

Michigan's Experience With The College Tuition Tax Credit



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Table of Contents

Executive Summary	1
Introduction	1
Calculating the Inflation Cap Using U.S. Consumer Price Index	2
Numbers and Types of Schools Qualifying	3
Amount of Credit by Institution Type.....	3
Average Credit by Institution Type.....	3
Cost of the Tuition Tax Credit	4
Who Claims the Tuition Tax Credit?	4
Number of Credits Claimed by AGI	5
Amount of Credits Received by AGI.....	5
Annual Cost of Michigan’s Tuition Tax Credit	6

Index of Tables

Table 1: 1995 Michigan Tuition Tax Credit Amount Claimed by College	7
Table 2: 1996 Michigan Tuition Tax Credit Amount Claimed by College	8
Table 3: 1997 Michigan Tuition Tax Credit Amount Claimed by College	9
Table 4: 1998 Michigan Tuition Tax Credit Amount Claimed by College	10
Table 5: 1999 Michigan Tuition Tax Credit Amount Claimed by College	11
Table 6: Tax Year 2000 Estimated Cost of the College Tuition Credit	12

Michigan College Tuition Tax Credit

Executive Summary

1. Michigan taxpayers may claim a credit of 8 percent of tuition and fees paid to qualified Michigan colleges and universities up to an annual maximum of \$375 per student.
2. About 52,900 returns claimed \$4.8 million in credits for tax year 1999.
3. In recent years, low inflation has resulted in fewer schools qualifying for the credit. Only 14 schools limited tuition increased to the rate of inflation (1.6 percent) for the 1999-2000 academic year, 22 less than in the previous year.
4. In 2000, 22 Michigan colleges and universities kept their tuition increases less than inflation, allowing their students to qualify for the credit.
5. It is estimated that additional qualifying schools will raise the amount of credits paid for the 2000 tax year to approximately \$8 million.

Introduction

The Michigan Tuition Tax Credit was created by Public Act 7 of 1995 for the 1995 tax year. The credit was initially equal to 4 percent of tuition and fees paid to a qualifying institution of higher learning, up to a maximum of \$250 per student. The credit was limited to resident taxpayers with household incomes below \$200,000. The credit was only available for a maximum of 4 years for any student.

In order to be certified as a qualified institution of higher learning, a college or university must be located in Michigan and certify that its tuition and fees will not increase by more than the rate of inflation. Institutions with instructional programs providing solely sectarian instruction or religious worship may not be qualified institutions. For the 1996 tax year only, Michigan colleges and universities could qualify if the raised tuition and fees by 3 percent or less.

The relatively low inflation rates reported for 1997 through 1999 resulted in a decline in the number of qualifying institutions. Annual inflation averaged just over 2 percent for this three-year period, resulting in a steep decline from 36 qualified institutions in tax year 1998 to 14 in tax year 1999. Only one state university (Lake Superior State University in 2000) qualified in tax years 1999 or 2000.

Public Act 82 of 1997 increased the credit to 8 percent of tuition and fees up to a maximum of \$375 for tax years beginning after 1997. The act also switched the income limit to taxpayers with federal adjusted gross incomes (AGI) below \$200,000.

The tables and charts that follow present a detailed history on the tuition tax credit, including the number of schools qualifying each year, the annual cost of the credit, and the distribution of credits by school, filing status, and income level.

Calculating the Inflation Cap Using U.S. Consumer Price Index

<u>Calendar Year</u>	<u>Consumer Price Index</u>	<u>Percent Change</u>	<u>Affects Tuition Tax Credit</u>
1993	144.5	N/A	N/A
1994	148.2	2.6%	TY 1995
1995	152.4	2.8%	TY 1996
1996	156.9	3.0%	TY 1997
1997	160.5	2.3%	TY 1998
1998	163.0	1.6%	TY 1999
1999	166.6	2.2%	TY 2000
2000	172.2	3.4%	TY 2001

**Numbers and Types of Schools Qualifying
(Tax Years)**

<u>Institution Type</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Public Universities	4	10	10	7	0	1
Community Colleges	21	13	13	23	11	17
Independent Colleges	<u>2</u>	<u>7</u>	<u>14</u>	<u>6</u>	<u>3</u>	<u>4</u>
Totals	27	30	37	36	14	22

**Amount of Credit by Institution Type
Millions of Dollars per Tax Year**

<u>Institution Type</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Public Universities	\$5.7	\$9.8	\$9.2	\$15.0	\$0.0
Community Colleges	\$2.0	\$1.7	\$1.3	\$6.4	\$4.3
Independent Colleges	\$0.1	\$0.6	\$1.3	\$1.0	\$0.4
Unmatched Schools	<u>\$0.2</u>	<u>\$0.0</u>	<u>\$0.3</u>	<u>\$0.2</u>	<u>\$0.1</u>
Totals	\$8.0	\$12.2	\$12.1	\$22.6	\$4.8

Average Credit by Institution Type

<u>Institution Type</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Public Universities	\$122	\$117	\$127	\$237	\$0
Community Colleges	\$40	\$43	\$42	\$82	\$79
Independent Colleges	<u>\$143</u>	<u>\$144</u>	<u>\$140</u>	<u>\$268</u>	<u>\$259</u>
Totals	\$79	\$95	\$100	\$155	\$85

Cost of the Tuition Tax Credit

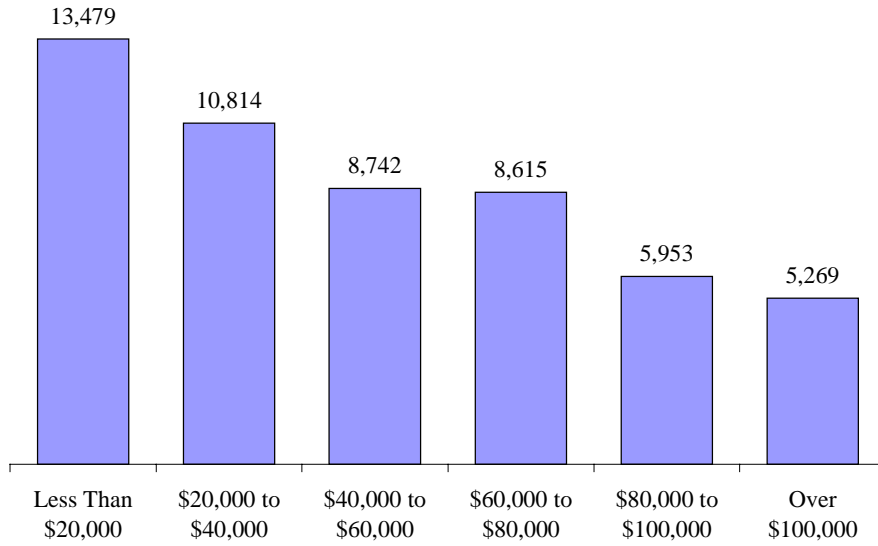
	FY 1996 TY 1995 <u>(Actual)</u>	FY 1997 TY 1996 <u>(Actual)</u>	FY 1998 TY 1997 <u>(Actual)</u>	FY 1999 TY 1998 <u>(Actual)</u>	FY 2000 TY 1999 <u>(Actual)</u>	FY 2001 TY 2000 <u>(Estimate)</u>
Number of Returns Claiming Credit	90,400	114,400	106,800	134,700	52,900	N/A
Total Credits (millions)	\$8.0	\$12.2	\$12.1	\$22.6	\$4.8	\$8.5

Who Claims the Tuition Tax Credit? Tax Year 1999

<u>Filing Status</u>	<u>Number of Credits</u>	<u>Amount of Credit</u>	<u>Average Credit</u>
Single Return	23,173	\$1,953,574	\$84.30
Married Filing a Joint Return	29,105	\$2,894,315	\$99.44
Married Filing a Separate Return	270	\$27,767	\$102.84
No Filing Status	<u>324</u>	<u>\$30,523</u>	<u>\$94.21</u>
All Returns	52,872	\$4,906,179	\$92.79

Note: Credit totals are taken from different data sources and differ slightly.

Number of Credits Claimed by AGI Tax Year 1999



Amount of Credits Received by AGI Tax Year 1999



Annual Cost of Michigan's Tuition Tax Credit

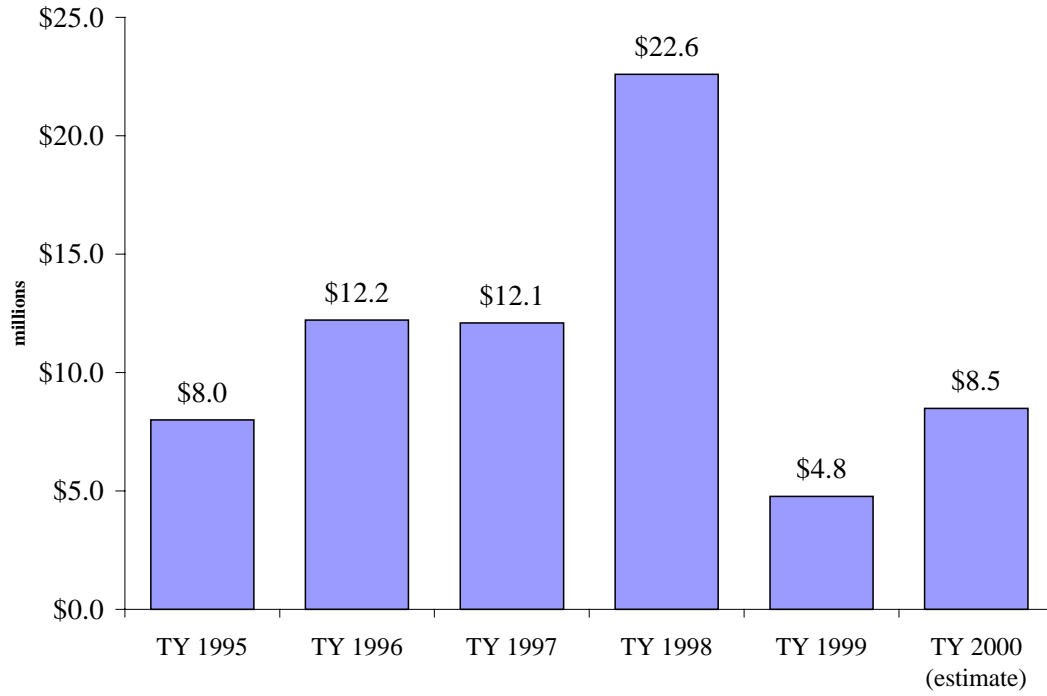


Table 1**1995 Michigan Tuition Tax Credit
Amount Claimed by College**

<u>College</u>	<u>Number of Students</u>	<u>Amount of Tuition Credit</u>	<u>Average Credit</u>
Alpena Community College	771	\$39,172	\$51
Bay De Noc Community College	678	\$29,913	\$44
Cleary College	336	\$46,738	\$139
Glen Oaks Community College	145	\$4,962	\$34
Gogebic Community College	231	\$8,159	\$35
Grand Rapids Community College	4,033	\$167,489	\$42
Grand Valley State University	7,560	\$733,804	\$97
Henry Ford Community College	4,778	\$239,900	\$50
Kalamazoo Valley Community College	2,880	\$81,205	\$28
Kellogg Community College	1,187	\$46,375	\$39
Kirtland Community College	220	\$8,996	\$41
Lake Superior State University	1,780	\$163,212	\$92
Lansing Community College	5,855	\$211,752	\$36
Macomb Community College	8,605	\$308,590	\$36
Michigan State University	22,354	\$3,283,275	\$147
Montcalm Community College	340	\$13,702	\$40
Mott Community College	2,748	\$112,314	\$41
North Central Michigan College	750	\$31,976	\$43
Northwestern Michigan Comm College	1,400	\$72,964	\$52
Oakland Community College	9,091	\$336,645	\$37
Schoolcraft Community College	3,438	\$139,569	\$41
Southwestern Michigan College	509	\$19,934	\$39
St. Clair County Community College	1,689	\$74,030	\$44
Suomi College	246	\$36,606	\$149
Wayne County Community College	1,281	\$58,289	\$45
West Shore Community College	397	\$12,922	\$33
Western Michigan University	14,577	\$1,487,019	\$102
Total	98,114	\$7,783,474	\$79

Source: Based on Michigan Income Tax Returns for Tax Year 1995.

Totals include credits we were unable to match to a particular school.

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Table 2**1996 Michigan Tuition Tax Credit
Amount Claimed by College**

<u>College</u>	<u>Number of Students</u>	<u>Amount of Tuition Credit</u>	<u>Average Credit</u>
Bay De Noc Community College	750	\$35,521	\$47
Delta Community College	4,206	\$224,180	\$53
Detroit College of Business (Detroit)	782	\$90,858	\$116
Detroit College of Business (Flint)	175	\$19,249	\$110
Detroit College of Business (Warren)	331	\$40,780	\$123
Eastern Michigan University	9,282	\$917,159	\$99
Ferris State University	4,587	\$537,545	\$117
Grand Valley State University	7,841	\$801,174	\$102
Hillsdale College	404	\$69,669	\$172
Jackson Community College	1,171	\$48,904	\$42
Kalamazoo College	650	\$101,509	\$156
Kendall College of Art & Design	315	\$45,313	\$144
Kirtland Community College	433	\$30,281	\$70
Lansing Community College	5,772	\$218,131	\$38
Macomb Community College	9,217	\$356,594	\$39
Michigan State University	24,416	\$3,705,889	\$152
Michigan Technological University	2,890	\$380,400	\$132
Mid-Michigan Community College	671	\$29,398	\$44
Montcalm Community College	323	\$13,981	\$43
Mott Community College	2,662	\$117,897	\$44
Northern Michigan University	3,252	\$277,914	\$85
Northwestern Michigan Comm College	1,445	\$85,426	\$59
Oakland Community College	9,595	\$379,404	\$40
Reformed Bible College	120	\$18,953	\$158
Saginaw Valley State University	3,393	\$265,943	\$78
Spring Arbor College	1,159	\$181,254	\$156
St. Clair County Community College	1,667	\$78,046	\$47
Suomi College	399	\$57,459	\$144
University of Michigan (Dearborn)	4,112	\$513,728	\$125
Wayne County Community College	1,907	\$85,445	\$45
Wayne State University	8,672	\$775,007	\$89
Western Michigan University	15,350	\$1,654,816	\$108
Total	128,386	\$12,174,964	\$95

Source: Based on Michigan Income Tax Returns for Tax Year 1996.
Totals include credits we were unable to match to a particular school.

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Table 3

**1997 Michigan Tuition Tax Credit
Amount Claimed by College**

<u>College</u>	<u>Number of Students</u>	<u>Amount of Tuition Credit</u>	<u>Average Credit</u>
Alma College	934	\$178,775	\$191
Aquinas College	859	\$118,651	\$138
Bay De Noc Community College	761	\$36,442	\$48
Central Michigan University	9,225	\$960,737	\$104
Cleary College	283	\$41,916	\$148
Concordia College	320	\$53,116	\$166
Davenport College (Battle Creek)	36	\$3,363	\$93
Davenport College (Kalamazoo)	291	\$34,077	\$117
Davenport College (Lansing)	313	\$36,081	\$115
Davenport College (Main)	844	\$86,121	\$102
Delta Community College	3,780	\$161,619	\$43
Detroit College of Business (Dearborn)	828	\$104,288	\$126
Detroit College of Business (Flint)	137	\$11,472	\$84
Detroit College of Business (Warren)	523	\$54,249	\$104
Grand Rapids Community College	3,890	\$170,940	\$44
Grand Valley State University	8,383	\$856,798	\$102
Great Lakes Jr. College of Business (Midland)	209	\$15,272	\$73
Hillsdale College	412	\$77,772	\$189
Jackson Community College	1,309	\$47,508	\$36
Kendall College of Art & Design	383	\$56,340	\$147
Lake Superior State University	1,510	\$160,600	\$106
Michigan State University	22,428	\$3,423,277	\$153
Michigan Technological University	3,012	\$373,077	\$124
Mid-Michigan Community College	765	\$32,744	\$43
Mott Community College	2,699	\$113,536	\$42
North Central Michigan College	648	\$35,484	\$55
Northern Michigan University	3,411	\$283,918	\$83
Northwestern Michigan Comm College	1,496	\$85,704	\$57
Northwood University	816	\$120,124	\$147
Oakland Community College	8,796	\$350,919	\$40
Olivet College	414	\$67,336	\$163
Reformed Bible College	91	\$13,279	\$146
Saginaw Valley State University	3,299	\$261,574	\$79
Schoolcraft Community College	2,996	\$123,514	\$41
Spring Arbor College	1,217	\$176,537	\$145
University of Michigan (Ann Arbor)	9,066	\$1,609,378	\$178
University of Michigan (Dearborn)	3,920	\$477,749	\$122
Washtenaw Community College	2,060	\$78,388	\$38
Wayne County Community College	1,621	\$69,906	\$43
Wayne State University	8,574	\$806,328	\$94
William Tyndale College	147	\$17,621	\$120
No valid Code Reported	8,010	\$342,569	\$43
Total	120,714	\$12,129,098	\$100

Source: Based on Michigan Income Tax Returns for Tax Years 1997

Note: Total Tuition Credit differs slightly from the total by filing status and AGI because they were calculated from different data fields.

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Table 4

**1998 Michigan Tuition Tax Credit
Amount Claimed by College**

<u>College</u>	<u>Number of Students</u>	<u>Amount of Tuition Credit</u>	<u>Average Credit</u>
Michigan State University	24,787	\$7,307,279	\$295
Oakland Community College	12,034	\$899,501	\$75
Central Michigan University	11,890	\$2,508,173	\$211
Eastern Michigan University	10,813	\$2,180,938	\$202
Macomb Community College	10,644	\$811,618	\$76
Delta Community College	6,315	\$528,771	\$84
Lansing Community College	5,969	\$474,697	\$80
Schoolcraft College	5,628	\$437,945	\$78
Ferris State University	5,516	\$1,202,839	\$218
Grand Rapids Community College	5,081	\$491,768	\$97
Henry Ford Community College	4,600	\$504,568	\$110
Saginaw Valley State University	4,507	\$761,589	\$169
Northern Michigan University	4,030	\$679,631	\$169
Washtenaw Community College	3,966	\$279,175	\$70
Mott Community College	3,768	\$305,050	\$81
Kalamazoo Valley Community College	3,182	\$207,431	\$65
St. Clair County Community College	2,505	\$220,420	\$88
Wayne County Community College	2,490	\$256,163	\$103
Northwestern Michigan College	2,153	\$216,357	\$100
Muskegon Community College	2,036	\$153,510	\$75
Lake Superior State University	1,780	\$351,447	\$197
Jackson Community College	1,632	\$125,515	\$77
Monroe County Community College	1,329	\$85,141	\$64
Alma College	1,141	\$347,048	\$304
Aquinas College	1,128	\$279,270	\$248
Mid-Michigan Community College	1,004	\$96,308	\$96
Bay de Noc Community College	929	\$102,795	\$111
Lake Michigan College	803	\$72,640	\$90
Southwestern Michigan College	578	\$48,910	\$85
Olivet College	467	\$123,678	\$265
Kirtland Community College	410	\$36,279	\$88
Cleary College	346	\$87,258	\$252
Montcalm Community College	339	\$28,209	\$83
Kendall College of Art & Design	330	\$90,405	\$274
Glen Oaks Community College	213	\$17,567	\$82
Reformed Bible College	175	\$32,108	\$183
No valid code reported	548	\$89,416	\$163
Total	145,066	\$22,441,418	\$155

Source: Based on Michigan Income Tax Returns for Tax Year 1998.

Note: Total tuition credit differs slightly from the total by filing status and AGI because they were calculated from different data sources.

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Table 5

**1999 Michigan Tuition Tax Credit
Amount Claimed by College
Revised July 26, 2001**

<u>College</u>	<u>Number of Students</u>	<u>Amount of Tuition Credit</u>	<u>Average Credit</u>
Alpena Community College	1,158	\$113,608	\$98
Aquinas College	1,191	\$303,862	\$255
Bay de Noc Community College	900	\$91,243	\$101
Bay Mills Community College	51	\$4,841	\$95
Delta Community College	5,947	\$462,736	\$78
Grace Bible College	75	\$18,161	\$242
Grand Rapids Community College	5,718	\$529,479	\$93
Kendall College of Art & Design	361	\$98,801	\$274
Kirtland Community College	433	\$34,946	\$81
Lansing Community College	7,273	\$600,340	\$83
Macomb Community College	12,076	\$862,215	\$71
Mid-Michigan Community College	1,239	\$121,936	\$98
Oakland Community College	13,267	\$1,025,780	\$77
St. Clair County Community College	2,651	\$196,095	\$74
Washtenaw Community College	3,832	\$282,498	\$74
Code Did Not Match Eligible College	420	\$66,542	\$158
Total	56,592	4,813,083	\$85

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Table 6

**Tax Year 2000 Estimated Cost of the College Tuition Credit
Using schools qualified for tax year 2000**

	<u>FTE Students</u>	<u>Tuition</u>	<u>Credit/student</u>	<u>Full Participation Credits</u>	<u>80% Participation Credits</u>
<u>Universities</u>					
Lake Superior State University	2,697	\$4,014	\$321	\$866,125	\$692,900
Subtotal - Universities				\$866,125	\$692,900
University Total less 15% Scholarship and Grant Adjustment					\$588,965
<u>Independent Schools</u>					
Ave Maria College	125	\$7,750	\$375	\$46,875	\$37,500
Great Lakes Christian College	220	\$6,488	\$375	\$82,500	\$66,000
Kendall College of Art and Design	504	\$10,860	\$375	\$189,000	\$151,200
Olivet College	700	\$13,382	\$375	\$262,500	\$210,000
Subtotal - Independents				\$580,875	\$464,700
Independents less 15% Scholarship and Grant Adjustment					\$394,995
<u>Community Colleges</u>					
Bay Mills CC	320	\$2,635	\$211	\$67,456	\$53,965
Delta College	5,564	\$1,997	\$160	\$888,816	\$711,052
Glen Oaks CC	835	\$1,705	\$136	\$113,894	\$91,115
Henry Ford CC	7,028	\$2,056	\$164	\$1,155,965	\$924,772
Kellogg CC	2,641	\$1,690	\$135	\$356,958	\$285,566
Kirtland CC	819	\$1,862	\$149	\$122,005	\$97,604
Lansing CC	8,796	\$1,574	\$126	\$1,107,592	\$886,074
Macomb CC	12,134	\$1,735	\$139	\$1,684,199	\$1,347,359
Mid Michigan CC	1,348	\$1,715	\$137	\$184,973	\$147,978
Monroe County CC	1,820	\$1,594	\$128	\$232,086	\$185,669
Muskegon CC	2,476	\$1,549	\$124	\$306,826	\$245,461
NW Michigan CC	2,714	\$1,846	\$148	\$400,858	\$320,686
Oakland CC	13,923	\$1,580	\$126	\$1,759,533	\$1,407,626
St. Clair County CC	2,398	\$1,964	\$157	\$376,822	\$301,457
Schoolcraft College	5,154	\$1,786	\$143	\$736,404	\$589,123
Washtenaw CC	5,016	\$1,782	\$143	\$715,081	\$572,065
Wayne CC	5,497	\$1,879	\$150	\$826,309	\$661,047
Subtotal - Community Colleges				\$11,035,776	\$8,828,621
Community College Total less 15% Scholarship and Grant Adjustment					\$7,504,328
Estimated Total (Universities + Independents + Community Colleges)					\$8,488,288
			Credit rate	8.0%	
			Maximum credit	\$375	
			Inflation rate	2.2%	

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