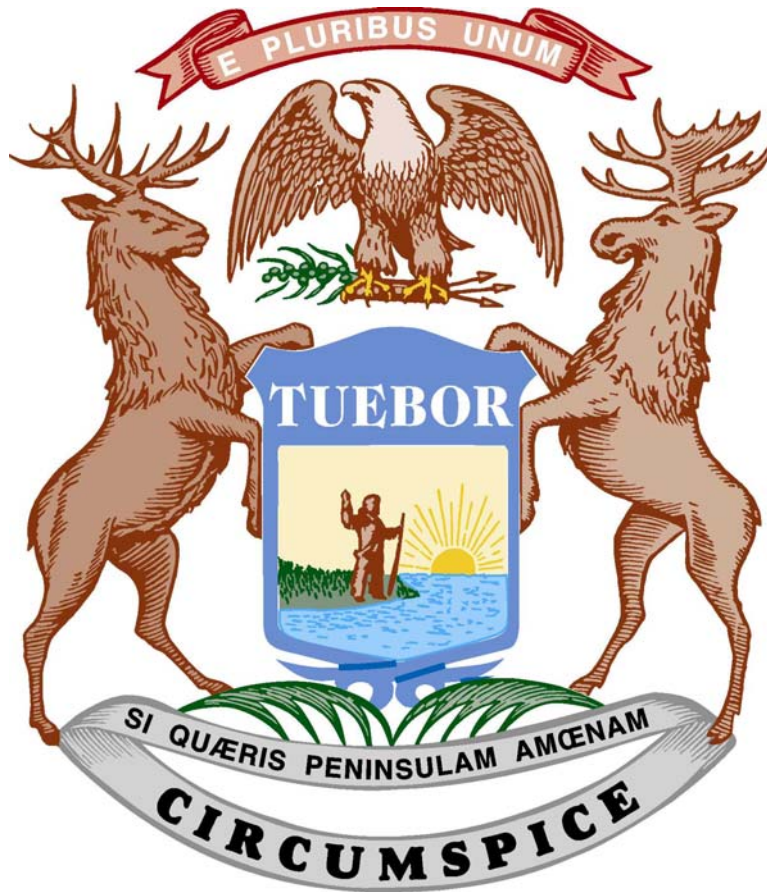
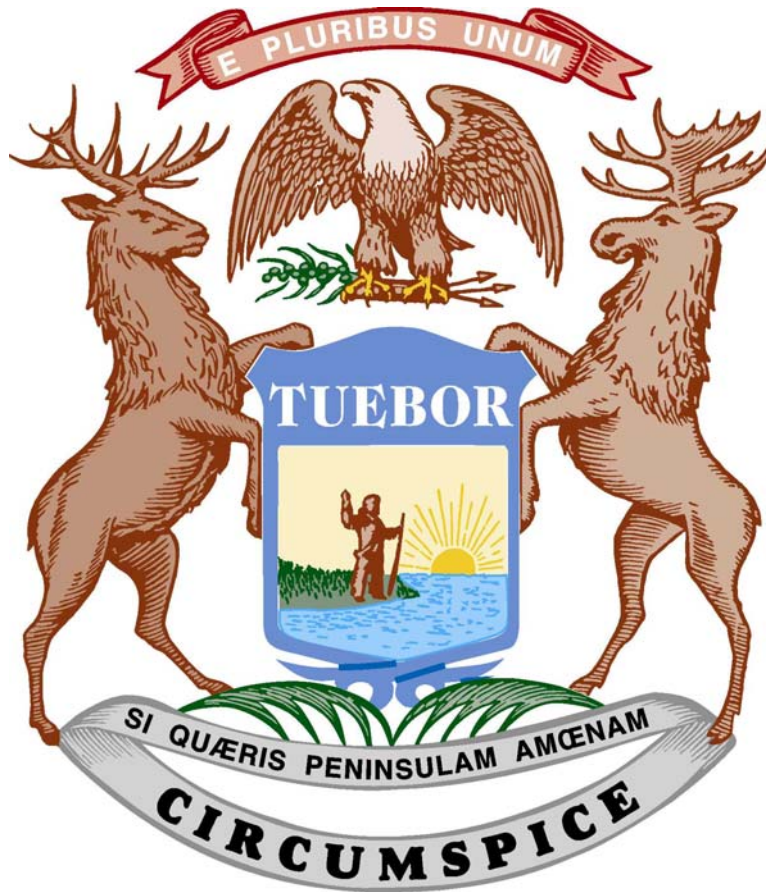


**MICHIGAN'S  
INDIVIDUAL INCOME TAX  
2005**



**Michigan Department of Treasury  
Bureau of Tax and Economic Policy  
Tax Analysis Division  
August 2007**

# MICHIGAN'S INDIVIDUAL INCOME TAX 2005



Tax Analysis Division  
August 2007

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## **I. EXECUTIVE SUMMARY**

### **Returns and Revenue**

For tax year 2005, Michigan's personal income tax generated \$5.3 billion in state revenues after all credits and refunds were paid.

Net revenue increased \$39.9 million (0.8 percent) from 2004 levels, reflecting a taxable income increase of \$5.3 billion (4.3 percent) from 2004 to 2005, and a 0.05 percentage point rate cut (from 3.95% to 3.9%).

About 4.4 million returns were filed for the 2005 tax year, or 34,400 more filers (0.8 percent) than the previous year.

Although the personal income tax was levied at a nominal flat rate of 3.9 percent in 2005, the effective tax rate varied from negative 21.4 percent for filers with an AGI under \$2,000 to positive 3.2 percent for taxpayers with an AGI between \$300,001 and \$400,000. The overall effective tax rate was 2.1 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 2005, Michigan's income tax revenue is below the national average, both as a percentage of personal income and on a per capita basis. Michigan ranks 37<sup>th</sup> highest and 35<sup>th</sup> highest, respectively. Compared to the average for the 41 states with a general income tax, Michigan's income tax revenue is 35 percent below average on a per capita basis, and 32 percent below average as a percent of personal income.

### **Property Tax Credit**

About 1.5 million Michigan homeowners, renters, and farmers received \$839.8 million in property tax credits, including farmland preservation credits, for 2005. The average property tax credit was \$561. Excluding farmland preservation credits, the average property tax credit for tax year 2005 was \$544. The total amount of property tax credits, including farmland preservation credits, increased by \$28.6 million (3.5 percent) with 18,400 more taxpayers benefiting compared to tax year 2004.

Senior citizens received about \$306.1 million in homestead property tax credits, an increase of \$1.7 million from tax year 2004. For about 416,400 senior citizens receiving homestead property tax credits, the average credit was \$735.



### **Home Heating Credit**

Home heating credits totaled \$75.6 million for tax year 2005 with about 392,700 households qualifying for an average credit of \$193. Home heating credits increased \$6.1 million from 2004 while approximately 4,300 more taxpayers claimed the credit.

### **Adoption Credit**

In tax year 2005, \$1.3 million in adoption credit was claimed by 1,000 taxpayers, resulting in an average credit of \$1,264 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 2005, almost \$1 million in tribal credit was claimed by 4,300 taxpayers. This credit became effective in tax year 2005, allowing resident tribal members to claim a sales tax credit on their income tax returns.

### **City Income Tax Credit**

In 2005, city income tax credits were claimed by 900,000 taxpayers amounting to \$33.3 million in total credits. This was a decrease of \$353,300 from the prior year, with 12,600 fewer taxpayers claiming the credit.

### **Public Contribution Credit**

Michigan taxpayers claimed \$26.1 million in credits for contributions to Michigan colleges, libraries, museums, and public broadcasting stations for tax year 2005. This was an increase of \$715,500 over tax year 2004, with 2,600 more taxpayers claiming this credit.

### **Community Foundation Credit**

For tax year 2005, about 39,900 taxpayers claimed \$3.2 million in community foundation credits. This figure represents an increase of about \$211,300 over tax year 2004, with 1,500 more taxpayers claiming the credit.

### **Homeless Shelter/Food Bank Credit**

About 235,900 taxpayers claimed homeless shelter/food bank credits totaling \$18.2 million for tax year 2005. Compared with tax year 2004, this represented an increase of \$1.2 million with an additional 11,600 taxpayers claiming a credit.

### **College Tuition Credit**

For tax year 2005, 32,400 taxpayers claimed \$4.2 million in tuition credits. Compared with tax year 2004, this was a decrease of \$8.4 million with 63,200 fewer taxpayers claiming a credit.

### **Historic Preservation Credit**

For tax year 2005, about 900 taxpayers claimed \$581,100 in historic preservation credits. Compared with tax year 2004, this was an increase of \$48,400 with 230 fewer taxpayers claiming a credit.

### **Vehicle Donation Credit**

About 1,500 taxpayers claimed vehicle donation credits totaling \$111,700 for tax year 2005, resulting in an average credit of \$74.93 per taxpayer. The vehicle donation credit equals to 50 percent of the fair market value of certain automobile donations to qualified charitable organizations, 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 2005, 82,700 taxpayers paid \$3.4 million in use tax.

### **Tax Law Changes**

Public Act (P.A.) 52 of 2006 allows qualified taxpayers 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.

P.A. 319 of 2006 created the stillbirth credit. 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.

P.A. 372 of 2006 allows qualified taxpayers 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 after December 31, 2007, and before January 1, 2009, 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.

P.A. 514 of 2006 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.

## II. INTRODUCTION

This report summarizes information regarding the Michigan individual income tax for tax year 2005. It is based on returns filed and processed in calendar year 2005.

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 2005 and 2006 and how those changes affect Michigan's income tax base. Section X summarizes the Michigan Public Acts (P.A.) in 2005 and 2006 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 2004, the Michigan personal income tax legislative history through 2004, and a table with chronological changes to the Michigan income tax requirements and limits since 1967.

### III. HISTORY OF THE MICHIGAN INDIVIDUAL INCOME TAX<sup>1</sup>

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. In 1983, the income tax rate was increased to 6.35 percent. In 1984, the income tax rate was lowered to 5.85 percent and to 5.33 percent in 1985. In 1986, the rate was lowered back to 4.6 percent. The rate was lowered to 4.4 percent on May 1, 1994, 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. Effective January 1, 2000, the income tax rate declined to 4.2 percent, and it declined by 0.1 percentage point on January 2002, January 2003, and July 2004, bringing the rate to 3.9 percent thereafter. (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 effected 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 89.

In 2005, a \$3,200 per person personal exemption was allowed, while an extra \$2,000 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 (claimed as) dependent exemption remained at \$1,500.

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<sup>1</sup> For a complete Michigan personal income tax legislative history through 2004, see Appendix A, p. 67.

Exhibit 1 summarizes the changes in the Michigan individual income average annual tax rate and allowed exemptions since 1997.

**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>Age 6 and Under</u>	<u>Age 7 to 18 *</u>
1997	4.40%	2,500	1,000	900	900	900	900	n.a.	n.a.
1998	4.40%	2,800	1,000	900	900	900	900	\$600	\$300
1999	4.40%	2,800	1,000	900	900	900	900	600	300
2000	4.20%	2,900	1,500	1,800	1,800	1,800	1,800	600	600
2001	4.20%	2,900	1,500	1,900	1,900	1,900	1,900	600	600
2002	4.10%	3,000	1,500	1,900	1,900	1,900	1,900	600	600
2003	4.00%	3,100	1,500	1,900	1,900	1,900	1,900	600	600
2004	3.95% ***	3,100	1,500	2,000	2,000	2,000	2,000	600	600
2005	3.90%	3,200	1,500	2,000	2,000	2,000	2,000	600	600
2006	3.90%	3,300	1,500	2,100	2,100	2,100	2,100	600	600
2007	3.90%	3,400	1,500	2,200	2,200	2,200	2,200	600	600

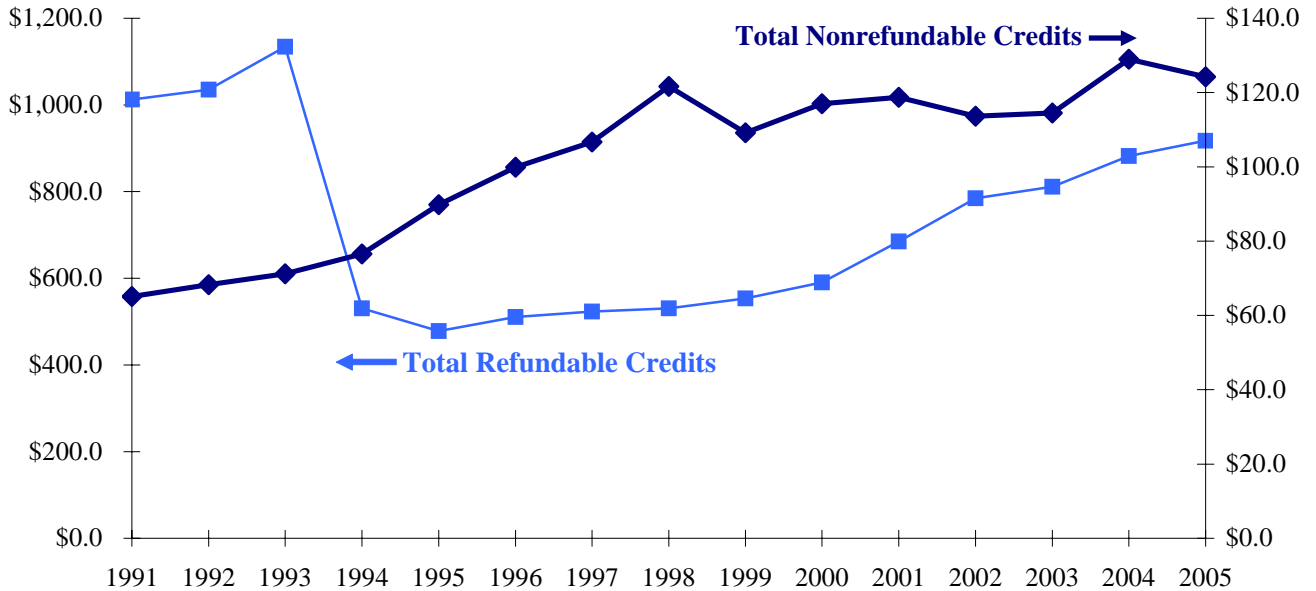
\* Until tax year 1999, included only children ages 7 to 12.

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

\*\*\* Tax rate equals 4.0% through June 2004, then it decreases to 3.9% 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 2005, credits were provided for: property taxes, home heating expenses, qualified adoption expenses, 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 2005.) A total of \$916.7 million was paid in refundable credits, and \$124.2 million was paid in nonrefundable credits in tax year 2005.

**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. In fiscal year 1996-97, the SAF allocated percentage increased to 23 percent, where it remained until tax year 1999. The percentage of gross income tax collections earmarked to the SAF changed for tax years beginning after 1999 to equal 1.012 percent divided by the income tax rate. For tax years 2000 and 2001, the income tax rate of 4.2 percent resulted in the earmarking percentage rising to approximately 24.1 percent. The lower rates of 4.0, 3.95, and 3.9 percent in tax years 2003, 2004, and 2005 resulted in an increase of the earmarking percentage to about 25.3, 25.6, and 25.9 percent, respectively. Exhibit 3, on page 8, summarizes the income tax revenue earmarking to the SAF and GF/GP since 1999.

**USE TAX PAYMENTS**

A taxpayer owes use tax when he or she purchases 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, a compliant Michigan taxpayer 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<sup>2</sup> retailer who does not collect Michigan tax.

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 2005, 82,700 taxpayers remitted \$3.4 million in use tax. Exhibit 4 provides information on the amount of use tax reported on income tax returns since 1999.

**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>
1994	4.47%	14.00 %	86.00 %
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 - 2007	3.90%	25.95	74.05

**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

Source: Tax Analysis Division, Bureau of Tax and Economic Policy, Michigan Department of Treasury

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<sup>2</sup>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.

## IV. INCIDENCE OF THE INDIVIDUAL INCOME TAX

For tax year 2005, about 4.4 million MI-1040 returns were filed, 34,400 more than in 2004. (See Exhibit 5 below.) An additional 196,600 “credit-only” returns were filed for 2005. 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, 49,100 claimed only a home heating credit, 36,500 claimed only a property tax credit, and 55,500 claimed both refundable credits in tax year 2005.

The personal income tax generated \$5.3 billion in net revenue for tax year 2005, which is total revenue after all credits and refunds are paid. Income tax revenues increased \$39.9 million (0.8%) from 2004, reflecting a taxable income increase of \$5.3 billion (4.3%) from 2004 to 2005, and a reduction in the tax rate from 3.95 percent to 3.90 percent.

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

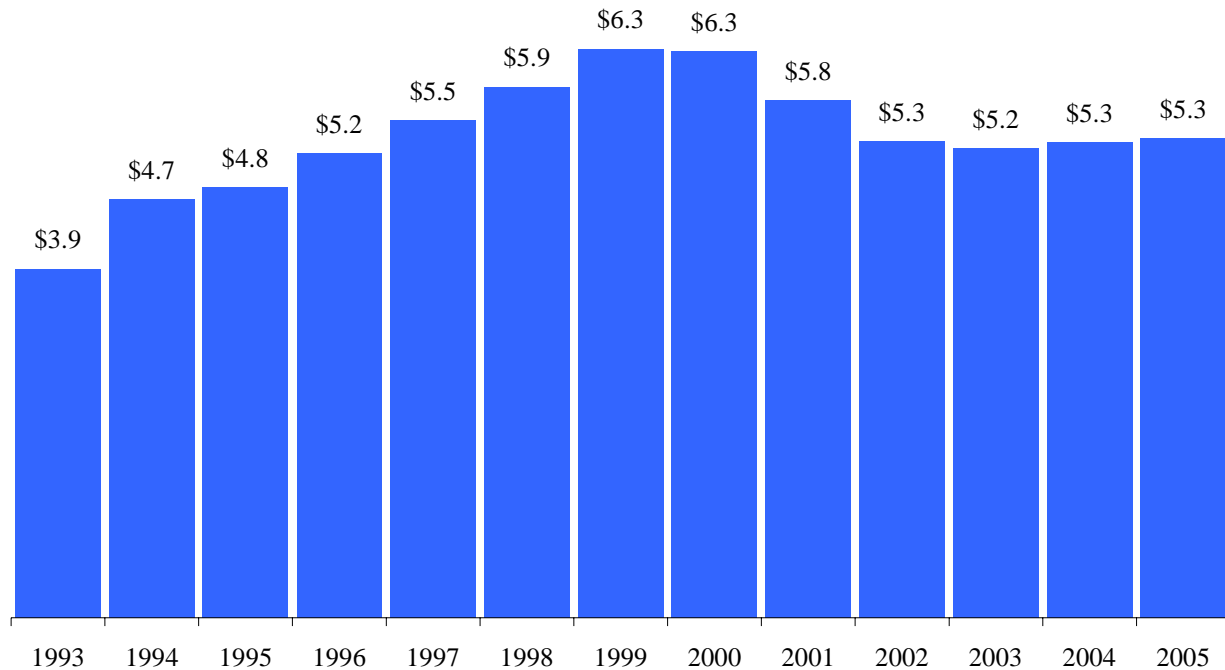
<u>Year</u>	<u>Number of 1040s Filed</u>	<u>Adjusted Gross Income</u>	<u>Average AGI</u>	<u>Nominal Rate</u>	<u>Average Effective Rate</u>	<u>Revenue</u>
1991	4,011,600	131,533,587,500	32,788	4.60%	2.74%	3,607,799,000
1992	3,984,600	134,802,283,400	33,831	4.60%	2.77%	3,730,007,100
1993	4,034,000	141,599,188,400	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 <sup>3</sup>	58,898	3.90%	2.05%	5,341,831,700

<sup>3</sup>The AGI above is reduced by returns reporting a negative AGI totaling a negative \$2.4 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, such as in 1991 and 2002. 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 1993.

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

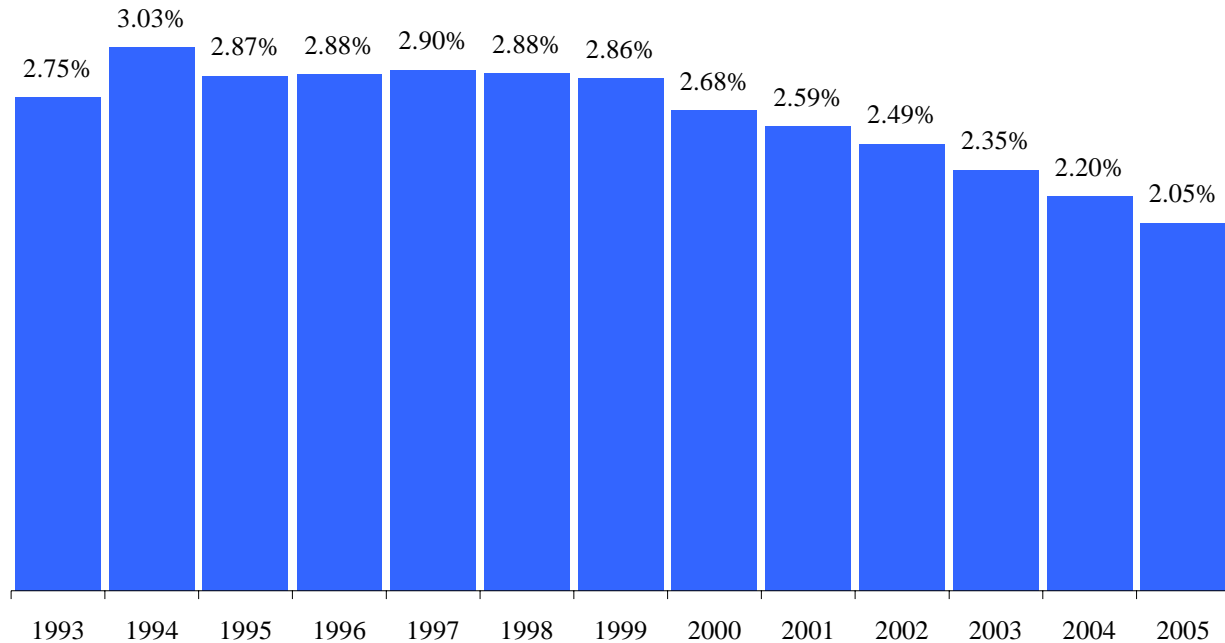


Source: Tax Analysis Division, Bureau of Tax and Economic Policy, Michigan Department of Treasury.

Even though the nominal Michigan personal income tax is levied at a flat rate (3.9 percent in 2005), 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 in 2005 decreased to 2.05 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 1991-2005 period, the highest average effective rate was 3.03 percent in 1994, and the lowest average was 2.05 percent in 2005. 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 A<sup>4</sup>. The low average rate in 2005 results from a combination of a lower tax rate, and increased and expanded credits and deductions.

**Exhibit 7**  
**Individual Income Tax**  
**Effective Tax Rate**



Source: Tax Analysis Division, Bureau of Tax and Economic Policy, Michigan Department of Treasury.

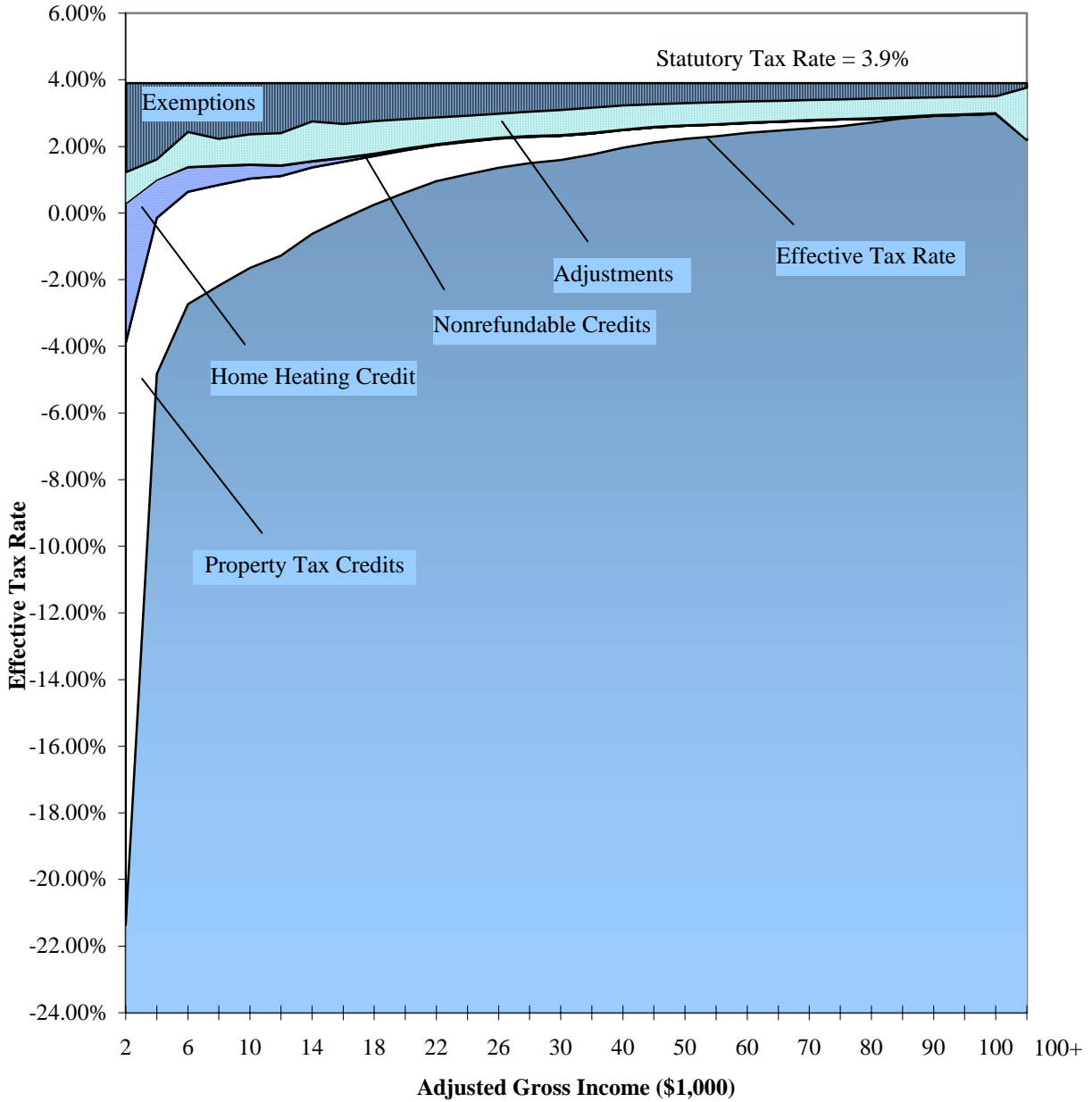
As shown in Exhibits 8, 21 and 22 (see pages 12, 39 and 40, respectively), the effective tax rate in 2005 varied from negative 21.4 percent for taxpayers in the \$1 - \$2,000 AGI group, to positive 3.2 percent for taxpayers with an AGI between \$300,001 and \$400,000. The effective rate for taxpayers with an AGI above \$1,000,000 was 0.8 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 2.1 percent rather than the nominal rate of 3.9 percent. Taxpayers with AGIs of less than \$14,000 on average received net payments from the state,

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<sup>4</sup> For more information on the impact of Proposal A, see Office of Revenue and Tax Analysis, *Proposal A: A Retrospective*, December 2003, at [www.michigan.gov/treasury](http://www.michigan.gov/treasury).

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 2005, farmland credits totaled \$30.4 million. Subtracting these credits reduces the effective rate by a marginal amount.

**Exhibit 8**  
**Effective Income Tax Rates, 2005**



Source: Tax Analysis Division, Bureau of Tax and Economic Policy, 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 \$3,200 personal exemption and 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 almost 8.8 million personal exemptions for 2005. 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 7.5 million effective personal exemptions, i.e., exemptions that actually offset income. The effective exemptions for 2005 were calculated assuming all personal exemptions, special exemptions, and all child deductions were equally likely to offset taxable income.

Michigan taxpayers claimed over 1 million special exemptions for tax year 2005. About 86.4 percent of the special exemptions were claimed by senior citizens. Michigan families also 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 2005 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 384,998 by 440,458 and then multiplying the result (0.8741) by 118,535. The result is an estimate of 103,611 effective deductions.

Married taxpayers filing jointly reported 69.6 percent of AGI and paid 74.2 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 9 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 9**  
**2005 Income Tax Return Distribution by Filing Status**

<b><u>Filing Status</u></b>	<b><u>Number of Returns</u></b>	<b><u>Adjusted Gross Income</u></b>	<b><u>Total Tax Liability</u></b>
Single	2,506,297	\$73,843,950,705	\$1,343,264,075
Married filing jointly	1,849,357	181,412,521,362	4,087,076,521
Married filing separately	60,231	5,085,992,194	70,868,014
Status not reported	<u>8,777</u>	<u>262,257,842</u>	<u>5,725,486</u>
Totals	4,424,662	\$260,604,722,102	\$5,506,934,096

The Michigan income tax is paid almost exclusively by Michigan residents. Non- or part-year residents pay less than 3.2 percent of the income tax. Exhibit 10 below summarizes the distribution of Michigan returns and net tax liability by residency. While nonresidents report \$44.6 billion in AGI, they claim subtractions totaling \$36.5 billion, mostly for income not taxable in Michigan.

**Exhibit 10**  
**2005 Income Tax Returns Distribution by Residency**

<b><u>Residency</u></b>	<b><u>Number of Returns</u></b>	<b><u>Adjusted Gross Income</u></b>	<b><u>Total Tax Liability</u></b>
Resident	4,252,731	\$210,706,898,636	\$5,331,366,521
Part-year resident	93,192	5,322,747,998	81,320,806
Nonresident	<u>78,739</u>	<u>44,575,075,468</u>	<u>94,246,769</u>
Totals	4,424,662	\$260,604,722,102	\$5,506,934,096

Exhibit 11 presents estimates of the growth of Michigan personal income from 2004 to 2005 prepared by the U.S. Bureau of Economic Analysis. While personal income grew 3.4 percent overall, the strongest growth was in proprietor's income (6.4 percent), and transfer payments (6.1 percent). Wage and salary disbursements increased 1.8 percent in 2005.

**Exhibit 11**  
**Growth in Michigan Income**  
**2004 – 2005**  
**(thousands)**

		<u>2004</u>	<u>2005</u>	<u>Percentage</u> <u>Change</u>
<b>Labor Earnings</b>				
Wage and salary disbursements		\$180,319,078	\$183,652,323	1.8%
Other labor income		30,045,957	31,468,388	4.7%
Proprietors' income		<u>26,401,739</u>	<u>28,079,748</u>	6.4%
Total labor earnings	(A)	\$236,766,774	\$243,200,459	2.7%
<b>Adjustments</b>				
Personal contributions for social insurance		-\$14,132,626	-\$14,796,422	4.7%
Adjustment for residence		<u>1,239,794</u>	<u>1,296,039</u>	4.5%
Total adjustments	(B)	-\$12,892,832	-\$13,500,383	4.7%
Net Michigan labor earnings	(C)=(A)-(B)	\$223,873,942	\$229,700,076	2.6%
Dividends, interest, and rent	(D)	\$47,353,031	\$49,431,416	4.4%
Transfer payments	(E)	<u>49,191,130</u>	<u>52,172,658</u>	6.1%
Michigan Personal Income	(C)+(D)+(E)	\$320,418,103	\$331,304,150	3.4%

Source: Bureau of Economic Analysis, U.S. Department of Commerce.

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 2005 show that 37.1 percent of Michigan taxpayers itemized deductions on their federal income tax returns.<sup>5</sup> 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 2005, 91.5 percent of Michigan taxpayers reporting an AGI of \$100,000 or more itemized their deductions, while 18.4 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.

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<sup>5</sup>Information on itemized deductions was obtained from the Internal Revenue Service, Individual Tax Statistics on State Income (January 2007 Michigan, Individual Income and Tax Data, by State and Size of Adjusted Gross Income, Individual Master File System). Tax year 2004: Historical Table 2 (SOI Bulletin).

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 will result in the measured elasticity being potentially higher or lower than one. In general, 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 to an increase in income. With increasing marginal tax rates, tax liability increases more rapidly 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 9), net income tax revenues increased by 7.16 percent from 1998 to 1999 while total AGI increased by 8.22 percent over the same period. This resulted in an elasticity estimate of 0.871 (7.16 divided by 8.22). This means 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 also affect tax revenues are also present. For example, the Michigan individual income tax rate changed in the 2000-2006 period. Likewise, exemption amounts also increased over the same period. If we were to calculate income elasticity using 1999 and 2000 data, the reported changes of net income tax revenues (-0.47 percent) and of AGI (6.13 percent) would result in a calculated elasticity of -0.077. This estimate suggests that a 10 percent increase/decrease in income will result, on average, in tax revenues declining/increasing 0.7 percent. The problem with this estimate is that the drop in tax revenue due to the decrease in the tax rate and to the increase in exemptions cannot be accounted for using the simple calculation method. On the other hand, if we were using 2000 and 2001 data, the average method would result in a calculated income elasticity of 1.58 (net income tax revenue change of -8.54 percent, divided by an AGI change of -5.41 percent). The result suggests that a 10 percent increase/decrease in income will result, on average, in tax revenues increasing/decreasing 15.8 percent. However, the strong responsiveness of tax revenues to income suggested by the elasticity estimate is mainly attributable to 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. Thus, another method of estimating elasticity is recommended.

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 fourth quarter of 2005 results in an estimated elasticity of 0.932. This suggests that a 10 percent increase/decrease in income will result, on average, in tax revenues increasing/decreasing 9.32 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 to annual capital gains realizations estimates from the Congressional Budget Office (CBO). Although the Michigan income tax is based on federal AGI, quarterly personal income is the best available proxy given that AGI is not available on a quarterly basis.<sup>6</sup>

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<sup>6</sup> BEA's personal income figure does not include capital gains. Using personal income with this omission will produce a flawed elasticity estimate, because while tax revenues are fully included, the absolute value of the growth rate of income will be understated. 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 2005, Michigan's personal income tax offered 13 different credits to taxpayers: five refundable credits (homestead property tax, farmland preservation property tax, home heating credit, the adoption credit and the tribal 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, the Michigan historic preservation credit, and the 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. In tax year 2005, 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:<sup>7</sup>

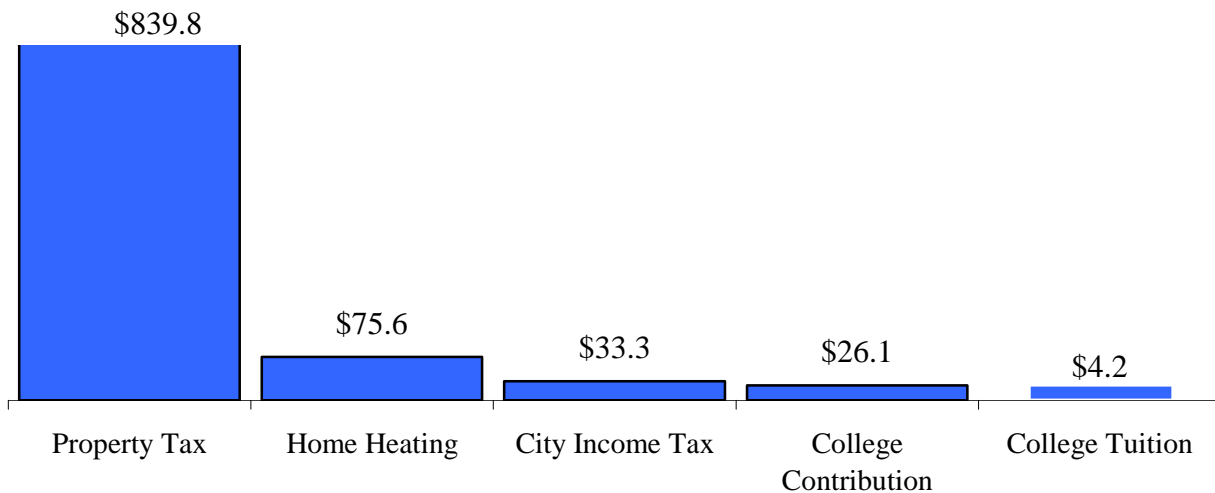
<u>Income</u>	<u>Percent Not Refundable</u>
\$ 0 - \$3,000	0.0%
\$3,001 - \$4,000	1.0%
\$4,001 - \$5,000	2.0%
\$5,001 - \$6,000	3.0%
Over \$6,000	3.5%

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<sup>7</sup>Public Act 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.

About 1.5 million Michigan taxpayers received \$809.4 million of homestead property tax credits and \$30.4 million in farmland preservation property tax credits in tax year 2005. Michigan's property tax credit program is one of the largest property tax relief programs in the country. The \$839.8 million in total 2005 property tax credits represented an increase of \$28.6 million (3.5 percent) from the prior year, while 18,400 additional taxpayers received assistance. Senior citizens received \$306.1 million of the credits, a \$1.7 million increase from 2004. Exhibit 12 illustrates the amount of money paid to taxpayers for property tax credits compared to other credits.

**Exhibit 12**  
**2005 Individual Income Tax Credits**  
**(millions of dollars)**



Source: Tax Analysis Division, Bureau of Tax and Economic Policy, Michigan Department of Treasury.

The average 2005 homestead property tax credit was \$543.67 (excluding the farmland credit), a \$12.20 increase from the tax year 2004 average. Senior citizens' credits averaged \$735.10, a \$7.32 increase from 2004 (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 4.0 percent of total AGI, taxpayers with incomes between \$10,001 and \$20,000 received 22.0 percent of the total homestead credits. On the other hand, taxpayers with AGIs over \$50,000 accounted for 78.7 percent of total 2005 Michigan AGI, but received only 14.8 percent of total homestead credits. Exhibits 27 through 30 (see pages 47 through 51) provide the distribution of property tax credits by income groups.

**Exhibit 13**  
**2005 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	395,050	\$242,439,439	\$613.69
\$10,001 - \$20,000	325,602	178,357,176	547.78
\$20,001 - \$50,000	537,443	269,160,694	500.82
Over \$50,000	<u>230,662</u>	<u>119,428,081</u>	<u>517.76</u>
Total	1,488,757	\$809,385,390	\$543.67

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 8,100 farms in 2005, providing credits of \$30.4 million for an average credit of \$3,731.29. Including the farmland preservation credit, the average property tax credit was \$561.01 in tax year 2005. For 6,900 farmers claiming both a farmland credit and homestead property tax credit, the combined credits averaged over 81.5 percent of total property taxes paid; property taxes totaled \$37.0 million, farmland credits totaled \$22.9 million, and homestead credits totaled \$7.2 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 2005, 10,000 senior citizens claimed an additional \$3.3 million using this alternate calculation. These amounts represent a decrease of \$276,200 from 2004 with 660 less 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).

**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 \$75.6 million for tax year 2005 with 392,700 households qualifying. This represented a \$6.1 million increase over the previous year, with 4,300 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 \$13.0 million of the \$75.6 million in home heating credits claimed for tax year 2005 (see Exhibit 14). Exhibit 31 (see page 52) provides information on the distribution of the home heating credit by household income.

**Exhibit 14  
2005 Home Heating Credits**

	<b>Number of Credits <u>Allowed</u></b>	<b>Dollar Amount of Credit</b>	<b>Average Credit</b>
Senior Citizens	77,342	\$12,970,036	\$167.70
General	283,615	56,854,371	200.46
Disabled	31,384	5,754,759	183.37
Veteran	<u>393</u>	<u>65,558</u>	<u>166.81</u>
Total	392,734	\$75,644,724	\$192.61

About 75,800 taxpayers used the alternative calculation based on energy consumption claiming credits worth \$29.8 million. The average credit under the standard calculation was \$142.21 compared to \$392.73 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. In 2005, 1,000 taxpayers claimed total credits of \$1.3 million, resulting in an average credit of \$1,264 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 2005, 7 of the 12 Michigan federally recognized tribes have signed the agreement with Treasury, allowing

4,300 qualified resident tribal members to claim about \$992,900 in sales tax credit. (See Exhibit 26 on page 46.)

## NON-REFUNDABLE CREDITS

### City Income Tax Credit

In 2005, 22 cities in Michigan levied an income tax (see Exhibit 15).

**Exhibit 15**  
**Michigan Cities that Levy an Income Tax**

<u>County</u>	<u>City</u>	<u>Year Adopted</u>	<u>Tax Years 2004 through 2006 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: Tax Analysis Division, Bureau of Tax and Economic Policy, Michigan Department of Treasury.

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

City income tax credits amounted to \$33.3 million for tax year 2005 (see Exhibit 27 on page 47), a \$353,300 decrease from 2004, while the number of claimants decreased by 12,600. Exhibit 16 below lists the number of city income tax credits, total credits received, and the average city income tax credit for taxpayers at different levels of AGI.

**Exhibit 16**  
**2005 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	113,022	\$1,331,755	\$11.78
\$10,001 - \$20,000	128,641	2,865,941	22.28
\$20,001 - \$50,000	289,990	10,212,203	35.22
Over \$50,000	<u>368,307</u>	<u>18,935,385</u>	<u>51.41</u>
Totals	899,960	\$33,345,283	\$37.05

**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 2005, 294,300 taxpayers received \$26.1 million in credits (see Exhibit 26 on page 46). Credits increased by about \$715,500 from the prior year, when 291,700 taxpayers received \$25.4 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 of \$200 for a joint return (\$100 on a single return). For tax year 2005, 39,900

taxpayers claimed \$3.2 million in community foundation credits. This was a slight increase of about 1,500 taxpayers claiming the credit and an additional \$211,300 in credits than in 2004. (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 of \$200 for a joint return (\$100 on a single return). For tax year 2005, 235,900 taxpayers claimed \$18.2 million in food bank credits. This represented an increase of 11,600 taxpayers and \$1,171,500 more in credits claimed over 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 2005. The credit cannot be claimed for more than 4 years for any one student. For tax year 2005, 32,400 taxpayers claimed the credit, 63,200 fewer than in 2004. The \$4.2 million in credits for 2005 represented a \$8.4 million decrease from tax year 2004. In order to qualify for tax year 2005, institutions had to limit tuition and fee increases for the 2005-2006 academic year to 2.7 percent over the 2004-2005 academic year. Two private colleges, one private university, and 5 community colleges qualified for tax year 2005. (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. In tax year 2005, about 900 taxpayers claimed a total of \$581,100 in historic preservation credits. (See Exhibit 26 on page 46.)

### **Credit for Income Paid to Another State**

In tax year 2005, 48,700 taxpayers received a total of \$38.6 million credit for income tax paid to another state, resulting in an average credit of \$791.68. This credit is designed so that taxpayers are not taxed twice (in two states) for the same income. In tax year 2004, 46,300 taxpayers claimed a total of \$36.8 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. In tax year 2005, 1,500 taxpayers received a total of \$111,700 in vehicle donation credit, resulting in an average credit of \$74.93. (See Exhibit 26 on page 46.)



## **VI. DESIGNATED CONTRIBUTIONS**

For tax year 2005, Michigan taxpayers could make three separate contributions on their tax returns: the Military Family Relief Fund, the Children's Trust Fund, and the State Campaign Fund. Contributions to the Military Family Relief Fund or the Children's Trust Fund 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**

Public Acts 363 and 364 of 2004 created the Military Family Relief Fund. The 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 \$550,000 was contributed by 34,500 taxpayers in 2005 to the Military Family Relief Fund.

### **Children's Trust Fund**

The Children's Trust Fund was first created by P.A. 211 of 1982. Contributions to the fund were returned to local communities and 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. In tax year 2005, contributions to the CTF are subject to a minimum of \$5 dollars, where 28,600 taxpayers contributed a total of \$390,700 to the fund.

### **State Campaign Fund**

For the 2005 tax year, taxpayers were able to designate \$3.00 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 2005, 425,500 taxpayers contributed \$1.3 million to the State Campaign Fund (see Exhibit 17 below). On average, there was one designation for every 10 returns.

**Exhibit 17**  
**Returns Designating Contributions**

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	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
1982	3,310,400	199,644	\$669,090	--	--	1,042,300	\$2,084,600	--	--
1983	3,335,800	197,350	\$537,023	79,717	\$267,863	952,400	\$1,904,800	--	--
1984	3,450,900	229,634	\$695,974	102,583	\$495,507	899,000	\$1,798,000	--	--
1985	3,517,000	182,941	\$1,016,388	97,835	\$500,376	918,500	\$1,837,000	--	--
1986	3,729,300	200,813	\$1,185,188	115,915	\$666,049	887,800	\$1,775,600	--	--
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

Notes:

- . The Children's Trust Fund was started under PA 211 of 1982.
- . The Non-Game Wildlife Fund was started under PA 189 of 1983.
- . PA 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, PA160 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 PA's 363 and 364 of 2004.

Source: Tax Analysis Division, Bureau of Tax and Economic Policy, Michigan Department of Treasury.

## VII. INTERSTATE COMPARISONS

In 2005, 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 30) compare Michigan's income tax to that of other states in the Great Lakes region.

In fiscal year 2005, Michigan ranked 37<sup>th</sup> highest in state income taxes as a percent of personal income with Oregon ranking first. Michigan's income tax as a percent of personal income was 1.86 percent, 0.35 of a percentage point below the U.S. average, and 0.87 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 2004, 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 20, 2006, and compiled by the Tax Analysis Division 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.

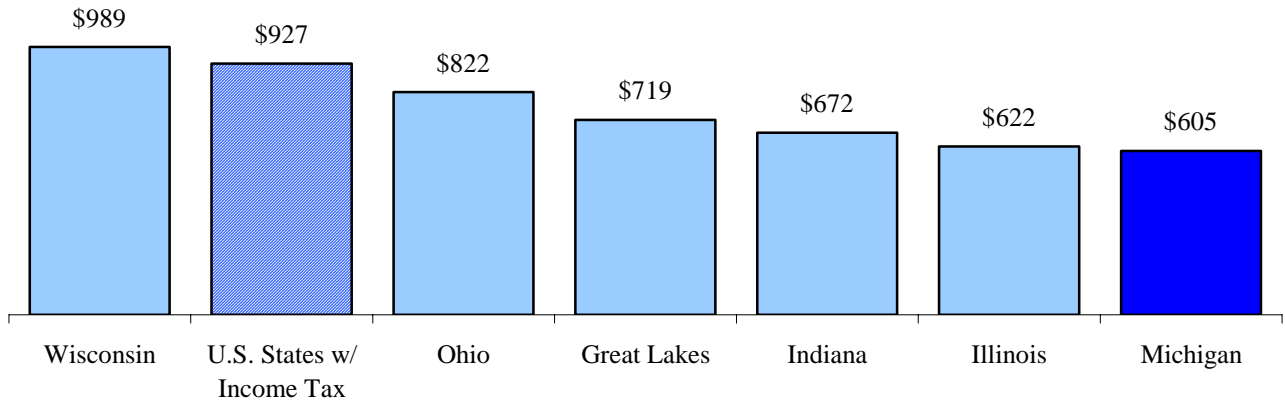
Michigan ranked 35<sup>th</sup> highest in income taxes per person, and Massachusetts ranked first. In fiscal year 2005, the average collections of \$605 per person in Michigan were still considerably lower than the average of \$750 in fiscal year 1999, when the tax rate was 4.4 percent. National average income tax collections per person were \$743, and for the 41 states with an income tax, average income tax collections per person were \$927. (For Michigan income tax rates from 1968 to present, see Exhibit 36 on page 59.) Over the FY 1994 - 2005 period, the income tax burden in Michigan has been declining relative to that in other states. In fiscal year 1994, Michigan ranked 11<sup>th</sup> highest in per capita income taxes and 14<sup>th</sup> highest in income taxes as a percent of personal income. For fiscal year 2005, Michigan ranked 35<sup>th</sup> and 37<sup>th</sup>, respectively.

**Exhibit 18**  
**State Individual Income Taxes for FY 2005**  
**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	\$558	37	1.91%	36
Alaska	No Tax	N/A	No Tax	N/A
Arizona	478	39	1.66%	39
Arkansas	676	29	2.58%	20
California	1,189	6	3.31%	5
Colorado	809	17	2.22%	30
Connecticut	1,438	3	3.08%	9
Delaware	1,048	9	2.91%	13
Florida	No Tax	N/A	No Tax	N/A
Georgia	802	19	2.68%	15
Hawaii	1,085	8	3.23%	7
Idaho	728	25	2.64%	17
Illinois	622	34	1.76%	38
Indiana	672	30	2.20%	32
Iowa	760	23	2.42%	25
Kansas	746	24	2.32%	27
Kentucky	728	26	2.64%	18
Louisiana	531	38	1.92%	35
Maine	986	12	3.24%	6
Maryland	1,013	10	2.48%	23
Massachusetts	1,506	1	3.54%	3
Michigan	605	35	1.86%	37
Minnesota	1,237	5	3.36%	4
Mississippi	404	40	1.65%	40
Missouri	692	28	2.26%	29
Montana	763	22	2.71%	14
Nebraska	793	20	2.44%	24
Nevada	No Tax	N/A	No Tax	N/A
New Hampshire	52	42	0.14%	42
New Jersey	945	14	2.20%	31
New Mexico	564	36	2.07%	33
New York	1,455	2	3.75%	2
North Carolina	972	13	3.22%	8
North Dakota	381	41	1.26%	41
Ohio	822	16	2.62%	19
Oklahoma	697	27	2.39%	26
Oregon	1,291	4	4.13%	1
Pennsylvania	667	31	1.95%	34
Rhode Island	930	15	2.67%	16
South Carolina	634	33	2.30%	28
South Dakota	No Tax	N/A	No Tax	N/A
Tennessee	26	43	0.09%	43
Texas	No Tax	N/A	No Tax	N/A
Utah	774	21	2.94%	12
Vermont	804	18	2.50%	22
Virginia	1,104	7	3.02%	10
Washington	No Tax	N/A	No Tax	N/A
West Virginia	646	32	2.53%	21
Wisconsin	989	11	3.02%	11
Wyoming	No Tax	N/A	No Tax	N/A
U.S. Average	\$743		2.21%	
U.S. Average for States With a General Income Tax	\$927		2.73%	

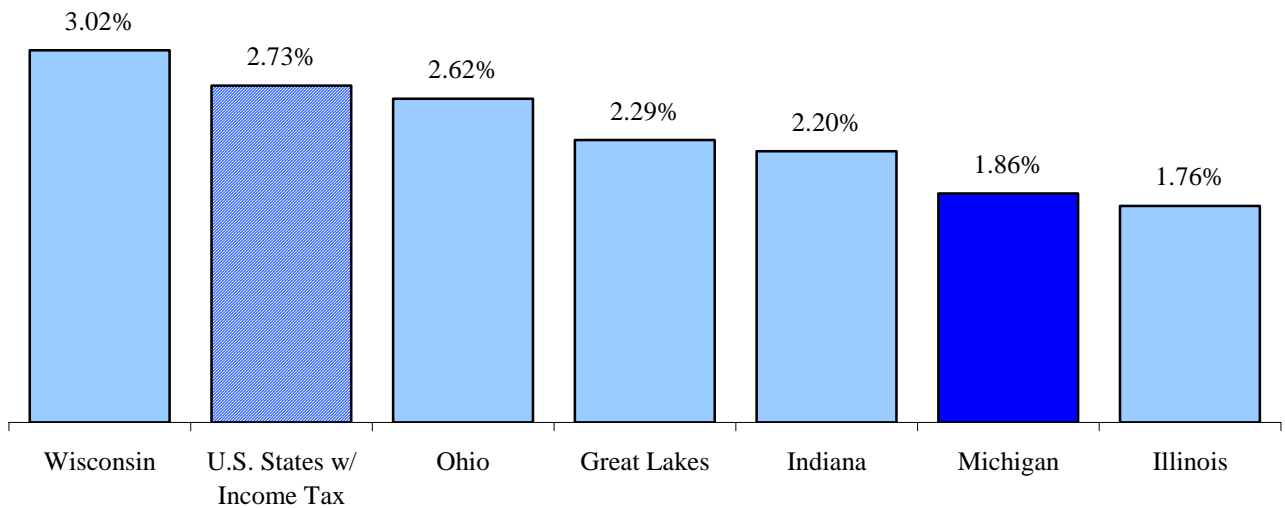
Sources: Census Bureau and Bureau of Economic Analysis, U.S. Department of Commerce.

**Exhibit 19**  
**State Income Taxes Per Person**  
**Great Lakes Region – FY 2005**



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

**Exhibit 20**  
**State Income Taxes**  
**Percentage of Personal Income**  
**Great Lakes Region – FY 2005**



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

## 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	\$58,898	\$75,467 Oakland	\$29,709 Lake
Average Income Tax Before Credits	\$1,437	\$2,362 Oakland	\$634 Montmorency
Average Income Tax After Credits	\$1,208	\$2,096 Oakland	\$431 Huron
Income Tax Credits as a Percent of Tax Before Credits	16.0%	51.4% Huron	8.3% Midland
Ratio of Property Tax Credits to 1040s Filed	33.8%	44.7% Wayne	14.1% Keweenaw
Average Property Tax Credit	\$561	\$1,185 Huron	\$246 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 from \$1,500 in 1986 to \$1,600 in 1987, \$1,800 in 1988, \$2,000 in 1989, and \$2,100 in 1990. In 2005, the Michigan personal exemption was \$3,200. 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 also created in 1987. In 2005, the Michigan special exemptions were \$2,000.

### **Summary of Federal Tax Law Changes**

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 2005, see Appendix A on page 60.

#### **2005**

Two provisions of the American Jobs Creation Act of 2004 (AJCA-04) that also affect the calculation of the federal AGI became effective in 2006: the 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)<sup>8</sup>. 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.)

Besides providing numerous tax cuts to promote domestic energy production and conservation, the Energy Policy Act of 2006 (EPC-05) also 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, 2006 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.

Devastation resulting from hurricanes Katrina, Rita and Wilma led to two new acts being enacted in 2006. The first act signed was the Katrina Emergency Tax Relief Act of 2006 (KETRA-05), which provided tax relief for victims of the disaster, and individuals and businesses helping in the recovery. The second act enacted was the Gulf Opportunity Zone Act of 2006 (GOZA-05), which generally expanded provisions enacted under the KETRA-05, while also providing regional,

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<sup>8</sup> The AJCA-04 was prompted by the need to develop a new tax incentive for exports by U.S. businesses. U.S. exports were being sanctioned by the European Union (EU) after the World Trade Organization (WTO) had declared that the U.S. Foreign Sales Corporation (FSC) repeal and the Extraterritorial Income Exclusion (ETI) method, which replaced the FSC, was an illegal trade subsidy. The FSC/ETI regime allowed qualifying U.S. exporters eligible for an exclusion from gross income for qualifying extraterritorial income. In March 2004, the EU imposed a tariff of 5 percent on a list of U.S. exports with an aggregate value of approximately \$4 billion, where the retaliatory tariff increased 1 percent per month. Under the WTO rules, the EU was not obligated to suspend retaliation until the U.S. repealed the FSC/EIT regime. However, after the passage of the Act (October 2004), the EU suspended the imposed tariff. In September 2005, the WTO concluded that provisions in the AJCA-04 still constituted illegal export subsidies, by maintaining FSC/ETI subsidies through the transition and grandfathering measures at issue. The U.S. appealed, but by February 2006, the WTO upheld its ruling condemning the provision under the Act. By May 2006, the longstanding dispute over export-related tax benefits ended, with federal legislation eliminating the grandfather provision being signed, and the EU announcing that sanctions against the US would no longer be pursued.



targeted relief for taxpayers according to their location<sup>9</sup>. In total, residents and owners of property in five states (Alabama, Florida, Louisiana, Mississippi, and Texas) are potentially affected by the two acts. For Michigan taxpayers who own property in the affected states, provisions likely to impact their Michigan income tax calculation are:

- 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 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 Pension Protection Act of 2006 (PPA-06) provided incentives to individuals to save for retirement, modified tax provisions related to spending for health care, temporarily suspended certain customs duties, provided incentives for certain charitable contributions, and modified certain rules relating to activities to tax-exempt organizations. The major provisions of this Act 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.

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<sup>9</sup> 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.

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.

### **2007 and beyond**

Other provisions from PPA-06 that become effective in 2007 and following years are:

- 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.
- Direct plan-to-Roth IRA rollovers. Starting in 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;
- Made permanent Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA-01) provisions that were set to sunset at the end of 2010. Changes made are: permanent higher dollar amount for IRA contributions (\$4,000 starting in 2006, \$5,000 in 2008, inflation adjusted thereafter); permanent higher dollar limits on defined contribution plans (\$44,000 in 2006), elective deferrals (including \$15,000 in 2006 for 401(k) plan deferrals, 457 plan deferrals (\$15,000 in 2006), SIMPLE plan contributions (\$10,000 in 2006) 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); and permanent Roth 401(k) and 403(b)s.

Provisions from the TRHCA-06 that become effective in 2007 are:

- Extension of combat pay, which is otherwise excluded from gross income, to be treated as earned income for purposes of calculating the EITC.

## X. MICHIGAN PUBLIC ACTS – INCOME TAX

For changes prior to 2005, see Appendix A on page 68.

### 2005

**Public Act 160** amended the Income Tax Act, reinstating 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** amended the Income Tax Act to provide 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** amended the Income Tax Act to allow taxpayers who had been issued tax voucher certificates due to investment in the Michigan Early Stage Venture Investment Fund (P.A. 102 of 2006) 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** amended the Income Tax Act to allow 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** amended the Income Tax Act, allowing 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** amended the Income Tax Act, allowing 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 in tax year 2006.

**Public Act 372** amended the Income Tax Act, allowing 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 after December 31, 2007, and before January 1, 2009, 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** amends the Income Tax Act by establishing 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.

**XI. EXHIBITS 21 THROUGH 36**

**Exhibit 21**  
**Effective Rate of the Michigan Individual Income Tax, 2005**

<b>Adjusted Gross Income Group</b>	<b>Number of Returns Filed<sup>(1)</sup></b>	<b>Adjusted Gross Income</b>	<b>Effective Personal Exemptions<sup>(2)</sup></b>	<b>Claimed Exemptions</b>	<b>Subtractions Minus Additions</b>	<b>Total Credits<sup>(3)</sup></b>	<b>Effective Tax</b>	<b>Effective Tax as a % of Income</b>
Less than \$1 <sup>(4)</sup>	256,058	(\$2,402,595,250)		83,681	(\$1,293,962,712)	\$113,843,190	(\$110,907,755)	
\$ 1 - 2,000	155,774	165,781,212	22,544	111,857	39,460,979	35,892,842	(35,404,587)	-21.4%
2,001 - 4,000	182,280	546,844,863	66,426	136,214	84,694,015	31,902,215	(26,394,877)	-4.8%
4,001 - 6,000	174,701	871,580,086	73,641	162,704	229,278,949	36,157,774	(23,856,636)	-2.7%
6,001 - 8,000	169,071	1,184,733,751	122,339	196,076	233,044,075	43,122,925	(25,835,610)	-2.2%
8,001 - 10,000	156,863	1,409,970,526	137,200	209,882	317,314,020	44,227,538	(23,251,751)	-1.6%
10,001 - 12,000	156,229	1,718,305,604	167,419	241,551	412,406,439	47,106,694	(21,990,605)	-1.3%
12,001 - 14,000	145,979	1,896,537,361	142,833	233,332	561,671,044	42,271,725	(11,983,144)	-0.6%
14,001 - 16,000	140,386	2,104,793,963	171,176	233,011	525,266,825	39,370,442	(3,596,314)	-0.2%
16,001 - 18,000	132,571	2,252,749,788	172,240	228,413	542,851,997	35,510,477	5,477,474	0.2%
18,001 - 20,000	124,960	2,372,820,573	174,732	221,938	514,990,870	32,037,611	14,692,874	0.6%
20,001 - 22,000	117,303	2,462,126,996	173,981	212,574	487,093,650	28,101,128	23,661,211	1.0%
22,001 - 24,000	110,669	2,544,666,181	172,910	204,974	465,298,688	26,546,304	29,721,467	1.2%
24,001 - 26,000	106,915	2,672,148,142	172,464	200,651	469,129,277	24,929,052	36,406,583	1.4%
26,001 - 28,000	102,878	2,777,181,981	167,340	194,734	497,330,766	23,630,202	41,515,177	1.5%
28,001 - 30,000	98,898	2,867,906,930	164,190	189,127	525,024,370	22,560,258	45,582,849	1.6%
30,001 - 35,000	226,005	7,337,816,062	384,998	440,458	1,358,076,504	49,998,104	129,081,426	1.8%
35,001 - 40,000	199,568	7,472,466,008	360,163	403,268	1,317,811,613	43,243,688	146,550,158	2.0%
40,001 - 45,000	178,580	7,583,383,628	348,692	380,701	1,249,255,494	38,349,187	160,310,746	2.1%
45,001 - 50,000	163,031	7,740,270,393	337,848	364,536	1,245,924,988	34,399,989	172,156,343	2.2%
Over 50,000	1,522,586	205,025,233,304	3,958,383	4,199,711	61,798,600,714	191,425,662	4,851,725,986	2.4%
<b>Totals</b>	<b>4,621,305</b>	<b>\$260,604,722,102</b>	<b>7,491,520</b>	<b>8,849,393</b>	<b>\$71,580,562,565</b>	<b>\$984,627,009</b>	<b>\$5,373,661,015</b>	<b>2.1%</b>

<sup>(1)</sup>Includes 196,643 credit-only returns.

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

<sup>(3)</sup>Does not include Farmland Preservation Credits or Adoption Tax Credit.

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

**Exhibit 22**  
**Breakdown of Upper Income Filers**  
**Individual Income Tax, 2005**

<b>Adjusted Gross Income Group</b>	<b>Number of Returns Filed</b>	<b>Adjusted Gross Income</b>	<b>Effective Personal Exemptions<sup>(1)</sup></b>	<b>Claimed Exemptions</b>	<b>Subtractions Minus Additions</b>	<b>Total Credits<sup>(2)</sup></b>	<b>Effective Tax</b>	<b>Effective Tax as a % of Income</b>
\$50,001 - 55,000	150,752	\$7,910,715,876	329,032	352,957	\$1,267,932,503	\$31,057,608	\$182,563,296	2.3%
55,001 - 60,000	140,929	8,099,461,921	325,271	343,997	1,238,891,427	27,950,779	194,817,961	2.4%
60,001 - 65,000	130,487	8,150,744,221	313,506	330,497	1,221,208,948	25,286,404	201,857,648	2.5%
65,001 - 70,000	120,209	8,109,604,724	298,833	314,708	1,174,514,066	22,961,918	206,468,863	2.5%
70,001 - 75,000	109,067	7,902,998,918	279,950	293,788	1,131,837,617	19,665,231	205,954,250	2.6%
75,001 - 80,000	98,667	7,642,578,872	259,813	272,418	1,088,063,305	12,575,568	207,400,228	2.7%
80,001 - 85,000	88,648	7,308,782,139	238,787	250,107	998,670,479	5,712,583	207,666,588	2.8%
85,001 - 90,000	78,662	6,879,478,920	217,649	226,125	879,318,651	3,742,301	200,529,743	2.9%
90,001 - 95,000	69,942	6,465,668,929	196,860	204,520	805,191,277	3,460,710	190,446,553	2.9%
95,001 - 100,000	60,752	5,919,013,114	172,869	179,354	714,829,292	3,226,201	176,173,728	3.0%
100,001 - 110,000	96,695	10,129,625,036	275,898	287,350	1,204,825,915	5,490,015	304,990,440	3.0%
110,001 - 120,000	72,523	8,323,596,223	211,002	218,468	970,353,786	4,533,114	253,517,142	3.0%
120,001 - 130,000	53,409	6,662,218,227	155,112	160,499	764,665,501	3,568,854	205,308,164	3.1%
130,001 - 140,000	41,271	5,562,195,092	119,485	125,560	642,799,080	3,125,522	172,444,083	3.1%
140,001 - 150,000	31,710	4,590,269,860	92,611	96,515	538,698,840	2,463,857	142,912,559	3.1%
150,001 - 160,000	23,894	3,695,867,202	69,395	72,504	438,667,606	1,937,543	115,599,230	3.1%
160,001 - 170,000	19,618	3,233,582,838	56,896	60,089	382,183,921	1,747,406	101,677,617	3.1%
170,001 - 180,000	15,452	2,701,795,682	44,653	47,202	335,953,961	1,336,854	84,815,925	3.1%
180,001 - 190,000	12,575	2,324,326,241	35,963	38,114	298,635,329	1,244,706	72,816,267	3.1%
190,001 - 200,000	10,174	1,982,333,860	28,607	30,935	259,519,310	1,034,428	62,227,162	3.1%
200,001 - 300,000	48,419	11,591,949,275	134,641	147,987	1,583,080,125	5,962,471	365,812,908	3.2%
300,001 - 400,000	17,186	5,902,371,833	44,689	52,816	931,112,305	3,000,312	184,677,362	3.1%
400,001 - 500,000	8,562	3,808,215,422	20,452	26,045	665,625,636	1,745,448	117,973,447	3.1%
500,001 - 750,000	9,662	5,825,643,246	18,400	28,902	1,295,784,035	2,876,027	171,223,182	2.9%
750,001 - 1,000,000	3,879	3,336,207,332	5,571	11,283	958,062,762	1,344,228	90,624,166	2.7%
Over \$1,000,000	9,442	50,965,988,301	12,438	26,971	40,008,175,037	3,113	425,599,934	0.8%
Totals for AGI over \$50,000	1,522,586	\$205,025,233,304	3,958,383	4,199,711	\$61,798,600,714	\$197,053,201	\$4,846,098,447	2.4%

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

<sup>(2)</sup>Does not include Farmland Preservation Credits.

**Exhibit 23**  
**Tax Base Deductions as a Percentage of AGI**  
**Individual Income Tax, 2005**

<b>Adjusted Gross Income Group</b>	<b>Total Effective Exemptions</b>	<b>Subtractions Minus Additions</b>	<b>Nonrefundable Credits<sup>(1)</sup></b>	<b>Property Tax Credits</b>	<b>Home Heating Credits</b>
Less than \$1					
\$ 1 - 2,000	68.6%	23.8%	0.0%	447.6%	107.6%
2,001 - 4,000	58.7%	15.5%	-0.1%	120.0%	29.7%
4,001 - 6,000	37.5%	26.3%	0.9%	86.7%	18.8%
6,001 - 8,000	42.9%	19.7%	1.1%	77.7%	14.5%
8,001 - 10,000	39.3%	22.5%	1.1%	68.9%	10.4%
10,001 - 12,000	38.5%	24.0%	1.1%	61.4%	7.8%
12,001 - 14,000	29.4%	29.6%	1.2%	51.4%	4.6%
14,001 - 16,000	31.5%	25.0%	1.3%	44.0%	2.7%
16,001 - 18,000	29.2%	24.1%	1.3%	37.6%	1.5%
18,001 - 20,000	27.8%	21.7%	1.3%	32.4%	0.9%
20,001 - 22,000	26.3%	19.8%	1.1%	27.7%	0.5%
22,001 - 24,000	25.0%	18.3%	1.4%	25.1%	0.3%
24,001 - 26,000	23.6%	17.6%	1.4%	22.4%	0.2%
26,001 - 28,000	21.9%	17.9%	1.4%	20.3%	0.1%
28,001 - 30,000	20.8%	18.3%	1.3%	18.8%	0.1%
30,001 - 35,000	18.9%	18.5%	1.3%	16.2%	0.0%
35,001 - 40,000	17.2%	17.6%	1.2%	13.6%	0.0%
40,001 - 45,000	16.4%	16.5%	1.2%	11.7%	0.0%
45,001 - 50,000	15.5%	16.1%	1.2%	10.2%	0.0%
50,001 - 55,000	14.7%	16.0%	1.2%	8.8%	0.0%
55,001 - 60,000	14.2%	15.3%	1.2%	7.6%	0.0%
60,001 - 65,000	13.6%	15.0%	1.2%	6.7%	0.0%
65,001 - 70,000	13.0%	14.5%	1.3%	6.0%	0.0%
70,001 - 75,000	12.5%	14.3%	1.2%	5.1%	0.0%
75,001 - 80,000	12.0%	14.2%	1.3%	3.0%	0.0%



**Exhibit 23 (cont.)**

<b><u>Adjusted Gross Income Group</u></b>	<b><u>Total Effective Exemptions</u></b>	<b><u>Subtractions Minus Additions</u></b>	<b><u>Nonrefundable Credits<sup>(1)</sup></u></b>	<b><u>Property Tax Credits</u></b>	<b><u>Home Heating Credits</u></b>
80,001 - 85,000	11.5%	13.7%	1.3%	0.7%	0.0%
85,001 - 90,000	11.1%	12.8%	1.3%	0.1%	0.0%
90,001 - 95,000	10.6%	12.5%	1.3%	0.1%	0.0%
95,001 - 100,000	10.2%	12.1%	1.4%	0.0%	0.0%
100,001 - 110,000	9.5%	11.9%	1.4%	0.0%	0.0%
110,001 - 120,000	8.8%	11.7%	1.4%	0.0%	0.0%
120,001 - 130,000	8.1%	11.5%	1.4%	0.0%	0.0%
130,001 - 140,000	7.5%	11.6%	1.4%	0.0%	0.0%
140,001 - 150,000	7.1%	11.7%	1.4%	0.0%	0.0%
150,001 - 160,000	6.6%	11.9%	1.3%	0.0%	0.0%
160,001 - 170,000	6.2%	11.8%	1.4%	0.0%	0.0%
170,001 - 180,000	5.8%	12.4%	1.3%	0.0%	0.0%
180,001 - 190,000	5.5%	12.8%	1.4%	0.0%	0.0%
190,001 - 200,000	5.1%	13.1%	1.3%	0.0%	0.0%
200,001 - 300,000	4.1%	13.7%	1.3%	0.0%	0.0%
300,001 - 400,000	2.7%	15.8%	1.3%	0.0%	0.0%
400,001 - 500,000	1.9%	17.5%	1.2%	0.0%	0.0%
500,001 - 750,000	1.1%	22.2%	1.3%	0.0%	0.0%
750,001 - 1,000,000	0.6%	28.7%	1.0%	0.0%	0.0%
Over \$1,000,000	0.1%	78.5%	0.0%	0.0%	0.0%
Overall Percent	10.0%	27.5%	1.0%	8.0%	0.7%

<sup>(1)</sup>Nonrefundable credits, home heating credits, and property tax credits are divided by the tax rate (3.9%) to determine the equivalent income tax deduction. Nonrefundable credits for 2005 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.

**Exhibit 24**  
**Distribution of Personal Exemptions**  
**Claimed on 2005 Individual Income Tax Returns<sup>(1)</sup>**

<b>Adjusted Gross Income Group</b>	<b>Exemptions Claimed</b>							<b>Total Returns</b>	<b>Total Exemptions<sup>(2)</sup></b>
	<b><u>Zero</u></b>	<b><u>One</u></b>	<b><u>Two</u></b>	<b><u>Three</u></b>	<b><u>Four</u></b>	<b><u>Five</u></b>	<b><u>Six or More</u></b>		
Zero Income	8,729	31,031	12,803	2,651	2,202	1,064	709	59,189	83,681
\$ 1 - 2,000	73,585	62,149	13,767	3,890	1,478	532	276	155,677	111,857
2,001 - 4,000	88,195	66,368	17,775	6,610	2,185	714	308	182,155	136,214
4,001 - 6,000	65,803	74,182	21,631	8,795	2,820	931	420	174,582	162,704
6,001 - 8,000	43,582	79,652	28,908	11,447	3,602	1,178	567	168,936	196,076
8,001 - 10,000	28,674	77,695	29,684	13,819	4,512	1,582	772	156,738	209,882
10,001 - 12,000	19,129	77,081	31,260	18,634	6,307	2,463	1,215	156,089	241,551
12,001 - 14,000	12,799	74,278	32,855	16,133	6,252	2,327	1,186	145,830	233,332
14,001 - 16,000	8,239	72,206	34,801	15,026	6,284	2,431	1,262	140,249	233,011
16,001 - 18,000	5,139	67,320	35,262	14,576	6,308	2,583	1,242	132,430	228,413
18,001 - 20,000	3,357	62,502	34,269	14,191	6,576	2,629	1,268	124,792	221,938
20,001 - 22,000	2,186	58,488	32,149	13,819	6,630	2,713	1,178	117,163	212,574
22,001 - 24,000	1,510	55,140	29,755	12,999	6,955	2,817	1,346	110,522	204,974
24,001 - 26,000	1,015	53,162	28,704	12,703	6,876	2,935	1,399	106,794	200,651
26,001 - 28,000	692	50,932	28,021	12,003	6,755	2,905	1,458	102,766	194,734
28,001 - 30,000	578	48,708	27,098	11,085	6,825	2,951	1,559	98,804	189,127
30,001 - 35,000	716	108,475	64,308	24,291	16,811	7,526	3,660	225,787	440,458
35,001 - 40,000	299	90,246	59,400	21,977	16,373	7,398	3,687	199,380	403,268
40,001 - 45,000	197	73,653	54,589	21,016	17,502	7,696	3,762	178,415	380,701
45,001 - 50,000	158	60,883	51,128	20,532	18,468	8,010	3,697	162,876	364,536
50,001 - 55,000	104	49,691	49,497	20,141	19,358	8,207	3,626	150,624	352,957
55,001 - 60,000	79	40,429	48,015	20,256	20,230	8,389	3,415	140,813	343,997
60,001 - 65,000	59	32,351	46,203	19,747	20,381	8,270	3,375	130,386	330,497
65,001 - 70,000	41	25,758	43,395	19,092	20,534	8,162	3,134	120,116	314,708
70,001 - 75,000	51	19,841	40,690	17,767	19,932	7,688	3,014	108,983	293,788
75,001 - 80,000	42	15,491	37,252	16,576	19,088	7,434	2,739	98,622	272,418

**Exhibit 24 (cont.)**

<b>Adjusted Gross Income Group</b>	<b>Exemptions Claimed</b>							<b>Total Returns</b>	<b>Total Exemptions<sup>(2)</sup></b>
	<b><u>Zero</u></b>	<b><u>One</u></b>	<b><u>Two</u></b>	<b><u>Three</u></b>	<b><u>Four</u></b>	<b><u>Five</u></b>	<b><u>Six or More</u></b>		
80,001 - 85,000	39	12,186	33,264	15,467	18,115	7,061	2,461	88,593	250,107
85,001 - 90,000	20	9,520	29,482	13,879	17,113	6,394	2,226	78,634	226,125
90,001 - 95,000	26	7,762	25,789	12,643	15,408	6,188	2,097	69,913	204,520
95,001 - 100,000	33	6,008	22,669	10,927	13,879	5,362	1,843	60,721	179,354
100,001 - 110,000	49	8,790	36,139	17,718	22,417	8,695	2,855	96,663	287,350
110,001 - 120,000	34	5,668	27,310	13,223	17,254	6,812	2,205	72,506	218,468
120,001 - 130,000	31	4,151	20,308	9,641	12,666	5,024	1,575	53,396	160,499
130,001 - 140,000	25	2,831	15,504	7,623	10,061	3,945	1,269	41,258	125,560
140,001 - 150,000	17	2,353	11,827	5,675	7,712	3,099	1,020	31,703	96,515
150,001 - 160,000	10	1,695	9,129	4,194	5,801	2,338	725	23,892	72,504
160,001 - 170,000	13	1,435	7,182	3,503	4,890	1,958	633	19,614	60,089
170,001 - 180,000	8	1,161	5,719	2,737	3,775	1,529	521	15,450	47,202
180,001 - 190,000	15	985	4,767	2,079	3,064	1,273	391	12,574	38,114
190,001 - 200,000	9	824	3,796	1,679	2,490	1,055	321	10,174	30,935
200,001 - 300,000	58	4,176	18,107	7,473	11,468	5,309	1,823	48,414	147,987
300,001 - 400,000	26	1,649	6,348	2,410	3,990	2,030	733	17,186	52,816
400,001 - 500,000	18	866	3,235	1,173	1,902	997	371	8,562	26,045
500,001 - 750,000	26	1,079	3,800	1,209	2,000	1,113	433	9,660	28,902
750,001 - 1,000,000	15	460	1,615	476	728	421	164	3,879	11,283
Over \$1,000,000	<u>25</u>	<u>1,309</u>	<u>3,981</u>	<u>1,118</u>	<u>1,599</u>	<u>960</u>	<u>450</u>	<u>9,442</u>	<u>26,971</u>
Totals	365,455	1,602,620	1,223,190	524,623	447,576	183,098	74,390	4,420,952	8,849,393

<sup>(1)</sup>Values in this table are based on 4,420,952 MI-1040 tax returns on file.

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

Source: Tax Analysis Division, Bureau of Tax and Economic Policy, Michigan Department of Treasury.

**Exhibit 25**  
**Distribution of Special Exemptions and Child Deductions**  
**Claimed on 2005 Individual Income Tax Returns<sup>(1)</sup>**

<b>Adjusted Gross Income Group</b>	<b>Age Exemptions</b>	<b>Deaf/ Blind/Disabled Exemptions</b>	<b>Unemployed Exemptions</b>	<b>Child 18 and Under Exemptions</b>	<b>Claimed as Dependent Exemptions</b>
Zero Income	21,492	6,685	904	14,292	6,766
\$ 1 - 2,000	32,164	8,764	1,046	17,559	74,786
2,001 - 4,000	27,899	5,829	2,019	29,024	88,857
4,001 - 6,000	31,660	5,561	2,610	37,554	66,262
6,001 - 8,000	37,352	5,968	2,676	49,329	43,897
8,001 - 10,000	41,479	5,938	2,636	56,171	28,869
10,001 - 12,000	47,115	5,780	2,092	71,989	19,245
12,001 - 14,000	46,095	5,381	1,814	65,578	12,902
14,001 - 16,000	46,186	5,030	1,489	63,251	8,336
16,001 - 18,000	43,598	4,391	1,195	61,228	5,219
18,001 - 20,000	38,181	4,194	731	60,536	3,418
20,001 - 22,000	32,010	3,919	325	58,950	2,249
22,001 - 24,000	26,896	3,576	239	58,318	1,574
24,001 - 26,000	24,311	3,207	148	57,210	1,071
26,001 - 28,000	22,992	3,037	119	54,465	747
28,001 - 30,000	21,578	2,714	68	52,061	621
30,001 - 35,000	46,761	6,168	98	118,535	840
35,001 - 40,000	38,401	5,096	48	106,898	430
40,001 - 45,000	31,906	4,618	21	103,953	289
45,001 - 50,000	28,591	3,696	11	102,015	227
50,001 - 55,000	26,414	3,734	12	100,067	175
55,001 - 60,000	23,846	3,476	12	98,372	142
60,001 - 65,000	21,939	3,279	9	95,026	124
65,001 - 70,000	20,295	2,898	5	90,918	95
70,001 - 75,000	19,162	2,504	9	85,263	110
75,001 - 80,000	17,340	2,184	2	79,248	83
80,001 - 85,000	15,311	1,801	0	73,210	83
85,001 - 90,000	12,942	1,580	8	65,579	64
90,001 - 95,000	11,085	1,329	5	59,836	53
95,001 - 100,000	9,489	1,103	3	52,717	65
Over \$100,000	89,272	6,345	31	417,322	564
Totals	953,762	129,785	20,385	2,456,474	368,163

<sup>(1)</sup>Values in this table are based on 4,420,952 MI-1040 tax returns on file.

Source: Tax Analysis Division, Bureau of Tax and Economic Policy, Michigan Department of Treasury.

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

	2002			2003			2004			2005		
	<u>Number</u>	<u>Amount</u>	<u>Average</u>	<u>Number</u>	<u>Amount</u>	<u>Average</u>	<u>Number</u>	<u>Amount</u>	<u>Average</u>	<u>Number</u>	<u>Amount</u>	<u>Average</u>
Property Tax Credits												
General	898.8	\$370,010.1	\$411.68	928.7	\$397,200.9	\$427.70	983.4	\$441,451.7	\$448.90	1,002.3	\$466,036.9	\$464.95
Senior Citizen <sup>(1)</sup>												
Total	409.9	283,828.7	692.40	413.1	290,546.3	703.25	418.2	304,368.7	727.78	416.4	306,092.4	735.10
Low Income Rent	10.7	3,673.9	341.94	10.8	3,593.4	332.29	10.6	3,527.5	331.60	10.0	3,251.3	325.78
Veteran	10.3	1,286.4	124.73	10.0	1,221.9	122.26	9.3	1,183.0	126.69	9.1	1,132.0	124.89
Blind	1.5	185.4	120.50	1.3	159.5	118.55	1.4	170.4	123.93	1.4	171.6	125.45
Disabled	49.5	27,271.5	551.32	53.0	30,141.4	568.85	57.6	34,040.6	591.12	59.6	35,952.5	603.33
Farmland	9.2	31,572.0	3,416.89	8.6	28,227.2	3,273.09	8.1	29,965.3	3,677.17	8.1	30,395.1	3,731.29
Total Property Tax Credits	1,379.3	\$714,154.2	\$517.78	1,414.8	\$747,497.1	\$528.34	1,478.1	\$811,179.8	\$548.81	1,496.9	\$839,780.5	\$561.01
Home Heating Credit	335.9	\$68,865.5	\$205.03	356.8	\$62,360.7	\$174.80	388.4	\$69,522.7	\$179.00	392.7	\$75,644.7	\$192.61
Prescription Drug Credit	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Adoption Credit	1.1	\$1,366.1	\$1,266.07	1.3	\$1,190.2	\$932.79	1.2	\$1,509.1	\$1,239.01	1.0	\$1,283.0	\$1,264.02
Tribal Credit	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.3	\$992.9	\$233.45
City Income Tax Credit	929.8	\$34,387.1	\$36.98	922.3	\$34,120.2	\$36.99	912.5	\$33,697.6	\$36.93	900.0	\$33,345.3	\$37.05
Public Contribution Credit	279.4	\$24,477.0	\$87.60	289.1	\$25,050.7	\$86.65	291.7	\$25,399.7	\$87.07	294.3	\$26,115.2	\$88.73
Credit for Income Tax Paid to												
Another State	40.5	\$30,782.1	\$760.54	43.3	\$32,850.1	\$757.98	46.3	\$36,789.5	\$794.88	48.7	\$38,567.6	\$791.68
Community Foundation Credit	27.7	\$2,646.4	\$95.69	38.8	\$2,935.1	\$75.67	38.3	\$2,996.4	\$78.21	39.9	\$3,207.7	\$80.49
Homeless/Food Bank Credit	198.3	\$15,422.0	\$77.78	214.0	\$16,089.2	\$75.18	224.3	\$16,990.1	\$75.75	235.9	\$18,161.6	\$76.99
College Tuition Credit	51.5	\$5,143.6	\$99.91	26.4	\$2,990.5	\$113.44	95.6	\$12,581.6	\$131.66	32.4	\$4,224.3	\$130.53
Historic Preservation Credit <sup>(2)</sup>	0.2	\$814.3	\$4,995.47	0.7	\$514.7	\$698.34	1.1	\$531.7	\$482.01	0.9	\$581.1	\$664.07
Vehicle Donation Credit	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.5	\$111.7	\$74.93

<sup>(1)</sup>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.

<sup>(2)</sup>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, 2005<sup>(1)</sup>**

Adjusted Gross Income Group	MI-1040s Filed		General Property Tax Credit <sup>(2)</sup>			City Income Tax Credit			College Contribution Credit		
			Number	% of Property	Credit Amount	Number	AGI Group %	Credit Amount	Number	AGI Group %	Credit Amount
	Number	% of Total <sup>(2)</sup>	Claiming Credit	Filed		Claiming Credit	Filed		Claiming Credit	Filed	
Less than \$1	59,189	1.3%	16,277	1.7%	\$13,193,118	2,030	0.2%	\$48,387	1,108	0.4%	\$90,966
\$ 1 - 2,000	155,677	3.5%	14,752	1.5%	7,292,343	9,232	1.0%	46,530	1,205	0.4%	44,932
2,001 - 4,000	182,155	4.1%	20,933	2.1%	8,840,906	22,295	2.5%	165,958	2,231	0.8%	84,529
4,001 - 6,000	174,582	3.9%	27,377	2.8%	11,809,648	25,775	2.9%	273,440	2,527	0.9%	115,631
6,001 - 8,000	168,936	3.8%	36,496	3.7%	16,273,560	27,179	3.0%	366,046	2,877	1.0%	147,613
8,001 - 10,000	156,738	3.5%	39,276	4.0%	18,285,351	26,508	2.9%	431,364	2,831	1.0%	154,864
10,001 - 12,000	156,089	3.5%	44,862	4.5%	21,398,053	26,629	3.0%	491,115	3,020	1.0%	173,748
12,001 - 14,000	145,830	3.3%	42,856	4.3%	20,081,535	25,960	2.9%	528,761	3,183	1.1%	185,695
14,001 - 16,000	140,249	3.2%	42,251	4.3%	19,666,618	25,901	2.9%	572,037	3,388	1.2%	209,802
16,001 - 18,000	132,430	3.0%	41,353	4.2%	18,598,157	25,148	2.8%	608,874	3,504	1.2%	220,009
18,001 - 20,000	124,792	2.8%	41,020	4.2%	18,205,377	25,000	2.8%	665,101	3,563	1.2%	228,074
20,001 - 22,000	117,163	2.7%	39,357	4.0%	17,069,665	24,875	2.8%	708,356	3,566	1.2%	227,699
22,001 - 24,000	110,522	2.5%	38,463	3.9%	16,627,702	24,021	2.7%	710,220	3,709	1.3%	244,379
24,001 - 26,000	106,794	2.4%	37,217	3.8%	16,065,476	24,071	2.7%	755,679	3,773	1.3%	248,043
26,001 - 28,000	102,766	2.3%	35,610	3.6%	15,282,918	23,094	2.6%	751,327	3,853	1.3%	259,354
28,001 - 30,000	98,804	2.2%	33,906	3.4%	14,757,685	21,841	2.4%	745,535	4,064	1.4%	282,391
30,001 - 35,000	225,787	5.1%	75,948	7.7%	33,686,322	48,898	5.4%	1,718,913	10,181	3.5%	707,942
35,001 - 40,000	199,380	4.5%	64,776	6.6%	29,742,221	44,135	4.9%	1,667,767	10,428	3.5%	735,506
40,001 - 45,000	178,415	4.0%	55,472	5.6%	26,442,062	41,024	4.6%	1,614,022	10,505	3.6%	766,059
45,001 - 50,000	162,876	3.7%	47,317	4.8%	23,436,600	38,025	4.2%	1,540,282	11,013	3.7%	818,941
50,001 - 55,000	150,624	3.4%	41,051	4.2%	20,739,293	35,284	3.9%	1,462,373	11,242	3.8%	862,901
55,001 - 60,000	140,813	3.2%	36,119	3.7%	18,709,108	33,938	3.8%	1,442,963	11,219	3.8%	869,477
60,001 - 65,000	130,386	2.9%	31,289	3.2%	16,595,304	31,835	3.5%	1,397,288	11,343	3.9%	913,050
65,001 - 70,000	120,116	2.7%	27,414	2.8%	14,936,875	29,462	3.3%	1,321,617	11,248	3.8%	927,906
70,001 - 75,000	108,983	2.5%	23,529	2.4%	12,773,125	26,849	3.0%	1,207,950	11,051	3.8%	928,011
75,001 - 80,000	98,622	2.2%	19,617	2.0%	7,282,222	24,245	2.7%	1,101,346	10,647	3.6%	916,927
80,001 - 85,000	88,593	2.0%	10,597	1.1%	1,747,914	21,937	2.4%	1,023,433	10,354	3.5%	919,793
85,001 - 90,000	78,634	1.8%	563	0.1%	183,723	19,765	2.2%	934,261	9,818	3.3%	883,481

**Exhibit 27 (cont.)**

Adjusted Gross Income Group	MI-1040s Filed		General Property Tax Credit <sup>(2)</sup>			City Income Tax Credit			College Contribution Credit		
	Number	% of Total <sup>(2)</sup>	Number	% of Property	Credit	Number	AGI Group %	Credit	Number	AGI Group %	Credit
			Claiming Credit	Tax Credits Filed	Amount	Claiming Credit	of MI-1040s Filed	Amount	Claiming Credit	of MI-1040s Filed	Amount
90,001 - 95,000	69,913	1.6%	169	0.0%	74,530	17,829	2.0%	867,692	9,272	3.2%	854,756
95,001 - 100,000	60,721	1.4%	97	0.0%	53,926	15,708	1.7%	771,570	8,622	2.9%	827,281
100,001 - 110,000	96,663	2.2%	121	0.0%	71,382	24,833	2.8%	1,275,825	14,806	5.0%	1,425,351
110,001 - 120,000	72,506	1.6%	67	0.0%	44,460	18,801	2.1%	1,007,493	12,188	4.1%	1,214,892
120,001 - 130,000	53,396	1.2%	31	0.0%	18,237	13,453	1.5%	752,457	10,018	3.4%	1,039,317
130,001 - 140,000	41,258	0.9%	38	0.0%	26,403	10,343	1.1%	595,444	8,415	2.9%	875,534
140,001 - 150,000	31,703	0.7%	20	0.0%	15,802	7,639	0.8%	458,486	6,846	2.3%	741,814
150,001 - 160,000	23,892	0.5%	22	0.0%	12,172	5,640	0.6%	360,984	5,343	1.8%	605,834
160,001 - 170,000	19,614	0.4%	19	0.0%	13,842	4,480	0.5%	287,771	4,566	1.6%	528,688
170,001 - 180,000	15,450	0.3%	7	0.0%	4,452	3,489	0.4%	229,636	3,859	1.3%	445,786
180,001 - 190,000	12,574	0.3%	12	0.0%	10,333	2,782	0.3%	192,182	3,158	1.1%	374,663
190,001 - 200,000	10,174	0.2%	8	0.0%	6,868	2,152	0.2%	149,468	2,729	0.9%	330,316
200,001 - 300,000	48,414	1.1%	29	0.0%	23,773	9,536	1.1%	764,319	13,652	4.6%	1,753,251
300,001 - 400,000	17,186	0.4%	11	0.0%	9,962	3,341	0.4%	352,365	5,234	1.8%	724,750
400,001 - 500,000	8,562	0.2%	2	0.0%	2,400	1,639	0.2%	209,882	2,594	0.9%	372,113
500,001 - 750,000	9,660	0.2%	3	0.0%	2,537	1,710	0.2%	267,392	2,798	1.0%	412,484
0,001 - 1,000,000	3,879	0.1%	2	0.0%	1,845	574	0.1%	106,552	980	0.3%	146,577
Over \$1,000,000	<u>9,442</u>	<u>0.2%</u>	<u>1</u>	<u>0.0%</u>	<u>1,200</u>	<u>1,038</u>	<u>0.1%</u>	<u>394,463</u>	<u>1,725</u>	<u>0.6%</u>	<u>269,461</u>
Totals	4,420,952	17.5%	986,357	1.2%	\$460,117,005	899,943	20.7%	\$33,344,925	294,256	46.6%	\$26,110,591

<sup>(1)</sup>Values in this table are based on 4,420,952 MI-1040 tax returns on file.

<sup>(2)</sup> 15,983 general property tax credits totaling \$5,919,903 were claimed on MI-1040CR returns that were filed without an MI-1040.

Source: Tax Analysis Division, Bureau of Tax and Economic Policy, Michigan Department of Treasury.

**Exhibit 28**  
**Distribution of Property Tax Credits Claimed**  
**Individual Income Tax, 2005 <sup>(1)</sup>**

Adjusted Gross Income Group	General			Senior Citizens <sup>(2)</sup>			Veterans			Disabled <sup>(3)</sup>		
	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
	Allowed	Allowed	Allowed	Allowed	Allowed	Allowed	Allowed	Allowed	Allowed	Allowed	Allowed	Allowed
Zero Income <sup>(4)</sup>	27,385	2.7%	\$17,596,431	74,162	17.8%	\$52,245,644	1,017	11.2%	\$145,365	25,781	42.3%	\$14,629,143
\$ 1 - 2,000	14,917	1.5%	7,321,447	23,357	5.6%	18,484,842	205	2.3%	30,074	4,968	8.1%	3,101,811
2,001 - 4,000	21,130	2.1%	8,880,842	19,220	4.6%	15,106,449	142	1.6%	21,247	2,612	4.3%	1,581,356
4,001 - 6,000	27,567	2.8%	11,847,521	20,878	5.0%	16,152,053	153	1.7%	20,465	2,341	3.8%	1,447,061
6,001 - 8,000	36,697	3.7%	16,313,377	23,735	5.7%	18,054,131	191	2.1%	28,314	2,462	4.0%	1,523,695
8,001 - 10,000	39,466	3.9%	18,327,977	24,161	5.8%	18,102,704	210	2.3%	28,659	2,293	3.8%	1,448,831
10,001 - 12,000	45,046	4.5%	21,443,502	24,821	6.0%	18,328,426	268	3.0%	34,523	2,101	3.4%	1,338,703
12,001 - 14,000	43,059	4.3%	20,131,567	22,790	5.5%	16,680,213	288	3.2%	37,193	1,874	3.1%	1,172,968
14,001 - 16,000	42,421	4.2%	19,711,580	21,273	5.1%	15,412,578	317	3.5%	39,694	1,543	2.5%	961,036
16,001 - 18,000	41,528	4.1%	18,644,312	18,739	4.5%	13,590,543	288	3.2%	37,612	1,323	2.2%	787,613
18,001 - 20,000	41,223	4.1%	18,256,827	15,191	3.6%	10,988,000	264	2.9%	38,519	1,245	2.0%	721,767
20,001 - 22,000	39,548	3.9%	17,117,071	12,273	2.9%	8,819,225	244	2.7%	32,348	1,155	1.9%	656,431
22,001 - 24,000	38,640	3.9%	16,674,114	10,474	2.5%	7,583,668	269	3.0%	35,002	1,013	1.7%	587,029
24,001 - 26,000	37,374	3.7%	16,108,390	9,129	2.2%	6,635,561	233	2.6%	29,546	883	1.4%	540,845
26,001 - 28,000	35,757	3.6%	15,325,100	8,502	2.0%	6,245,200	205	2.3%	27,130	765	1.3%	439,328
28,001 - 30,000	34,053	3.4%	14,798,778	7,817	1.9%	5,773,116	223	2.5%	27,375	684	1.1%	415,261
30,001 - 35,000	76,256	7.6%	33,783,057	15,861	3.8%	11,540,175	507	5.6%	63,261	1,533	2.5%	927,004
35,001 - 40,000	65,061	6.5%	29,839,328	12,390	3.0%	9,062,897	535	5.9%	64,299	1,152	1.9%	677,823
40,001 - 45,000	55,707	5.6%	26,525,405	10,024	2.4%	7,464,177	524	5.8%	64,762	1,016	1.7%	613,550
45,001 - 50,000	47,538	4.7%	23,514,459	8,790	2.1%	6,564,289	485	5.4%	59,857	823	1.4%	525,833
50,001 - 55,000	41,224	4.1%	20,807,456	7,783	1.9%	5,964,608	491	5.4%	56,145	748	1.2%	471,515
55,001 - 60,000	36,289	3.6%	18,780,726	6,471	1.6%	4,894,136	428	4.7%	52,329	641	1.1%	409,532
60,001 - 65,000	31,451	3.1%	16,673,961	5,531	1.3%	4,257,381	415	4.6%	47,508	589	1.0%	373,105
65,001 - 70,000	27,542	2.7%	14,994,724	4,634	1.1%	3,547,112	427	4.7%	49,812	530	0.9%	353,784
70,001 - 75,000	23,638	2.4%	12,822,940	3,908	0.9%	2,743,586	331	3.7%	33,703	417	0.7%	255,859
75,001 - 80,000	19,685	2.0%	7,310,278	3,124	0.8%	1,372,935	276	3.0%	20,743	313	0.5%	117,770
80,001 - 85,000	10,674	1.1%	1,781,235	1,078	0.3%	311,250	103	1.1%	4,321	117	0.2%	25,452
85,001 - 90,000	605	0.1%	201,533	144	0.0%	72,386	9	0.1%	549	11	0.0%	2,529
90,001 - 95,000	210	0.0%	93,630	47	0.0%	26,282	5	0.1%	566	7	0.0%	5,891
95,001 - 100,000	136	0.0%	73,695	20	0.0%	14,715	2	0.0%	154	3	0.0%	2,585
Over 100,000	513	0.1%	335,645	68	0.0%	54,087	9	0.1%	885	15	0.0%	9,043
Totals	1,002,340	100.0%	\$466,036,908	416,395	100.0%	\$306,092,369	9,064	100.0%	\$1,131,960	60,958	100.0%	\$36,124,153

<sup>(1)</sup>Values in this table are based on a sample of the 4,621,305 MI-1040 and MI-1040CR returns.

<sup>(2)</sup>Includes Senior Citizen Low Income Rent Credits.

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

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

Source: Tax Analysis Division, Bureau of Tax and Economic Policy, Michigan Department of Treasury.



**Exhibit 29**  
**Distribution of Senior Citizen Property Tax Credits by Household Income**  
**Individual Income Tax, 2005**

<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	1,770	\$5,536,510	\$1,877,941	\$3,658,569
1,001 - 2,000	376	509,772	305,971	203,801
2,001 - 3,000	602	758,402	500,624	257,778
3,001 - 4,000	921	1,072,605	742,755	329,850
4,001 - 5,000	1,565	1,789,667	1,211,489	578,178
5,001 - 6,000	2,582	2,785,323	1,913,997	871,326
6,001 - 7,000	5,625	5,602,340	4,158,743	1,443,597
7,001 - 8,000	9,181	8,806,934	6,160,495	2,646,439
8,001 - 9,000	7,766	8,549,509	5,423,398	3,126,111
9,001 - 10,000	9,132	10,525,600	6,456,364	4,069,236
10,001 - 11,000	10,471	12,755,495	7,509,490	5,246,005
11,001 - 12,000	10,302	13,188,132	7,504,303	5,683,829
12,001 - 13,000	10,640	14,129,088	7,956,390	6,172,698
13,001 - 14,000	10,500	14,973,012	7,954,170	7,018,842
14,001 - 15,000	10,776	15,640,155	8,227,913	7,412,242
15,001 - 16,000	11,078	16,521,090	8,385,916	8,135,174
16,001 - 17,000	11,219	17,227,271	8,559,208	8,668,063
17,001 - 18,000	11,380	17,766,596	8,612,350	9,154,246
18,001 - 19,000	11,352	18,250,696	8,611,557	9,639,139
19,001 - 20,000	11,433	18,772,611	8,555,364	10,217,247
20,001 - 21,000	11,498	19,278,446	8,621,275	10,657,171
21,001 - 22,000	11,133	19,101,102	8,356,074	10,745,028
22,001 - 23,000	10,817	19,003,276	8,035,219	10,968,057
23,001 - 24,000	10,449	18,748,922	7,760,050	10,988,872
24,001 - 25,000	10,324	18,814,904	7,649,322	11,165,582
25,001 - 26,000	9,907	18,689,910	7,393,390	11,296,520
26,001 - 27,000	9,703	18,489,466	7,228,257	11,261,209
27,001 - 28,000	9,330	18,499,032	6,897,657	11,601,375
28,001 - 29,000	9,095	17,920,574	6,649,705	11,270,869
29,001 - 30,000	8,957	17,949,621	6,540,373	11,409,248
30,001 - 35,000	39,248	83,668,628	28,651,377	55,017,251
35,001 - 40,000	31,828	74,217,037	23,030,888	51,186,149
40,001 - 45,000	25,262	65,075,517	18,249,053	46,826,464
45,001 - 50,000	19,137	52,626,418	13,861,072	38,765,346
50,001 - 60,000	25,603	79,066,470	19,005,212	60,061,258
60,001 - 70,000	14,905	53,594,811	11,506,776	42,088,035
70,001 - 80,000	8,899	36,319,468	5,768,407	30,551,061
Over 80,000	<u>1,629</u>	<u>7,010,179</u>	<u>259,824</u>	<u>6,750,355</u>
Totals	416,395	\$843,234,583	\$306,092,369	\$537,142,214

Source: Tax Analysis Division, Bureau of Tax and Economic Policy, Michigan Department of Treasury.

**Exhibit 30**  
**Distribution of General Property Tax Credits by Household Income**  
**Individual Income Tax, 2005**

<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	18,555	\$36,061,260	\$13,349,523	\$22,711,737
1,001 - 2,000	4,003	4,557,225	2,164,358	2,392,867
2,001 - 3,000	5,802	6,401,292	2,775,088	3,626,204
3,001 - 4,000	7,594	7,922,730	3,395,327	4,527,403
4,001 - 5,000	9,579	9,703,308	4,181,498	5,521,810
5,001 - 6,000	11,852	12,258,412	5,088,607	7,169,805
6,001 - 7,000	15,929	16,060,872	6,741,317	9,319,555
7,001 - 8,000	19,662	20,611,636	8,440,480	12,171,156
8,001 - 9,000	19,462	22,292,923	8,794,062	13,498,861
9,001 - 10,000	20,148	23,520,326	9,149,151	14,371,175
10,001 - 11,000	21,939	26,367,387	10,151,707	16,215,680
11,001 - 12,000	23,440	29,285,374	11,096,257	18,189,117
12,001 - 13,000	22,962	29,258,000	10,765,742	18,492,258
13,001 - 14,000	22,809	29,372,631	10,561,752	18,810,879
14,001 - 15,000	23,141	30,970,341	10,837,288	20,133,053
15,001 - 16,000	22,925	31,523,751	10,711,052	20,812,699
16,001 - 17,000	22,804	31,851,425	10,382,990	21,468,435
17,001 - 18,000	22,483	31,651,963	10,057,574	21,594,389
18,001 - 19,000	22,196	31,773,449	9,917,965	21,855,484
19,001 - 20,000	22,116	32,586,855	9,843,452	22,743,403
20,001 - 21,000	21,429	32,383,742	9,418,934	22,964,808
21,001 - 22,000	20,888	31,837,340	9,124,258	22,713,082
22,001 - 23,000	20,635	32,509,001	9,030,084	23,478,917
23,001 - 24,000	20,504	32,861,260	8,887,815	23,973,445
24,001 - 25,000	20,086	33,001,589	8,733,227	24,268,362
25,001 - 26,000	19,700	32,906,080	8,492,742	24,413,338
26,001 - 27,000	19,134	32,581,737	8,208,257	24,373,480
27,001 - 28,000	18,527	32,713,512	8,099,066	24,614,446
28,001 - 29,000	18,085	32,508,705	7,905,613	24,603,092
29,001 - 30,000	17,916	32,952,516	7,889,063	25,063,453
30,001 - 35,000	80,497	157,782,858	35,797,389	121,985,469
35,001 - 40,000	68,041	148,622,320	31,259,437	117,362,883
40,001 - 45,000	57,733	138,591,806	27,578,721	111,013,085
45,001 - 50,000	49,040	129,749,736	24,200,541	105,549,195
50,001 - 60,000	78,988	232,033,305	40,480,679	191,552,626
60,001 - 70,000	59,392	201,333,637	32,103,103	169,230,534
70,001 - 80,000	43,683	165,547,238	19,462,341	146,084,897
Over 80,000	<u>8,661</u>	<u>34,865,059</u>	<u>960,448</u>	<u>33,904,611</u>
Totals	1,002,340	\$1,998,812,600	\$466,036,908	\$1,532,775,692

Source: Tax Analysis Division, Bureau of Tax and Economic Policy, Michigan Department of Treasury.

**Exhibit 31**  
**Distribution of Home Heating Credits by Household Income**  
**Individual Income Tax, 2005**

<u>Household Income</u>	<u>Senior Citizens</u>		<u>General</u>		<u>Disabled<sup>(1)</sup></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	1,068	\$633,871	12,241	\$5,640,375	259	\$128,635	6	\$1,841
1,001 - 2,000	249	109,401	4,977	1,586,056	86	32,479	1	365
2,001 - 3,000	404	166,100	6,610	1,968,188	145	51,776	4	1,316
3,001 - 4,000	681	269,310	8,845	2,560,791	268	89,043	3	799
4,001 - 5,000	1,196	412,991	11,033	3,023,305	396	124,887	5	1,897
5,001 - 6,000	2,110	644,875	13,594	3,498,712	772	204,629	10	2,941
6,001 - 7,000	4,954	1,267,882	21,089	4,923,129	5,025	999,631	28	6,721
7,001 - 8,000	8,456	1,916,738	28,916	6,081,480	6,741	1,235,537	33	6,696
8,001 - 9,000	6,707	1,379,099	22,163	4,256,910	2,528	487,387	19	4,122
9,001 - 10,000	7,741	1,352,166	22,181	3,959,119	2,497	423,291	32	5,350
10,001 - 11,000	8,610	1,320,672	20,794	3,717,025	2,707	470,124	38	6,102
11,001 - 12,000	7,971	964,178	18,413	3,411,998	2,052	322,872	24	4,195
12,001 - 13,000	7,649	728,085	16,418	2,607,454	1,725	247,885	23	3,174
13,001 - 14,000	6,577	506,089	15,202	2,109,778	1,508	200,418	26	2,741
14,001 - 15,000	2,459	337,079	11,219	1,739,542	886	154,260	18	2,573
15,001 - 16,000	1,923	261,228	9,835	1,350,916	719	126,466	20	3,390
16,001 - 17,000	1,814	209,034	9,390	1,069,414	626	97,172	16	2,029
17,001 - 18,000	1,664	159,998	7,530	791,205	502	75,226	16	1,941
18,001 - 19,000	1,381	120,363	4,764	631,689	373	63,118	14	1,821
19,001 - 20,000	1,385	82,943	4,253	474,916	333	49,447	20	1,803
Over 20,000	2,343	127,934	14,148	1,452,369	1,236	170,476	37	3,741
Totals	77,342	\$12,970,036	283,615	\$56,854,371	31,384	\$5,754,759	393	\$65,558
Average Credit		\$167.70		\$200.46		\$183.37		\$166.81

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

Source: Tax Analysis Division, Bureau of Tax and Economic Policy, Michigan Department of Treasury.

**Exhibit 32**  
**2005 Income Tax Collections by County**

<u>County</u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>	<u>Tax After Credits</u>	<u>Percent of Total Tax</u>
ALCONA	\$452,730	\$154,789	\$2,642,636	0.0%
ALGER	293,123	98,365	3,047,965	0.1%
ALLEGAN	6,417,233	655,603	45,637,626	0.9%
ALPENA	1,551,158	380,975	11,374,185	0.2%
ANTRIM	1,602,418	237,150	9,081,624	0.2%
ARENAC	1,129,575	226,658	3,847,187	0.1%
BARAGA	227,578	72,306	2,348,624	0.0%
BARRY	2,896,179	275,269	26,429,157	0.5%
BAY	8,219,271	942,254	45,308,248	0.8%
BENZIE	849,945	165,982	5,995,197	0.1%
BERRIEN	9,129,108	1,575,825	74,878,162	1.4%
BRANCH	2,778,756	369,992	15,008,003	0.3%
CALHOUN	10,275,696	1,214,444	55,025,577	1.0%
CASS	2,509,025	328,806	16,986,386	0.3%
CHARLEVOIX	1,950,126	236,911	13,695,908	0.3%
CHEBOYGAN	1,053,117	331,734	8,546,118	0.2%
CHIPPEWA	1,622,891	357,816	9,201,959	0.2%
CLARE	1,113,322	517,609	9,294,845	0.2%
CLINTON	4,506,249	272,869	30,793,459	0.6%
CRAWFORD	410,948	155,369	3,536,311	0.1%
DELTA	1,682,221	438,047	15,424,300	0.3%
DICKINSON	1,384,103	225,621	12,042,087	0.2%
EATON	9,677,590	536,257	57,080,041	1.1%
EMMET	2,315,606	292,415	19,067,111	0.4%
GENESEE	26,563,037	3,913,767	204,340,946	3.8%
GLADWIN	1,246,226	337,761	7,437,540	0.1%
GOGEBIC	468,550	215,382	4,886,553	0.1%
GRAND TRAVERSE	7,150,488	506,285	51,588,180	1.0%
GRATIOT	3,114,517	423,072	14,844,866	0.3%
HILLSDALE	2,654,799	494,719	16,897,954	0.3%
HOUGHTON	913,674	358,124	12,241,916	0.2%
HURON	7,720,434	505,163	7,115,788	0.1%
INGHAM	26,079,441	1,824,904	131,649,516	2.5%
IONIA	3,520,595	431,629	25,754,852	0.5%
IOSCO	1,146,492	350,814	7,299,103	0.1%
IRON	406,614	169,680	3,653,901	0.1%
ISABELLA	3,872,269	439,701	39,691,303	0.7%
JACKSON	8,818,203	1,130,162	71,408,502	1.3%
KALAMAZOO	17,596,605	1,392,042	131,970,540	2.5%
KALKASKA	736,288	191,417	5,949,871	0.1%
KENT	42,738,775	3,470,146	341,357,063	6.4%
KEWEENAW	50,312	25,034	656,967	0.0%
LAKE	412,513	225,193	1,666,986	0.0%
LAPEER	4,609,865	474,277	45,700,781	0.9%

**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	\$1,332,062	\$98,107	\$8,822,793	0.2%
LENAWEE	8,600,442	525,572	43,379,993	0.8%
LIVINGSTON	8,819,839	324,926	90,337,589	1.7%
LUCE	101,884	74,707	1,931,560	0.0%
MACKINAC	611,885	134,630	3,381,628	0.1%
MACOMB	96,947,448	3,807,606	445,936,919	8.3%
MANISTEE	1,354,038	244,595	8,209,595	0.2%
MARQUETTE	1,956,045	474,563	27,851,623	0.5%
MASON	1,924,013	317,758	9,976,008	0.2%
MECOSTA	1,658,292	401,910	12,540,615	0.2%
MENOMINEE	811,600	277,391	9,422,144	0.2%
MIDLAND	3,860,165	516,973	56,439,546	1.1%
MISSAUKEE	946,480	161,088	3,302,656	0.1%
MONROE	8,983,447	660,683	76,083,261	1.4%
MONTCALM	3,648,100	664,624	23,133,320	0.4%
MONTMORENCY	331,763	144,983	2,583,377	0.0%
MUSKEGON	10,727,831	1,587,630	64,624,941	1.2%
NEWAYGO	2,496,138	443,501	14,511,620	0.3%
OAKLAND	121,683,892	3,985,005	1,088,451,033	20.4%
OCEANA	1,619,864	336,974	8,473,650	0.2%
OGEMAW	1,022,727	356,392	6,074,941	0.1%
ONTONAGON	174,087	96,179	2,416,997	0.0%
OSCEOLA	1,143,798	361,675	7,848,992	0.1%
OSCODA	165,577	98,294	1,841,812	0.0%
OTSEGO	859,857	180,648	9,484,246	0.2%
OTTAWA	16,556,311	901,436	158,378,395	3.0%
PRESQUE ISLE	609,871	218,524	4,357,868	0.1%
ROSCOMMON	1,273,534	365,309	6,659,129	0.1%
SAGINAW	11,935,220	2,077,106	79,262,721	1.5%
ST. CLAIR	12,567,934	1,151,291	84,090,251	1.6%
ST. JOSEPH	3,365,957	467,632	24,570,801	0.5%
SANILAC	4,336,275	580,852	13,636,786	0.3%
SCHOOLCRAFT	192,903	114,260	2,849,990	0.1%
SHIAWASSEE	4,867,601	573,915	33,577,292	0.6%
TUSCOLA	6,364,921	577,340	19,291,759	0.4%
VAN BUREN	5,691,095	750,235	32,944,144	0.6%
WASHTENAW	33,708,792	1,305,332	242,736,587	4.5%
WAYNE (excludes Detroit)	117,857,354	5,323,302	515,976,314	9.7%
WEXFORD	1,929,844	374,865	12,242,582	0.2%
OUTSIDE OF MICHIGAN	15,067,159	906,616	228,962,725	4.3%
DETROIT	87,806,781	16,737,957	234,448,440	4.4%
	<b>\$839,780,491</b>	<b>\$75,644,724</b>	<b>\$5,343,452,488</b>	<b>100.0%</b>

Source: Tax Analysis Division, Bureau of Tax and Economic Policy, Michigan Department of Treasury.

## Exhibit 33 2005 Income Tax Data by County

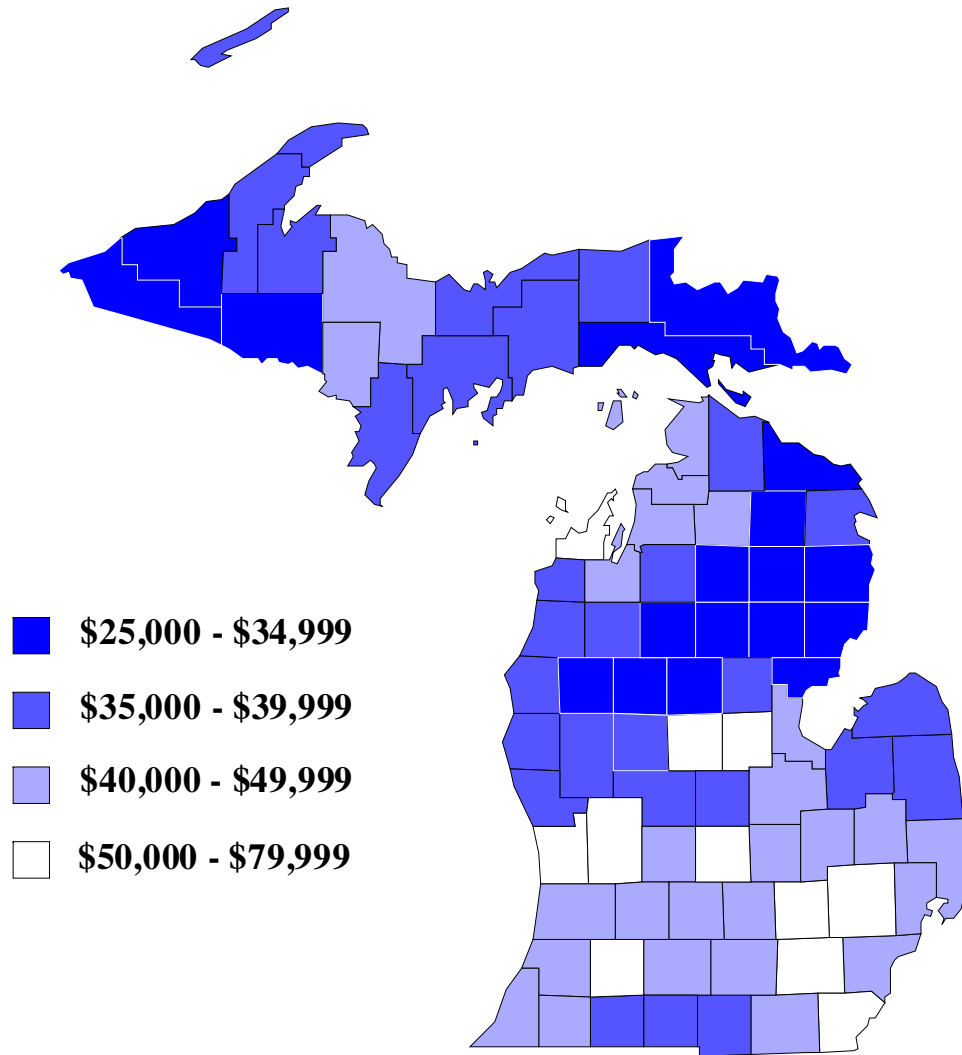
<u>County</u>	2005	2005	Income Tax		Average		Average		Credits as a		Ratio of Property		Average		
	AGI	Average	Before	Rank	Income Tax	Rank	Income Tax	Rank	% of Tax	Rank	to 1040s Filed	Rank	Property Tax	Rank	
	(Millions)	AGI	Rank	Credits	Rank	Before	Credits	Rank	After	Rank	Before	Rank	Credit <sup>(1)</sup>	Rank	
ALCONA	\$161.2	\$33,621	72	\$3,278,575	75	\$684	81	\$551	80	19.4%	13	22.9%	70	\$412	56
ALGER	142.5	36,364	55	3,493,435	74	891	59	778	55	12.8%	65	21.2%	73	353	71
ALLEGAN	1,808.5	42,967	26	53,068,262	23	1,261	21	1,084	20	14.0%	58	29.4%	36	518	23
ALPENA	513.3	37,787	45	13,465,498	49	991	48	837	48	15.5%	44	29.3%	38	389	62
ANTRIM	450.3	42,437	28	11,086,334	52	1,045	41	856	44	18.1%	22	28.5%	44	530	20
ARENAC	213.3	32,677	78	5,210,805	69	798	74	590	78	26.2%	3	31.5%	23	549	15
BARAGA	109.8	36,220	58	2,666,910	79	880	61	775	57	11.9%	68	19.2%	78	390	60
BARRY	1,017.9	48,240	15	29,858,416	31	1,415	12	1,253	10	11.5%	69	27.2%	47	504	28
BAY	1,995.1	40,319	37	54,905,960	21	1,110	35	916	37	17.5%	27	33.6%	13	495	35
BENZIE	287.2	38,997	40	7,115,266	65	966	53	814	51	15.7%	42	27.1%	48	425	52
BERRIEN	3,109.4	43,557	24	87,221,868	14	1,222	26	1,049	24	14.2%	54	29.5%	35	434	49
BRANCH	668.5	37,080	49	18,318,115	39	1,016	45	832	49	18.1%	23	28.6%	42	539	18
CALHOUN	2,432.9	41,996	29	67,933,471	18	1,173	28	950	35	19.0%	18	35.1%	7	506	27
CASS	755.0	42,579	27	20,501,636	36	1,156	29	958	32	17.1%	29	24.6%	64	574	14
CHARLEVOIX	584.8	45,534	19	16,069,192	43	1,251	23	1,066	23	14.8%	48	30.4%	27	500	33
CHEBOYGAN	398.8	36,221	57	10,041,592	58	912	58	776	56	14.9%	47	25.3%	56	378	65
CHIPPEWA	517.1	34,554	68	11,702,350	51	782	77	615	75	21.4%	9	34.4%	9	315	79
CLARE	453.5	33,881	71	11,047,972	53	825	69	694	68	15.9%	40	23.6%	67	352	72
CLINTON	1,234.0	50,634	9	35,887,127	28	1,472	9	1,263	9	14.2%	52	30.7%	25	602	10
CRAWFORD	175.0	34,820	67	4,192,373	73	834	68	704	66	15.6%	43	24.3%	65	336	76
DELTA	668.3	38,516	42	17,679,594	41	1,019	43	889	40	12.8%	64	25.1%	60	386	63
DICKINSON	500.1	40,464	36	13,748,856	47	1,112	33	974	30	12.4%	66	26.1%	51	430	51
EATON	2,419.0	46,173	18	68,255,278	17	1,303	19	1,090	19	16.4%	37	34.2%	11	541	17
EMMET	788.6	48,936	14	21,730,930	35	1,349	17	1,183	13	12.3%	67	30.1%	28	477	40
GENESEE	8,552.1	44,787	22	238,384,341	6	1,248	25	1,070	22	14.3%	50	31.6%	22	440	48
GLADWIN	392.5	35,329	63	9,112,555	61	820	70	669	70	18.4%	21	28.8%	40	390	61
GOGEBIC	224.9	34,335	69	5,628,232	67	859	65	746	62	13.2%	62	22.7%	71	314	80
GRAND TRAVERSE	2,091.7	49,180	13	60,039,631	20	1,412	13	1,213	12	14.1%	56	32.8%	15	512	25
GRATIOT	658.7	38,064	43	18,228,047	40	1,053	39	858	43	18.6%	20	27.0%	49	667	6
HILLSDALE	740.7	37,043	50	20,373,259	37	1,019	44	845	46	17.1%	30	25.9%	54	513	24
HOUGHTON	529.6	37,759	46	13,684,750	48	976	50	873	42	10.5%	79	18.5%	80	353	70
HURON	582.1	35,246	64	14,635,013	46	886	60	431	83	51.4%	1	39.5%	4	1,185	1
INGHAM	5,607.3	46,415	17	163,110,091	8	1,350	16	1,090	18	19.3%	15	39.9%	3	541	16
IONIA	1,053.0	40,551	35	30,012,092	30	1,156	30	992	27	14.2%	53	26.0%	52	521	21
IOSCO	406.2	32,805	77	8,874,508	62	717	78	590	77	17.8%	24	25.2%	59	367	67
IRON	175.6	32,919	76	4,261,111	72	799	72	685	69	14.3%	51	22.6%	72	337	74
ISABELLA	1,586.9	51,009	7	44,459,531	25	1,429	11	1,276	8	10.7%	76	25.7%	55	484	37
JACKSON	2,872.6	43,424	25	82,617,294	15	1,249	24	1,079	21	13.6%	60	29.5%	34	452	44
KALAMAZOO	5,125.9	50,115	11	152,795,170	9	1,494	7	1,290	7	13.6%	59	35.6%	6	484	38
KALKASKA	266.8	35,796	60	6,928,765	66	930	55	798	52	14.1%	55	25.1%	61	394	59
KENT	13,107.3	50,543	10	393,003,959	4	1,515	6	1,316	6	13.1%	63	34.3%	10	480	39
KEWEENAW	31.9	36,945	51	739,676	83	856	66	760	59	11.2%	71	14.1%	83	412	55
LAKE	105.0	29,709	83	2,344,637	80	663	82	472	82	28.9%	2	32.9%	14	354	69
LAPEER	1,765.3	47,650	16	51,374,985	24	1,387	14	1,234	11	11.0%	72	24.7%	63	503	30

**Exhibit 33 (cont.)**

County	2005	2005	Income Tax		Average		Average		Credits as a		Ratio of Property		Average		
	AGI	Average	Before	Rank	Income Tax	Rank	Income Tax	Rank	% of Tax	Rank	to 1040s Filed	Rank	Property Tax	Rank	
	(Millions)	AGI	Credits	Rank	Before Credits	Rank	After Credits	Rank	Before Credits	Rank	to 1040s Filed	Rank	Credit <sup>(1)</sup>	Rank	
LEELANAU	\$403.6	\$52,112	6	\$10,568,594	55	\$1,365	15	\$1,139	16	16.5%	33	29.3%	37	\$586	12
LENAWEE	1,902.9	44,230	23	54,060,103	22	1,257	22	1,008	25	19.8%	12	32.1%	19	622	8
LIVINGSTON	3,254.5	62,086	3	100,552,328	10	1,918	3	1,723	3	10.2%	80	29.0%	39	581	13
LUCE	87.6	35,347	62	2,137,452	81	862.57	63	779	54	9.6%	81	16.7%	82	246	83
MACKINAC	188.4	34,866	66	4,315,694	71	799	73	626	73	21.6%	8	32.7%	16	346	73
MACOMB	18,697.0	49,314	12	553,030,279	3	1,459	10	1,176	15	19.4%	14	40.3%	2	634	7
MANISTEE	396.1	36,441	54	9,932,090	59	914	57	755	61	17.3%	28	29.7%	30	420	53
MARQUETTE	1,140.8	41,257	32	30,715,253	29	1,111	34	1,007	26	9.3%	82	21.0%	75	337	75
MASON	465.8	36,576	53	12,326,423	50	968	52	783	53	19.1%	17	31.9%	20	474	42
MECOSTA	582.3	38,942	41	14,893,238	44	996	47	839	47	15.8%	41	24.9%	62	445	46
MENOMINEE	393.0	37,215	48	10,560,974	56	1,000	46	892	39	10.8%	75	21.0%	76	367	68
MIDLAND	2,087.5	58,877	4	61,572,167	19	1,737	4	1,592	4	8.3%	83	25.3%	57	430	50
MISSAUKEE	174.8	32,316	80	4,382,724	70	810	71	610	76	24.6%	7	28.3%	45	617	9
MONROE	3,277.3	50,684	8	95,885,267	12	1,483	8	1,177	14	20.7%	10	25.9%	53	536	19
MONTCALM	985.5	37,313	47	27,616,075	33	1,046	40	876	41	16.2%	38	27.5%	46	502	32
MONTMORENCY	155.4	31,913	81	3,083,927	77	634	83	531	81	16.2%	39	21.0%	74	324	77
MUSKEGON	2,770.2	39,005	39	78,385,761	16	1,104	36	910	38	17.6%	26	33.9%	12	445	45
NEWAYGO	645.3	37,930	44	17,636,690	42	1,037	42	853	45	17.7%	25	29.6%	31	495	34
OAKLAND	39,193.4	75,467	1	1,226,591,156	1	2,362	1	2,096	1	11.3%	70	34.6%	8	678	4
OCEANA	406.0	35,489	61	10,495,035	57	917	56	741	63	19.3%	16	28.6%	41	495	36
OGEMAW	309.3	32,375	79	7,490,953	64	784	76	636	72	18.9%	19	26.6%	50	402	57
ONTONAGON	107.3	33,582	73	2,704,886	78	846	67	756	60	10.6%	78	17.1%	81	319	78
OSCEOLA	370.0	34,111	70	9,429,023	60	869	62	724	64	16.8%	32	23.8%	66	443	47
OSCODA	91.7	30,912	82	2,123,515	82	715	79	621	74	13.3%	61	19.4%	77	288	81
OTSEGO	411.0	41,331	31	10,619,220	54	1,068	38	954	33	10.7%	77	23.4%	68	369	66
OTTAWA	5,875.9	52,616	5	177,930,066	7	1,593	5	1,418	5	11.0%	74	29.5%	33	503	31
PRESQUE ISLE	222.5	33,478	74	5,219,448	68	785	75	656	71	16.5%	34	23.0%	69	399	58
ROSCOMMON	390.4	33,308	75	8,379,288	63	715	80	568	79	20.5%	11	28.5%	43	381	64
SAGINAW	3,470.3	41,604	30	94,923,747	13	1,138	32	950	34	16.5%	35	30.7%	26	467	43
ST. CLAIR	3,423.3	45,143	20	99,223,713	11	1,308	18	1,109	17	15.3%	46	32.7%	17	507	26
ST. JOSEPH	1,041.5	39,307	38	29,037,554	32	1,096	37	927	36	15.4%	45	25.2%	58	503	29
SANILAC	683.3	35,028	65	18,383,632	38	942	54	699	67	25.8%	4	31.9%	21	698	3
SCHOOLCRAFT	134.4	36,124	59	3,203,288	76	861	64	766	58	11.0%	73	19.2%	79	270	82
SHIAWASSEE	1,409.2	41,248	33	39,342,140	27	1,152	31	983	28	14.7%	49	29.9%	29	477	41
TUSCOLA	990.2	36,945	52	25,948,143	34	968	51	720	65	25.7%	5	29.6%	32	803	2
VAN BUREN	1,380.7	40,906	34	39,659,001	26	1,175	27	976	29	16.9%	31	32.5%	18	519	22
WASHTENAW	9,080.2	64,926	2	282,261,321	5	2,018	2	1,736	2	14.0%	57	36.1%	5	668	5
WAYNE (including Detroit)	35,112.1	44,936	21	999,529,913	2	1,279	20	960	31	24.9%	6	44.7%	1	589	11
WEXFORD	540.3	36,242	56	14,653,455	45	983	49	821	50	16.5%	36	31.0%	24	418	54
OUTSIDE OF MICHIGAN	51,073.4	259,243		250,397,026		1,271		1,162		8.6%		12.7%		603	
DETROIT	13,132.3	37,659		350,666,445		1,006		672		33.1%		48.5%		519	
<b>TOTALS</b>	<b>\$260,604.7</b>	<b>\$58,898</b>		<b>6,358,288,024</b>		<b>\$1,437</b>		<b>\$1,208</b>		<b>16.0%</b>		<b>33.8%</b>		<b>561</b>	

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

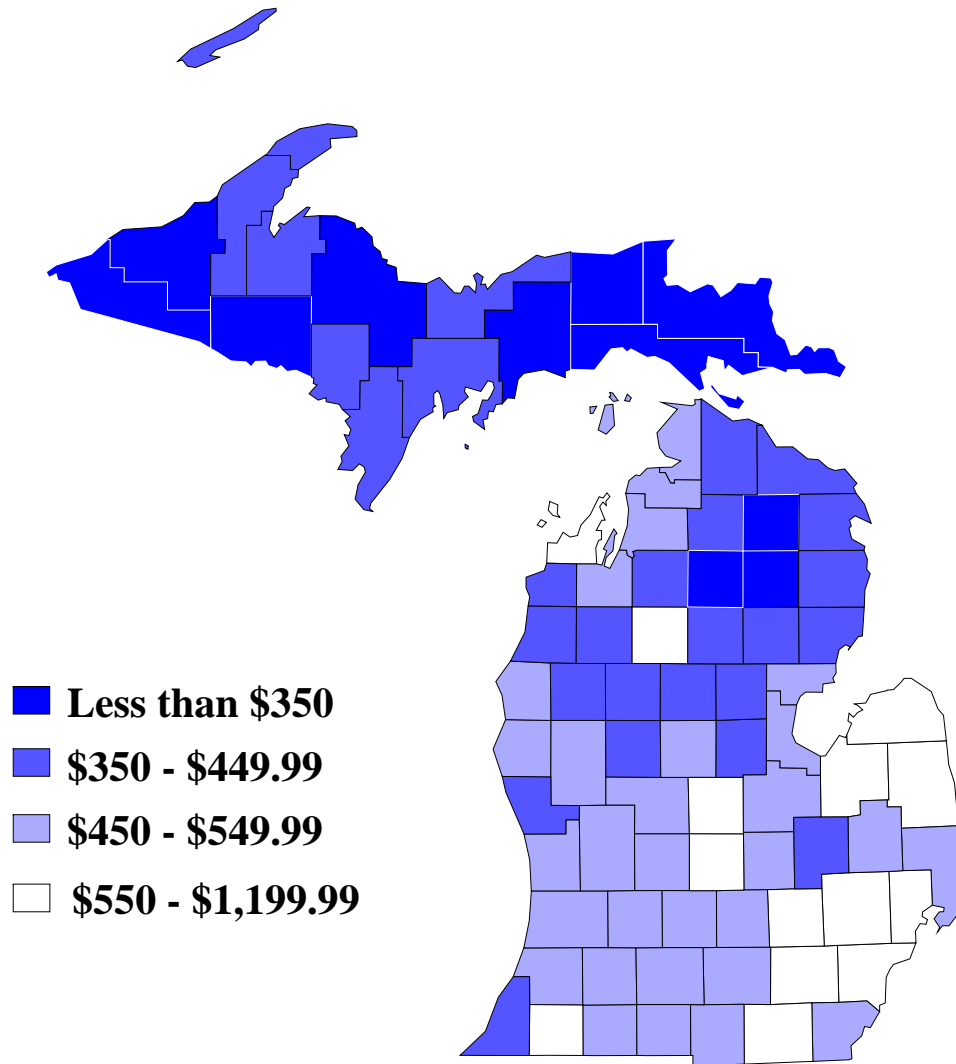
**Exhibit 34**  
**Average Adjusted Gross Income by County**  
**2005**



Source: Tax Analysis Division, Bureau of Tax and Economic Policy, Michigan Department of Treasury.



**Exhibit 35**  
**Average Property Tax Credits by County**  
**2005**



**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	3.90%
1985	5.33%		
1986	4.60%		
1987	4.60%		
1988	4.60%		
1989	4.60%		
1990	4.60%		

Source: Tax Analysis Division, Bureau of Tax and Economic Policy, Michigan Department of Treasury.

## **XII. APPENDIX A**

## **FEDERAL TAX LAW CHANGES (from 1987 through 2004)**

### **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 2006. 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**

The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA-01) increased the maximum annual contribution limits for education IRAs, traditional and Roth IRAs, annual elective deferrals for qualified retirement plans, the AGI phase-out ranges for eligibility for the student loan interest deduction, and provided a deduction for qualified higher education expenses. To the extent that those changes increased, or made more taxpayers eligible for existing federal deductions, they generally decrease federal AGI, which is the base for the Michigan personal income tax.

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 2006 through 2007, 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 2006 (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) also 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.

The Act also enacted a deduction of up to \$3,000 for qualified higher education expenses in tax year 2002. It increased to \$4,000 in 2006 and is repealed after tax year 2006.

Certain provisions of the Job Creation and Worker Assistance Act of 2002 (JCWAA-02) also became effective in tax year 2002:

- 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 2006) and for qualified clean-fuel vehicle refueling property (deduction available for property placed in service prior to 2007, instead of 2006); and
- a new, above-the-line deduction 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.)

The changes above result in a decreased federal AGI, and a consequent reduction of the Michigan personal income tax base.

## **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), increased temporarily the alternative minimum tax exemption amount, reduced temporarily tax rates on dividends and capital gains and increased temporarily incentives designed to speed up investment. From those changes, only the incentives designed to speed up investment should have an impact on the calculation of the

federal AGI, and therefore, the Michigan personal income tax. 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 Job Creation and Worker Assistance Act of 2002 (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, 2006, 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 2006, 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 2006.

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 to 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 may be revoked at anytime.

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 2006, \$700 in 2006, \$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 at least equivalent to the standard Medicare drug plan to their retirees 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 an expansion of the definition of earned income to include combat pay for purposes of the refundable child tax credit and earned income credit. The Act also 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.

The American Jobs Creation Act (AJC-04) dramatically changed S corporation rules, and provided one of the most significant international tax reforms since the TRA-86. The Act also enacted sanctions against taxpayers and tax professionals entering into abusive tax shelter transactions; provided tax breaks for farmers; changed the tax treatment of deferred compensation; instituted new energy and fuel tax incentives; and provided a host of tax cuts and revenue raising provisions. From all those changes, major provisions 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.)

## MICHIGAN PERSONAL INCOME TAX LEGISLATIVE HISTORY<sup>10</sup>

### 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.

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<sup>10</sup> 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](http://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 tribes who signed agreements<sup>11</sup> 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.

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<sup>11</sup> 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** amended the Income Tax Act to allow 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** amended the Income Tax Act to create 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** amended the Income Tax Act to revise 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** amended the Income Tax Act to create 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** amended the Income Tax Act to make 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.

## MICHIGAN INCOME TAX REQUIREMENTS (1967 – 2007)

	<u>MCL</u>	<u>Form</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</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>
<b><u>General MI-IIT Information:</u></b>													
. IRC compliance (*)	206.12(3)		1954 IRC	1954 IRC	1954 IRC	1969 IRC	1970 IRC	1970 IRC	1970 IRC	1970 IRC	1970 IRC	1976 IRC	1976 IRC
. Exemption from MI - IIT:	206.201		Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	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%
. To School Aid Fund:	206.51(2)		No	No	No	No	No	No	No	No	No	No	No
. Filing Requirement:	(2)	206.315	MI-1040	GI	GI	GI	AGI	AGI	AGI	AGI	AGI	AGI	AGI
(Gross income (GI) or			Single Return	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,500	\$1,500	\$1,500
AGI above threshold)			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	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	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
. Use Tax Return in MI-1040 Booklet			MI-1040	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. 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	\$1,500
. Special Exemptions:	(4)	206.30(3)	MI-1040	No	No	No	No	No	No	No	Yes	Yes	Yes	Yes
. Para/Hemi/Quadriplegic (**)(***)	206.30(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,500	\$1,500	\$1,500	\$1,500
. Disabled	206.30(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. Blind (***)	206.30(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. Deaf (***)	206.30(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. Senior	206.30(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. Unemployed	206.30(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. Claimed as Dependent	206.30(4)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. Child	206.30d(2)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. Age 6 and Under			n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. Age 7 to 12			n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.



**MICHIGAN INCOME TAX REQUIREMENTS (cont.)**

		<b>MCL Section</b>	<b>Form</b>	<b>TY 1978</b>	<b>TY 1979</b>	<b>TY 1980</b>	<b>TY 1981</b>	<b>TY 1982</b>	<b>TY 1983</b>	<b>TY 1984</b>	<b>TY 1985</b>	<b>TY 1986</b>	<b>TY 1987</b>	<b>TY 1988</b>
<b><u>General MI-IIT Information:</u></b>														
. 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	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	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%
. To School Aid Fund:		206.51(2)		No	No	No	No	No	No	No	No	No	No	No
. Filing Requirement:	(2)	206.315	MI-1040	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI	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	\$1,600	\$1,800
			Joint Return	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,200	\$3,600
. Reciprocity States				IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	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	\$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	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	\$1,600	\$1,800
. Special Exemptions:	(4)	206.30(3)	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	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	\$1,400	\$1,200
. Disabled		206.30(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,400	\$1,200
. Blind (***)		206.30(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,400	\$1,200
. Deaf (****)		206.30(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,500	\$1,500	\$1,400	\$1,200
. Senior		206.30(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,400	\$1,200
. Unemployed		206.30(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,400	\$1,200
. Claimed as Dependent		206.30(4)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$500
. Child		206.30d(2)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. Age 6 and Under				n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. Age 7 to 12				n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

## MICHIGAN INCOME TAX REQUIREMENTS (cont.)

	<b>MCL Section</b>	<b>Form</b>	<b>TY 1989</b>	<b>TY 1990</b>	<b>TY 1991</b>	<b>TY 1992</b>	<b>TY 1993</b>	<b>TY 1994</b>	<b>TY 1995</b>	<b>TY 1996</b>	<b>TY 1997</b>	<b>TY 1998</b>	<b>TY 1999</b>
<b><u>General MI-IIT Information:</u></b>													
. IRC compliance (*)	206.12(3)		1987 IRC	1987 IRC	1987 IRC	1987 IRC	1987 IRC	1987 IRC	1987 IRC	1996 IRC	1996 IRC	1996 IRC	1996 IRC
. Exemption from MI - IIT:	206.201		Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	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	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI	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
			Joint Return	\$4,000	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,800	\$4,800	\$5,000	\$5,600
. Reciprocity States			IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	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
. Use Tax Return in MI-1040 Booklet			MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	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	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	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.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$600	\$600
. . Age 7 to 12			n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$300	\$300

**MICHIGAN INCOME TAX REQUIREMENTS (cont.)**

	<b>MCL Section</b>	<b>Form</b>	<b>TY 2000</b>	<b>TY 2001</b>	<b>TY 2002</b>	<b>TY 2003</b>	<b>TY 2004</b>	<b>TY 2005</b>	<b>TY 2006</b>
<b><u>General MI-IIT Information:</u></b>									
. IRC compliance (*)	206.12(3)		1996 IRC	1996 IRC	1996 IRC	1996 IRC	1996 IRC	1996 IRC	1996 IRC
. Exemption from MI - IIT:	206.201		Exempt from Federal IIT	When Federal IIT Exempt	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT
. Revenue Distribution:	(1)								
. To Local Units:	206.481		No	No	No	No	No	No	No
. To School Aid Fund:	206.51(2)		Formula	Formula	Formula	Formula	Formula	Formula	Formula
. Filing Requirement:	(2)	206.315	MI-1040	AGI	AGI	AGI	AGI	AGI	AGI
(Gross income (GI) or AGI above threshold)			Single Return	\$2,900	\$2,900	\$3,000	\$3,100	\$3,100	\$3,200
			Joint Return	\$5,800	\$5,800	\$6,000	\$6,200	\$6,200	\$6,400
. Reciprocity States			IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN
. Liability Threshold for Estimated Pmt	(3)	206.301	MI-1040	\$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
. Tax Rate	206.51(1), 51(b)-51(e)	MI-1040		4.20%	4.20%	4.10%	4.00%	3.95%	3.90%

**Exemptions Amounts:**

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

**MICHIGAN INCOME TAX REQUIREMENTS (cont.)**

		<u>MCL</u>		<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</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>
<b>Check-Offs:</b>														
. State Campaign Fund	(5)	169.261(2)	MI-1040	No	No	No	No	No	No	No	No	Yes	Yes	Yes
			Single Return	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$2	\$2	\$2
			Joint Return	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$4	\$4	\$4
. Children of Veterans Tuition Grant	(6)	206.437	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. Military Family Relief Fund	(6)	206.438	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. Nongame Wildlife Trust Fund	(6)	206.439	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. Children's Trust Fund	(6)	206.440	MI-1040	No	No	No	No	No	No	No	No	No	No	No
<hr/>														
<b>Taxbase Adjustments Limits</b>			MI-1040											
. Maximum Private Pension Deduction (*****)	203.30(1)(f)(iv) and (v)	(7)		No	No	No	No	No	No	No	Yes	Yes	Yes	Yes
			Single Return	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$7,500	\$7,500	\$7,500	\$7,500
			Joint Return	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	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
. Maximum Senior Interest, Dividends, and Capital Gains Deduction (*****)	206.30(1)(r)	(8)		No	No	No	No	No	No	No	No	No	No	No
			Single Return	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
			Joint Return	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. Maximum MESP Contribution	206.30(1)(W)(i)			No	No	No	No	No	No	No	No	No	No	No
			Single Return	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
			Joint Return	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. 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
. 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
. 403(b), or 457				n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. 50 and over				n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. IRA Contribution Limit				No	No	No	No	No	No	No	No	No	No	No
. General				n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. 50 and over				n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

**MICHIGAN INCOME TAX REQUIREMENTS (cont.)**

		<b>MCL Section</b>	<b>Form</b>	<b>TY 1978</b>	<b>TY 1979</b>	<b>TY 1980</b>	<b>TY 1981</b>	<b>TY 1982</b>	<b>TY 1983</b>	<b>TY 1984</b>	<b>TY 1985</b>	<b>TY 1986</b>	<b>TY 1987</b>	<b>TY 1988</b>
<b>Check-Offs:</b>														
. State Campaign Fund	(5)	169.261(2)	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	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
. Children of Veterans Tuition Grant	(6)	206.437	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. Military Family Relief Fund	(6)	206.438	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. 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	Yes	Yes	Yes	Yes	Yes	Yes
<hr/>														
<b>Taxbase Adjustments Limits</b>			MI-1040											
. Maximum Private Pension Deduction (*****)	203.30(1)(f)(iv) and (v) (7)			Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	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	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	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
. Maximum Senior Interest, Dividends, and Capital Gains Deduction (*****)	206.30(1)(r) (8)			No	No	No	No	No	No	No	No	No	No	No
			Single Return	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
			Joint Return	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. Maximum MESP Contribution	206.30(1)(W)(i)			No	No	No	No	No	No	No	No	No	No	No
			Single Return	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
			Joint Return	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. 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
. 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
. 403(b), or 457				n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. 50 and over				n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. IRA Contribution Limit				No	No	No	No	No	No	No	No	No	No	No
. General				n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. 50 and over				n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

## MICHIGAN INCOME TAX REQUIREMENTS (cont.)

		<u>MCL</u>		<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</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>
<b>Check-Offs:</b>														
. State Campaign Fund	(5)	169.261(2)	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	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
. Children of Veterans Tuition Grant	(6)	206.437	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. Military Family Relief Fund	(6)	206.438	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. Nongame Wildlife Trust Fund	(6)	206.439	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Children's Trust Fund	(6)	206.440	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<hr/>														
<b><u>Taxbase Adjustments Limits</u></b>			MI-1040											
. Maximum Private Pension Deduction (*****)	203.30(1)(f)(iv) and (v)	(7)		Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	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	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	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
. Maximum MESP Contribution	206.30(1)(W)(i)			No	No	No	No	No	No	No	No	No	No	No
			Single Return	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
			Joint Return	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. 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
. 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.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$7,500	\$8,000	\$8,000
. 50 and over				n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. 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
. 50 and over				n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

**MICHIGAN INCOME TAX REQUIREMENTS (cont.)**

		<u>MCL</u>	<u>Form</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</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>
<b><u>Check-Offs:</u></b>										
. State Campaign Fund	(5)	169.261(2)	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes
			Single Return	\$3	\$3	\$3	\$3	\$3	\$3	\$3
			Joint Return	\$6	\$6	\$6	\$6	\$6	\$6	\$6
. Children of Veterans										
Tuition Grant	(6)	206.437	MI-1040	No	No	No	No	No	No	Yes
. Military Family Relief Fund	(6)	206.438	MI-1040	No	No	No	No	Yes	Yes	Yes
. Nongame Wildlife Trust Fund	(6)	206.439	MI-1040	No	No	No	No	No	No	No
. Children's Trust Fund	(6)	206.440	MI-1040	No	No	No	No	No	Yes	Yes
<hr/>										
<b><u>Taxbase Adjustments Limits</u></b>			MI-1040							
. Maximum Private	203.30(1)(f)(iv) and (v)			Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pension Deduction (*****)	(7)		Single Return	\$34,920	\$36,090	\$37,110	\$37,710	\$38,550	\$39,570	\$40,920
			Joint Return	\$69,840	\$72,180	\$74,220	\$75,420	\$77,100	\$79,140	\$81,840
. Political Contribution	206.30(1)(j)			Yes	Yes	Yes	Yes	Yes	Yes	Yes
			Single Return	\$50	\$50	\$50	\$50	\$50	\$50	\$50
			Joint Return	\$100	\$100	\$100	\$100	\$100	\$100	\$100
. Maximum Senior Interest,	206.30(1)(r)			Yes	Yes	Yes	Yes	Yes	Yes	Yes
Dividends, and Capital Gains			Single Return	\$7,785	\$8,048	\$8,273	\$8,408	\$8,595	\$8,828	\$9,128
Deduction (*****)	(8)		Joint Return	\$15,570	\$16,095	\$16,545	\$16,815	\$17,190	\$17,655	\$18,255
. Maximum MESP Contribution	206.30(1)(W)(i)			Yes	Yes	Yes	Yes	Yes	Yes	Yes
			Single Return	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	5000	\$5,000
			Joint Return	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	10000	\$10,000
. Taxable Wage Base for FICA				\$76,200	\$80,400	\$84,900	\$87,000	\$87,900	\$90,000	\$94,200
. Salary Elective Deferrals										
. 401(k)				\$10,500	\$10,500	\$11,000	\$12,000	\$13,000	\$14,000	\$15,000
. 403(b), or 457				\$8,000	\$8,500	\$11,000	\$12,000	\$13,000	\$14,000	\$15,000
. 50 and over				n.a.	n.a.	\$12,000	\$14,000	\$16,000	\$18,000	\$20,000
. IRA Contribution Limit				Yes	Yes	Yes	Yes	Yes	Yes	Yes
. General				\$2,000	\$2,000	\$3,000	\$3,000	\$3,000	\$4,000	\$4,000
. 50 and over				n.a.	n.a.	\$3,500	\$3,500	\$3,500	\$4,500	\$5,000

**MICHIGAN INCOME TAX REQUIREMENTS (cont.)**

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		<u>MCL</u>	<u>Form</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</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>
<b><u>NonRefundable Credits</u></b>														
. Headlee Amendment Refund	(9)	206.252	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. Taxes Paid to Another State Cr.	(10)	206.255(1)	MI-1040	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Nonresident Cr. for Reciprocal State Income Tax Exemption	(11)	206.256	MI-1040	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. City Income Taxes Cr.	(12)	206.257	MI-1040	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Public Contribution Cr.	(13)	206.26	MI-1040	No	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)
. Community Foundation Cr.	(13)	206.261	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. Homeless Shelter/Foodbank Cr	(13)	206.261	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. Renewable/Solar Energy Cr.	(14)	206.262	CR-6	No	No	No	No	No	No	No	No	No	No	No
. Agricultural Products Gleaned Cr.		206.263	CR-8	No	No	No	No	No	No	No	No	No	No	No
. Medical Care Savings Acct. Cr	(15)	206.264	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. MI Historic Preservation Cr.	(16)	206.266	Form 3581	No	No	No	No	No	No	No	No	No	No	No
. Credit for SBT Paid		206.269	MI-1040	No	No	No	No	No	No	No	No	No	Yes	Yes
. Automobile Donated Cr.	(17)	206.269	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. College Tuition Cr.	(18)	206.274	Schedule CT	No	No	No	No	No	No	No	No	No	No	No
<b><u>Refundable Credits</u></b>														
. Inventory Tax Cr. or Franchise Fee Cr.	(19)	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
. Sec. 1341 of IRC Cr.		206.265	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. Adoption Cr.	(20)	206.267, 268	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. Prescription Drug Cr.	(21)	206.273	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. Cr. for Sales Tax Paid on Food and Prescription Drugs	(22)	206.523	MI-1040	No	No	No	No	No	No	No	Yes	No	No	No



**MICHIGAN INCOME TAX REQUIREMENTS (cont.)**

		<u>MCL</u>		<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>
		<u>Section</u>	<u>Form</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>
<b><u>NonRefundable Credits</u></b>														
. Headlee Amendment Refund	(9)	206.252	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. Taxes Paid to Another State Cr.	(10)	206.255(1)	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Nonresident Cr. for Reciprocal State Income Tax Exemption	(11)	206.256	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. City Income Taxes Cr.	(12)	206.257	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Public Contribution Cr.	(13)	206.26	MI-1040	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)
. Community Foundation Cr.	(13)	206.261	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. Homeless Shelter/Foodbank Cr	(13)	206.261	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. Renewable/Solar Energy Cr.	(14)	206.262	CR-6	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Agricultural Products Gleaned Cr.		206.263	CR-8	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Medical Care Savings Acct. Cr	(15)	206.264	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. MI Historic Preservation Cr.	(16)	206.266	Form 3581	No	No	No	No	No	No	No	No	No	No	No
. Credit for SBT Paid		206.269	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. Automobile Donated Cr.	(17)	206.269	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. College Tuition Cr.	(18)	206.274	Schedule CT	No	No	No	No	No	No	No	No	No	No	No
<b><u>Refundable Credits</u></b>														
. Inventory Tax Cr. or Franchise Fee Cr.	(19)	206.258(1) 206.258(1)	MI-1040	No No	No No	No No	No No	No No	No No	No No	No No	No No	No No	No No
. Sec. 1341 of IRC Cr.		206.265	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. Adoption Cr.	(20)	206.267, 268	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. Prescription Drug Cr.	(21)	206.273	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. Cr. for Sales Tax Paid on Food and Prescription Drugs	(22)	206.523	MI-1040	No	No	No	No	No	No	No	No	No	No	No

## MICHIGAN INCOME TAX REQUIREMENTS (cont.)

		<u>MCL</u> <u>Section</u>	<u>Form</u>	<u>TY</u> <u>1989</u>	<u>TY</u> <u>1990</u>	<u>TY</u> <u>1991</u>	<u>TY</u> <u>1992</u>	<u>TY</u> <u>1993</u>	<u>TY</u> <u>1994</u>	<u>TY</u> <u>1995</u>	<u>TY</u> <u>1996</u>	<u>TY</u> <u>1997</u>	<u>TY</u> <u>1998</u>	<u>TY</u> <u>1999</u>
<b><u>NonRefundable Credits</u></b>														
. Headlee Amendment Refund	(9)	206.252	MI-1040	No	No	No	No	No	No	Yes	No	No	No	No
. Taxes Paid to Another State Cr.	(10)	206.255(1)	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Nonresident Cr. for Reciprocal State Income Tax Exemption	(11)	206.256	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. City Income Taxes Cr.	(12)	206.257	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Public Contribution Cr.	(13)	206.26	MI-1040	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')
. Community Foundation Cr.	(13)	206.261	MI-1040	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')
. Homeless Shelter/Foodbank Cr	(13)	206.261	MI-1040	No	No	No	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')
. Renewable/Solar Energy Cr.	(14)	206.262	CR-6	Yes	Yes	Yes	No	No	No	No	No	No	No	No
. Agricultural Products Gleaned Cr.		206.263	CR-8	No	No	No	No	No	No	No	No	No	No	No
. Medical Care Savings Acct. Cr	(15)	206.264	MI-1040	No	No	No	No	No	Yes	Yes	Yes	No	No	No
. MI Historic Preservation Cr.	(16)	206.266	Form 3581	No	No	No	No	No	No	No	No	No	No	Yes
. Credit for SBT Paid		206.269	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. Automobile Donated Cr.	(17)	206.269	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. College Tuition Cr.	(18)	206.274	Schedule CT	No	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes
<b><u>Refundable Credits</u></b>														
. Inventory Tax Cr. or Franchise Fee Cr.	(19)	206.258(1) 206.258(1)	MI-1040	No No	No No	No No	No No	No No	No No	No No	No No	No No	No No	No No
. Sec. 1341 of IRC Cr.		206.265	MI-1040	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Adoption Cr.	(20)	206.267, 268	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. Prescription Drug Cr.	(21)	206.273	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Cr. for Sales Tax Paid on Food and Prescription Drugs	(22)	206.523	MI-1040	No	No	No	No	No	No	No	No	No	No	No

## MICHIGAN INCOME TAX REQUIREMENTS (cont.)

		<b><u>MCL</u></b>	<b><u>Form</u></b>	<b><u>TY</u></b>	<b><u>TY</u></b>	<b><u>TY</u></b>	<b><u>TY</u></b>	<b><u>TY</u></b>	<b><u>TY</u></b>	<b><u>TY</u></b>
		<b><u>Section</u></b>		<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>
<b><u>NonRefundable Credits</u></b>										
. Headlee Amendment Refund	(9)	206.252	MI-1040	No	No	No	No	No	No	No
. Taxes Paid to Another State Cr.	(10)	206.255(1)	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Nonresident Cr. for Reciprocal State Income Tax Exemption	(11)	206.256	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. City Income Taxes Cr.	(12)	206.257	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Public Contribution Cr.	(13)	206.26	MI-1040	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')
. Community Foundation Cr.	(13)	206.261	MI-1040	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')
. Homeless Shelter/Foodbank Cr	(13)	206.261	MI-1040	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')
. Renewable/Solar Energy Cr.	(14)	206.262	CR-6	No	No	No	No	No	No	No
. Agricultural Products Gleaned Cr.		206.263	CR-8	No	No	No	No	No	No	No
. Medical Care Savings Acct. Cr	(15)	206.264	MI-1040	No	No	No	No	No	No	No
. MI Historic Preservation Cr.	(16)	206.266	Form 3581	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Credit for SBT Paid		206.269	MI-1040	No	No	No	No	No	No	No
. Automobile Donated Cr.	(17)	206.269	MI-1040	No	No	No	No	No	Yes	Yes
. College Tuition Cr.	(18)	206.274	Schedule CT	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b><u>Refundable Credits</u></b>										
. Inventory Tax Cr. or Franchise Fee Cr.	(19)	206.258(1) 206.258(1)	MI-1040	No No	No No	No No	No No	No No	No No	No No
. Sec. 1341 of IRC Cr.		206.265	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Adoption Cr.	(20)	206.267, 268	MI-1040	No	Yes	Yes	Yes	Yes	Yes	Yes
. Prescription Drug Cr.	(21)	206.273	MI-1040	Yes	Yes	No	No	No	No	No
. Cr. for Sales Tax Paid on Food and Prescription Drugs	(22)	206.523	MI-1040	No	No	No	No	No	No	No

**MICHIGAN INCOME TAX REQUIREMENTS (cont.)**

<b>Refundable Credits (cont.)</b>	<b>MCL Section</b>	<b>Form</b>	<b>TY 1967</b>	<b>TY 1968</b>	<b>TY 1969</b>	<b>TY 1970</b>	<b>TY 1971</b>	<b>TY 1972</b>	<b>TY 1973</b>	<b>TY 1974</b>	<b>TY 1975</b>	<b>TY 1976</b>	<b>TY 1977</b>
. Homestead Property Tax Cr. (23)	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.	n.a.	n.a.	n.a.	n.a.	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	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$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.	n.a.	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)	Yes (c)	Yes (c)	Yes (c)	Yes (c)
. Special Credits:													
. Seniors													
. General	206.522(1)(b)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Low Income Renters	206.520(9), (10)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. 1973 Homestead Exempt	206.522(5)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes (f)	Yes (f)	Yes (f)	Yes (f)
. Para/hemi/quadruplegic	206.522(1)(b)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Disabled	206.522(1)(b), (c)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes (g)	Yes (g)	Yes (g)	Yes (g)
. Deaf	206.522(1)(b)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. Veterans	206.522(1)(d)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)
. Blind	206.522(1)(e)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)
. Farmland Preservation Credit (24)	554.710(1)	CR-5	No	No	No	No	No	No	No	No	No	Yes (j)	Yes (j)

**MICHIGAN INCOME TAX REQUIREMENTS (cont.)**

<b>Refundable Credits (cont.)</b>	<b>MCL Section</b>	<b>Form</b>	<b>TY 1978</b>	<b>TY 1979</b>	<b>TY 1980</b>	<b>TY 1981</b>	<b>TY 1982</b>	<b>TY 1983</b>	<b>TY 1984</b>	<b>TY 1985</b>	<b>TY 1986</b>	<b>TY 1987</b>	<b>TY 1988</b>
. <u>Homestead Property Tax Cr.</u> (23)	206.520, 522	CR	Yes (b''')	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)		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	share	share	share	share	share	share	share	share	share	share
. Homeowner Veterans Cr. Requirements:		CR-2											
. Taxable Value Allowance	206.506		\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$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)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)
. Special Credits:													
. Seniors													
. General	206.522(1)(b)		Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Low Income Renters	206.520(9), (10)		n.a.	n.a.	n.a.	n.a.	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)
. 1973 Homestead Exempt	206.522(5)		Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)
. Para/hemi/quadruplegic	206.522(1)(b)		Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Disabled	206.522(1)(b), (c)		Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)
. Deaf	206.522(1)(b)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. Veterans	206.522(1)(d)		Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)
. Blind	206.522(1)(e)		Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)
. Farmland Preservation Credit (24)	554.710(1)	CR-5	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	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.	(23) 206.520, 522	CR	Yes (b''')	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)		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	share	share	share	share	share	share	share	share	share	share
. Homeowner Veterans Cr. Requirements:		CR-2											
. Taxable Value Allowance	206.506		\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$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)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)
. Special Credits:													
. Seniors													
. General	206.522(1)(b)		Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Low Income Renters	206.520(9), (10)		Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)
. 1973 Homestead Exempt	206.522(5)		Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)
. Para/hemi/quadruplegic	206.522(1)(b)		Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Disabled	206.522(1)(b), (c)		Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)
. Deaf	206.522(1)(b)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. Veterans	206.522(1)(d)		Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)
. Blind	206.522(1)(e)		Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)
. Farmland Preservation Credit	(24) 554.710(1)	CR-5	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)

**MICHIGAN INCOME TAX REQUIREMENTS (cont.)**

<b>Refundable Credits (cont.)</b>	<b>MCL Section</b>	<b>Form</b>	<b>TY 2000</b>	<b>TY 2001</b>	<b>TY 2002</b>	<b>TY 2003</b>	<b>TY 2004</b>	<b>TY 2005</b>	<b>TY 2006</b>
. <u>Homestead Property Tax Cr.</u>	(23) 206.520, 522	CR	Yes (b''')	Yes (b''')	Yes (b''')	Yes (b''')	Yes (b''')	Yes (b''')	Yes (b''')
. Eligible Property Tax Paid Percent									
. Homeowners	206.520(1)		100%	100%	100%	100%	100%	100%	100%
. Renters	206.520(2)								
. Ad Valorem Taxes			20%	20%	20%	20%	20%	20%	20%
. Service Charges			10%	10%	10%	10%	10%	10%	10%
. Nursing Home Patient			share	share	share	share	share	share	share
. Homeowner Veterans Cr. Requirements:		CR-2							
. Taxable Value Allowance	206.506		\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500
. Household Income Limit	206.506		\$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
. Taxpayer and Spouse blind	206.522(3)		\$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
. Total HPTC Limit	206.520(16)		\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
. Cr. Availability/Calculation									
. General:	206.522(1)(a)		Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)
. Special Credits:									
. Seniors									
. General	206.522(1)(b)		Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Low Income Renters	206.520(9), (10)		Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)
. 1973 Homestead Exempt	206.522(5)		Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)
. Para/hemi/quadruplegic	206.522(1)(b)		Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Disabled	206.522(1)(b), (c)		Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Deaf	206.522(1)(b)		Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Veterans	206.522(1)(d)		Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)
. Blind	206.522(1)(e)		Yes (i) or (d)	Yes (i) or (d)	Yes (i) or (d)	Yes (i) or (d)	Yes (i) or (d)	Yes (i) or (d)	Yes (i) or (d)
. Farmland Preservation Credit	(24) 554.710(1)	CR-5	Yes (j)	Yes (j')	Yes (j')	Yes (j')	Yes (j')	Yes (j')	Yes (j')

## MICHIGAN INCOME TAX REQUIREMENTS (cont.)

Refundable Credits (cont.)	<u>Section</u>	<u>Form</u>	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
. <u>Home Heating Credit</u>	(25) 206.527a(1)	CR-7	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Federal Poverty Income Limit	206.527a(1)(b)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	110%	110%	110%	110%
. General Credit	206.527a(1)(c)(i)		Yes (k)	Yes (k')	Yes (k')	Yes (k')	Yes (k')	Yes (k')	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.)**

<b>Refundable Credits (cont.)</b>	<b>MCL Section</b>	<b>Form</b>	<b>TY 1989</b>	<b>TY 1990</b>	<b>TY 1991</b>	<b>TY 1992</b>	<b>TY 1993</b>	<b>TY 1994</b>	<b>TY 1995</b>	<b>TY 1996</b>	<b>TY 1997</b>	<b>TY 1998</b>	<b>TY 1999</b>
. <u>Home Heating Credit</u>	(25) 206.527a(1)	CR-7	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	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'')	Yes (k'')	Yes (k'')	Yes (k'')	Yes (k'')	Yes (k'')	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''')	Yes (l''')	Yes (l''')	Yes (l''')	Yes (l''')	Yes (l''')	Yes (l''')	Yes (l''')	Yes (l''')	Yes (l''')	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.)**

<b>Refundable Credits (cont.)</b>		<b>MCL Section</b>	<b>Form</b>	<b>TY 2000</b>	<b>TY 2001</b>	<b>TY 2002</b>	<b>TY 2003</b>	<b>TY 2004</b>	<b>TY 2005</b>	<b>TY 2006</b>
. <u>Home Heating Credit</u>	(25)	206.527a(1)	CR-7	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Federal Poverty Income Limit		206.527a(1)(b)		110%	110%	110%	110%	110%	110%	110%
. General Credit		206.527a(1)(c)(i)		Yes (k")	Yes (k")	Yes (k")	Yes (k")	Yes (k")	Yes (k")	Yes (k")
. Maximum Credit:		206.527a(1)(a)								
. 0 or 1 Exemption				\$323	\$332	\$342	\$347	\$359	\$369	\$378
. 2 Exemptions				\$435	\$448	\$461	\$468	\$482	\$495	\$509
. 3 Exemptions				\$547	\$565	\$579	\$589	\$604	\$620	\$640
. 4 Exemptions				\$658	\$681	\$698	\$709	\$727	\$746	\$771
. 5 Exemptions				\$770	\$797	\$816	\$830	\$849	\$871	\$902
. 6 Exemptions				\$882	\$914	\$935	\$951	\$972	\$997	\$1,033
. more than 6 exemp.				+\$112/exemp.	+\$116/exemp.	+\$119/exemp.	+\$121/exemp.	+\$122/exemp.	+\$126/exemp.	+\$131/exemp.
. Maximum Income Limit Requirement:										
. 0 or 1 Exemption				\$9,229	\$9,486	\$9,771	\$9,914	\$10,257	\$10,529	\$10,786
. 2 Exemptions				\$12,429	\$12,800	\$13,171	\$13,371	\$13,771	\$14,129	\$14,529
. 3 Exemptions				\$15,629	\$16,143	\$16,543	\$16,829	\$17,257	\$17,700	\$18,271
. 4 Exemptions				\$18,800	\$19,457	\$19,943	\$20,257	\$20,771	\$21,300	\$22,014
. 5 Exemptions				\$22,000	\$22,771	\$23,314	\$23,714	\$24,257	\$24,871	\$25,757
. 6 Exemptions				\$25,200	\$26,114	\$26,714	\$27,171	\$27,771	\$28,471	\$29,500
. 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.
. Alternative Credit		206.527a(1)(c)(ii)		Yes (l")	Yes (l")	Yes (l")	Yes (l")	Yes (l")	Yes (l")	Yes (l")
. Heating Fuel Cost Limit		206.527a(1)(d)		\$1,453	\$1,493	\$1,578	\$1,687	\$1,843	\$2,028	\$2,231
. Maximum Income:										
. 0 or 1 Exemptions				\$10,350	\$10,703	\$10,922	\$11,211	\$11,360	\$11,635	\$12,066
. 2 Exemptions				\$13,209	\$13,573	\$14,345	\$15,088	\$15,287	\$15,658	\$16,230
. 3 or more				\$13,209	\$13,573	\$14,345	\$15,340	\$16,757	\$18,433	\$20,282
. Credit Proration (%)		206.527a(18)		100%	100%	100%	80%	76%	76%	76%
. Tribal Credit	(26)	206.30(1)(aa)	4013	n.a.	n.a.	n.a.	n.a.	n.a.	Yes	Yes

## 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 in 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, Idaho (TY 1970-82), Maryland (TY 1970-91), Minnesota (TY 1970-91), New Mexico (TY 1970-75), Virginia (TY 1968 on), West Virginia (TY 1970-91), other states (TY 1968 on) 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	\$27.5 + 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 {\$27.5 + 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.

.(17) Automobile Donated 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:**

- (19) 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.
- (20) 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.
- (21) 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}.
- (22) 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

- (23) 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.

(24) 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.

(25) 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.

(26) Tribal Sales Tax Credit: credit equals to 0.9% of resident tribal member modified adjusted gross income.