994 the credit for a donation to a homeless shelter or similar organization. Eliminated a provision which rendered the credit void after the aggregate total claimed for this credit by taxpayers for all prior years under the Income Tax Act and the Single Business Tax Act exceeded \$1.5 million.

Public Act 328 decreased the tax rate, beginning May 1, 1994, to 4.4 percent as part of a package to implement Proposal A (SJR S) approved by voters March 15, 1994 (For: 1,684,541; Against: 750,952).

1994

Public Act 119 permitted the Michigan Department of Treasury to provide information about the purchase of an annual state park motor vehicle permit in the instruction book accompanying each state income tax return.

Public Act 256 expanded and extended through 1997 the credit for a donation to a homeless shelter or similar organization. Eliminated the \$6 million aggregate cap on the credits that may be claimed by all taxpayers for contributions to community foundations.

Public Act 268 exempted up to \$30,000 (\$60,000 in the case of a joint return) of retirement benefits from a private source.

Public Act 269 exempted up to \$1,000 (\$2,000 in the case of a joint return) of interest and dividend income earned by a senior citizen.

Public Act 290 allowed a taxpayer to claim a credit equal to 3.3 percent of the contributions made by or for the taxpayer to a medical savings account (minus the amount of certain withdrawals). A taxpayer may take the credit only if he or she does not have other health coverage and if a similar federal credit or deduction is unavailable.

Public Act 298 reduced revenue sharing payments by \$50.6 million for fiscal year 1995 only.

1995

Public Act 2 increased the personal exemption to \$2,400 for tax years 1995 and 1996, and to \$2,500 for tax years beginning after 1996. Public Act 2 also provided for a further increase in the personal exemption of up to \$250 (which was not implemented) based on the results of the May 1995 revenue estimating conference.

Public Act 3 indexed the personal exemption to inflation. For tax years after 1997, the personal exemption will be adjusted in \$100 increments based on the change from one year to the next in the U.S. consumer price index.

Public Act 7 provided that for 1995 and thereafter a resident of Michigan with a household income of \$200,000 or less may claim a credit for 4 percent of tuition and fees paid to a qualified institution of higher learning. The credit cannot exceed \$250 for each student for each tax year. The credit is available only if the college or university promises by July 1 not to increase tuition in the ensuing academic year by more than the increase in the U.S. Consumer Price Index in the preceding calendar year.

Public Act 194 increased the percentage of gross collections before refunds from the income tax that are earmarked to the state school aid fund from 14.4 percent to 23 percent, beginning with fiscal year 1996-97.

Public Act 230 increased the maximum deduction senior citizens may take for interest, dividends, and capital gains, from \$1,000 to \$3,500 for a single return and from \$2,000 to \$7,000 for a joint return. The maximum deduction is reduced by the amount of pension income deducted.

Public Act 233 amended the City Income Tax Act of 1964 to allow the governing body of a city to impose an income tax at a lower rate than 1 percent on corporations and residents. If the tax is imposed at a lower rate, the rate on nonresidents cannot exceed one-half the rate on corporations and residents.

Public Act 244 provided that foster grandparent stipends received by a person 60 years old or older are excluded from household income when calculating the homestead property tax credit.

Public Act 245 created the Headlee Amendment Refund. For the tax year 1995 only, a taxpayer may claim a credit against the income tax equal to 2.67 percent of the tax on income attributable to the period from January 1, 1995 through September 30, 1995. This credit was annualized as a 2 percent credit against 1995 income tax liability.

Public Act 291 increased the maximum deduction senior citizens may take for interest, dividends, and capital gains income up to \$7,500 for a single return and \$15,000 for a joint return, beginning with the 1998 tax year (see Public Act 230).

1996

Public Act 264 required an employer to deduct and withhold state income taxes for employees who elect the no-file option for state income tax returns, and to provide the Department of Treasury with a copy of an employee's exemption certificate. The Act was tie-barred to Public Act 265.

Public Act 265 allowed eligible taxpayers to elect to forego filing an annual state income tax return. For tax years beginning after December 31, 1996, taxes are to be calculated by multiplying compensation by 4.4 percent. The Act was tie-barred to Public Act 264.

Public Act 442 amended the City Income Tax Act of 1964 to provide a city income tax deduction to individuals residing in a renaissance zone and businesses conducting business activity in a renaissance zone.

Public Act 448 provided a Michigan income tax deduction to individuals residing in a renaissance zone.

Public Act 478 amended the City Income Tax Act of 1964 to allow cities to enter into agreements with the Department of Treasury for the Department to administer, enforce, and collect the city income tax on behalf of the city.

Public Act 479 amended the revenue act to authorize the Department of Treasury to administer, enforce, and collect taxes under the City Income Tax Act for cities that enter into an agreement with the Department for such services (see Public Act 478).

Public Act 484 made numerous clarifying, technical, and administrative amendments.

Public Act 568 allowed taxpayers to have their income tax refunds directly deposited into a United States financial institution of their choice.

1997

Public Act 81 created a special exemption for young children. For the 1998 tax year and following, a taxpayer may claim a \$600 exemption for each dependent child who is younger than 7 years of age or a \$300 exemption for each dependent child who is between 6 and 12 years of age.

Public Act 82 increased the tuition tax credit to 8 percent of the tuition paid to an eligible college or university and increased the maximum credit to \$375 per year.

Public Act 86 increased the personal exemption by \$200 beginning with the 1998 tax year.

1998

Public Act 19 extended to tax years 1989 and 1990 a credit for taxpayers who have repaid money claimed as income in a previous year. Previously, the credit had been available only for tax years after 1990.

Public Act 500 amended the City Income Tax Act of 1964 to revise the population threshold necessary for Detroit to levy an income tax at 3 percent for residents and 1.5 percent for

nonresidents. The new threshold is 750,000, lower than the previous threshold of 1,000,000. The act will also lower the maximum Detroit income tax rates. The reduction is phased in over a 10-year period beginning on July 1, 1999. When fully implemented in July 2008, the maximum rates will be 2 percent for residents and 1 percent for nonresidents. The rate reduction is contingent upon employment and revenue stability within the city, as defined in the act.

Public Act 535 created a 25% income tax credit for qualified expenditures to rehabilitate a historic resource approved by the Michigan Historical Center. The credit supplements a similar federal tax credit and is reduced if the resource is sold within 5 years of claiming a credit

1999

Public Act 1 changed the percentage of gross collections allocated to the SAF for tax years following the 1999 tax year. The new percentage is equal to 1.012 percent divided by the statutory income tax rate. The percentage had previously been 23 percent of gross collections.

Public Acts 2 through 6 lowered the income tax rate by 0.1 percentage point each year beginning in the 2000 tax year and continuing through the 2004 tax year. For the 2004 tax year and following, the tax rate was set at 3.9 percent.

Public Act 181 allowed a deduction for amounts received by victims of the Holocaust as a settlement for previously confiscated assets, to the extent that recovery is included in AGI. The deduction would be allowed for tax years beginning on or after January 1, 1994.

Public Act 214 made technical changes in the historic preservation credit.

2000

Public Act 40 reduced the Michigan income tax rate for 2000 from 4.3 percent to 4.2 percent.

Public Act 41 increased property tax credits for certain disabled filers, resulting in the uniform treatment of all senior citizens and disabled filers. The new credits are available for tax years that begin after December 31, 1999.

Public Act 42 increased the child deduction to \$600 for children ages 7 through 12 years old and created a \$600 deduction for children ages 13 through 18. The deduction is available for tax years that begin after 1999.

Public Act 43 provided a definition for "dependent" as an individual for whom the taxpayer may claim a dependency exemption on the taxpayer's Federal income tax return pursuant to the Internal Revenue code.

Public Acts 161 and 163 amended the Income Tax Act to create a deduction for contributions to the Michigan Education Savings Program (MESP). Earnings on an account established under

MESP and withdrawals from an account that are used to pay higher education expenses would also be deductible to the extent included in AGI. Withdrawals from MESP accounts that are not used for higher education expenses would generally have to be added to AGI. A new deduction was also created for withdrawals from individual retirement accounts used to pay higher education expenses to the extent those withdrawals are included in AGI.

Public Act 195 revised the requirements for certification as a community foundation. The new requirements include financial audits, minimum accumulated endowment funds, and allowing new foundations to locate only in counties without a certified community foundation.

Public Act 301 increased the special exemption amount to \$1,800 in tax year 2004. The Act also combined all disability exemptions so taxpayers can claim one special exemption if they or their spouse are blind, deaf, paraplegic, quadriplegic, hemiplegic, or totally and permanently disabled. The exemption amount will be increased in \$100 increments to reflect increases in the Consumer Price Index. The Act also created new special exemptions for dependents who are either senior citizens or have one of the disabilities described above. P.A. 301 also increased the exemption for taxpayers who are eligible to be claimed as a dependent on another taxpayer's return. For tax years beginning after 1999, this exemption will be \$1,500, a \$500 increase from the amount previously allowed.

Public Acts 393 and 394 created a refundable credit for qualified adoption expenses. This new Michigan credit is only for those expenses exceeding the limits on the similar federal income tax credit.

Public Act 400 created a deduction for charitable contributions made with funds withdrawn from a retirement plan. In order to qualify, the contribution must be made within 60 days after the funds are withdrawn from the retirement plan.

Public Act 421 amended the Natural Resources and Environmental Protection Act to lower the income threshold for farmland preservation income tax credits. The Act lowered the threshold from 7 percent to 3.5 percent for tax years after 2000.

Public Act 499 amended the Income Tax Act to repeal the prescription drug credit effective for tax year 2001.

2001

Public Act 169 extended indefinitely the home heating credit, which would have sunset after tax year 2003. The credit will be allowed only if there has been a federal appropriation of Low-Income Home Energy Assistance Program (LIHEAP) block grant funds for the federal fiscal year that began in the tax year. From tax years 1996 through 2000, the federal appropriation had to be at least \$20 million.

Public Act 215 clarified, revised definitions, and provided other technical changes regarding penalty provision of tax deferred education savings account. Effective January 2002, the

maximum account balance of all the accounts naming one individual as the designated beneficiary cannot exceed \$235,000. Prior to the bill, the total contributions to all accounts that name one individual as the designated beneficiary could not exceed \$125,000.

2002

Public Act 486 required the Department of Treasury to provide a clear and concise explanation of each credit and each deduction available under the act, both in the instruction booklet that accompanies the annual return and on the department's official web site.

Public Act 581 repealed requirement to withhold issuance of certification of dissolution or withdrawal until the Department of Treasury has determined that the corporation does not owe any income tax. Instead, a corporation that submitted a certificate of dissolution or requested a certificate of withdrawal from the State will now have to request the Department of Treasury to certify that the corporation does not owe taxes.

Public Act 615 allowed resident tribal members from certain Michigan federally recognized Indian tribes to deduct all non-business income earned or received in the tax year (to the extent included in AGI). Only resident tribal members from a Michigan federally recognized Indian tribe who signed agreements¹⁰ with the Michigan Department of Treasury are allowed to take the deduction, and it only applies to income received during the period in which an agreement is effective.

2003

Public Act 21 included in the taxable income of nonresidents winnings at Michigan casinos and winnings from pari-mutuel wagering at licensed horse racing meetings.

Public Acts 22 and 45 through 52 closed tax loopholes related to income earned or received in Michigan by nonresidents. Among other things, the Acts expand withholding requirements, clarify the application of the income tax to flow-through entities, permit flow-through entities to file composite tax returns covering a group of nonresident members of the flow-through entity, and clarify the definition of business income.

¹⁰ Public Act 616 of 2002 allowed the Michigan Department of Treasury to enter into agreements with federally recognized Indian tribes. The agreements specify whether, and to what extent, Michigan's tax laws apply to each tribe, the tribe members, and other individuals and businesses conducting business with a tribe or its members. At the same time, tribes would promote the enforcement of Michigan tax laws on businesses conducted by them involving non-resident tribal members and non-tribal members. The taxes addressed by the tax agreements include the sales and use tax, the individual income tax, the motor fuels tax, the tobacco tax, and the single business tax.

Public Acts 28 and 29 included certain special assessments levied throughout a township, except in a village located in the township, in total property taxes for the calculation of homestead property tax credits. Previously, only special assessments levied throughout the township, including the village, were allowed to be included in total property taxes.

Public Act 211 required taxpayers who are required to file federal tax form 1099-MISC to provide a copy of the form to the state. The Act also requires a copy of form 1099-MISC to be provided to a Michigan city if the taxpayer listed as the payee's address on the form 1099-MISC is within a city that levies an income tax under the City Income Tax Act.

Public Act 239 postponed until July 1, 2004 the reduction of the income tax rate from 4.0 percent to 3.9 percent that was previously scheduled to be effective on January 1, 2004.

Public Act 295 created a refundable credit equal to the amount allowed under the Single Business Tax (SBT) Early State Venture Capital Investment credit. The income tax credit would be effective for tax years beginning in 2009 and before 2020, and would be allowed only in a tax year in which the SBT credit was not allowed under a successor tax to the SBT Act.

2004

Public Act 199 allowed active duty military service personnel serving in a combat zone an automatic extension to file and to pay any Michigan income tax liability due if the taxpayer was eligible for an automatic extension to file a federal return due to service in a combat zone.

Public Act 313 created a nonrefundable credit equal to 50 percent of the fair market value of certain automobile donations to qualified charitable organizations. The credit amount is limited to a maximum of \$50 (single filers) or \$100 (married, filing jointly). The credit sunsets after tax year 2009.

Public Act 335 revised the refund requirement for certain energy bills eligible for the home heating credit. Any amount of home heating credit that exceeds the claimant's outstanding heating bills would be applied to future bills by the energy provider for claimants who meet the criteria outlined in the Act. Any balance remaining after nine months would be refunded to the claimant. The Act also allows for the Department of Treasury to begin a pilot program that would allow the Department to remit energy drafts directly to a claimant's energy provider. Also, up to \$9 million is allowed to be deducted from the total home energy assistance program (LIHEAP) block grant funds for weatherization purposes.

Public Act 363 and 364 created the Military Family Relief Fund, which will assist families of Michigan residents serving in the armed forces who meet certain criteria of need established in the Acts. Effective tax year 2004, contributions from a checkoff box on the Michigan income tax return will be directed to the fund.

Public Act 387 amended the Michigan Education Savings Program (MESP) Act to allow trusts and estates to establish MESP accounts and to allow an account owner to transfer ownership of

an MESP account under certain circumstances. The Act also removes certain documentation requirements for withdrawals.

Public Act 394 made technical changes in the tax treatment of withdrawals from MESP accounts. Among the changes, the Act replaces the provision that prevented an income tax deduction for contributions to an MESP account once a qualified withdrawal had been made from the account with a new provision limiting the income tax deduction in any tax year to the amount contributed less any qualified withdrawal from the account.

2005

Public Act 160 reinstated the Children's Trust Fund checkoff on the Income Tax form, starting tax year 2006. Contributions to the Fund are subject to a minimum of \$5 dollars, and will increase the taxpayer's income tax liability or decrease their available refund.

Public Act 214 provided a deduction for all or a portion of the gain realized from an initial equity investment of at least \$100,000 made before December 31, 2009 in a qualified business, only when the taxpayer reinvests in an equity investment in a qualified business within 1 year after the sale or disposition of the prior investment in the qualified business. The deduction becomes effective in tax year 2007, and it is reduced proportionally by the difference between the taxpayer's basis from the prior equity investment plus its gain and the subsequent investment.

Public Act 234 allowed taxpayers who had been issued tax voucher certificates due to investment in the Michigan Early Stage Venture Investment Fund (P.A. 102 of 2007) to use them to pay an income tax liability for a tax year beginning on or after January 2009. Under the new law, the amount of the tax voucher that could be used to pay a liability in any tax year cannot exceed the lesser of: 1) the amount of the tax voucher stated in the voucher certificate; 2) the amount authorized to be used in the tax year under the terms of the certificate; or 3) the taxpayer's liability for the tax year in which the voucher was to be used. If an amount of a voucher certificate exceeded the amount the taxpayer could use in a tax year, the excess can be used to pay any future liability.

Public Act 249 allowed taxpayers to designate a minimum of \$2 via a new checkoff box on the Michigan income tax return to fund the newly created Children of Veterans Tuition Program. The change is effective tax year 2006, and, like the other income tax checkoffs, contributions will be subtracted from the taxpayer's refund or added to the taxpayer's tax liability.

2006

Public Act 52 allowed a qualified taxpayer to receive the historical preservation credit for a resource located in an incorporated local unit of government that has no ordinance under the Local Historic Districts Act and is located within the boundaries of an association that has been chartered under P.A. 39 of 1889.

Public Act 319 allowed a taxpayer to claim a credit in the tax year for which he or she has a certificate of stillbirth from the Department of Community Health. The credit is equal to 4.5% of the exemption amount for the tax year allowed for a single exemption, rounded up to the nearest \$10 increment. The credit became effective for tax year 2006.

Public Act 372 allowed a qualified taxpayer to receive a refundable credit equal to a percentage of the federal earned income tax credit (EITC) the taxpayer is allowed to claim for the tax year. For tax years beginning in 2008, the Michigan EITC credit is equal to 10% of the federal EITC claimed. Thereafter, the Michigan EITC credit increases to 20% of the federal EITC claimed.

Public Acts 514 established a credit for contributions made by taxpayers who are not an account holder under the Individual or Family Development Account Program Act. For tax years beginning after December 2006, those qualified taxpayers may claim an income tax credit equal to 75 percent of the contributions made in the tax year to the reserve fund of a qualified fiduciary organization. This is a nonrefundable credit that cannot exceed an annual cumulative maximum amount of \$1 million.

**MICHIGAN INCOME TAX REQUIREMENTS
(1967 – 2008)**

General MI-IIT Information:	MCL Section	Form	TY 1967	TY 1968	TY 1969	TY 1970	TY 1971	TY 1972	TY 1973	TY 1974	TY 1975	TY 1976	TY 1977
. IRC compliance (*)	206.12(3)		1954 IRC	1954 IRC	1954 IRC	1969 IRC	1970 IRC	1976 IRC	1976 IRC				
. Exemption from MI - IIT:	206.201		Exempt from Federal IIT										
. Revenue Distribution:	(1)												
. To Local Units:	206.481		17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	12.1%	12.1%	12.1%	12.1%
. Filing Requirement:	(2)	206.315	MI-1040	GI	GI	GI	AGI						
(Gross income (GI) or AGI above threshold)			Single Return	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,500	\$1,500	\$1,500
			Joint Return	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$3,000	\$3,000	\$3,000
. Reciprocity States			IN, WI	IN, WI, KY	IN, WI, KY	IN, WI, KY	IN, WI, KY, IL	IN, WI, KY, IL, OH					
. Liability Threshold for Estimated Pmt	(3)	206.301	MI-1040	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
. Tax Rate	206.51(1), 51(b)-51(e)	MI-1040	2.60%	2.60%	2.60%	2.60%	3.14%	3.90%	3.90%	3.90%	4.37%	4.60%	4.60%
Exemptions Amounts:													
. Personal Exemption:	206.30(2)	MI-1040	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,500	\$1,500	\$1,500
. Special Exemptions:	(4)	206.30(3)	MI-1040	No	Yes	Yes	Yes						
. Para/Hemi/Quadriplegic (**)(***)	206.30(3)		n.a.	\$1,500	\$1,500	\$1,500							

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

General MI-IIT Information:	MCL Section	Form	TY 1978	TY 1979	TY 1980	TY 1981	TY 1982	TY 1983	TY 1984	TY 1985	TY 1986	TY 1987	TY 1988
. IRC compliance (*)	206.12(3)		1976 IRC	1976 IRC	1979 IRC	1979 IRC	1982 IRC	1982 IRC	1984 IRC	1984 IRC	1984 IRC	1987 IRC	1987 IRC
. Exemption from MI - IIT:	206.201		Exempt from Federal IIT										
. Revenue Distribution:	(1)												
. To Local Units:	206.481		12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	6.9%	6.9%
. Filing Requirement:	(2)	206.315	MI-1040	AGI									
(Gross income (GI) or AGI above threshold)			Single Return	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,800
			Joint Return	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,600
. Reciprocity States			IN, WI, KY, IL, OH	IN, WI, KY, IL, OH, MN									
. Liability Threshold for Estimated Pmt	(3)	206.301	MI-1040	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$500
. Use Tax Return in MI-1040 Booklet			MI-1040	n.a.	n.a.	n.a.	n.a.	n.a.	Yes	Yes	No	No	Yes
. Tax Rate	206.51(1), 51(b)-51(e)	MI-1040	4.60%	4.60%	4.60%	4.60%	5.10%	6.35%	5.85%	5.33%	4.60%	4.60%	4.60%

Exemptions Amounts:

. Personal Exemption:	206.30(2)	MI-1040	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,600	\$1,800
. Special Exemptions:	(4)	206.30(3)	MI-1040	Yes										
. Para/Hemi/Quadriplegic (**)(***)	206.30(3)		\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,400	\$1,200
. Disabled	206.30(3)		n.a.	\$1,400	\$1,200									
. Blind (***)	206.30(3)		n.a.	\$1,400	\$1,200									
. Deaf (****)	206.30(3)		n.a.	\$1,500	\$1,500	\$1,400	\$1,200							
. Senior	206.30(3)		n.a.	\$1,400	\$1,200									
. Unemployed	206.30(3)		n.a.	\$1,400	\$1,200									
. Claimed as Dependent	206.30(4)		n.a.	\$500										

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

General MI-IIT Information:		MCL Section	Form	TY 1989	TY 1990	TY 1991	TY 1992	TY 1993	TY 1994	TY 1995	TY 1996	TY 1997	TY 1998	TY 1999
. IRC compliance (*)		206.12(3)		1987 IRC	1996 IRC	1996 IRC	1996 IRC	1996 IRC						
. Exemption from MI - IIT:		206.201		Exempt from Federal IIT										
. Revenue Distribution:	(1)													
. To Local Units:		206.481		6.9%	6.9%	6.9%	6.9%	6.9%	7.21%/7.3%	7.21%/7.3%	No	No	No	No
. To School Aid Fund:		206.51(2)		No	No	No	No	No	14.4%	14.4%	23.0%	23.0%	23.0%	23.0%
. Filing Requirement:	(2)	206.315	MI-1040	AGI										
(Gross income (GI) or AGI above threshold)			Single Return	\$2,000	\$2,100	\$2,100	\$2,100	\$2,100	\$2,100	\$2,400	\$2,400	\$2,500	\$2,800	\$2,800
			Joint Return	\$4,000	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,800	\$4,800	\$5,000	\$5,600	\$5,600
. Reciprocity States				IN, WI, KY, IL, OH, MN										
. Liability Threshold for Estimated Pmt	(3)	206.301	MI-1040	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
. Use Tax Return in MI-1040 Booklet			MI-1040	Yes	Yes, line in MI-1040									
. Tax Rate		206.51(1), 51(b)-51(e)	MI-1040	4.60%	4.60%	4.60%	4.60%	4.60%	4.47%	4.40%	4.40%	4.40%	4.40%	4.40%
Exemptions Amounts:														
. Personal Exemption:		206.30(2)	MI-1040	\$2,000	\$2,100	\$2,100	\$2,100	\$2,100	\$2,100	\$2,400	\$2,400	\$2,500	\$2,800	\$2,800
. Special Exemptions:	(4)	206.30(3)	MI-1040	Yes										
. Para/Hemi/Quadriplegic (**) (***)		206.30(3)		\$1,000	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900
. Disabled		206.30(3)		\$1,000	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900
. Blind (***)		206.30(3)		\$1,000	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900
. Deaf (****)		206.30(3)		\$1,000	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900
. Senior		206.30(3)		\$1,000	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900
. Unemployed		206.30(3)		\$1,000	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900
. Claimed as Dependent		206.30(4)		\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
. Child . Age 6 and Under		206.30d(2)		n.a.	\$600	\$600								
. . Age 7 to 12				n.a.	\$300	\$300								

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

General MI-IIT Information:	MCL Section	Form	TY 2000	TY 2001	TY 2002	TY 2003	TY 2004	TY 2005	TY 2006	TY 2007	TY 2008
. IRC compliance (*)	206.12(3)		1996 IRC								
. Exemption from MI - IIT:	206.201		Exempt from Federal IIT	When Federal IIT Exempt	Exempt from Federal IIT						
. Revenue Distribution:	(1)										
. To School Aid Fund:	206.51(2)		Formula								
. Filing Requirement:	(2)	206.315	MI-1040	AGI							
(Gross income (GI) or			Single Return	\$2,900	\$2,900	\$3,000	\$3,100	\$3,100	\$3,200	\$3,300	\$3,400
AGI above threshold)			Joint Return	\$5,800	\$5,800	\$6,000	\$6,200	\$6,200	\$6,400	\$6,600	\$6,800
. Reciprocity States			IN, WI, KY, IL, OH, MN								
. Liability Threshold for Estimated Pmt	(3)	206.301	MI-1040	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
. Use Tax Return in MI-1040 Booklet			MI-1040	Yes, line in MI-1040	Yes, line in MI-1040	Yes, line in MI-1040	Yes, line in MI-1040	Yes, line in MI-1040	Yes, line in MI-1040	Yes, line in MI-1040	Yes, line in MI-1040
. Tax Rate	206.51(1), 51(b)-51(e)	MI-1040		4.20%	4.20%	4.10%	4.00%	3.95%	3.90%	3.90%	4.01%

Exemptions Amounts:

. Personal Exemption:	206.30(2)	MI-1040	\$2,900	\$2,900	\$3,000	\$3,100	\$3,100	\$3,200	\$3,300	\$3,400	\$3,500
. Special Exemptions:	(4)	206.30(3)	MI-1040	Yes							
. Para/Hemi/Quadriplegic (**) (***)		206.30(3)		\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200
. Disabled		206.30(3)		\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200
. Blind (***)		206.30(3)		\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200
. Deaf (****)		206.30(3)		\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200
. Senior		206.30(3)		\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200
. Unemployed		206.30(3)		\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200
. Claimed as Dependent		206.30(4)		\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
. Child		206.30d(2)		\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600
. Age 6 and Under				\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600
. Age 7 to 12				\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600
. Disabled Veteran		206.30(3)		n.a.	\$250						

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

	<u>MCL</u>	<u>Form</u>	<u>TY</u>										
	<u>Section</u>		<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
<u>Check-Offs:</u>													
. State Campaign Fund	(5) 169.261(2)	MI-1040	No	Yes	Yes	Yes							
		Single Return	n.a.	\$2	\$2	\$2							
		Joint Return	n.a.	\$4	\$4	\$4							
<u>Taxbase Adjustments Limits</u>													
		MI-1040											
. Maximum Private Pension Deduction (*****)	203.30(1)(f)(iv) and (v) (7)		No	Yes	Yes	Yes	Yes						
		Single Return	n.a.	\$7,500	\$7,500	\$7,500	\$7,500						
		Joint Return	n.a.	\$10,000	\$10,000	\$10,000	\$10,000						
. Political Contribution	206.30(1)(j)		No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
		Single Return	n.a.	n.a.	n.a.	n.a.	n.a.	\$50	\$50	\$50	\$50	\$50	\$50
		Joint Return	n.a.	n.a.	n.a.	n.a.	n.a.	\$50	\$50	\$50	\$50	\$50	\$50
. Federal Taxable Wage Base for FICA			\$6,600	\$7,800	\$7,800	\$7,800	\$7,800	\$9,000	\$10,800	\$13,200	\$14,100	\$15,300	\$16,500
. Federal Salary Elective Deferrals													
. 401(k)			\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000

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For notes, see page 111.

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

		<u>MCL</u>	<u>Form</u>	<u>TY</u>										
		<u>Section</u>		<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
Check-Offs:														
. State Campaign Fund	(5)	169.261(2)	MI-1040	Yes										
			Single Return	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2
			Joint Return	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4
. Nongame Wildlife Trust Fund	(6)	206.439	MI-1040	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
. Children's Trust Fund	(6)	206.440	MI-1040	No	No	No	No	Yes						
<hr/>														
<u>Taxbase Adjustments Limits</u>			MI-1040											
. Maximum Private Pension Deduction (*****)	203.30(1)(f)(iv) and (v)	(7)		Yes										
			Single Return	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
			Joint Return	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
. Political Contribution	206.30(1)(j)			Yes										
			Single Return	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
			Joint Return	\$50	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
. Federal Taxable Wage Base for FICA				\$17,700	\$22,900	\$25,900	\$29,700	\$32,400	\$35,700	\$37,800	\$39,600	\$42,000	\$43,800	\$45,000
. Federal Salary Elective Deferrals														
. 401(k)				\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$7,000

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

		<u>MCL</u>	<u>Form</u>	<u>TY</u>										
		<u>Section</u>		<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Check-Offs:														
. State Campaign Fund	(5)	169.261(2)	MI-1040	Yes										
			Single Return	\$2	\$2	\$2	\$2	\$3	\$3	\$3	\$3	\$3	\$3	\$3
			Joint Return	\$4	\$4	\$4	\$4	\$6	\$6	\$6	\$6	\$6	\$6	\$6
. Nongame Wildlife Trust Fund	(6)	206.439	MI-1040	Yes										
. Children's Trust Fund	(6)	206.440	MI-1040	Yes										
<hr/>														
<u>Taxbase Adjustments Limits</u>			MI-1040											
. Maximum Private Pension Deduction (*****)	203.30(1)(f)(iv) and (v)	(7)		Yes										
			Single Return	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$13,125	\$30,945	\$31,920	\$32,880	\$33,630	\$34,170
			Joint Return	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$22,500	\$61,890	\$63,840	\$65,760	\$67,260	\$68,340
. Political Contribution	206.30(1)(j)			Yes										
			Single Return	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
			Joint Return	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
. Maximum Senior Interest, Dividends, and Capital Gains Deduction (*****)	206.30(1)(r)	(8)		No	No	No	No	No	Yes	Yes (****)	Yes (****)	Yes	Yes	Yes
			Single Return	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,000	\$1,032	\$1,064	\$3,500	\$7,500	\$7,620
			Joint Return	n.a.	n.a.	n.a.	n.a.	n.a.	\$2,000	\$2,064	\$2,128	\$7,000	\$15,000	\$15,240
. Federal Taxable Wage Base for FICA				\$48,000	\$51,300	\$53,400	\$55,500	\$57,600	\$60,600	\$61,200	\$62,700	\$65,400	\$68,400	\$72,600
. Federal Salary Elective Deferrals														
. 401(k)				\$7,627	\$7,979	\$8,475	\$8,728	\$8,994	\$9,240	\$9,240	\$9,500	\$9,500	\$10,000	\$10,000
. 403(b), or 457				n.a.	\$7,500	\$8,000	\$8,000							
. Federal IRA Contribution Limit				No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
. General				n.a.	n.a.	n.a.	n.a.	n.a.	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

		<u>MCL</u>	<u>Form</u>	<u>TY</u>								
		<u>Section</u>		<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>Check-Offs:</u>												
. State Campaign Fund	(5)	169.261(2)	MI-1040	Yes								
			Single Return	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3
			Joint Return	\$6	\$6	\$6	\$6	\$6	\$6	\$6	\$6	\$6
. Children of Veterans Tuition Grant	(6)	206.437	MI-1040	No	No	No	No	No	No	Yes	Yes	Yes
. Military Family Relief Fund	(6)	206.438	MI-1040	No	No	No	No	Yes	Yes	Yes	Yes	Yes
. Children's Trust Fund	(6)	206.440	MI-1040	No	No	No	No	No	Yes	Yes	Yes	Yes
. Prostrate Cancer Research Fund	(6)	206.435	MI-1040	No	Yes							
. Amanda's Fund	(6)	206.435	MI-1040	No	Yes							
. Animal Welfare Fund	(6)	206.435	MI-1040	No	Yes							
. Michigan Housing and Community Development Fund	(6)	206.435	MI-1040	No	Yes							
. Michigan Law Enforcement Memorial Monument Fund	(6)	206.435	MI-1040	No	Yes							

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

	MCL Section	Form	TY 2000	TY 2001	TY 2002	TY 2003	TY 2004	TY 2005	TY 2006	TY 2007	TY 2008
<u>Taxbase Adjustments Limits</u>			MI-1040								
. Maximum Private Pension Deduction (*****) (7)	203.30(1)(f)(iv) and (v)		Yes								
		Single Return	\$34,920	\$36,090	\$37,110	\$37,710	\$38,550	\$39,570	\$40,920	\$42,240	\$43,440
		Joint Return	\$69,840	\$72,180	\$74,220	\$75,420	\$77,100	\$79,140	\$81,840	\$84,480	\$86,880
. Political Contribution	206.30(1)(j)		Yes								
		Single Return	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
		Joint Return	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
. Maximum Senior Interest, Dividends, and Capital Gains Deduction (*****) (8)	206.30(1)(r)		Yes								
		Single Return	\$7,785	\$8,048	\$8,273	\$8,408	\$8,595	\$8,828	\$9,128	\$9,420	\$9,690
		Joint Return	\$15,570	\$16,095	\$16,545	\$16,815	\$17,190	\$17,655	\$18,255	\$18,840	\$19,380
. Maximum MESP Contribution	206.30(1)(W)(i)		Yes								
		Single Return	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	5000	\$5,000	\$5,000	\$5,000
		Joint Return	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	10000	\$10,000	\$10,000	\$10,000
. Federal Taxable Wage Base for FICA			\$76,200	\$80,400	\$84,900	\$87,000	\$87,900	\$90,000	\$94,200	\$97,500	\$102,000
. Federal Salary Elective Deferrals											
. 401(k)			\$10,500	\$10,500	\$11,000	\$12,000	\$13,000	\$14,000	\$15,000	\$15,500	\$15,500
. 403(b), or 457			\$8,000	\$8,500	\$11,000	\$12,000	\$13,000	\$14,000	\$15,000	\$15,500	\$15,500
. 50 and over			n.a.	n.a.	\$12,000	\$14,000	\$16,000	\$18,000	\$20,000	\$20,500	\$20,500
. Federal IRA Contribution Limit			Yes								
. General			\$2,000	\$2,000	\$3,000	\$3,000	\$3,000	\$4,000	\$4,000	\$4,000	\$5,000
. 50 and over			n.a.	n.a.	\$3,500	\$3,500	\$3,500	\$4,500	\$5,000	\$5,000	\$6,000

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

		<u>MCL</u>		<u>TY</u>										
		<u>Section</u>	<u>Form</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
<u>NonRefundable Credits</u>														
. Taxes Paid to Another State Cr.	(10)	206.255(1)	MI-1040	No	Yes									
. Nonresident Cr. for Reciprocal State Income Tax Exemption	(11)	206.256	MI-1040	No	Yes									
. City Income Taxes Cr.	(12)	206.257	MI-1040	No	Yes									
. Public Contribution Cr.	(13)	206.26	MI-1040	No	Yes (a)									
<u>Refundable Credits</u>														
. Inventory Tax Cr. or Franchise Fee Cr.	(21)	206.258(1) 206.258(1)	MI-1040	No No	No No	No No	No No	No No	No No	Yes Yes	Yes Yes	Yes Yes	No No	No No

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

		<u>MCL</u>	<u>Form</u>	<u>TY</u>										
		<u>Section</u>		<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
<u>NonRefundable Credits</u>														
. Taxes Paid to Another State Cr.	(10)	206.255(1)	MI-1040	Yes										
. Nonresident Cr. for Reciprocal State Income Tax Exemption	(11)	206.256	MI-1040	Yes										
. City Income Taxes Cr.	(12)	206.257	MI-1040	Yes										
. Public Contribution Cr.	(13)	206.26	MI-1040	Yes (a)										
. Renewable/Solar Energy Cr.	(14)	206.262	CR-6	No	Yes									
. Agricultural Products Gleaned Cr.		206.263	CR-8	No	No	No	No	Yes						
<hr/>														
<u>Refundable Credits</u>														
. Inventory Tax Cr. or Franchise Fee Cr.	(21)	206.258(1) 206.258(1)	MI-1040	No No										
. Sec. 1341 of IRC Cr.		206.265	MI-1040	No										

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

	<u>MCL</u>		<u>TY</u>											
	<u>Section</u>	<u>Form</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>1999</u>
<u>NonRefundable Credits</u>														
. Headlee Amendment Refun (9)	206.252	MI-1040	No	No	No	No	No	No	Yes	No	No	No	No	No
. Taxes Paid to Another State Cr. (10)	206.255(1)	MI-1040	Yes											
. Nonresident Cr. for Reciprocal State Income Tax Exemption (11)	206.256	MI-1040	Yes											
. City Income Taxes Cr. (12)	206.257	MI-1040	Yes											
. Public Contribution Cr. (13)	206.26	MI-1040	Yes (a')											
. Community Foundation Cr. (13)	206.261	MI-1040	Yes (a')											
. Homeless Shelter/Foodbank (13)	206.261	MI-1040	No	No	No	Yes (a')								
. Renewable/Solar Energy Cr (14)	206.262	CR-6	Yes	Yes	Yes	No								
. Medical Care Savings Acct. (15)	206.264	MI-1040	No	No	No	No	No	Yes	Yes	Yes	No	No	No	No
. MI Historic Preservation Cr (16)	206.266	Form 3581	No	Yes										
. College Tuition Cr. (18)	206.274	Schedule CT	No	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
<u>Refundable Credits</u>														
. Sec. 1341 of IRC Cr.	206.265	MI-1040	No	No	Yes									
. Prescription Drug Cr. (23)	206.273	MI-1040	Yes											

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

		<u>MCL</u>	<u>Form</u>	<u>TY</u>								
		<u>Section</u>		<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>NonRefundable Credits</u>												
. Taxes Paid to												
Another State Cr.	(10)	206.255(1)	MI-1040	Yes								
. Nonresident Cr. for Reciprocal State												
Income Tax Exemption	(11)	206.256	MI-1040	Yes								
. City Income Taxes Cr.	(12)	206.257	MI-1040	Yes								
. Public Contribution Cr.	(13)	206.26	MI-1040	Yes (a')								
. Community Foundation Cr.	(13)	206.261	MI-1040	Yes (a')								
. Homeless Shelter/Foodbank Cr	(13)	206.261	MI-1040	Yes (a')								
. MI Historic Preservation Cr.	(16)	206.266	Form 3581	Yes								
. Vehicle Donation Cr.	(17)	206.269	MI-1040	No	No	No	No	No	Yes	Yes	Yes	Yes
. College Tuition Cr.	(18)	206.274	Schedule CT	Yes								
<u>Refundable Credits</u>												
. Sec. 1341 of IRC Cr.		206.265	MI-1040	Yes								
. Adoption Cr.	(22)	206.267, 268	MI-1040	No	Yes							
. Prescription Drug Cr.	(23)	206.273	MI-1040	Yes	Yes	No						
. Cr. for Sales Tax Paid on Food												
and Prescription Drugs	(24)	206.523	MI-1040	No								
. Tribal Credit	(28)	206.30(1)(aa)	4013	No	No	No	No	No	Yes	Yes	Yes	Yes
. Stillbirth Credit	(29)	206.275	MI-1040	No	No	No	No	No	No	Yes	Yes	Yes
. Earned Income Tax Credit	(30)	206.272	MI-1040	No	Yes							

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

Refundable Credits (cont.)	MCL Section	Form	TY 1967	TY 1968	TY 1969	TY 1970	TY 1971	TY 1972	TY 1973	TY 1974	TY 1975	TY 1976	TY 1977
. <u>Homestead Property Tax Cr.</u>	(25) 206.520, 522	CR	No	Yes (b)	Yes (b)	Yes (b')	Yes (b'')	Yes (b''')	Yes (b''')	Yes (b''')	Yes (b''')	Yes (b''')	Yes (b''')
. Eligible Property Tax Paid Percent													
. Homeowners	206.520(1)		n.a.	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
. Renters	206.520(2)												
. Ad Valorem Taxes			n.a.	20.0%	17.0%	17.0%	17%	17%	17%	17%	17%	17%	17%
. Service Charges			n.a.	n.a.	n.a.	10%	10%	10%	10%	n.a.	n.a.	share	share
. Nursing Home Patient			n.a.	n.a.	30%	30%	30%						
. Homeowner Veterans Cr. Requirements:		CR-2											
. Taxable Value Allowance	206.506		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$2,500 to \$4,500				
. Household Income Limit	206.506		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
. Homeowner Blind Cr. Requirements:													
. Taxable Value Allowance													
. Taxpayer only blind	206.522(1)(e)(i), (ii)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
. Taxpayer and Spouse blind	206.522(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$3,500	\$7,000	\$7,000	\$7,000	\$7,000
. Household Income Limit	206.520(8)		n.a.	n.a.	n.a.	n.a.	n.a.						
. Total HPTC Limit	206.520(16)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$500	\$500	\$500	\$1,200	\$1,200
. Cr. Availability/Calculation													
. General:	206.522(1)(a)		n.a.	Yes (b)	Yes (b)	Yes (b')	Yes (b'')	Yes (b''')	Yes (c)				
. Special Credits:													
. Seniors													
. General	206.522(1)(b)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes (d)				
. 1973 Homestead Exempt	206.522(5)		n.a.	Yes (f)	Yes (f)	Yes (f)	Yes (f)						
. Para/hemi/quadruplegic	206.522(1)(b)		n.a.	Yes (d)	Yes (d)	Yes (d)	Yes (d)						
. Disabled	206.522(1)(b), (c)		n.a.	Yes (g)	Yes (g)	Yes (g)	Yes (g)						
. Veterans	206.522(1)(d)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes (h)				
. Blind	206.522(1)(e)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes (i)				
. Farmland Preservation Credit	(26) 554.710(1)	CR-5	No	No	No	Yes (j)	Yes (j)						

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

Refundable Credits (cont.)	MCL Section	Form	TY 1978	TY 1979	TY 1980	TY 1981	TY 1982	TY 1983	TY 1984	TY 1985	TY 1986	TY 1987	TY 1988
. <u>Homestead Property Tax Cr.</u>	(25) 206.520, 522	CR	Yes (b''')										
. Eligible Property Tax Paid Percent													
. Homeowners	206.520(1)		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
. Renters	206.520(2)												
. Ad Valorem Taxes			17%	17%	17%	17%	17%	17%	17%	17%	17%	17%	17%
. Service Charges			share	share	10%	10%	10%	10%	10%	10%	10%	10%	10%
. Nursing Home Patient			share										
. Homeowner Veterans Cr. Requirements:		CR-2											
. Taxable Value Allowance	206.506		\$2,500 to \$4,500										
. Household Income Limit	206.506		\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
. Homeowner Blind Cr. Requirements:													
. Taxable Value Allowance													
. Taxpayer only blind	206.522(1)(e)(i), (ii)		\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
. Taxpayer and Spouse blind	206.522(3)		\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
. Household Income Limit	206.520(8)		n.a.	n.a.	n.a.	n.a.	\$74,000	\$77,500	\$79,950	\$82,650	\$82,650	\$82,650	\$82,650
. Total HPTC Limit	206.520(16)		\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
. Cr. Availability/Calculation													
. General:	206.522(1)(a)		Yes (c)										
. Special Credits:													
. Seniors													
. General	206.522(1)(b)		Yes (d)										
. Low Income Renters	206.520(9), (10)		n.a.	n.a.	n.a.	n.a.	Yes (e)						
. 1973 Homestead Exempt	206.522(5)		Yes (f)										
. Para/hemi/quadruplegic	206.522(1)(b)		Yes (d)										
. Disabled	206.522(1)(b), (c)		Yes (g)										
. Deaf	206.522(1)(b)		n.a.										
. Veterans	206.522(1)(d)		Yes (h)										
. Blind	206.522(1)(e)		Yes (i)										
. Farmland Preservation Credit	(26) 554.710(1)	CR-5	Yes (j)										

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

Refundable Credits (cont.)	MCL Section	Form	TY 1989	TY 1990	TY 1991	TY 1992	TY 1993	TY 1994	TY 1995	TY 1996	TY 1997	TY 1998	TY 1999
. Homestead Property Tax Cr (25)	206.520, 522	CR	Yes (b''')										
. Eligible Property Tax Paid Percent													
. Homeowners	206.520(1)		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
. Renters	206.520(2)												
. Ad Valorem Taxes			17%	17%	17%	17%	17%	20%	20%	20%	20%	20%	20%
. Service Charges			10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
. Nursing Home Patient			share										
. Homeowner Veterans Cr. Requirements:		CR-2											
. Taxable Value Allowance	206.506		\$2,500 to \$4,500										
. Household Income Limit	206.506		\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
. Homeowner Blind Cr. Requirements:													
. Taxable Value Allowance													
. Taxpayer only blind	206.522(1)(e)(i), (ii)		\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
. Taxpayer and Spouse blind	206.522(3)		\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
. Household Income Limit	206.520(8)		\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650
. Total HPTC Limit	206.520(16)		\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
. Cr. Availability/Calculation													
. General:	206.522(1)(a)		Yes (c)										
. Special Credits:													
. Seniors													
. General	206.522(1)(b)		Yes (d)										
. Low Income Renters	206.520(9), (10)		Yes (e)										
. 1973 Homestead Exempt	206.522(5)		Yes (f)										
. Para/hemi/quadruplegic	206.522(1)(b)		Yes (d)										
. Disabled	206.522(1)(b), (c)		Yes (g)										
. Deaf	206.522(1)(b)		n.a.										
. Veterans	206.522(1)(d)		Yes (h)										
. Blind	206.522(1)(e)		Yes (i)										
. Farmland Preservation Cred (26)	554.710(1)	CR-5	Yes (j)										

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

Refundable Credits (cont.)	MCL Section	Form	TY 2000	TY 2001	TY 2002	TY 2003	TY 2004	TY 2005	TY 2006	TY 2007	TY 2008
. Homestead Property Tax Cr.	(25) 206.520, 522	CR	Yes (b'')								
. Eligible Property Tax Paid Percent											
. Homeowners	206.520(1)		100%	100%	100%	100%	100%	100%	100%	100%	100%
. Renters	206.520(2)										
. Ad Valorem Taxes			20%	20%	20%	20%	20%	20%	20%	20%	20%
. Service Charges			10%	10%	10%	10%	10%	10%	10%	10%	10%
. Nursing Home Patient			share								
. Homeowner Veterans Cr. Requirements:		CR-2									
. Taxable Value Allowance	206.506		\$2,500 to \$4,500								
. Household Income Limit	206.506		\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
. Homeowner Blind Cr. Requirements:											
. Taxable Value Allowance											
. Taxpayer only blind	206.522(1)(e)(i), (ii)		\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
. Taxpayer and Spouse blind	206.522(3)		\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
. Household Income Limit	206.520(8)		\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650
. Total HPTC Limit	206.520(16)		\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
. Cr. Availability/Calculation											
. General:	206.522(1)(a)		Yes (c)								
. Special Credits:											
. Seniors											
. General	206.522(1)(b)		Yes (d)								
. Low Income Renters	206.520(9), (10)		Yes (e)								
. 1973 Homestead Exempt	206.522(5)		Yes (f)								
. Para/hemi/quadruplegic	206.522(1)(b)		Yes (d)								
. Disabled	206.522(1)(b), (c)		Yes (d)								
. Deaf	206.522(1)(b)		Yes (d)								
. Veterans	206.522(1)(d)		Yes (h)								
. Blind	206.522(1)(e)		Yes (i) or (d)								
. Farmland Preservation Credit	(26) 554.710(1)	CR-5	Yes (j)	Yes (j')							

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

Refundable Credits (cont.)	MCL Section	Form	TY 1978	TY 1979	TY 1980	TY 1981	TY 1982	TY 1983	TY 1984	TY 1985	TY 1986	TY 1987	TY 1988
. <u>Home Heating Credit</u>	(27) 206.527a(1)	CR-7	Yes	Yes	Yes	Yes							
. Federal Poverty Income Limit	206.527a(1)(b)		n.a.	110%	110%	110%	110%						
. General Credit	206.527a(1)(c)(i)		Yes (k)	Yes (k')	Yes (k')	Yes (k')	Yes (k')						
. Maximum Credit:	206.527a(1)(a)												
. 0 or 1 Exemption			\$200	\$200	\$226	\$233	\$254	\$272	\$272	\$272	\$272	\$272	\$272
. 2 Exemptions			\$240	\$240	\$271	\$279	\$305	\$326	\$326	\$326	\$326	\$326	\$326
. 3 Exemptions			\$280	\$280	\$316	\$325	\$355	\$379	\$379	\$379	\$379	\$379	\$379
. 4 Exemptions			\$310	\$310	\$350	\$361	\$394	\$421	\$421	\$421	\$425	\$433	\$450
. 5 Exemptions			\$340	\$340	\$383	\$394	\$430	\$460	\$460	\$480	\$497	\$506	\$525
. 6 Exemptions			\$370	\$370	\$417	\$430	\$470	\$502	\$502	\$550	\$570	\$579	\$601
. more than 6 exemp.			\$370	\$370	\$417	\$430	\$470	\$502	\$502	+\$70/exemp.	+\$73/exemp.	+\$74/exemp.	+\$76/exemp.
. Maximum Income Limit Requirement:													
. 0 or 1 Exemption			n.a.	\$5,714	\$6,457	\$6,657	\$7,257	\$7,771	\$7,771	\$7,771	\$7,771	\$7,771	\$7,771
. 2 Exemptions			n.a.	\$6,857	\$7,742	\$7,971	\$8,714	\$9,314	\$9,314	\$9,314	\$9,314	\$9,314	\$9,314
. 3 Exemptions			n.a.	\$8,000	\$9,028	\$9,286	\$10,143	\$10,829	\$10,829	\$10,829	\$10,829	\$10,829	\$10,829
. 4 Exemptions			n.a.	\$8,857	\$10,000	\$10,314	\$11,257	\$12,029	\$12,029	\$12,029	\$12,142	\$12,371	\$12,857
. 5 Exemptions			n.a.	\$9,714	\$10,943	\$11,257	\$12,286	\$13,143	\$13,143	\$13,714	\$14,200	\$14,457	\$15,000
. 6 Exemptions			n.a.	\$10,571	\$11,914	\$12,286	\$13,429	\$14,343	\$14,343	\$15,714	\$16,285	\$16,543	\$17,171
. more than 6 exemp.			n.a.	\$10,571	\$11,914	\$12,286	\$13,429	\$14,343	\$14,343	+\$2,000/exemp.	+\$2,086/exemp.	+\$2,114/exemp.	+\$2,171/exemp.
. Alternative Credit	206.527a(1)(c)(ii)		No	No	No	No	No	No	Yes (l)	Yes (l)	Yes (l)	Yes (l')	Yes (l')
. Heating Fuel Cost Limit	206.527a(1)(d)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,200	\$1,184	\$1,211	\$1,207	\$1,190
. Maximum Income:													
. 0 or 1 Exemptions			n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$6,263	\$6,463	\$6,569	\$6,778	\$7,060
. 2 Exemptions			n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$8,428	\$8,698	\$8,840	\$9,122	\$9,501
. 3 or more			n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$9,231	\$9,108	\$9,315	\$9,285	\$9,501
. Credit Proration (%)	206.527a(18)		n.a.	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

Refundable Credits (cont.)	MCL Section	Form	TY 1989	TY 1990	TY 1991	TY 1992	TY 1993	TY 1994	TY 1995	TY 1996	TY 1997	TY 1998	TY 1999
. <u>Home Heating Credit</u>	(27) 206.527a(1)	CR-7	Yes										
. Federal Poverty Income Limit	206.527a(1)(b)		110%	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%
. General Credit	206.527a(1)(c)(i)		Yes (k')	Yes (k')	Yes (k'')								
. Maximum Credit:	206.527a(1)(a)												
. 0 or 1 Exemption			\$272	\$272	\$272	\$272	\$272	\$285	\$289	\$299	\$305	\$312	\$319
. 2 Exemptions			\$326	\$326	\$343	\$355	\$365	\$380	\$388	\$400	\$410	\$420	\$428
. 3 Exemptions			\$389	\$408	\$430	\$447	\$459	\$476	\$486	\$501	\$515	\$528	\$536
. 4 Exemptions			\$467	\$490	\$517	\$539	\$554	\$571	\$585	\$602	\$619	\$635	\$645
. 5 Exemptions			\$546	\$573	\$604	\$630	\$649	\$667	\$683	\$703	\$724	\$743	\$754
. 6 Exemptions			\$624	\$655	\$691	\$722	\$743	\$762	\$782	\$804	\$829	\$851	\$862
. more than 6 exemp.			+\$79/exemp.	+\$83/exemp.	+\$88/exemp.	+\$92/exemp.	+\$95/exemp.	+\$96/exemp.	+\$99/exemp.	+\$101/exemp.	+\$105/exemp.	+\$108/exemp.	+\$109/exemp.
. Maximum Income Limit Requirement:													
. 0 or 1 Exemption			\$7,771	\$7,771	\$8,144	\$7,771	\$7,771	\$8,143	\$8,257	\$8,543	\$8,714	\$8,914	\$9,114
. 2 Exemptions			\$9,314	\$9,314	\$10,962	\$10,143	\$10,429	\$10,857	\$11,086	\$11,429	\$11,714	\$12,000	\$12,229
. 3 Exemptions			\$11,114	\$11,657	\$12,286	\$12,771	\$13,114	\$13,600	\$13,886	\$14,314	\$14,714	\$15,086	\$15,314
. 4 Exemptions			\$13,343	\$14,000	\$14,771	\$15,400	\$15,829	\$16,314	\$16,714	\$17,200	\$17,686	\$18,143	\$18,429
. 5 Exemptions			\$15,600	\$16,371	\$17,257	\$18,000	\$18,543	\$19,057	\$19,514	\$20,086	\$20,686	\$21,229	\$21,543
. 6 Exemptions			\$17,829	\$18,714	\$19,743	\$20,629	\$21,229	\$21,771	\$22,343	\$22,971	\$23,686	\$24,314	\$24,629
. more than 6 exemp.			+\$2,257/exemp.	+\$2,371/exemp.	+\$2,514/exemp.	+\$2,629/exemp.	+\$2,714/exemp.	+\$2,743/exemp.	+\$2,829/exemp.	+\$2,886/exemp.	+\$3,000/exemp.	+\$3,086/exemp.	+\$3,114/exemp.
. Alternative Credit	206.527a(1)(c)(ii)		Yes (l'')										
. Heating Fuel Cost Limit	206.527a(1)(d)		\$1,234	\$1,264	\$1,246	\$1,289	\$1,312	\$1,312	\$1,300	\$1,335	\$1,403	\$1,404	\$1,416
. Maximum Income:													
. 0 or 1 Exemptions			\$7,420	\$7,790	\$8,144	\$8,313	\$8,523	\$8,789	\$9,068	\$9,303	\$9,558	\$9,774	\$10,011
. 2 Exemptions			\$9,986	\$10,485	\$10,962	\$11,190	\$11,473	\$11,831	\$11,818	\$12,136	\$12,755	\$12,764	\$12,873
. 3 or more			\$11,218	\$11,491	\$11,327	\$11,718	\$11,927	\$11,927	\$11,818	\$12,136	\$12,755	\$12,764	\$12,873
. Credit Proration (%)	206.527a(18)		100%	100%	100%	100%	100%	100%	62%	70%	74%	82%	90%

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

Refundable Credits (cont.)	MCL Section	Form	TY 2000	TY 2001	TY 2002	TY 2003	TY 2004	TY 2005	TY 2006	TY 2007	TY 2008
. Home Heating Credit	(27) 206.527a(1)	CR-7	Yes								
. Federal Poverty Income Limit	206.527a(1)(b)		110%	110%	110%	110%	110%	110%	110%	110%	110%
. General Credit	206.527a(1)(c)(i)		Yes (k")								
. Maximum Credit:	206.527a(1)(a)										
. 0 or 1 Exemption			\$323	\$332	\$342	\$347	\$359	\$369	\$378	\$394	\$401
. 2 Exemptions			\$435	\$448	\$461	\$468	\$482	\$495	\$509	\$528	\$540
. 3 Exemptions			\$547	\$565	\$579	\$589	\$604	\$620	\$640	\$662	\$679
. 4 Exemptions			\$658	\$681	\$698	\$709	\$727	\$746	\$771	\$496	\$817
. 5 Exemptions			\$770	\$797	\$816	\$830	\$849	\$871	\$902	\$930	\$956
. 6 Exemptions			\$882	\$914	\$935	\$951	\$972	\$997	\$1,033	\$1,064	\$1,094
. more than 6 exemp.			+\$112/exemp.	+\$116/exemp.	+\$119/exemp.	+\$121/exemp.	+\$122/exemp.	+\$126/exemp.	+\$131/exemp.	+\$134/exemp.	+\$139/exemp.
. Maximum Income Limit Requirement:											
. 0 or 1 Exemption			\$9,229	\$9,486	\$9,771	\$9,914	\$10,257	\$10,529	\$10,786	\$11,243	\$11,443
. 2 Exemptions			\$12,429	\$12,800	\$13,171	\$13,371	\$13,771	\$14,129	\$14,529	\$15,072	\$15,415
. 3 Exemptions			\$15,629	\$16,143	\$16,543	\$16,829	\$17,257	\$17,700	\$18,271	\$18,900	\$19,386
. 4 Exemptions			\$18,800	\$19,457	\$19,943	\$20,257	\$20,771	\$21,300	\$22,014	\$22,729	\$23,329
. 5 Exemptions			\$22,000	\$22,771	\$23,314	\$23,714	\$24,257	\$24,871	\$25,757	\$26,558	\$27,301
. 6 Exemptions			\$25,200	\$26,114	\$26,714	\$27,171	\$27,771	\$28,471	\$29,500	\$30,386	\$31,243
. more than 6 exemp.			+\$3,200/exemp.	+\$3,322/exemp.	+\$3,388/exemp.	+\$3,498/exemp.	+\$3,498/exemp.	+\$3,586/exemp.	+\$3,740/exemp.	+\$3,829/exemp.	+\$3,971/exemp.
. Alternative Credit	206.527a(1)(c)(ii)		Yes (l")								
. Heating Fuel Cost Limit	206.527a(1)(d)		\$1,453	\$1,493	\$1,578	\$1,687	\$1,843	\$2,028	\$2,231	\$2,231	\$2,351
. Maximum Income:											
. 0 or 1 Exemptions			\$10,350	\$10,703	\$10,922	\$11,211	\$11,360	\$11,635	\$12,066	\$12,263	\$12,590
. 2 Exemptions			\$13,209	\$13,573	\$14,345	\$15,088	\$15,287	\$15,658	\$16,230	\$16,502	\$16,942
. 3 or more			\$13,209	\$13,573	\$14,345	\$15,340	\$16,757	\$18,433	\$20,282	\$20,282	\$21,298
. Credit Proration (%)	206.527a(18)		100%	100%	100%	80%	76%	76%	76%	53%	65%

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

Notes:

General Information:

- .(*) Starting tax year 1970, per taxpayer preference, the IRC effective in tax year may be used instead.
 - .(**) Unlike exemption for paraplegic and quadriplegic, special exemption for hemiplegics starts in TY 1977.
 - .(***) Starting TY 1987, taxpayers who are blind, or quadriplegic, hemiplegic, or paraplegic are considered to be disabled.
 - .(****) Starting TY 2000, taxpayers who are deaf are considered disabled.
 - .(*****) Limits adjusted by percentage increase of the US CPI for the immediately preceding calendar year.
- (1) Revenue distribution for local units was based on percent from net collections through TY 1986, and from gross collections thereafter. Revenue distribution for Revenue Sharing is based on percent from gross collections. Starting TY 2001, School Aid Fund share calculated by formula: 1.012% divided by IIT tax rate.
 - (2) Filing requirement applies to any person whose gross income or federal AGI is in excess of the personal exemptions and additional (special) exemptions allowed. Filing threshold listed does not take into account special exemptions allowed.
 - (3) Taxpayers with liability after credits and tax withheld above threshold must make estimated payments. Threshold equaled to \$100 until TY 1986, and \$500 thereafter.
 - (4) Except for claimed as a dependent exemption (which applies only to the taxpayer), special exemptions applied to taxpayer or spouse only through TY 1999; and to taxpayers, spouse, or dependents of taxpayer, thereafter.
 - (5) Contributions to the fund do not increase liability.
 - (6) Contributions to those funds increase/reduce taxpayers' liability/refund.

Taxbase Adjustments Limits:

- (7) Until TY 1988, the maximum private pension deduction amount applied to the total of private, federal, and other states public retirement system pension and retirement benefits. Starting TY 1989, retirement and pension benefits from federal public system no longer were subjected to the limit. Starting TY 1994, the maximum also applies to benefits paid to seniors from a retirement annuity policy which are paid for life. Starting TY 1994, the maximum private pension deduction amount must be reduced by 25% of the total public (federal and MI) and federal military retirement benefits deduction claimed.
- (8) From TY 1994 through TY 1996, seniors were allowed deduction only from interest and dividends income, and this exemption could only be taken if taxpayer did not take a deduction for retirement and pension benefits. Starting TY 1997, senior deduction also includes capital gains income, where the senior maximum interest, dividend, and capital gain deduction amount shall be reduced by the total amount of retirement/pension benefit deduction claimed.

Non Refundable Credits:

- (9) Headlee Credit: equaled to 2% of 1995 tax liability computed before taking into account any credit. Credit was effective only for TY 1995.
- (10) Taxes Paid to Another State Credit: for TY 1967, credit equaled the amount of income tax paid in other states, limited to taxpayer liability. Starting TY 1968, credit was limited further to the proportion of the MI IIT due that the amount of the taxpayer's out-of-state income bears to the taxpayer's AGI.
- (11) Nonresident Credit for Reciprocal State Income Tax exemption applies to the MI IIT paid by nonresident taxpayers from the following states: Reciprocal States (IN, WI, KY, IL, OH, MN), Idaho (TY 1970-82), Maryland (TY 1970-91), New Mexico (TY 1970-75), Virginia (TY 1968 on), West Virginia (TY 1970-91), and Canadian Provinces (TY 1978 on).

.(12) City Income Tax Credit Calculation:

For TY 1968 and 1969:

If City Income Tax is:	Credit
. <=\$100	20% of city income taxes
. >\$100, <=\$150	\$20 + 15% of excess over \$100
. >\$150, <=\$200	\$27.50+ 10% of excess over \$150
. > \$200	min {\$32.50 + 5% of excess over \$200, \$10,000}

. For TY 1970, credit equals to min {12% of eligible city income tax paid, \$15}.

. For TY 1971 - 1985:

If City Income Tax is:	Credit
. <=\$100	20% of city income taxes
. >\$100, <=\$150	\$20 + 10% of excess over \$100
. >\$150, <=\$200	\$25 + 5% of excess over \$150
. > \$200	min {\$27.50 + 5% of excess over \$200, \$10,000}

. Starting TY 1986:

If City Income Tax is:	Credit
. <=\$100	20% of city income taxes
. >\$100, <=\$150	\$20 + 10% of excess over \$100
. >\$150	min (\$25 + 5% of excess over \$150, \$10,000)

.(13) Contribution Credit Calculation:

(a). From TY 1968 through 1987, credit was limited to min. {50% of contribution, 10% of liability, \$5,000} for estates, trusts, or min. {\$100, 20% of liability, 50% of contribution} for other returns.

(a'). Starting TY 1988, credit limited to min. {50% contribution, \$100 for single returns, \$200 for joint returns} or min. {50% contribution, \$5,000, 10% of tax liability} for estate and trust returns.

.(14) Renewable/Solar Energy Credit equaled to a percentage of the first \$2,000 of eligible cost and a percentage of the next \$8,000 (or \$3,000 in TY 1983 - 1991, for single family dwelling) / \$13,000 (or \$7,000 in TY 1983-1991, for multiple dwelling) eligible cost.

Percentages ranged from: 25% and 15% for TY 1979-1980; 20% and 10% for TY 1981; 15% and 5% for TY 1982; and 30% and 15% in TY 1983 - 1991.

.(15) Medical Care Savings Account Credit calculation: credit equals min {3.3% of eligible net contribution, \$3,000 (single), \$6,000 (joint)}, where \$3,000 and \$6,000 were indexed by inflation.

.(16) MI Historical Preservation Credit equals to 25% of qualified expenses, reduced by the amount of federal historic credit received. Starting TY 2009, instead of carrying forward the cr amount that exceeds liability (10 yrs), taxpayer may elect to have 90% of the excess credit amount refunded.

.(17) Vehicle Donation Credit equals to 50% fair market value of donated auto, limited to \$50 (single), \$100 (joint).

.(18) College Tuition and Fees Credit available for MI resident taxpayers with household income up to \$200,000, who paid undergraduate tuition and fees on behalf of a student who attends an eligible school. Eligible school refers to school that has certified that tuition will not increase by more than the rate of inflation. Credit may be taken for up to 4 years, per student.

From TY 1995-97, the credit was limited to min {4% of tuition and fees paid per student, \$250 per student per year}.

Starting TY 1998, the credit was limited to min {8% of tuition and fees paid per student, \$375 per student per year},

Refundable Credits:

- .(21) Inventory tax credit equaled a percent (25% in TY 1973, 32% in TY 1974, 39% in TY 1975) of qualified personal property taxes on inventory deductible on the federal return. Franchise Fee Credit equaled to 20% of qualified franchise fees paid.
- .(22) Adoption Credit equals to min {qualified adoption expenses per child, \$1,200 per child}.
Credit is limited to eligible filers who claimed the federal adoption credit.
- .(23) Prescription Drug credit was limited to seniors with household income up to 150% of federal poverty standard.
Credit equaled to min { \$600, qualified expenses over 5% of taxpayer's household income }.
- .(24) Credit for Sales Tax Paid on Food and Prescription Drugs was inversely proportioned to household income, as follows:

Household Income	Credit per Person
<=\$5,000	\$10
>\$5,000, <=\$7,000	\$9
>\$7,000, <=\$9,000	\$8
>\$9,000, <=\$11,000	\$7
>\$11,000, <=\$15,000	\$6
>\$15,000	\$0
- .(28) Tribal Sales Tax Credit: credit equals to 0.9% of resident tribal member modified adjusted gross income.
- .(29) Stillbirth Credit: credit equals to 4.5% of the personal exemption amount for the tax year allowed for a single exemption, rounded up to the nearest \$10 increment
- .(30) Earned Income Tax Credit: equals 10% of federal EITC claimed for TY 2008, or 20% of federal EITC claimed for TY 2009 and after.
- .(31) Energy Star Equipment Credit: credit available for taxpayers with AGI up to \$37,500 (single), or \$75,000 (joint) and equals min {10% cost of purchase & installation, \$75 (single), or \$150 (joint) }.
- .(25) Property Tax Credit eligibility requirements and calculations:
 - (b). In TY 1968 and 1969, credit was non-refundable, applicable also to non-homestead property tax paid by the taxpayer, and its percent was inversely proportioned to the total eligible ad valorem taxes paid by the taxpayers as follows:

Eligible Property Taxes (PPT) Amount:	Credit
. <=\$100	20% of property taxes
. >\$100, <=\$150	\$20 + 15% of excess over \$100
. >\$150, <=\$200	\$27.50 + 10% of excess over \$150
. >\$200, <=\$10,000	\$32.50 + 5% of excess over \$200
. >\$10,000	4% of property taxes
 - (b'). In TY 1970, credit was non-refundable and applicable only to homestead property taxes paid. Credit equaled to min {12% of eligible property taxes paid, \$15}.
 - (b''). In TY 1971 and 1972, credit was non-refundable, and applicable also to non-homestead property taxes paid. Credit calculated as follows:

Property Taxes (PPT) Amount:	Credit
. <=\$100	20% of property taxes
. >\$100, <=\$150	\$20 + 10% of excess over \$100
. >\$150, <=\$200	\$25 + 5% of excess over \$150
. >\$200, <=\$10,000	\$27.50 + 5% of excess over \$200
. >\$10,000	4% of property taxes

(b'''). Starting TY 1973, credit became refundable, based only on homestead property taxes paid and was calculated based on taxpayer's household income. For mobile home owners, property taxes include the \$3.00 / month specific tax plus statutorily allowed percentage of rent.

(c). General Credit (for homeowners or renters) equals to 60% of property tax amount paid in excess of 3.5% of household income.

(d). Credit for homeowners or renters who are: Seniors (General Credit); Para/Quadriplegic (starting TY 1974); Hemiplegic (starting TY 1984); Blind (starting TY 2000), or Deaf (starting TY 2000).

Credit equaled to 100% of eligible property tax paid in excess of taxpayer's household income as follows:

Household Income	% Not Refundable
<=\$3,000	0.0%
>\$3,000, <=\$4,000	1.0%
>\$4,000, <=\$5,000	2.0%
>\$5,000, <=\$6,000	3.0%
>\$6,000	3.5%

(e). Senior Low Income Renter Credit equals to the amount of rent paid in excess of 50% (in 1982), 45% (in 1983), or 40% (thereafter) of taxpayer's household income, for seniors whose rent expenses are higher than 40% of their household income.

(f). Seniors who received a 1973 homestead exemption of \$2,500, and with household income up to \$6,000 may claim a PPT credit equal to eligible PPT paid multiplied by min {percentage that \$2,500 bears to the homestead taxable value, 100% }.

(g). Disabled (homeowners or renters) PPT Credit equals to 60% of credit as computed under senior general PPT credit.

(h). Veteran homeowners may claim a credit equal to eligible homestead property taxes paid multiplied by min. {percent of taxable value allowance (former State equalized value allowance) bears to the homestead taxable value (former State equalized value), 100% }. Veteran renters (starting TY 1978) may claim a credit equal to eligible homestead property taxes paid multiplied by min. {percent of eligible rent by the property tax rate on the property, 100% }.

(i). Homeowner Blind taxpayers may claim a credit equal to eligible property tax paid multiplied by min. {percentage that the taxable value allowance (former State equalized value allowance) bears to the homestead taxable value (former State equalized value), 100% }, for TY 1973 through 1999.

Renters who are blind may claim a credit as disabled.

(26) Farmland Preservation Credit:

(j). Until TY 2000, credit equaled amount of eligible property tax on eligible restricted farming land and structures that exceeded 7% of taxpayer household income.

(j'). Starting TY 2001, (j) credit equals amount of eligible property tax on eligible restricted farming land and structures that exceeds 3.5% of taxpayer household income.

(27) Home Heating Credit:

General Credit:

(k). In TY 1978, credit equaled to table amount reduced by 3.5% of claimant's household income for filers with liquid assets up to \$30,000.

(k'). From TY 1979 through TY 1990, credit equaled to table amount reduced by 3.5% of claimant's household income, where taxpayers with household income above table ceiling are not eligible for credit.

(k''). Starting TY 1991, credit equals to table amount reduced by 3.5% of claimant's household income, the result multiplied by 50% (if heating costs included in rent) or 100% (otherwise).

Alternate Credit:

(l). From TY 1984 - TY 1986, credit equaled to total heating fuel cost amount reduced by 13 percent of claimant household income, the result multiplied by 50 percent.

(l'). From TY 1987 - TY 1988, credit equaled to total heating fuel cost amount reduced by 13 percent of claimant household income, the result multiplied by 70 percent.

(l''). From TY 1989, credit equals to total heating fuel cost amount reduced by 11 percent of claimant's household income, the result multiplied by 70 percent.