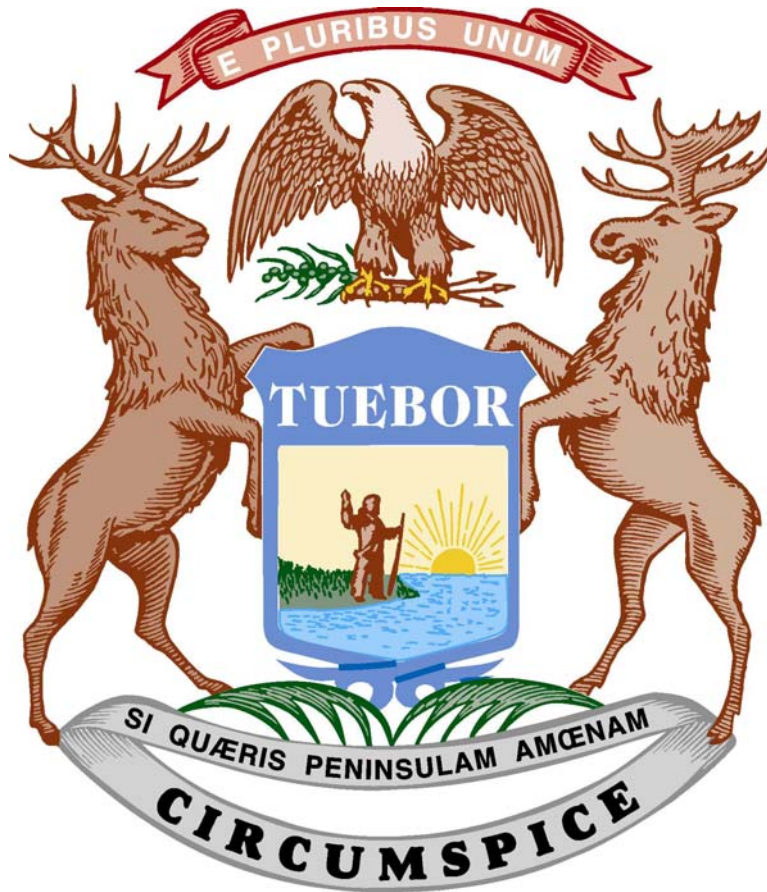
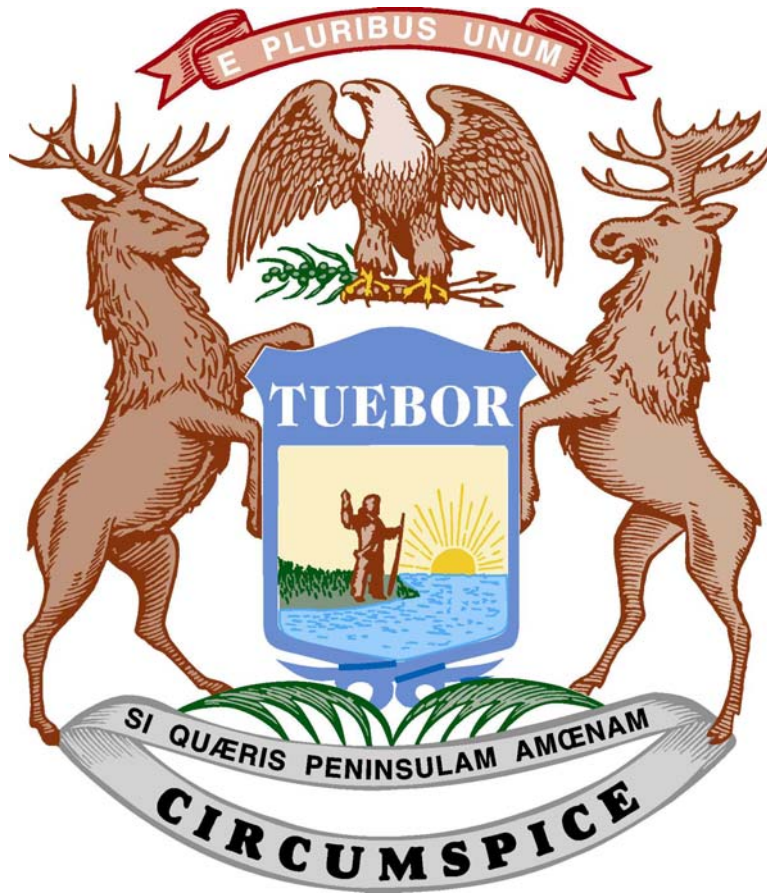


**MICHIGAN'S
INDIVIDUAL INCOME TAX
2006**



**Michigan Department of Treasury
Office of Revenue and Tax Analysis
Tax Analysis Division
August 2008**

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Tax Analysis Division
August 2008

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

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I. EXECUTIVE SUMMARY

Returns and Revenue

For tax year 2006, Michigan's personal income tax generated \$5.5 billion in state revenues after all credits and refunds were paid.

Net revenue increased \$179.6 million (3.4 percent) from 2005 levels, reflecting a taxable income increase of \$4.6 billion (3.4 percent) from 2005 to 2006.

About 4.5 million returns were filed for the 2006 tax year, or 62,600 more filers (1.4 percent) than the previous year.

Although the personal income tax was levied at a nominal flat rate of 3.9 percent in 2006, the effective tax rate varied from negative 22.8 percent for filers with an AGI under \$2,000 to positive 3.1 percent for taxpayers with an AGI between \$300,001 and \$400,000. The overall effective tax rate was 2.0 percent. The negative effective rates for lower incomes arise because some taxpayers receive net payments from the state, due principally to the refundable credits for property taxes and home heating expenses.

Interstate Comparisons

For fiscal year 2006, Michigan's income tax revenue was below the national average, both as a percentage of personal income and on a per capita basis. Michigan ranked 37th highest and 35th highest, respectively. Compared to the average for the 41 states with a general income tax, Michigan's income tax revenue was 40 percent below average on a per capita basis, and 36 percent below average as a percent of personal income.

Property Tax Credit

About 1.5 million Michigan homeowners, renters, and farmers received \$879.7 million in property tax credits, including farmland preservation credits, for 2006. The average property tax credit was \$577. Excluding farmland preservation credits, the average property tax credit for tax year 2006 was \$559. The total amount of property tax credits, including farmland preservation credits, increased by \$39.9 million (4.7 percent) with 27,600 more taxpayers benefiting compared to tax year 2005.

Senior citizens received about \$308.3 million in homestead property tax credits, an increase of \$2.2 million from tax year 2005. For about 415,300 senior citizens receiving homestead property tax credits, the average credit was \$742.

Home Heating Credit

Home heating credits totaled \$82.8 million for tax year 2006 with about 406,700 households qualifying for an average credit of \$204. Home heating credits increased \$7.2 million from 2005 while approximately 13,900 more taxpayers claimed the credit.

Adoption Credit

In tax year 2006, \$1.0 million in adoption credit was claimed by 800 taxpayers, resulting in an average credit of \$1,242 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 2006, about \$1.1 million in tribal credit was claimed by 4,500 taxpayers. This credit became effective in tax year 2005, allowing resident tribal members to claim a sales tax credit on their income tax returns.

Stillbirth Credit

About 110 taxpayers claimed a total of \$17,550 in stillbirth birth credits for tax year 2006. The credit became effective in tax year 2006, and it allows taxpayers who received a Certificate of Stillbirth from the Department of Community Health to claim a credit equal to 4.5 percent of a single personal exemption amount for the tax year, rounded up to the nearest \$10 increment. In 2006, the credit amount was \$150 per certificate.

City Income Tax Credit

In 2006, city income tax credits were claimed by 895,200 taxpayers amounting to \$33.5 million in total credits. This was an increase of \$140,100 from the prior year, with 4,800 fewer taxpayers claiming the credit.

Public Contribution Credit

Michigan taxpayers claimed \$26.0 million in credits for contributions to Michigan colleges, libraries, museums, and public broadcasting stations for tax year 2006. This was a decrease of \$72,500 over tax year 2005, with 3,500 fewer taxpayers claiming this credit.

Community Foundation Credit

For tax year 2006, about 38,900 taxpayers claimed \$3.3 million in community foundation credits. This figure represents an increase of about \$129,200 over tax year 2005, with 900 fewer taxpayers claiming the credit.

Homeless Shelter/Food Bank Credit

About 235,000 taxpayers claimed homeless shelter/food bank credits totaling \$18.4 million for tax year 2006. Compared with tax year 2005, this represented an increase of \$253,200 with 900 fewer taxpayers claiming a credit.

College Tuition Credit

For tax year 2006, 43,700 taxpayers claimed \$6.7 million in tuition credits. Compared with tax year 2005, this was an increase of \$2.4 million with 11,300 additional taxpayers claiming a credit.

Historic Preservation Credit

For tax year 2006, about 500 taxpayers claimed \$602,100 in historic preservation credits. Compared with tax year 2005, this was an increase of \$21,100 with 330 fewer taxpayers claiming a credit.

Credit for Income Paid to Another State

For tax year 2006, 50,800 taxpayers received a total of \$41.8 million credit for income tax paid to another state, resulting in an average credit of \$822.76. This represented an increase of 3.2 million with 2,100 fewer taxpayers claiming a credit.

Vehicle Donation Credit

About 1,400 taxpayers claimed vehicle donation credits totaling \$108,300 for tax year 2006, resulting in an average credit of \$75.87 per taxpayer. The vehicle donation credit equals 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 2006, 81,400 taxpayers paid \$3.3 million in use tax.

Tax Law Changes

Public Act (P.A.) 94 of 2007 modified the tax rate, and established a new exemption for qualified disabled veterans. The income tax rate increased to 4.35 percent effective October 1, 2007. Beginning on October 1, 2011, and each October 1 thereafter, the income tax rate must be reduced by 0.1 percentage point each year until the rate is 3.95 percent. On October 1, 2015, the rate declines further to 3.9 percent. Starting in tax year 2008, a qualified disabled veteran, or the veteran's dependent who files an annual income tax return, but not both, may claim an additional exemption equal to \$250. This additional exemption is adjusted annually according to changes in the US consumer price index.

P.A. 133 of 2007 established four new checkoffs on the income tax return, beginning with tax year 2008. Taxpayers will be allowed to contribute at least \$5 to the Prostate Cancer Research Fund; Amanda's Fund (for breast cancer prevention and treatment) ; the Animal Welfare Fund; and the Michigan Housing and Community Development fund. Taxpayers' contributions to those funds will decrease their refunds or increase their tax liability.

P.A. 154 of 2007 allowed qualified contributions to a newly created Michigan broker-assisted 529 education savings plan also to be deducted from the taxpayers' gross income, as contributions to the existing Michigan Education Trust (MET) and Michigan Education Savings Program (MESP) currently are.

II. INTRODUCTION

This report summarizes information regarding the Michigan individual income tax for tax year 2006. It is based on returns filed and processed in calendar year 2007.

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 2006 and 2007 and how those changes affect Michigan's income tax base. Section X summarizes the Michigan Public Acts (P.A.) in 2006 and 2007 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 2005, the Michigan personal income tax legislative history through 2005, and a table with chronological changes to the Michigan income tax requirements and limits since 1967.

III. HISTORY OF THE MICHIGAN INDIVIDUAL INCOME TAX¹

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

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

The Michigan individual income tax is based on federal AGI with additions (principally interest on obligations issued by other states) and subtractions (including income from U.S. Government bonds, military pay, social security benefits, most pension income, and income attributable to another state). Therefore, changes in federal tax law can affect Michigan income tax collections. The broad changes in AGI affected by the Tax Reform Act of 1986 significantly increased the Michigan income tax base. In response, the personal exemption was gradually increased from \$1,500 in 1986 to \$2,100 in 1990, a 40 percent overall increase. P.A. 2 of 1995 increased the personal exemption to \$2,400 for tax years 1995 and 1996. The exemption increased to \$2,500 in 1997 and P.A. 3 of 1995 indexed the personal exemption to inflation with the personal exemption rounded to the nearest \$100 after tax year 1997. P.A. 86 of 1997 increased the personal exemption by an additional \$200 starting in tax year 1998. A table with chronological changes to the Michigan Income Tax (filing requirements, average rates, maximum limits of deductions and credits, and others) can be found in Appendix A on page 90.

¹ For a complete Michigan personal income tax legislative history through 2005, see Appendix A, p. 69.

For 2006, a \$3,300 per person personal exemption was allowed, while an extra \$2,100 exemption was provided for senior citizens, filers with certain disabilities, and filers receiving at least 50 percent of their AGI from unemployment compensation. The child exemption was \$600 per child aged 18 years and under, while the exemption for taxpayers claimed as dependent by another taxpayer remained at \$1,500. Exhibit 1 summarizes the changes in the Michigan individual income average annual tax rate and allowed exemptions since 1998.

Exhibit 1 Michigan Individual Income Tax Exemption Allowances

Tax Year	Average Rate	Personal Exemption	Claimed as Dependent Exemption	Special Exemptions					Child Exemptions	
				Senior	Blind or Disabled **	Deaf **	Unemployment Compensation	Disabled Veteran	Age 6 and Under	Age 7 to 18 *
1998	4.40%	\$2,800	\$1,000	\$900	\$900	\$900	\$900	n.a.	\$600	\$300
1999	4.40%	2,800	1,000	900	900	900	900	n.a.	600	300
2000	4.20%	2,900	1,500	1,800	1,800	1,800	1,800	n.a.	600	600
2001	4.20%	2,900	1,500	1,900	1,900	1,900	1,900	n.a.	600	600
2002	4.10%	3,000	1,500	1,900	1,900	1,900	1,900	n.a.	600	600
2003	4.00%	3,100	1,500	1,900	1,900	1,900	1,900	n.a.	600	600
2004	3.95% ***	3,100	1,500	2,000	2,000	2,000	2,000	n.a.	600	600
2005	3.90%	3,200	1,500	2,000	2,000	2,000	2,000	n.a.	600	600
2006	3.90%	3,300	1,500	2,100	2,100	2,100	2,100	n.a.	600	600
2007	4.01% ****	3,400	1,500	2,200	2,200	2,200	2,200	n.a.	600	600
2008	4.35%	3,500	1,500	2,200	2,200	2,200	2,200	\$250	600	600

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

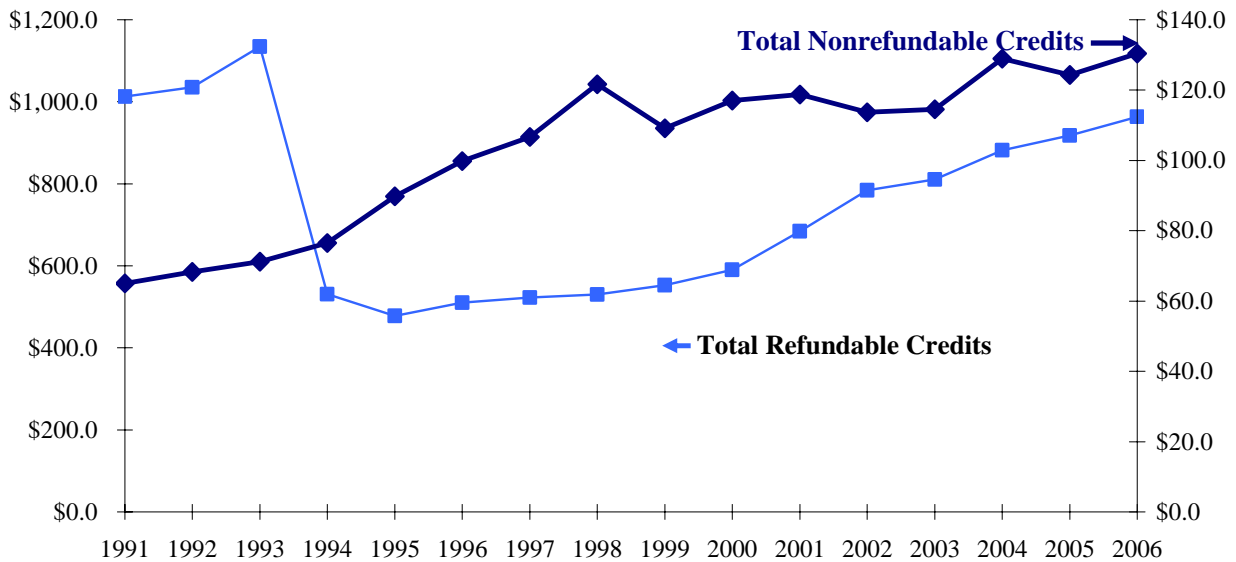
** Starting tax year 2000, both exemptions were combined.

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

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

The Michigan individual income tax is a flat rate tax. The Michigan Constitution prohibits graduated income tax rates. Proposals to allow graduated rates were defeated by voters in 1968, 1972, and 1976. However, a degree of progressivity is achieved with exemptions and credits, such as the homestead property tax and home heating credits. These provisions help to make the tax less burdensome on low income taxpayers. Except in 1994, when property tax reductions enacted as a part of school finance reform led to reduced property tax credits, both refundable and nonrefundable credits paid and claimed have steadily increased over the years as a result of the increase in the number of credits available as well as the eligibility expansion for existing credits. Exhibit 2 provides information on the total amount of refundable and nonrefundable credits paid since 1991. For tax year 2006, credits were provided for: property taxes, home heating expenses, qualified adoption expenses, stillbirth certificate, tribal credit, city income taxes, taxes paid to another state, tuition paid to qualified Michigan colleges, qualified expenses made to rehabilitate historic resources, vehicle donation credit and contributions to community foundations, qualified homeless shelters, food banks or food kitchens, Michigan public colleges, universities, libraries, museums, and public broadcasting stations. (See Chapter V, on page 18, for more information on credits available in tax year 2006.) A total of \$963.5 million was paid in refundable credits, and \$130.4 million was paid in nonrefundable credits for tax year 2006.

**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 tax rates of 4.0, 3.95, and 3.9 percent in tax years 2003, 2004, and 2005 through 2006 resulted in an increase of the earmarking percentage to about 25.3, 25.6, and 25.9 percent, respectively. For tax year 2007, the earmarking percentage changed to 25.24 percent. Exhibit 3, on page 9, summarizes the income tax revenue earmarking to the SAF and GF/GP since 1995.

USE TAX PAYMENTS

Taxpayers owe use tax when they purchase tangible personal property, either for use, consumption, or storage in Michigan, from companies that do not collect Michigan sales or use tax. This includes mail order and Internet purchases, as well as purchases made while traveling in other states or foreign countries. In those cases, compliant Michigan taxpayers must submit a use tax form, remitting the use tax owed on the total price (including shipping and handling

charges) of all taxable items purchased from the out-of-state² 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 2006, 81,400 taxpayers remitted \$3.3 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>
1995	4.40%	14.00 %	86.00 %
1996 - 1999	4.40%	23.00	77.00
2000 - 2001	4.20%	24.10	75.90
2002	4.10%	24.68	75.32
2003	4.00%	25.30	74.70
2004	3.95%	25.62	74.38
2005 - 2006	3.95%	25.62	74.38
2007	4.01%	25.24	74.76

**Exhibit 4
Use Tax Liability Reported on Income Tax Returns**

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

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

²An 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 2006, about 4.5 million MI-1040 returns were filed, 62,600 more than for 2005. (See Exhibit 5 below.) An additional 151,600 “credit-only” returns were filed for 2006. 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, 46,300 claimed only a home heating credit, 28,100 claimed only a property tax credit, and 38,600 claimed both refundable credits.

The personal income tax generated \$5.5 billion in net revenue for tax year 2006, which is total revenue after all credits and refunds are paid. Income tax revenues increased \$179.6 million (3.4%) from 2005, reflecting a taxable income increase of \$4.6 billion (3.4%) from 2005 to 2006.

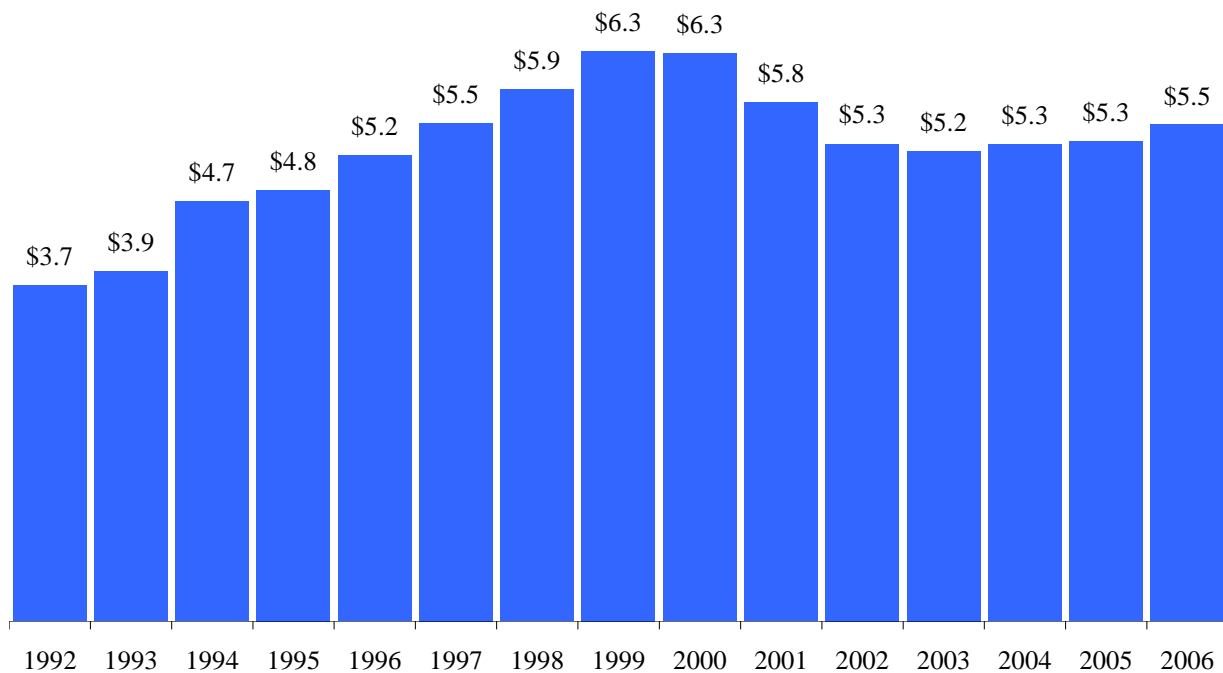
Exhibit 5
Fifteen-Year History of Income Tax Rates and Revenue

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

³The AGI above is reduced by returns reporting a negative AGI totaling a negative \$3.1 billion. AGI data for these returns were not available prior to 1997. The data for negative AGI returns are included throughout this report unless otherwise noted.

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

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

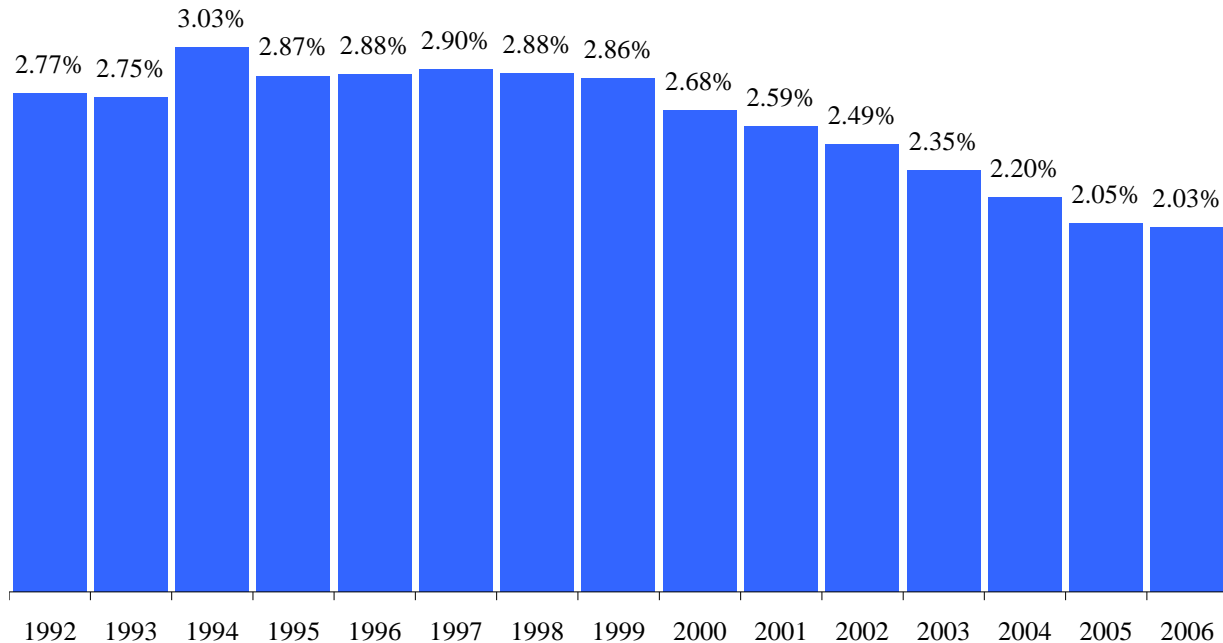


Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Even though the nominal Michigan personal income tax is levied at a flat rate (3.9 percent in 2006), exemptions and credits help to lessen the relative burden on taxpayers with lower AGIs. As a result, the average effective tax rate is considerably lower than the nominal flat rate. As shown in Exhibit 7, the average effective tax rate for 2006 decreased to 2.03 percent, compared to an average of 2.88 percent calculated for the 1995-1999 period, when the tax rate was 4.4 percent. Over the 1992-2006 period, the highest average effective rate was 3.03 percent for 1994, and the lowest average was 2.03 percent for 2006. 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 A⁴. The low average rate in 2006 results from a combination of a lower tax rate, and increased and expanded credits and deductions.

Exhibit 7
Individual Income Tax
Effective Tax Rate



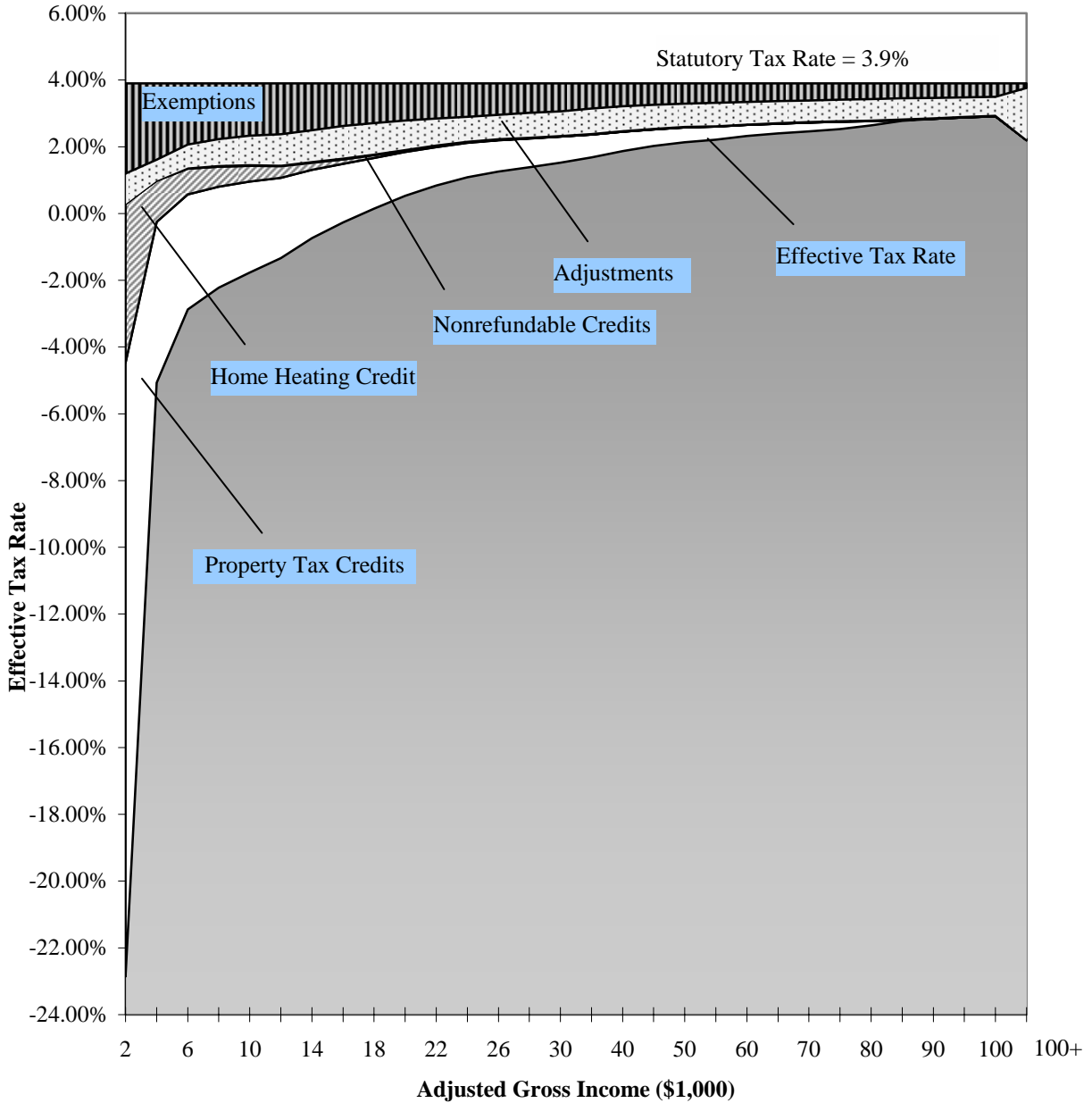
Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

As shown in Exhibits 8, 21 and 22 (see pages 13, 39 and 40, respectively), the effective tax rate in 2006 varied from negative 22.8 percent for taxpayers in the \$1 - \$2,000 AGI group, to positive 3.1 percent for taxpayers with an AGI between \$140,001 and \$500,000. The effective rate for taxpayers with an AGI above \$1,000,000 was 0.9 percent, lower than the peak of 3.1 percent. The reason for this lower rate is because the above \$1,000,000 AGI group includes a large number of nonresidents with relatively low Michigan income compared to their total AGI, affording them large subtractions for income not taxable in Michigan, and consequently lower taxable income and effective rate. Resident taxpayers included in that AGI group are also more likely than resident taxpayers in other AGI groups to have part of their income from business activities outside of Michigan, resulting in their Michigan tax base being lower than their AGI. Overall, the effective tax rate was 2.0 percent rather than the nominal rate of 3.9 percent. Taxpayers with AGIs of less than \$16,000 on average received net payments from the state,

⁴ 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.

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 2006, farmland credits totaled \$32.6 million. Subtracting these credits reduces the effective rate by a marginal amount.

Exhibit 8
Effective Income Tax Rates, 2006



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

Exhibit 8 reveals the influence of the various exemptions and credits on the effective tax rate and illustrates the data in Exhibit 23 (see page 41). Exhibit 23 details the effects of the personal exemption, various adjustments, and credits on the distribution of the Michigan income tax burden. As a percentage of income, the \$3,300 personal exemption and the property tax credit benefit lower income taxpayers the most, while reducing the effective tax rate for most taxpayers. The personal exemption, property tax credit, and home heating credit make Michigan's income tax more progressive, since these provisions decline as a percentage of AGI as income increases. The nonrefundable credits, which include the city income tax, college tuition, and college contribution credits, have a more proportional effect on income.

Michigan taxpayers claimed almost 8.9 million personal exemptions for 2006. Since the total exemption amount for some taxpayers is greater than their income, not all exemptions were used at lower income levels. In the lowest income groupings, the exemptions and child deductions offset all income. As noted in Exhibit 21 (see page 39), there were an estimated 7.6 million effective personal exemptions, i.e., exemptions that actually offset income. The effective exemptions for 2006 were calculated assuming all personal exemptions, special exemptions, and all child deductions were equally likely to offset taxable income.

Michigan taxpayers claimed over 1.2 million special exemptions for tax year 2006. About 85.4 percent of the special exemptions were claimed by senior citizens. Michigan families claimed 2.4 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 2006 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 378,980 by 433,243 and then multiplying the result (0.8748) by 116,002. The result is an estimate of 101,479 effective deductions.

Married taxpayers filing jointly reported 70.3 percent of AGI and paid 74.4 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
2006 Income Tax Return Distribution by Filing Status

<u>Filing Status</u>	<u>Number of Returns</u>	<u>Adjusted Gross Income</u>	<u>Total Tax Liability</u>
Single	2,558,171	\$75,161,030,901	\$1,399,804,396
Married filing jointly	1,859,350	191,573,404,818	4,297,769,190
Married filing separately	61,946	5,486,858,100	73,565,648
Status not reported	<u>7,790</u>	<u>233,646,926</u>	<u>5,152,283</u>
Totals	4,487,257	\$272,454,940,745	\$5,776,291,518

The Michigan income tax is paid almost exclusively by Michigan residents. Non- or part-year residents pay less than 3.3 percent of the income tax. Exhibit 10 below summarizes the distribution of Michigan returns and net tax liability by residency. While nonresidents report \$47.8 billion in AGI, they claim subtractions totaling \$38.6 billion, mostly for income not taxable in Michigan.

Exhibit 10
2006 Income Tax Returns Distribution by Residency

<u>Residency</u>	<u>Number of Returns</u>	<u>Adjusted Gross Income</u>	<u>Total Tax Liability</u>
Resident	4,305,349	\$218,889,443,818	\$5,587,761,348
Part-year resident	98,168	5,732,223,381	88,975,259
Nonresident	<u>83,740</u>	<u>47,833,273,546</u>	<u>99,554,911</u>
Totals	4,487,257	\$272,454,940,745	\$5,776,291,518

Exhibit 11 presents estimates of the growth of Michigan personal income from 2005 to 2006 prepared by the U.S. Bureau of Economic Analysis. While personal income grew 3.3 percent overall, the strongest growth was in dividends, interest, and rent income (10.5 percent), adjustment for residence (10.1 percent), and transfer payments (7.9 percent). Wage and salary disbursements increased 0.8 percent in 2006.

Exhibit 11
Growth in Michigan Income from 2005 to 2006
(thousands)

		<u>2005</u>	<u>2006</u>	<u>Percentage</u> <u>Change</u>
Labor Earnings				
Wage and salary disbursements		\$183,651,464	\$185,169,051	0.8%
Other labor income		31,843,546	31,918,418	0.2%
Proprietors' income		<u>27,469,097</u>	<u>27,742,551</u>	1.0%
Total labor earnings	(A)	\$242,964,107	\$244,830,020	0.8%
Adjustments				
Personal contributions for social insurance		-\$14,708,050	-\$15,060,074	2.4%
Adjustment for residence		<u>1,309,703</u>	<u>1,441,502</u>	10.1%
Total adjustments	(B)	-\$13,398,347	-\$13,618,572	1.6%
Net Michigan labor earnings	(C)=(A)-(B)	\$229,565,760	\$231,211,448	0.7%
Dividends, interest, and rent	(D)	\$48,845,982	\$53,954,358	10.5%
Transfer payments	(E)	<u>52,062,259</u>	<u>56,170,740</u>	7.9%
Michigan Personal Income	(C)+(D)+(E)	\$330,474,001	\$341,336,546	3.3%

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 2006 show that 36.7 percent of Michigan taxpayers itemized deductions on their federal income tax returns.⁵ 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 2006, 90.5 percent of Michigan taxpayers reporting an AGI of \$100,000 or more itemized their deductions, while 17.9 percent of taxpayers with an AGI up to \$50,000 itemized. While providing relief for some taxpayers, federal deductibility reduces the progressivity of the Michigan income tax.

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

⁵Data on itemized deductions was obtained from the Internal Revenue Service, Statistics of Income Division, Individual Master File System, January 2008.

volatile than the business cycle and thus provides a more stable source of financing for government operations than an elastic tax.

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

A simple calculation will clarify the concept of elasticity. In Exhibit 5 (see page 10), net tax revenues increased by 7.16 percent from 1998 to 1999, and total AGI increased by 8.22 percent for the same period. This resulted in an elasticity estimate of 0.871 (7.16 divided by 8.22), meaning that a 10 percent increase/decrease in income will, on average, increase/decrease tax revenues by 8.71 percent. However, this method of calculating income elasticity is not suitable when changes in other important variables that affect tax revenues are also present (e.g., tax rate, or exemption amounts change). Using 1999 and 2000 data, the reported changes of net income tax revenues and of AGI would result in a calculated elasticity of -0.077, suggesting that a 10 percent increase in income will lead, on average, to tax revenues declining 0.7 percent. The problem with this estimate is that the drop in tax revenue in 2000 reflected not only the change in AGI, but also the decrease in the tax rate and the increase in the exemption amount, which cannot be accounted for using this simple method. Using 2000 and 2001 data, the simple method yields an income elasticity estimate of 1.58, suggesting that a 10 percent increase in income will increase tax revenues by, on average, 15.8 percent. Here, the strong responsiveness of tax revenues to income suggested by the elasticity estimate results from the fact that the simple calculation method does not properly account for the large drop in capital gains, which was concentrated among taxpayers with high marginal rates.

Regression analysis provides a more thorough method of estimating the income elasticity of net income tax revenues. It allows the investigator to isolate the effect of changes in income on tax revenues by controlling other variables that influence tax collections, such as changes in the personal exemption or tax rate. Regression analysis of Michigan income tax collections from the fourth quarter of 1978 through the fourth quarter of 2006 results in an estimated elasticity of 0.946, suggesting that a 10 percent increase in income will increase tax revenue by, on average, 9.46 percent. This estimate is based on net quarterly income tax collections and quarterly personal income as reported by the Bureau of Economic Analysis (BEA), the latter added by annual capital gains realizations estimates from the Congressional Budget Office (CBO).⁶

⁶ The Michigan income tax is based on federal AGI, however, quarterly AGI data is not available. Therefore, quarterly personal income is used as proxy for AGI. BEA's personal income figure does not include capital gains. This omission understates the absolute value of the income growth rate. Capital gains tend to be more volatile than other income sources (e.g., wages, interest, and pensions) so their exclusion will make the growth of the personal income variable lower than the growth in AGI in good times and higher in bad times. In order to remedy this situation, the CBO's estimate of capital gains realizations was added to the personal income data.

V. INCOME TAX CREDITS

For tax year 2006, Michigan's personal income tax offered 14 different credits to taxpayers: six refundable credits (homestead property tax, farmland preservation property tax, home heating credit, adoption credit, tribal credit, and the stillbirth credit), and eight nonrefundable credits (city income tax credit, college contribution credit, community foundation credit, homeless shelter/food bank credit, college tuition and fees credit, other state income tax credit, Michigan historic preservation credit, and vehicle donation credit). The credits convert the flat rate Michigan income tax into a more progressive tax structure.

REFUNDABLE CREDITS

Homestead Property Tax Credit

Michigan's property tax credit is designed to provide property tax relief through the income tax. When property taxes exceed specific income thresholds, the credit provides relief to taxpayers. For tax year 2006, 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:⁷

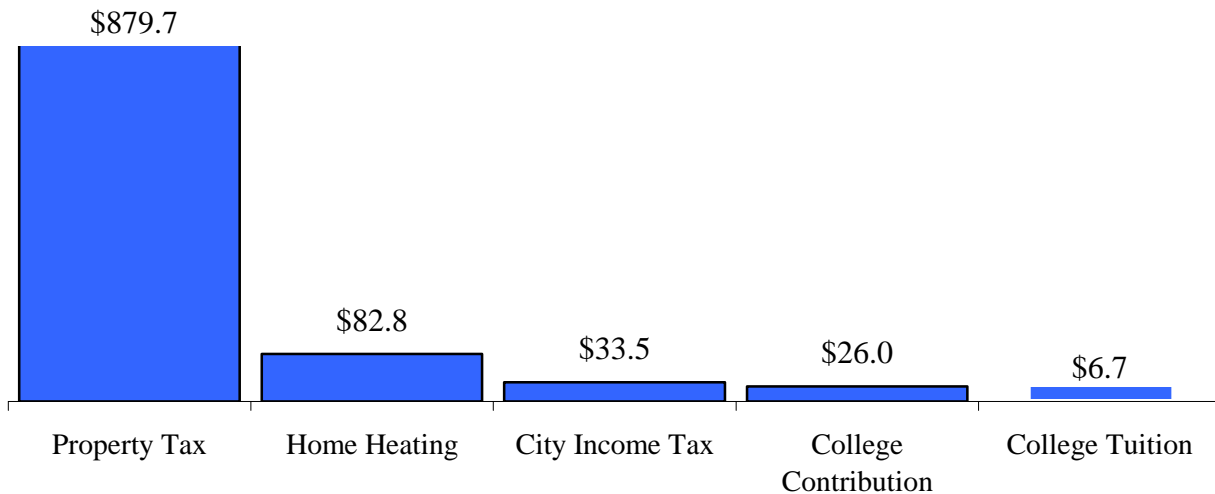
<u>Income</u>	<u>Percent Not Refundable</u>
\$ 0 - \$3,000	0.0%
\$3,001 - \$4,000	1.0%
\$4,001 - \$5,000	2.0%
\$5,001 - \$6,000	3.0%
Over \$6,000	3.5%

About 1.5 million Michigan taxpayers received \$847.1 million of homestead property tax credits and \$32.6 million in farmland preservation property tax credits for tax year 2006. Michigan's

⁷P.A. 41 of 2001 increased the Homestead Property Tax Credit for taxpayers who are deaf, blind, or totally and permanently disabled. Prior to tax year 2000, deaf filers received the same credit as other homeowners and renters, while blind, or totally and permanently disabled filers received 60 percent of the credit calculated for senior citizens and paraplegic, hemiplegic, or quadriplegic.

property tax credit program is one of the largest property tax relief programs in the country. The \$879.7 million in total 2006 property tax credits represented an increase of \$39.9 million (4.7 percent) from the prior year, while 27,600 additional taxpayers received assistance. Senior citizens received \$308.3 million of the credits, a \$2.2 million increase from 2005. Exhibit 12 illustrates the amount of money paid to taxpayers for property tax credits compared to other credits.

Exhibit 12
2006 Individual Income Tax Credits
(millions of dollars)



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

The average 2006 homestead property tax credit was \$558.64 (excluding the farmland credit), a \$14.97 increase from the tax year 2005 average. Senior citizens' credits averaged \$742.41, a \$7.31 increase from 2005 (see Exhibit 26 on page 46). Exhibit 13, on page 20, provides a summary of the number of credits received by taxpayers, according to AGI levels.

Exhibits 13 and 23 (on pages 20 and 41) confirm that the homestead property tax credit is a progressive element in the state income tax structure. Credits as a fraction of AGI decline continuously as incomes rise. While accounting for only 3.7 percent of total AGI, taxpayers with incomes between \$10,001 and \$20,000 received 21.5 percent of the total homestead credits. On the other hand, taxpayers with AGIs over \$50,000 accounted for 80.3 percent of total 2006 Michigan AGI, but received only 15.8 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
2006 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	384,439	\$240,242,145	\$624.92
\$10,001 - \$20,000	325,021	182,373,294	561.11
\$20,001 - \$50,000	555,242	290,251,117	522.75
Over \$50,000	<u>251,661</u>	<u>134,229,274</u>	<u>533.37</u>
Total	1,516,363	\$847,095,830	\$558.64

The farmland preservation program, originally P.A. 116 of 1974 which was replaced by P.A. 451 of 1994 (part 361 of chapter 1, article III of the Natural Resources and Environmental Protection Act), provides additional property tax relief for farmers. Under the farmland program, farmers may receive additional property tax relief by entering into an agreement with the state not to convert the farmland to other uses for at least seven years. The program benefited over 8,100 farms in 2006, providing credits of \$32.6 million for an average credit of \$4,021.74. Including the farmland preservation credit, the average property tax credit was \$577.03 in tax year 2006. For 6,700 farmers claiming both a farmland credit and homestead property tax credit, the combined credits averaged over 84.9 percent of total property taxes paid; property taxes totaled \$36.3 million, farmland credits totaled \$23.7 million, and homestead credits totaled \$7.1 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 2006, 9,300 senior citizens claimed an additional \$3.0 million using this alternate calculation. These amounts represent a decrease of \$233,800 from 2005 with about 700 fewer 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 \$82.8 million for tax year 2006 with 406,700 households qualifying. This represented a \$7.2 million increase over the previous year, with 13,900

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 \$13.6 million of the \$82.8 million in home heating credits claimed for tax year 2006 (see Exhibit 14). Exhibit 31 (see page 52) provides information on the distribution of the home heating credit by household income.

Exhibit 14
2006 Home Heating Credits

	Number of Credits <u>Allowed</u>	Dollar Amount of Credit	Average Credit
Senior Citizens	75,261	\$13,591,629	\$180.59
General	295,801	62,351,422	210.79
Disabled	35,229	6,836,385	194.06
Veteran	390	67,870	174.03
Total	406,681	\$82,847,306	\$203.72

About 84,400 taxpayers used the alternative calculation based on energy consumption claiming credits worth \$35.1 million. The average credit under the standard calculation was \$145.97 compared to \$416.10 under the alternative calculation.

Adoption Credit

Effective with tax year 2001, the adoption credit is available to persons who claimed the federal adoption expenses credit under Section 23 of the Internal Revenue Code for the same tax year. The credit equals the amount of qualified expenses that exceed the amount of the federal adoption credit or \$1,200 per child, whichever is less. Qualified adoption expenses refer to those expenses eligible for the federal credit. For 2006, 800 taxpayers claimed total credits of \$1.0 million, resulting in an average credit of \$1,242.45 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 2006, 8 of the

12 Michigan federally recognized tribes have signed the agreement with Treasury⁸, allowing 4,500 qualified resident tribal members to claim about \$1.1 million in sales tax credits. (See Exhibit 26 on page 46.)

Stillbirth Credit

Under P.A. 319 of 2006, taxpayers receiving a Certificate of Stillbirth from the Department of Community Health may take a credit equal to 4.5 percent of a single personal exemption amount for the tax year, rounded up to the nearest \$10 increment. The new credit became effective in tax year 2006, and equaled \$150 in its first year. About 110 taxpayers claimed a total of \$17,550 in stillbirth credit. (see Exhibit 26 on page 46.)

NON-REFUNDABLE CREDITS

City Income Tax Credit

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

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

For 2006, 22 cities in Michigan levied an income tax (see Exhibit 15 on page 23), and a total of \$33.5 million in city income tax credits were claimed for the tax year (see Exhibit 27 on page 47 and 48). That represented a \$140,087 increase from 2005 credit amount, while the number of taxpayers claiming the credit decreased by 4,800. Exhibit 16 (see page 23) 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.

⁸ Michigan Tribal-State Tax agreements can be found at http://www.michigan.gov/taxes/0,1607,7-238-43513_43517---,00.html.

Exhibit 15
Michigan Cities that Levy an Income Tax

<u>County</u>	<u>City</u>	<u>Year Adopted</u>	<u>TY 2004 - 2007 Rates</u>	
			<u>Residents</u>	<u>Non-residents</u>
Calhoun	Albion	1972	1%	0.5%
Calhoun	Battle Creek	1967	1	0.5
Calhoun	Springfield	1989	1	0.5
Crawford	Grayling	1972	1	0.5
Genesee	Flint	1965	1	0.5
Ingham	Lansing	1968	1	0.5
Ionia	Ionia	1994	1	0.5
Ionia	Portland	1969	1	0.5
Jackson	Jackson	1970	1	0.5
Kent	Grand Rapids	1967	1.3	0.65
Kent	Walker	1988	1	0.5
Lapeer	Lapeer	1967	1	0.5
Lenawee	Hudson	1971	1	0.5
Mecosta	Big Rapids	1970	1	0.5
Muskegon	Muskegon	1993	1	0.5
Muskegon	Muskegon Heights	1990	1	0.5
Oakland	Pontiac	1968	1	0.5
Saginaw	Saginaw	1965	1.5	0.75
St. Clair	Port Huron	1969	1	0.5
Wayne	Detroit	1962	2.5	1.25
Wayne	Hamtramck	1962	1	0.5
Wayne	Highland Park	1966	2	1

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

Exhibit 16
2006 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	109,315	\$1,311,889	\$12.00
	\$10,001 - \$20,000	128,897	2,887,313	22.40
	\$20,001 - \$50,000	282,436	9,948,886	35.23
Over	\$50,000	374,548	19,337,283	51.63
	Totals	895,196	\$33,485,370	\$37.41

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 2006, 290,800 taxpayers received \$26.0 million in credits (see Exhibit 26 on page 46). Credits decreased by about \$72,500 from the prior year, when 294,300 taxpayers received \$26.1 million in credits.

Community Foundation Credit

The community foundation credit, implemented in tax year 1989, is a partial credit for donations to certified community foundations. The credit is equal to 50 percent of the donation up to a maximum credit of \$200 for a joint return (\$100 on a single return). For tax year 2006, 38,900 taxpayers claimed \$3.3 million in community foundation credits. This was a slight decrease of about 900 taxpayers claiming the credit and an additional \$129,100 in credits than in 2005. (See Exhibit 26 on page 46.)

Homeless Shelter/Food Bank Credit

The homeless shelter/food bank credit provides a partial credit for cash donations to a qualifying homeless shelter, food bank, or food kitchen whose primary purpose is to provide accommodations or food to indigent persons. The credit is equal to 50 percent of the donation up to a maximum credit of \$200 for a joint return (\$100 on a single return). For tax year 2006, 235,000 taxpayers claimed \$18.4 million in food bank credits. This represented a decrease of 900 taxpayers and \$253,200 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 2006. The credit cannot be claimed for more than 4 years for any one student. For tax year 2006, 43,700 taxpayers claimed the credit, 11,300 more than in 2005. The \$6.7 million in credits for 2006 represented a \$2.4 million increase from tax year 2005. In order to qualify for tax year 2006, institutions had to limit tuition and fee increases for the 2006-2007 academic year to 3.4 percent over the 2005-2006 academic year. Sixteen private colleges, and six community colleges qualified for tax year 2006. (See Exhibit 26 on page 46.)

Historic Preservation Credit

The Michigan historic preservation credit provides tax incentives for homeowners, commercial property owners and businesses to rehabilitate historic commercial and residential resources located in the State of Michigan. The credit was created by Public Acts 534 and 535 of 1999, and is equal to 25 percent of the qualified expenditures. For tax year 2006, about 500 taxpayers claimed a total of \$602,100 in historic preservation credits. (See Exhibit 26 on page 46.)

Credit for Income Paid to Another State

For tax year 2006, 50,800 taxpayers received a total of \$41.8 million credit for income tax paid to another state, resulting in an average credit of \$822.76. This credit is designed so that taxpayers are not taxed twice (in two states) for the same income. For tax year 2005, 48,700 taxpayers claimed a total of \$38.6 million for this credit. (See Exhibit 26 on page 46.)

Credit for Vehicle Donation

The vehicle donation credit was created by Public Act 313 of 2004. It provides a nonrefundable credit equal to 50 percent of the fair market value of certain automobile donations to qualified charitable organizations. The credit is limited to a maximum of \$50 for single filers or \$100 for joint filers, and the donated automobile must be transferred by the charity to an individual for employment purposes. For tax year 2006, 1,400 taxpayers received a total of \$108,300 in vehicle donation credit, resulting in an average credit of \$75.87. (See Exhibit 26 on page 46.)

VI. DESIGNATED CONTRIBUTIONS

For tax year 2006, Michigan taxpayers could make four separate contributions on their tax returns: the Military Family Relief Fund, the Children's Trust Fund, Children of Veterans Tuition Grant Program, and the State Campaign Fund. Contributions to the Military Family Relief Fund, the Children's Trust Fund, or the Children of Veterans Tuition Grant Program either reduce taxpayers' refund or increase their liability, while contributions to the State Campaign Fund result in a designated portion of the taxpayers' tax liability to be deposited in the campaign fund.

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

Military Family Relief Fund

Created by Public Acts 363 and 364 of 2004, the Military Family Relief Fund benefits qualifying families of military members in either the Michigan National Guard who are serving in the U.S. Armed Forces or those reserve forces called to active duty by the federal government. About \$553,000 was contributed by 36,600 taxpayers for 2006 to the Military Family Relief Fund (see Exhibit 17 on page 28).

Children's Trust Fund

The Children's Trust Fund was first created by P.A. 211 of 1982. Contributions to the fund were dedicated to the prevention of child abuse. P.A. 291 of 2000 appropriated amounts to also fully fund both the Non-Game Wildlife Fund and the CTF. However, P.A. 160 of 2006 reinstated the CTF checkoff on the income tax form. For tax year 2006, 28,600 taxpayers contributed a total of \$325,300 (subject to a minimum of \$5 dollars) to the fund (see Exhibit 17 on page 28).

Children or Veterans Tuition Grant Program

Starting tax year 2006, taxpayers may designate a minimum of \$2 via a new checkoff box on the Michigan income tax return to fund the Children of Veterans Tuition Grant Program. The Program is designed to provide undergraduate tuition assistance to eligible Michigan veteran children older than 16 and less than 26 years of age who have been a Michigan resident for the 12 months prior to grant application. About \$212,100 was contributed by 23,000 taxpayers to fund this program (see Exhibit 17 on page 28).

State Campaign Fund

For the 2006 tax year, taxpayers were able to designate \$3 of their tax liability for the State Campaign Fund. Revenues from this fund are disbursed only to gubernatorial candidates, regardless of political party, who agree to limit campaign spending and meet the campaign fund requirements. For 2006, 406,600 taxpayers contributed \$1.2 million to the State Campaign Fund (see Exhibit 17 on page 28). On average, there was one designation for every 11 returns.

Exhibit 17
Returns Designating Contributions

Tax Year	Number of 1040's Filed	Children's Trust Fund Donations		Non-Game Wildlife Fund Donations		State Campaign Fund Donations		Military Family Relief Fund Donations		Children of Veterans Tuition Donations	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
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	--	--
2006	4,487,257	28,587	\$325,337	--	--	406,646	\$1,219,938	36,603	\$553,021	22,970	\$212,110

Notes:

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

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

VII. INTERSTATE COMPARISONS

In 2006, Michigan along with five other states (Colorado, Illinois, Indiana, Massachusetts, and Pennsylvania) had a flat rate income tax. Seven states (Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming) had no state personal income tax. Two states (New Hampshire and Tennessee) taxed only dividend and interest income, and one other state (Rhode Island) taxed a certain percentage of the taxpayer's federal income tax liability. The remaining 34 states had income taxes with graduated rates. A state-by-state comparison of the income tax burden per person and tax revenue as a percent of personal income is shown in Exhibit 18 (see page 30). Exhibits 19 and 20 (see page 31) compare Michigan's income tax to that of other states in the Great Lakes region.

For fiscal year 2006, Michigan ranked 37th 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 1.84 percent, 0.48 of a percentage point below the U.S. average, and 1.04 of a percentage point below the average of the 41 states with a general income tax. This is a slight decrease from the results in 2005, when Michigan's income tax as a percent of personal income was 1.86; 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 June 19, 2008, and compiled by the Office of Revenue and Tax Analysis for each state's fiscal year. Because personal income does not include capital gains but tax revenues include the tax on realized gains, and capital gains are not uniformly distributed among states, the calculated ratios are skewed.

Michigan ranked 35th highest in income taxes per person, and Connecticut ranked first. In fiscal year 2006, the average collections of \$616 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 \$823, and for the 41 states with an income tax, average income tax collections per person were \$1,030. (For Michigan income tax rates from 1968 to present, see Exhibit 36 on page 59.) Over the FY 1994 - 2006 period, the income tax burden in Michigan has been declining relative to that in other states. In fiscal year 1994, Michigan ranked 11th highest in per capita income taxes and 14th highest in income taxes as a percent of personal income. For fiscal year 2006, Michigan ranked 35th and 37th, respectively.

Exhibit 18
State Individual Income Taxes for FY 2006
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	\$603	36	1.98%	36
Alaska	No Tax	N/A	No Tax	N/A
Arizona	528	39	1.72%	39
Arkansas	717	30	2.60%	22
California	1,413	5	3.67%	3
Colorado	894	16	2.34%	30
Connecticut	1,653	1	3.34%	8
Delaware	1,195	9	3.13%	11
Florida	No Tax	N/A	No Tax	N/A
Georgia	861	21	2.75%	15
Hawaii	1,213	7	3.39%	7
Idaho	835	23	2.90%	14
Illinois	676	33	1.81%	38
Indiana	695	31	2.21%	31
Iowa	812	25	2.52%	26
Kansas	871	20	2.59%	23
Kentucky	694	32	2.40%	29
Louisiana	589	37	2.18%	32
Maine	1,041	14	3.31%	9
Maryland	1,098	11	2.57%	25
Massachusetts	1,629	2	3.62%	4
Michigan	616	35	1.84%	37
Minnesota	1,331	6	3.51%	5
Mississippi	433	40	1.65%	40
Missouri	769	27	2.40%	28
Montana	812	24	2.72%	16
Nebraska	876	18	2.60%	21
Nevada	No Tax	N/A	No Tax	N/A
New Hampshire	62	42	0.16%	42
New Jersey	1,212	8	2.68%	17
New Mexico	579	38	2.00%	35
New York	1,598	3	3.82%	2
North Carolina	1,067	12	3.43%	6
North Dakota	432	41	1.34%	41
Ohio	860	22	2.64%	18
Oklahoma	770	26	2.47%	27
Oregon	1,467	4	4.56%	1
Pennsylvania	727	28	2.03%	34
Rhode Island	960	15	2.61%	20
South Carolina	630	34	2.18%	33
South Dakota	No Tax	N/A	No Tax	N/A
Tennessee	32	43	0.10%	43
Texas	No Tax	N/A	No Tax	N/A
Utah	883	17	3.12%	12
Vermont	873	19	2.58%	24
Virginia	1,188	10	3.07%	13
Washington	No Tax	N/A	No Tax	N/A
West Virginia	717	29	2.62%	19
Wisconsin	1,060	13	3.16%	10
Wyoming	No Tax	N/A	No Tax	N/A
U.S. Average	\$823		2.32%	
U.S. Average for States With a General Income Tax	\$1,030		2.88%	

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

Exhibit 19
State Income Taxes Per Person
Great Lakes Region – FY 2006

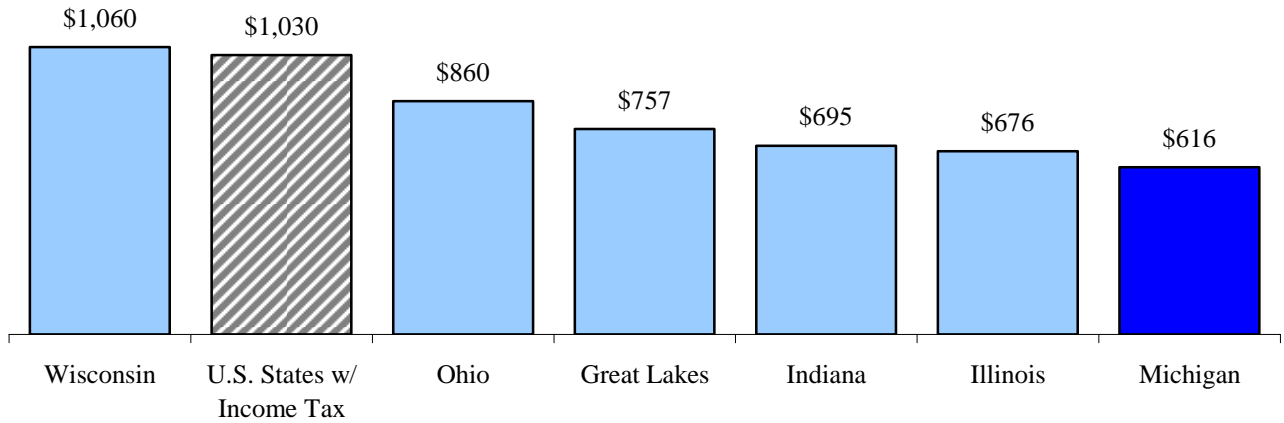
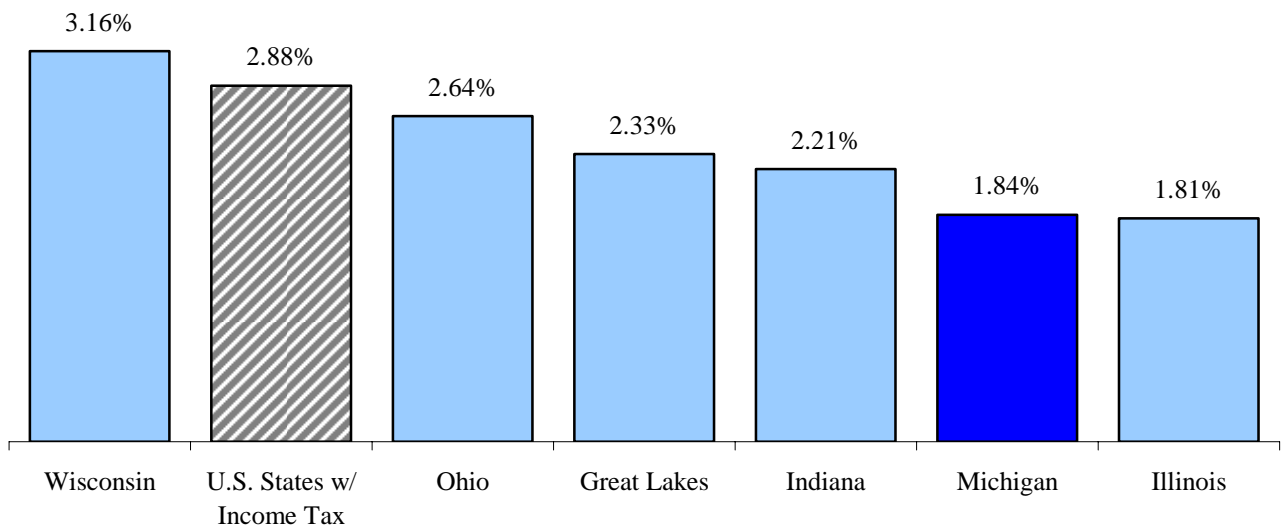


Exhibit 20
State Income Taxes
Percentage of Personal Income
Great Lakes Region – FY 2006



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	\$60,717	\$75,744 Oakland	\$30,754 Lake
Average Income Tax Before Credits	\$1,469	\$2,397 Oakland	\$655 Montmorency
Average Income Tax After Credits	\$1,231	\$2,132 Oakland	\$451 Huron
Income Tax Credits as a Percent of Tax Before Credits	16.2%	51.1% Huron	8.7% Midland
Ratio of Property Tax Credits to 1040s Filed	34.0%	45.0% Wayne	14.1% Keweenaw
Average Property Tax Credit	\$577	\$1,216 Huron	\$254 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 for 1987, \$1,800 for 1988, \$2,000 for 1989, and \$2,100 for 1990. For 2006, the Michigan personal exemption was \$3,300. 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. For 2006, the Michigan special exemptions were \$2,100.

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 2006, see Appendix A on page 60.

2006

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

- Exclusion from gross income for otherwise taxable distributions from a traditional or a Roth IRA made directly to a qualified charitable organization. The exclusion may not exceed \$100,000 per taxpayer per taxable year, is applicable only to distributions made on or after the

date the IRA owner attains age 70 ½, and is effective for distributions made in taxable years 2006 and 2007.

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

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

The Mortgage Forgiveness Debt Relief Act of 2007 (MFCFA-07) expanded the types of qualified discharges of indebtedness excluded from gross income to include up to \$2 million (\$1 million per spouse, if married filing separately) of qualified principal residence indebtedness discharged on 2007 through 2009.

Other provisions from PPA-06 and TRHCA-06 that become effective in 2007 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.
- 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 2007, \$5,000 in 2008, inflation adjusted thereafter); permanent higher dollar limits on defined contribution plans (\$44,000 in 2007), elective deferrals (including \$15,000 in 2007 for 401(k) plan deferrals, 457 plan deferrals (\$15,000 in 2007), SIMPLE plan contributions (\$10,000 in 2007) and compensation that may be taken into account under a plan; permanent catch-up

contributions for older workers (\$1,000 after 2005 for IRAs, \$2,500 for SIMPLE plans, \$5,000 for 401(k) plans); and permanent Roth 401(k) and 403(b)s.

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

2008 and beyond

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

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

X. MICHIGAN PUBLIC ACTS – INCOME TAX

For changes prior to 2006, see Appendix A on page 69.

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 for 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 in 2008, the Michigan EITC credit is equal to 10% of the federal EITC claimed. Thereafter, the Michigan EITC credit increases to 20% of the federal EITC claimed.

Public Acts 514 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.

2007

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

Public Act 133 amended the Income Tax Act, establishing four new checkoffs on the income tax return, beginning for tax year 2008. Taxpayers would be allowed to contribute at least \$5 to the Prostate Cancer Research Fund; Amanda's Fund (for breast cancer prevention and treatment); the

Animal Welfare Fund; and the Michigan Housing and Community Development fund. Taxpayers' contributions to those funds decrease their refunds or increase their tax liability.

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

XI. EXHIBITS 21 THROUGH 36

Exhibit 21
Effective Rate of the Michigan Individual Income Tax, 2006

Adjusted Gross Income Group	Number of Returns Filed⁽¹⁾	Adjusted Gross Income	Effective Personal Exemptions⁽²⁾	Claimed Exemptions	Subtractions Minus Additions	Total Credits⁽³⁾	Effective Tax	Effective Tax as a % of Income
Less than \$1 ⁽⁴⁾	226,519	(\$3,125,136,287)		108,447	(\$1,447,228,990)	\$110,835,930	(\$108,232,791)	
\$ 1 - 2,000	156,032	164,752,775	21,919	112,987	38,156,837	38,127,283	(37,642,798)	-22.8%
2,001 - 4,000	181,125	542,655,913	63,803	133,864	85,214,461	32,895,615	(27,501,670)	-5.1%
4,001 - 6,000	173,250	864,942,104	88,569	158,933	149,333,690	36,893,279	(24,884,750)	-2.9%
6,001 - 8,000	164,990	1,154,927,194	114,836	187,270	229,669,091	42,498,012	(25,712,013)	-2.2%
8,001 - 10,000	158,383	1,422,054,909	137,624	210,341	310,259,689	46,130,124	(25,113,736)	-1.8%
10,001 - 12,000	154,747	1,702,681,093	163,721	235,439	395,328,601	47,781,438	(22,844,918)	-1.3%
12,001 - 14,000	147,078	1,911,016,581	171,707	235,941	447,689,574	44,338,924	(14,199,324)	-0.7%
14,001 - 16,000	140,890	2,112,270,264	174,151	236,114	511,695,923	41,038,389	(5,643,471)	-0.3%
16,001 - 18,000	132,760	2,255,431,489	174,487	229,175	527,067,731	37,328,563	3,241,849	0.1%
18,001 - 20,000	123,951	2,353,552,012	173,278	220,891	509,111,254	33,109,645	12,529,725	0.5%
20,001 - 22,000	116,835	2,452,890,166	173,298	212,179	483,924,504	30,330,281	20,502,958	0.8%
22,001 - 24,000	111,203	2,556,852,552	173,459	205,081	463,413,610	28,154,587	27,791,215	1.1%
24,001 - 26,000	106,443	2,660,051,576	170,987	199,805	473,588,395	26,642,201	33,430,853	1.3%
26,001 - 28,000	102,534	2,768,021,039	166,566	193,981	503,034,603	25,466,257	38,389,948	1.4%
28,001 - 30,000	99,653	2,889,804,610	165,351	190,146	521,733,901	24,174,961	43,992,149	1.5%
30,001 - 35,000	223,844	7,264,923,835	378,980	433,758	1,348,534,827	53,434,968	122,173,763	1.7%
35,001 - 40,000	198,362	7,427,998,945	354,904	397,276	1,351,219,465	47,038,992	138,695,258	1.9%
40,001 - 45,000	175,720	7,460,921,376	335,840	369,728	1,304,254,012	41,175,194	150,672,337	2.0%
45,001 - 50,000	161,672	7,675,355,519	328,713	356,400	1,295,988,272	37,784,299	163,943,494	2.1%
Over 50,000	<u>1,582,895</u>	<u>221,938,973,080</u>	<u>4,025,238</u>	<u>4,304,563</u>	<u>69,426,454,730</u>	<u>222,206,502</u>	<u>5,154,720,345</u>	2.3%
Totals	4,638,886	\$276,454,940,745	7,557,431	8,932,319	\$78,928,444,180	\$1,047,385,446	\$5,618,308,423	2.0%

⁽¹⁾Includes 151,629 credit-only returns.

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

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

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

Exhibit 22
Breakdown of Upper Income Filers
Individual Income Tax, 2006

Adjusted Gross Income Group	Number of Returns Filed	Adjusted Gross Income	Effective Personal Exemptions⁽¹⁾	Claimed Exemptions	Subtractions Minus Additions	Total Credits⁽²⁾	Effective Tax	Effective Tax as a % of Income
\$50,001 - 55,000	149,285	\$7,833,224,211	318,121	342,594	\$1,342,911,741	\$34,270,911	\$173,340,812	2.2%
55,001 - 60,000	140,344	8,065,583,006	314,721	335,783	1,325,875,543	31,034,004	186,934,414	2.3%
60,001 - 65,000	130,435	8,148,215,901	306,593	323,865	1,305,062,306	28,002,836	195,232,871	2.4%
65,001 - 70,000	120,265	8,114,304,962	291,905	308,196	1,281,660,482	25,277,763	199,668,265	2.5%
70,001 - 75,000	110,061	7,975,673,405	275,267	290,884	1,243,834,664	21,725,283	201,701,670	2.5%
75,001 - 80,000	100,526	7,787,358,511	258,055	271,760	1,225,369,529	13,739,164	205,509,886	2.6%
80,001 - 85,000	90,124	7,431,683,460	235,425	247,909	1,137,916,647	6,048,202	206,007,278	2.8%
85,001 - 90,000	81,285	7,108,709,903	217,981	228,870	1,048,440,510	3,943,296	201,551,641	2.8%
90,001 - 95,000	72,837	6,734,369,533	199,828	208,827	948,718,883	3,536,947	193,866,768	2.9%
95,001 - 100,000	64,444	6,279,509,932	180,213	187,381	854,535,258	3,296,796	182,856,634	2.9%
100,001 - 110,000	103,801	10,875,247,612	288,346	303,851	1,471,105,140	5,958,529	320,169,184	2.9%
110,001 - 120,000	78,586	9,019,363,078	223,412	232,473	1,178,922,770	4,899,366	269,407,236	3.0%
120,001 - 130,000	58,209	7,260,610,656	166,660	172,691	935,790,664	4,002,883	219,172,606	3.0%
130,001 - 140,000	45,986	6,198,207,701	132,404	137,512	794,728,379	3,249,842	188,840,992	3.0%
140,001 - 150,000	35,513	5,141,519,141	102,216	106,694	655,953,423	2,863,736	157,661,157	3.1%
150,001 - 160,000	27,091	4,190,746,113	77,667	81,285	551,394,744	2,262,404	128,694,400	3.1%
160,001 - 170,000	22,033	3,631,652,472	63,289	66,634	465,680,869	1,941,379	112,584,527	3.1%
170,001 - 180,000	17,712	3,096,128,155	50,035	53,596	423,017,772	1,726,556	95,439,430	3.1%
180,001 - 190,000	14,167	2,618,358,547	39,104	42,683	355,002,083	1,428,900	81,294,662	3.1%
190,001 - 200,000	11,631	2,265,570,471	32,650	35,046	319,989,134	1,207,981	70,030,214	3.1%
200,001 - 300,000	54,885	13,127,690,940	151,231	166,002	1,879,137,668	7,131,150	410,000,550	3.1%
300,001 - 400,000	18,835	6,463,804,760	46,691	56,836	1,031,587,272	3,161,241	201,984,979	3.1%
400,001 - 500,000	9,492	4,226,102,316	24,447	29,120	725,946,736	1,925,244	131,076,752	3.1%
500,001 - 750,000	10,742	6,497,570,479	22,797	32,508	1,398,829,757	2,757,983	192,816,502	3.0%
750,001 - 1,000,000	4,306	3,704,339,070	3,981	12,624	1,048,344,524	1,772,076	101,237,375	2.7%
Over \$1,000,000	10,300	58,143,428,745	2,201	28,939	44,476,698,232	5,042,029	527,639,540	0.9%
Totals for AGI over \$50,000	1,582,895	\$221,938,973,080	4,025,238	4,304,563	\$69,426,454,730	\$222,206,502	\$5,154,720,345	2.3%

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

⁽²⁾Does not include Farmland Preservation Credits.

Exhibit 23
Tax Base Deductions as a Percentage of AGI
Individual Income Tax, 2006

Adjusted Gross Income Group	Total Effective Exemptions	Subtractions Minus Additions	Nonrefundable Credits⁽¹⁾	Property Tax Credits	Home Heating Credits
Less than \$1					
\$ 1 - 2,000	69.3%	23.2%	0.0%	471.4%	122.0%
2,001 - 4,000	58.8%	15.7%	0.3%	123.5%	31.6%
4,001 - 6,000	47.1%	17.3%	1.0%	88.4%	19.9%
6,001 - 8,000	42.8%	19.9%	1.3%	77.7%	15.4%
8,001 - 10,000	40.3%	21.8%	1.3%	69.9%	12.0%
10,001 - 12,000	39.2%	23.2%	1.2%	61.9%	8.9%
12,001 - 14,000	36.1%	23.4%	1.4%	52.6%	5.5%
14,001 - 16,000	32.8%	24.2%	1.4%	45.0%	3.4%
16,001 - 18,000	30.5%	23.4%	1.4%	39.0%	2.0%
18,001 - 20,000	28.6%	21.6%	1.4%	33.5%	1.1%
20,001 - 22,000	27.1%	19.7%	1.5%	29.6%	0.6%
22,001 - 24,000	25.8%	18.1%	1.4%	26.4%	0.4%
24,001 - 26,000	24.3%	17.8%	1.4%	24.0%	0.2%
26,001 - 28,000	22.7%	18.2%	1.5%	22.0%	0.2%
28,001 - 30,000	21.5%	18.1%	1.4%	20.0%	0.1%
30,001 - 35,000	19.5%	18.6%	1.3%	17.5%	0.0%
35,001 - 40,000	17.7%	18.2%	1.3%	15.0%	0.0%
40,001 - 45,000	16.6%	17.5%	1.2%	12.9%	0.0%
45,001 - 50,000	15.7%	16.9%	1.3%	11.4%	0.0%
50,001 - 55,000	14.9%	17.1%	1.2%	10.0%	0.0%
55,001 - 60,000	14.3%	16.4%	1.2%	8.6%	0.0%
60,001 - 65,000	13.7%	16.0%	1.2%	7.6%	0.0%
65,001 - 70,000	13.1%	15.8%	1.3%	6.7%	0.0%
70,001 - 75,000	12.6%	15.6%	1.3%	5.7%	0.0%
75,001 - 80,000	12.1%	15.7%	1.2%	3.3%	0.0%

Exhibit 23 (cont.)

Adjusted Gross Income Group	Total Effective Exemptions	Subtractions Minus Additions	Nonrefundable Credits⁽¹⁾	Property Tax Credits	Home Heating Credits
80,001 - 85,000	11.5%	15.3%	1.3%	0.8%	0.0%
85,001 - 90,000	11.1%	14.7%	1.3%	0.1%	0.0%
90,001 - 95,000	10.8%	14.1%	1.3%	0.1%	0.0%
95,001 - 100,000	10.4%	13.6%	1.3%	0.0%	0.0%
100,001 - 110,000	9.6%	13.5%	1.4%	0.0%	0.0%
110,001 - 120,000	8.9%	13.1%	1.4%	0.0%	0.0%
120,001 - 130,000	8.3%	12.9%	1.4%	0.0%	0.0%
130,001 - 140,000	7.7%	12.8%	1.3%	0.0%	0.0%
140,001 - 150,000	7.2%	12.8%	1.4%	0.0%	0.0%
150,001 - 160,000	6.7%	13.2%	1.4%	0.0%	0.0%
160,001 - 170,000	6.3%	12.8%	1.4%	0.0%	0.0%
170,001 - 180,000	5.9%	13.7%	1.4%	0.0%	0.0%
180,001 - 190,000	5.4%	13.6%	1.4%	0.0%	0.0%
190,001 - 200,000	5.3%	14.1%	1.4%	0.0%	0.0%
200,001 - 300,000	4.2%	14.3%	1.4%	0.0%	0.0%
300,001 - 400,000	2.7%	16.0%	1.2%	0.0%	0.0%
400,001 - 500,000	2.1%	17.2%	1.2%	0.0%	0.0%
500,001 - 750,000	1.3%	21.5%	1.1%	0.0%	0.0%
750,001 - 1,000,000	0.4%	28.3%	1.2%	0.0%	0.0%
Over \$1,000,000	0.0%	76.5%	0.2%	0.0%	0.0%
Overall Percent	9.6%	28.6%	1.1%	7.9%	0.8%

⁽¹⁾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 2006 are: the city income tax credit, the public contribution credit, the homeless shelter/food bank contribution credit, the community foundation credit, the other state tax credit, the tuition tax credit, the Michigan historic preservation credit, and the vehicle donation credit.

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

Exhibit 24
Distribution of Personal Exemptions
Claimed on 2006 Individual Income Tax Returns⁽¹⁾

Adjusted Gross Income Group	Exemptions Claimed							Total Returns	Total Exemptions ⁽²⁾
	Zero	One	Two	Three	Four	Five	Six or More		
Zero Income	7,264	43,601	15,701	3,570	2,674	1,261	819	74,890	108,447
\$ 1 - 2,000	72,553	63,550	13,988	3,673	1,442	554	272	156,032	112,987
2,001 - 4,000	87,927	66,564	17,237	6,337	2,061	711	288	181,125	133,864
4,001 - 6,000	65,907	73,747	21,484	8,227	2,648	857	380	173,250	158,933
6,001 - 8,000	43,551	78,918	26,911	10,553	3,438	1,107	512	164,990	187,270
8,001 - 10,000	29,146	78,180	31,265	13,225	4,383	1,432	752	158,383	210,341
10,001 - 12,000	19,723	76,945	30,742	17,974	5,991	2,240	1,132	154,747	235,439
12,001 - 14,000	13,046	74,779	32,367	16,947	6,416	2,369	1,154	147,078	235,941
14,001 - 16,000	8,432	71,963	33,928	16,274	6,506	2,530	1,257	140,890	236,114
16,001 - 18,000	5,404	67,964	34,216	14,561	6,625	2,667	1,323	132,760	229,175
18,001 - 20,000	3,404	62,304	33,359	14,332	6,503	2,741	1,308	123,951	220,891
20,001 - 22,000	2,369	58,734	31,206	13,766	6,681	2,771	1,308	116,835	212,179
22,001 - 24,000	1,707	56,215	29,115	13,149	6,796	2,771	1,450	111,203	205,081
24,001 - 26,000	1,007	53,357	28,255	12,580	6,866	2,956	1,422	106,443	199,805
26,001 - 28,000	765	51,096	27,605	11,951	6,757	2,863	1,497	102,534	193,981
28,001 - 30,000	565	49,299	27,251	11,274	6,797	2,967	1,500	99,653	190,146
30,001 - 35,000	818	108,998	63,067	23,903	15,969	7,291	3,798	223,844	433,758
35,001 - 40,000	427	91,753	58,187	21,295	15,786	7,139	3,775	198,362	397,276
40,001 - 45,000	234	74,175	53,820	19,985	16,608	7,380	3,518	175,720	369,728
45,001 - 50,000	150	62,267	50,685	20,060	17,275	7,581	3,654	161,672	356,400
50,001 - 55,000	127	51,439	49,101	19,483	18,011	7,704	3,420	149,285	342,594
55,001 - 60,000	88	42,559	48,109	19,316	19,078	7,806	3,388	140,344	335,783
60,001 - 65,000	66	34,824	45,887	19,065	19,449	7,866	3,278	130,435	323,865
65,001 - 70,000	42	27,863	43,894	18,336	19,325	7,699	3,106	120,265	308,196
70,001 - 75,000	42	21,976	41,081	17,368	19,094	7,617	2,883	110,061	290,884
75,001 - 80,000	39	17,539	38,364	16,139	18,517	7,244	2,684	100,526	271,760

Exhibit 24 (cont.)

Adjusted Gross Income Group	Exemptions Claimed							Total Returns	Total Exemptions⁽²⁾
	<u>Zero</u>	<u>One</u>	<u>Two</u>	<u>Three</u>	<u>Four</u>	<u>Five</u>	<u>Six or More</u>		
80,001 - 85,000	46	13,847	34,838	14,975	17,367	6,682	2,369	90,124	247,909
85,001 - 90,000	31	10,995	31,060	14,047	16,610	6,310	2,232	81,285	228,870
90,001 - 95,000	31	8,830	27,684	12,715	15,559	5,939	2,079	72,837	208,827
95,001 - 100,000	26	7,103	24,240	11,632	14,041	5,538	1,864	64,444	187,381
100,001 - 110,000	26	10,375	39,676	18,453	23,366	9,017	2,888	103,801	303,851
110,001 - 120,000	30	7,029	30,278	14,040	17,891	7,011	2,307	78,586	232,473
120,001 - 130,000	35	4,833	22,828	10,228	13,341	5,227	1,717	58,209	172,691
130,001 - 140,000	21	3,756	17,498	8,211	10,941	4,275	1,284	45,986	137,512
140,001 - 150,000	28	2,756	13,630	6,228	8,503	3,297	1,071	35,513	106,694
150,001 - 160,000	10	2,133	10,517	4,646	6,387	2,577	821	27,091	81,285
160,001 - 170,000	11	1,723	8,254	3,883	5,358	2,153	651	22,033	66,634
170,001 - 180,000	14	1,449	6,631	3,029	4,301	1,711	577	17,712	53,596
180,001 - 190,000	8	1,193	5,403	2,349	3,339	1,422	453	14,167	42,683
190,001 - 200,000	5	999	4,491	1,822	2,783	1,125	406	11,631	35,046
200,001 - 300,000	62	4,865	20,858	8,632	12,737	5,770	1,961	54,885	166,002
300,001 - 400,000	29	1,877	7,217	2,680	4,173	2,110	749	18,835	56,836
400,001 - 500,000	10	938	3,568	1,293	2,098	1,160	425	9,492	29,120
500,001 - 750,000	25	1,128	4,166	1,422	2,253	1,233	515	10,742	32,508
750,001 - 1,000,000	4	530	1,747	546	827	455	197	4,306	12,624
Over \$1,000,000	<u>29</u>	<u>1,475</u>	<u>4,419</u>	<u>1,224</u>	<u>1,685</u>	<u>1,031</u>	<u>437</u>	<u>10,300</u>	<u>28,939</u>
Totals	365,284	1,648,443	1,245,828	525,398	445,256	182,167	74,881	4,487,257	8,932,319

⁽¹⁾ Values in this table are based on 4,483,252 MI-1040 tax returns on file.

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

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

Exhibit 25
Distribution of Special Exemptions and Child Deductions
Claimed on 2006 Individual Income Tax Returns⁽¹⁾

<u>Adjusted Gross Income Group</u>	<u>Age Exemptions</u>	<u>Deaf/ Blind/Disabled Exemptions</u>	<u>Unemployed Exemptions</u>	<u>Child 18 and Under Exemptions</u>	<u>Claimed as Dependent Exemptions</u>	<u>Total</u>
Zero Income	28,485	14,095	974	18,189	5,374	67,117
\$ 1 - 2,000	34,034	10,118	1,053	16,977	73,715	135,897
2,001 - 4,000	28,799	6,398	2,074	27,558	88,681	153,510
4,001 - 6,000	32,190	6,183	2,752	35,286	66,389	142,800
6,001 - 8,000	36,505	6,492	2,730	45,507	43,771	135,005
8,001 - 10,000	40,340	6,335	2,856	55,987	29,262	134,780
10,001 - 12,000	44,954	6,211	2,348	69,262	19,778	142,553
12,001 - 14,000	44,676	5,615	2,044	67,786	13,103	133,224
14,001 - 16,000	44,079	5,396	1,816	66,696	8,456	126,443
16,001 - 18,000	42,152	4,772	1,526	62,700	5,412	116,562
18,001 - 20,000	36,838	4,346	1,020	61,299	3,406	106,909
20,001 - 22,000	31,337	4,072	452	59,716	2,363	97,940
22,001 - 24,000	26,696	3,751	319	58,509	1,715	90,990
24,001 - 26,000	24,890	3,366	232	57,220	1,008	86,716
26,001 - 28,000	23,653	3,336	162	54,421	763	82,335
28,001 - 30,000	22,178	3,112	104	52,577	562	78,533
30,001 - 35,000	48,489	6,412	154	116,160	806	172,021
35,001 - 40,000	40,457	5,632	84	104,457	424	151,054
40,001 - 45,000	34,096	5,173	41	98,927	239	138,476
45,001 - 50,000	30,773	4,105	29	98,069	163	133,139
50,001 - 55,000	28,916	3,938	31	94,803	139	127,827
55,001 - 60,000	26,237	3,702	15	94,422	98	124,474
60,001 - 65,000	24,298	3,506	9	91,551	78	119,442
65,001 - 70,000	22,964	3,110	13	87,168	62	113,317
70,001 - 75,000	21,167	2,714	7	82,831	41	106,760
75,001 - 80,000	19,831	2,502	6	77,293	39	99,671
80,001 - 85,000	17,598	2,144	10	70,350	50	90,152
85,001 - 90,000	15,389	1,813	5	65,364	43	82,614
90,001 - 95,000	13,539	1,501	4	59,729	41	74,814
95,001 - 100,000	11,617	1,308	4	53,646	27	66,602
Over \$100,000	108,511	7,706	18	446,664	391	563,290
Totals	1,005,688	148,864	22,892	2,451,124	366,399	3,994,967

⁽¹⁾ Values in this table are based on 4,483,252 MI-1040 tax returns on file.

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

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

	2003			2004			2005			2006		
	Number	Amount	Average	Number	Amount	Average	Number	Amount	Average	Number	Amount	Average
Property Tax Credits												
General	928.7	\$397,200.9	\$427.70	983.4	\$441,451.7	\$448.90	1,002.3	\$466,036.9	\$464.95	1,022.8	\$495,083.6	\$484.04
Senior Citizen ⁽¹⁾												
Total	413.1	290,546.3	703.25	418.2	304,368.7	727.78	416.4	306,092.4	735.10	415.3	308,300.2	742.41
Low Income Rent	10.8	3,593.4	332.29	10.6	3,527.5	331.60	10.0	3,251.3	325.78	9.3	3,017.5	325.02
Veteran	10.0	1,221.9	122.26	9.3	1,183.0	126.69	9.1	1,132.0	124.89	9.0	1,150.5	128.54
Blind	1.3	159.5	118.55	1.4	170.4	123.93	1.4	171.6	125.45	1.3	168.6	129.58
Disabled	53.0	30,141.4	568.85	57.6	34,040.6	591.12	59.6	35,952.5	603.33	68.0	42,392.9	623.17
Farmland	8.6	28,227.2	3,273.09	8.1	29,965.3	3,677.17	8.1	30,395.1	3,731.29	8.1	32,560.0	4,021.74
Total Property Tax Credits	1,414.8	\$747,497.1	\$528.34	1,478.1	\$811,179.8	\$548.81	1,496.9	\$839,780.5	\$561.01	1,524.5	\$879,655.8	\$577.03
Home Heating Credit	356.8	\$62,360.7	\$174.80	388.4	\$69,522.7	\$179.00	392.7	\$75,644.7	\$192.61	406.7	\$82,847.3	\$203.72
Adoption Credit	1.3	\$1,190.2	\$932.79	1.2	\$1,509.1	\$1,239.01	1.0	\$1,283.0	\$1,264.02	0.8	\$1,007.6	\$1,242.45
Tribal Credit	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.3	\$992.9	\$233.45	4.5	\$1,071.8	\$240.26
StillBirth Credit	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.1	\$17.6	\$158.11
City Income Tax Credit	922.3	\$34,120.2	\$36.99	912.5	\$33,697.6	\$36.93	900.0	\$33,345.3	\$37.05	895.2	\$33,485.4	\$37.41
Public Contribution Credit	289.1	\$25,050.7	\$86.65	291.7	\$25,399.7	\$87.07	294.3	\$26,115.2	\$88.73	290.8	\$26,042.7	\$89.56
Credit for Income Tax Paid to												
Another State	43.3	\$32,850.1	\$757.98	46.3	\$36,789.5	\$794.88	48.7	\$38,567.6	\$791.68	50.8	\$41,771.6	\$822.76
Community Foundation Credit	38.8	\$2,935.1	\$75.67	38.3	\$2,996.4	\$78.21	39.9	\$3,207.7	\$80.49	38.9	\$3,336.8	\$85.73
Homeless/Food Bank Credit	214.0	\$16,089.2	\$75.18	224.3	\$16,990.1	\$75.75	235.9	\$18,161.6	\$76.99	235.0	\$18,414.8	\$78.36
College Tuition Credit	26.4	\$2,990.5	\$113.44	95.6	\$12,581.6	\$131.66	32.4	\$4,224.3	\$130.53	43.7	\$6,658.6	\$152.46
Historic Preservation Credit ⁽²⁾	0.7	\$514.7	\$698.34	1.1	\$531.7	\$482.01	0.9	\$581.1	\$664.07	0.5	\$602.1	\$1,108.92
Vehicle Donation Credit	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.5	\$111.7	\$74.93	1.4	\$108.3	\$75.87

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

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

Exhibit 27
Distribution of Credits
Individual Income Tax, 2006⁽¹⁾

Adjusted Gross Income Group	MI-1040s Filed		General Property Tax Credit ⁽²⁾			City Income Tax Credit			College Contribution Credit		
	Number	% of Total ⁽²⁾	Number Claiming Credit	% of Property Tax Credits Filed	Credit Amount	Number Claiming Credit	AGI Group % of MI-1040s Filed	Credit Amount	Number Claiming Credit	AGI Group % of MI-1040s Filed	Credit Amount
Less than \$1	74,679	1.7%	19,818	2.0%	\$15,611,051	2,271	0.3%	\$58,533	1,191	0.4%	\$99,367
\$ 1 - 2,000	155,917	3.5%	14,315	1.4%	7,212,694	9,045	1.0%	47,629	1,055	0.4%	41,521
2,001 - 4,000	180,979	4.0%	20,063	2.0%	8,700,362	21,398	2.4%	161,356	1,902	0.7%	77,493
4,001 - 6,000	173,121	3.9%	26,451	2.6%	11,573,911	24,699	2.8%	268,370	2,352	0.8%	113,253
6,001 - 8,000	164,855	3.7%	34,036	3.4%	15,470,073	25,790	2.9%	346,715	2,560	0.9%	132,467
8,001 - 10,000	158,243	3.5%	40,252	4.0%	19,028,046	26,112	2.9%	429,286	2,744	0.9%	153,067
10,001 - 12,000	154,615	3.4%	43,814	4.3%	21,440,400	26,347	2.9%	494,496	2,869	1.0%	166,222
12,001 - 14,000	146,928	3.3%	43,769	4.3%	21,132,997	26,382	2.9%	537,338	3,010	1.0%	180,785
14,001 - 16,000	140,736	3.1%	43,213	4.3%	20,831,791	26,285	2.9%	594,680	3,294	1.1%	203,086
16,001 - 18,000	132,606	3.0%	41,697	4.1%	19,532,808	25,290	2.8%	614,803	3,301	1.1%	209,991
18,001 - 20,000	123,796	2.8%	41,029	4.0%	18,777,882	24,593	2.7%	645,996	3,252	1.1%	210,078
20,001 - 22,000	116,688	2.6%	39,937	3.9%	18,260,293	24,272	2.7%	694,628	3,323	1.1%	220,122
22,001 - 24,000	111,058	2.5%	39,060	3.9%	17,614,643	23,795	2.7%	727,898	3,400	1.2%	224,522
24,001 - 26,000	106,312	2.4%	37,633	3.7%	17,100,509	23,578	2.6%	782,242	3,448	1.2%	231,466
26,001 - 28,000	102,399	2.3%	36,464	3.6%	16,404,492	22,719	2.5%	740,092	3,629	1.2%	252,722
28,001 - 30,000	99,555	2.2%	34,863	3.4%	15,918,262	21,587	2.4%	761,192	3,829	1.3%	266,196
30,001 - 35,000	223,599	5.0%	77,201	7.6%	35,873,522	48,266	5.4%	1,693,946	9,497	3.3%	657,139
35,001 - 40,000	198,141	4.4%	66,907	6.6%	32,126,004	42,662	4.8%	1,570,130	9,589	3.3%	679,541
40,001 - 45,000	175,545	3.9%	56,812	5.6%	28,378,158	38,687	4.3%	1,491,155	9,640	3.3%	699,806
45,001 - 50,000	161,523	3.6%	50,399	5.0%	25,899,908	36,870	4.1%	1,487,603	10,199	3.5%	748,567
50,001 - 55,000	149,137	3.3%	43,443	4.3%	23,012,068	34,278	3.8%	1,440,164	10,447	3.6%	777,921
55,001 - 60,000	140,228	3.1%	38,688	3.8%	20,760,343	32,689	3.7%	1,420,135	10,866	3.7%	832,059
60,001 - 65,000	130,324	2.9%	34,177	3.4%	18,641,096	30,849	3.4%	1,352,090	10,733	3.7%	861,357
65,001 - 70,000	120,170	2.7%	29,750	2.9%	16,582,625	28,557	3.2%	1,270,981	10,561	3.6%	861,530
70,001 - 75,000	109,967	2.5%	25,729	2.5%	14,256,365	25,883	2.9%	1,165,461	10,535	3.6%	871,895
75,001 - 80,000	100,463	2.2%	21,654	2.1%	8,141,779	23,579	2.6%	1,060,515	10,304	3.5%	875,914
80,001 - 85,000	90,069	2.0%	11,268	1.1%	1,962,719	21,431	2.4%	972,416	10,054	3.5%	884,328
85,001 - 90,000	81,243	1.8%	711	0.1%	253,283	19,915	2.2%	928,657	9,759	3.4%	871,141

Exhibit 27 (cont.)

Adjusted Gross Income Group	MI-1040s Filed		General Property Tax Credit ⁽²⁾			City Income Tax Credit			College Contribution Credit		
	Number	% of Total ⁽²⁾	Number	% of Property	Credit	Number	AGI Group %	Credit	Number	AGI Group %	Credit
			Claiming	Tax Credits		Claiming	of MI-1040s		Claiming	of MI-1040s	
			Credit	Filed	Amount	Credit	Filed	Amount	Credit	Filed	Amount
90,001 - 95,000	72,782	1.6%	232	0.0%	113,335	18,324	2.0%	870,589	9,159	3.1%	848,322
95,001 - 100,000	64,405	1.4%	154	0.0%	86,926	16,249	1.8%	804,319	8,524	2.9%	784,098
100,001 - 110,000	103,750	2.3%	186	0.0%	122,588	26,364	2.9%	1,333,369	15,272	5.3%	1,464,995
110,001 - 120,000	78,565	1.8%	102	0.0%	70,590	20,134	2.2%	1,069,223	12,714	4.4%	1,262,053
120,001 - 130,000	58,195	1.3%	79	0.0%	52,551	14,622	1.6%	796,271	10,494	3.6%	1,078,639
130,001 - 140,000	45,978	1.0%	59	0.0%	41,645	11,387	1.3%	639,002	8,721	3.0%	907,559
140,001 - 150,000	35,507	0.8%	35	0.0%	25,445	8,743	1.0%	520,505	7,351	2.5%	791,416
150,001 - 160,000	27,089	0.6%	23	0.0%	18,634	6,483	0.7%	399,341	5,887	2.0%	648,803
160,001 - 170,000	22,027	0.5%	26	0.0%	18,764	5,158	0.6%	331,744	5,001	1.7%	566,770
170,001 - 180,000	17,711	0.4%	12	0.0%	10,117	4,003	0.4%	262,521	4,223	1.5%	499,925
180,001 - 190,000	14,166	0.3%	17	0.0%	12,589	3,097	0.3%	210,708	3,542	1.2%	414,211
190,001 - 200,000	11,630	0.3%	8	0.0%	8,671	2,541	0.3%	177,594	2,953	1.0%	356,730
200,001 - 300,000	54,881	1.2%	34	0.0%	24,008	10,979	1.2%	888,920	14,938	5.1%	1,900,246
300,001 - 400,000	18,831	0.4%	14	0.0%	11,303	3,714	0.4%	392,705	5,637	1.9%	777,641
400,001 - 500,000	9,492	0.2%	4	0.0%	4,320	1,810	0.2%	219,721	2,900	1.0%	414,549
500,001 - 750,000	10,742	0.2%	2	0.0%	2,069	1,989	0.2%	297,470	3,130	1.1%	458,445
750,001 - 1,000,000	4,305	0.1%	2	0.0%	877	640	0.1%	114,962	1,135	0.4%	174,158
Over \$1,000,000	<u>10,300</u>	<u>0.2%</u>	<u>3</u>	<u>0.0%</u>	<u>2,965</u>	<u>1,130</u>	<u>0.1%</u>	<u>397,900</u>	<u>1,871</u>	<u>0.6%</u>	<u>290,621</u>
Totals	4,483,252	18.6%	1,014,145	1.3%	\$491,125,481	895,196	22.2%	\$33,485,370	290,795	49.3%	\$26,042,737

⁽¹⁾ Values in this table are based on 4,483,252 MI-1040 tax returns on file.

⁽²⁾ 8,670 general property tax credits totaling \$3,958,105 were claimed on MI-1040CR returns that were filed without an MI-1040.

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

Exhibit 28
Distribution of Property Tax Credits Claimed
Individual Income Tax, 2006 ⁽¹⁾

Adjusted Gross Income Group	General			Senior Citizens ⁽²⁾			Veterans			Disabled ⁽³⁾		
	Number of Credits	% of Total Credits	Credit Amount	Number of Credits	% of Total Credits	Credit Amount	Number of Credits	% of Total Credits	Credit Amount	Number of Credits	% of Total Credits	Credit Amount
	<u>Allowed</u>	<u>Allowed</u>	<u>Amount</u>	<u>Allowed</u>	<u>Allowed</u>	<u>Amount</u>	<u>Allowed</u>	<u>Allowed</u>	<u>Amount</u>	<u>Allowed</u>	<u>Allowed</u>	<u>Amount</u>
Zero Income ⁽⁴⁾	26,987	2.6%	\$18,880,506	62,454	15.0%	\$44,853,518	840	9.4%	\$129,595	27,788	40.1%	\$16,392,455
\$ 1 - 2,000	14,378	1.4%	7,240,083	24,560	5.9%	19,219,494	228	2.5%	34,833	6,015	8.7%	3,792,731
2,001 - 4,000	20,134	2.0%	8,722,372	19,787	4.8%	15,525,096	154	1.7%	23,437	3,042	4.4%	1,875,666
4,001 - 6,000	26,526	2.6%	11,599,546	21,241	5.1%	16,417,993	165	1.8%	27,240	2,769	4.0%	1,769,244
6,001 - 8,000	34,117	3.3%	15,501,664	23,282	5.6%	17,688,370	213	2.4%	29,001	2,826	4.1%	1,776,299
8,001 - 10,000	40,322	3.9%	19,061,387	23,740	5.7%	17,955,459	217	2.4%	30,787	2,654	3.8%	1,695,369
10,001 - 12,000	43,876	4.3%	21,470,764	24,073	5.8%	17,994,954	238	2.7%	33,925	2,438	3.5%	1,576,106
12,001 - 14,000	43,861	4.3%	21,173,769	22,334	5.4%	16,616,483	282	3.2%	39,050	2,075	3.0%	1,340,671
14,001 - 16,000	43,261	4.2%	20,859,287	20,410	4.9%	14,964,488	276	3.1%	37,528	1,816	2.6%	1,180,077
16,001 - 18,000	41,756	4.1%	19,553,969	18,581	4.5%	13,687,020	264	2.9%	32,876	1,655	2.4%	1,032,910
18,001 - 20,000	41,087	4.0%	18,803,852	15,070	3.6%	11,041,410	264	2.9%	36,598	1,404	2.0%	897,557
20,001 - 22,000	39,992	3.9%	18,283,412	12,551	3.0%	9,208,487	232	2.6%	31,253	1,239	1.8%	768,643
22,001 - 24,000	39,107	3.8%	17,636,844	10,826	2.6%	7,960,390	212	2.4%	25,909	1,137	1.6%	695,800
24,001 - 26,000	37,670	3.7%	17,116,771	9,657	2.3%	7,145,596	223	2.5%	29,315	982	1.4%	615,214
26,001 - 28,000	36,489	3.6%	16,425,125	8,995	2.2%	6,658,214	231	2.6%	31,534	975	1.4%	604,510
28,001 - 30,000	34,919	3.4%	15,941,624	8,227	2.0%	6,045,524	226	2.5%	34,137	850	1.2%	506,786
30,001 - 35,000	77,297	7.6%	35,926,552	16,942	4.1%	12,557,986	510	5.7%	68,504	1,710	2.5%	1,074,973
35,001 - 40,000	67,001	6.6%	32,171,249	13,566	3.3%	10,103,874	565	6.3%	68,853	1,504	2.2%	965,922
40,001 - 45,000	56,872	5.6%	28,408,745	11,080	2.7%	8,273,349	512	5.7%	62,161	1,273	1.8%	807,253
45,001 - 50,000	50,472	4.9%	25,935,823	9,718	2.3%	7,366,137	487	5.4%	59,466	993	1.4%	635,182
50,001 - 55,000	43,502	4.3%	23,038,821	8,848	2.1%	6,735,261	486	5.4%	60,994	948	1.4%	607,073
55,001 - 60,000	38,721	3.8%	20,776,276	7,520	1.8%	5,748,930	453	5.1%	56,824	806	1.2%	542,884
60,001 - 65,000	34,220	3.3%	18,660,484	6,347	1.5%	4,883,612	420	4.7%	48,946	728	1.1%	482,797
65,001 - 70,000	29,787	2.9%	16,599,614	5,540	1.3%	4,264,605	414	4.6%	46,685	592	0.9%	396,815
70,001 - 75,000	25,751	2.5%	14,273,288	4,536	1.1%	3,150,578	383	4.3%	42,352	497	0.7%	307,139
75,001 - 80,000	21,671	2.1%	8,147,687	3,828	0.9%	1,681,735	297	3.3%	20,588	420	0.6%	166,178
80,001 - 85,000	11,288	1.1%	1,968,246	1,269	0.3%	374,089	128	1.4%	4,509	159	0.2%	36,694
85,001 - 90,000	718	0.1%	255,545	167	0.0%	77,863	14	0.2%	1,561	17	0.0%	7,898
90,001 - 95,000	238	0.0%	116,224	36	0.0%	21,372	4	0.0%	476	6	0.0%	3,668
95,001 - 100,000	159	0.0%	89,034	18	0.0%	16,612	2	0.0%	332	3	0.0%	1,647
Over 100,000	636	0.1%	445,023	65	0.0%	61,696	11	0.1%	1,266	8	0.0%	5,353
Totals	1,022,815	100.0%	\$495,083,586	415,268	100.0%	\$308,300,195	8,951	100.0%	\$1,150,535	69,329	100.0%	\$42,561,514

⁽¹⁾Values in this table are based on a sample of the 4,638,886 MI-1040 and MI-1040CR returns.

⁽²⁾Includes Senior Citizen Low Income Rent Credits.

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

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

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

Exhibit 29
Distribution of Senior Citizen Property Tax Credits by Household Income
Individual Income Tax, 2006

<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	1,759	\$6,585,441	\$1,883,042	\$4,702,399
1,001 - 2,000	310	458,504	247,912	210,592
2,001 - 3,000	479	616,986	402,334	214,652
3,001 - 4,000	734	1,265,451	601,545	663,906
4,001 - 5,000	1,259	1,452,200	991,870	460,330
5,001 - 6,000	2,121	2,387,667	1,626,158	761,509
6,001 - 7,000	3,667	3,924,324	2,675,466	1,248,858
7,001 - 8,000	9,311	8,929,447	6,448,343	2,481,104
8,001 - 9,000	6,591	7,333,419	4,654,907	2,678,512
9,001 - 10,000	8,095	9,252,938	5,711,365	3,541,573
10,001 - 11,000	8,989	10,964,625	6,520,419	4,444,206
11,001 - 12,000	9,970	12,567,946	7,161,551	5,406,395
12,001 - 13,000	9,813	13,289,552	7,337,287	5,952,265
13,001 - 14,000	9,942	14,380,090	7,500,021	6,880,069
14,001 - 15,000	9,865	14,404,889	7,538,287	6,866,602
15,001 - 16,000	10,174	15,182,990	7,839,820	7,343,170
16,001 - 17,000	10,583	16,337,185	8,040,524	8,296,661
17,001 - 18,000	10,541	16,683,773	8,078,742	8,605,031
18,001 - 19,000	10,410	16,930,966	8,042,576	8,888,390
19,001 - 20,000	10,749	17,978,035	8,279,995	9,698,040
20,001 - 21,000	10,782	18,261,642	8,219,079	10,042,563
21,001 - 22,000	10,677	18,410,457	8,081,508	10,328,949
22,001 - 23,000	10,467	18,611,014	7,933,918	10,677,096
23,001 - 24,000	10,205	18,434,867	7,650,905	10,783,962
24,001 - 25,000	10,041	18,563,976	7,559,075	11,004,901
25,001 - 26,000	9,755	18,442,364	7,368,517	11,073,847
26,001 - 27,000	9,699	18,566,807	7,287,941	11,278,866
27,001 - 28,000	9,273	18,226,235	6,939,209	11,287,026
28,001 - 29,000	8,960	18,100,233	6,718,914	11,381,319
29,001 - 30,000	8,937	18,272,831	6,694,922	11,577,909
30,001 - 35,000	39,850	86,463,410	29,619,276	56,844,134
35,001 - 40,000	33,519	78,899,053	24,602,783	54,296,270
40,001 - 45,000	27,005	68,903,112	19,823,149	49,079,963
45,001 - 50,000	21,371	59,568,457	15,675,820	43,892,637
50,001 - 60,000	29,149	89,868,364	21,732,167	68,136,197
60,001 - 70,000	17,351	61,933,601	13,495,915	48,437,686
70,001 - 80,000	10,865	44,303,731	6,975,642	37,328,089
Over 80,000	<u>2,000</u>	<u>8,592,496</u>	<u>339,291</u>	<u>8,253,205</u>
Totals	415,268	\$873,349,079	\$308,300,195	\$565,048,884

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

Exhibit 30
Distribution of General Property Tax Credits by Household Income
Individual Income Tax, 2006

<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	19,126	\$42,755,347	\$14,598,209	\$28,157,138
1,001 - 2,000	3,957	4,812,442	2,164,520	2,647,922
2,001 - 3,000	5,491	5,806,364	2,674,831	3,131,533
3,001 - 4,000	7,440	7,688,975	3,383,713	4,305,262
4,001 - 5,000	9,228	9,311,358	4,061,707	5,249,651
5,001 - 6,000	11,401	11,889,036	4,983,844	6,905,192
6,001 - 7,000	14,130	14,933,702	6,206,881	8,726,821
7,001 - 8,000	19,140	20,556,800	8,450,988	12,105,812
8,001 - 9,000	19,638	22,507,134	9,055,652	13,451,482
9,001 - 10,000	19,775	23,643,985	9,233,386	14,410,599
10,001 - 11,000	20,864	25,928,813	9,978,801	15,950,012
11,001 - 12,000	22,855	29,216,213	11,054,781	18,161,432
12,001 - 13,000	22,641	29,633,230	10,888,180	18,745,050
13,001 - 14,000	22,917	30,755,398	11,092,433	19,662,965
14,001 - 15,000	23,041	31,835,232	11,190,241	20,644,991
15,001 - 16,000	22,936	32,346,209	11,031,974	21,314,235
16,001 - 17,000	22,985	32,968,983	10,898,953	22,070,030
17,001 - 18,000	22,724	33,077,580	10,716,096	22,361,484
18,001 - 19,000	22,285	32,980,849	10,373,035	22,607,814
19,001 - 20,000	22,140	33,700,616	10,214,576	23,486,040
20,001 - 21,000	21,833	33,849,361	10,051,652	23,797,709
21,001 - 22,000	21,295	33,744,559	9,781,492	23,963,067
22,001 - 23,000	20,856	34,062,376	9,522,065	24,540,311
23,001 - 24,000	20,841	34,070,878	9,418,881	24,651,997
24,001 - 25,000	20,203	34,223,458	9,253,993	24,969,465
25,001 - 26,000	19,740	34,128,807	8,990,435	25,138,372
26,001 - 27,000	19,424	34,045,475	8,686,111	25,359,364
27,001 - 28,000	19,140	34,888,600	8,744,913	26,143,687
28,001 - 29,000	18,554	34,467,499	8,529,268	25,938,231
29,001 - 30,000	17,877	33,693,832	8,226,362	25,467,470
30,001 - 35,000	81,774	165,730,987	38,278,147	127,452,840
35,001 - 40,000	69,961	156,538,713	33,671,246	122,867,467
40,001 - 45,000	59,107	145,454,504	29,512,050	115,942,454
45,001 - 50,000	51,979	138,887,356	26,738,834	112,148,522
50,001 - 60,000	83,708	250,297,900	44,687,693	205,610,207
60,001 - 70,000	64,759	222,922,524	35,909,900	187,012,624
70,001 - 80,000	47,619	182,006,190	21,719,719	160,286,471
Over 80,000	<u>9,431</u>	<u>38,541,356</u>	<u>1,108,024</u>	<u>37,433,332</u>
Totals	1,022,815	\$2,117,902,642	\$495,083,586	\$1,622,819,056

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

Exhibit 31
Distribution of Home Heating Credits by Household Income
Individual Income Tax, 2006

<u>Household Income</u>	<u>Senior Citizens</u>		<u>General</u>		<u>Disabled⁽¹⁾</u>		<u>Veterans</u>	
	<u>Number of Returns</u>	<u>Home Heating Credit</u>	<u>Number of Returns</u>	<u>Home Heating Credit</u>	<u>Number of Returns</u>	<u>Home Heating Credit</u>	<u>Number of Returns</u>	<u>Home Heating Credit</u>
\$ 1,000 and below	1,024	\$650,294	13,162	\$6,380,720	258	\$143,117	4	\$1,167
1,001 - 2,000	210	96,492	5,017	1,661,218	97	39,926	0	0
2,001 - 3,000	335	139,971	6,568	2,007,706	157	62,278	3	633
3,001 - 4,000	550	220,371	8,842	2,576,335	276	91,036	3	820
4,001 - 5,000	959	355,544	10,691	3,016,199	416	129,525	9	2,301
5,001 - 6,000	1,721	576,869	13,220	3,542,554	695	206,730	6	2,161
6,001 - 7,000	3,153	950,553	16,614	4,089,662	2,080	501,136	11	4,540
7,001 - 8,000	8,752	2,136,253	31,082	7,070,179	10,449	2,056,762	40	11,058
8,001 - 9,000	5,782	1,348,470	22,640	4,742,951	2,817	577,107	21	3,671
9,001 - 10,000	7,012	1,436,008	22,599	4,277,551	2,998	584,240	29	5,309
10,001 - 11,000	7,606	1,331,849	21,611	4,002,885	2,771	493,372	31	4,183
11,001 - 12,000	8,119	1,196,408	18,672	3,890,304	2,468	451,741	24	4,536
12,001 - 13,000	7,461	881,989	16,654	2,975,693	1,950	309,538	21	3,466
13,001 - 14,000	6,991	660,823	16,053	2,516,807	1,715	233,779	26	3,401
14,001 - 15,000	4,118	420,311	13,454	2,138,334	1,296	213,435	17	2,311
15,001 - 16,000	1,926	309,665	10,399	1,663,638	816	154,097	17	2,748
16,001 - 17,000	1,788	243,661	10,002	1,338,738	766	124,748	12	2,263
17,001 - 18,000	1,765	195,091	9,316	1,067,934	663	92,796	21	3,242
18,001 - 19,000	1,390	138,846	5,946	787,598	495	80,898	23	2,868
19,001 - 20,000	1,371	110,468	4,871	607,331	387	61,067	14	2,260
Over 20,000	3,228	191,693	18,388	1,997,085	1,659	229,057	58	4,932
Totals	75,261	\$13,591,629	295,801	\$62,351,422	35,229	\$6,836,385	390	\$67,870
Average Credit		\$180.59		\$210.79		\$194.06		\$174.03

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

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

Exhibit 32
2006 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	\$461,925	\$158,592	\$2,726,708	0.0%
ALGER	318,357	103,092	3,173,842	0.1%
ALLEGAN	6,873,271	679,777	47,657,314	0.9%
ALPENA	1,597,107	401,024	11,942,117	0.2%
ANTRIM	1,698,614	260,536	10,693,903	0.2%
ARENAC	1,134,189	233,657	4,080,522	0.1%
BARAGA	216,579	73,306	2,680,744	0.0%
BARRY	3,128,472	306,817	26,874,962	0.5%
BAY	8,202,357	1,018,568	47,583,505	0.9%
BENZIE	872,262	160,691	6,366,200	0.1%
BERRIEN	9,295,784	1,648,327	81,979,497	1.5%
BRANCH	2,899,563	386,041	15,820,848	0.3%
CALHOUN	10,750,258	1,357,918	57,321,553	1.0%
CASS	2,646,215	374,589	18,542,359	0.3%
CHARLEVOIX	2,016,903	275,725	14,234,043	0.3%
CHEBOYGAN	1,072,833	377,163	8,883,885	0.2%
CHIPPEWA	1,659,513	372,507	9,861,712	0.2%
CLARE	1,215,531	566,082	9,601,901	0.2%
CLINTON	4,751,702	302,942	32,744,918	0.6%
CRAWFORD	454,757	167,940	3,535,208	0.1%
DELTA	1,743,925	455,465	16,634,762	0.3%
DICKINSON	1,376,926	242,351	13,022,103	0.2%
EATON	10,184,332	578,346	60,715,867	1.1%
EMMET	2,381,573	316,552	20,772,448	0.4%
GENESEE	30,198,243	4,289,383	204,967,228	3.7%
GLADWIN	1,317,554	339,408	8,182,554	0.1%
GOGEBIC	490,024	216,998	5,201,002	0.1%
GRAND TRAVERSE	7,626,046	556,270	53,889,289	1.0%
GRATIOT	3,455,341	477,536	14,881,550	0.3%
HILLSDALE	2,769,629	534,524	17,293,895	0.3%
HOUGHTON	944,990	378,827	12,349,777	0.2%
HURON	7,947,711	528,474	7,518,532	0.1%
INGHAM	27,772,017	1,952,279	138,071,897	2.5%
IONIA	3,651,835	488,584	25,971,121	0.5%
IOSCO	1,160,083	389,107	8,038,751	0.1%
IRON	425,145	169,446	3,979,659	0.1%
ISABELLA	4,230,515	507,779	40,437,016	0.7%
JACKSON	9,390,616	1,273,998	74,106,249	1.3%
KALAMAZOO	18,680,760	1,574,646	137,481,396	2.5%
KALKASKA	773,174	221,102	6,242,398	0.1%
KENT	44,734,851	3,852,691	358,869,925	6.5%
KEWEENAW	51,742	24,921	669,750	0.0%
LAKE	424,080	241,852	1,745,154	0.0%
LAPEER	5,005,216	542,083	45,758,151	0.8%

Exhibit 32 (cont.)

<u>County</u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>	<u>Tax After Credits</u>	<u>Percent of Total Tax</u>
LEELANAU	\$1,484,972	\$102,693	\$10,170,350	0.2%
LENAWEE	8,919,957	603,066	43,914,697	0.8%
LIVINGSTON	9,257,239	394,411	93,923,524	1.7%
LUCE	103,777	85,535	2,020,121	0.0%
MACKINAC	662,256	156,710	3,461,905	0.1%
MACOMB	103,832,381	4,238,879	445,842,425	8.1%
MANISTEE	1,396,712	282,476	8,466,907	0.2%
MARQUETTE	2,083,256	504,963	29,317,808	0.5%
MASON	2,077,505	343,945	10,379,644	0.2%
MECOSTA	1,747,730	419,360	12,835,418	0.2%
MENOMINEE	791,167	278,315	10,303,060	0.2%
MIDLAND	4,164,983	536,759	57,038,982	1.0%
MISSAUKEE	1,011,732	196,888	3,410,487	0.1%
MONROE	9,475,419	717,956	77,200,629	1.4%
MONTCALM	4,020,756	758,635	22,827,078	0.4%
MONTMORENCY	357,254	150,429	2,650,284	0.0%
MUSKEGON	11,394,859	1,732,691	68,400,313	1.2%
NEWAYGO	2,644,974	485,672	15,165,174	0.3%
OAKLAND	123,161,568	4,552,381	1,115,600,683	20.2%
OCEANA	1,675,525	367,669	9,868,458	0.2%
OGEMAW	1,074,527	355,169	6,388,984	0.1%
ONTONAGON	193,398	105,833	2,389,318	0.0%
OSCEOLA	1,212,274	401,772	8,079,324	0.1%
OSCODA	188,907	100,532	1,885,811	0.0%
OTSEGO	867,931	193,653	9,764,867	0.2%
OTTAWA	17,380,191	974,819	177,207,233	3.2%
PRESQUE ISLE	645,391	249,104	4,488,672	0.1%
ROSCOMMON	1,340,285	385,222	6,790,055	0.1%
SAGINAW	12,448,787	2,204,348	80,751,938	1.5%
ST. CLAIR	13,177,845	1,246,675	84,627,632	1.5%
ST. JOSEPH	3,522,882	486,827	25,513,696	0.5%
SANILAC	4,418,766	634,221	14,189,941	0.3%
SCHOOLCRAFT	207,081	121,089	3,060,362	0.1%
SHIAWASSEE	5,101,307	624,562	34,368,319	0.6%
TUSCOLA	6,507,243	607,838	19,996,862	0.4%
VAN BUREN	5,837,525	787,043	35,744,698	0.6%
WASHTENAW	34,464,341	1,523,567	253,202,812	4.6%
WAYNE (excludes Detroit)	122,147,688	5,919,043	519,886,952	9.4%
WEXFORD	2,069,489	419,670	12,513,300	0.2%
OUTSIDE OF MICHIGAN	17,574,948	1,188,052	252,793,992	4.6%
DETROIT	<u>91,008,486</u>	<u>18,030,918</u>	<u>232,993,814</u>	<u>4.2%</u>
	\$879,655,834	\$82,847,306	\$5,522,542,744	100.0%

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

Exhibit 33
2006 Income Tax Data by County

County	2006	2006	Income Tax		Average		Average		Credits as a		Ratio of Property		Average		
	AGI	Average	Rank	Before	Rank	Income Tax	Rank	Income Tax	Rank	% of Tax	Rank	to 1040s Filed	Rank	Property Tax	Rank
	(Millions)	AGI		Credits		Before	Credits	After		Before				Credit ⁽¹⁾	
ALCONA	\$167.0	\$35,388	69	\$3,383,530	76	\$717	81	\$578	79	19.4%	17	23.7%	68	\$413	57
ALGER	150.1	37,477	61	3,683,811	74	920	62	793	59	13.8%	59	21.2%	74	375	67
ALLEGAN	1,907.8	44,468	28	55,624,450	22	1,297	21	1,111	21	14.3%	53	30.2%	30	531	21
ALPENA	544.9	39,433	45	14,105,377	48	1,021	48	864	46	15.3%	46	28.6%	41	404	60
ANTRIM	512.8	47,593	19	12,842,682	51	1,192	30	992	31	16.7%	36	29.4%	38	536	20
ARENAC	222.9	33,914	78	5,463,725	68	831	73	621	77	25.3%	7	31.3%	23	551	18
BARAGA	124.1	40,648	41	3,033,275	78	993	54	878	42	11.6%	71	18.9%	79	376	66
BARRY	1,056.8	48,997	15	30,544,344	30	1,416	15	1,246	12	12.0%	67	28.1%	47	516	29
BAY	2,096.9	41,793	37	57,258,034	21	1,141	37	948	39	16.9%	32	32.1%	22	509	33
BENZIE	305.8	41,475	38	7,518,021	65	1,020	49	863	47	15.3%	47	27.4%	48	432	52
BERRIEN	3,349.7	45,964	23	94,649,680	14	1,299	20	1,125	19	13.4%	62	28.7%	40	444	50
BRANCH	702.7	38,671	50	19,257,973	38	1,060	44	871	43	17.8%	22	28.5%	44	560	17
CALHOUN	2,552.1	43,371	30	70,867,688	18	1,204	29	974	33	19.1%	18	35.3%	7	517	27
CASS	818.9	45,394	25	22,373,068	36	1,240	28	1,028	28	17.1%	31	25.1%	62	584	14
CHARLEVOIX	609.1	46,686	20	16,830,833	43	1,290	23	1,091	23	15.4%	45	30.4%	29	508	34
CHEBOYGAN	415.3	37,638	57	10,451,851	58	947	58	805	57	15.0%	50	25.7%	58	378	64
CHIPPEWA	553.2	36,589	66	12,431,050	52	822	75	652	73	20.7%	11	34.3%	9	320	81
CLARE	472.0	34,500	77	11,497,059	55	840	71	702	69	16.5%	38	24.5%	66	363	74
CLINTON	1,323.0	52,782	7	38,211,790	28	1,525	8	1,306	8	14.3%	54	30.6%	27	620	10
CRAWFORD	179.4	35,338	70	4,235,831	73	834	72	696	70	16.5%	37	24.9%	64	360	75
DELTA	712.7	40,768	40	18,987,877	40	1,086	40	952	38	12.4%	66	25.3%	60	394	63
DICKINSON	535.4	42,913	33	14,763,115	47	1,183	31	1,044	26	11.8%	69	25.7%	57	429	53
EATON	2,577.1	48,392	18	72,480,835	17	1,361	18	1,140	17	16.2%	41	34.1%	10	560	16
EMMET	855.9	52,366	8	23,786,945	35	1,455	12	1,271	11	12.7%	65	30.6%	26	476	43
GENESEE	8,843.8	46,089	22	243,362,172	6	1,268	25	1,068	24	15.8%	44	33.3%	16	473	44
GLADWIN	422.5	37,618	58	9,919,464	60	883	66	729	66	17.5%	30	28.4%	45	413	56
GOGEBIC	241.6	36,688	65	5,977,247	67	908	63	790	60	13.0%	63	22.2%	71	335	78
GRAND TRAVERSE	2,216.3	50,560	13	62,850,112	19	1,434	14	1,229	13	14.3%	55	33.4%	13	521	24
GRATIOT	681.2	39,147	46	18,715,991	41	1,076	42	855	50	20.5%	13	27.4%	49	725	3
HILLSDALE	769.7	38,102	54	20,984,722	37	1,039	46	856	49	17.6%	28	26.5%	53	517	28
HOUGHTON	534.4	37,574	59	13,877,299	49	976	55	868	45	11.0%	76	18.1%	81	367	69
HURON	614.6	36,858	64	15,383,420	44	922	61	451	83	51.1%	1	39.2%	4	1,216	1
INGHAM	5,923.8	48,569	16	171,899,243	8	1,409	16	1,132	18	19.7%	15	39.8%	3	572	15
IONIA	1,078.6	41,868	36	30,467,845	31	1,183	32	1,008	30	14.8%	52	27.1%	50	523	23
IOSCO	436.9	34,977	72	9,667,029	62	774	78	644	74	16.8%	34	24.6%	65	377	65
IRON	189.4	34,575	74	4,618,314	70	843	70	726	67	13.8%	60	21.4%	72	363	72
ISABELLA	1,639.9	51,849	9	45,673,590	25	1,444	13	1,279	9	11.5%	73	26.6%	52	503	36
JACKSON	3,013.7	44,934	27	86,035,709	15	1,283	24	1,105	22	13.9%	58	29.8%	33	470	45
KALAMAZOO	5,397.5	51,689	11	157,466,315	9	1,508	9	1,317	7	12.7%	64	35.8%	5	500	38
KALKASKA	283.9	37,757	56	7,325,473	66	974	56	830	53	14.8%	51	25.8%	56	398	61
KENT	13,708.9	51,732	10	415,906,011	4	1,569	6	1,354	6	13.7%	61	34.3%	8	492	40
KEWEENAW	34.2	38,520	52	755,232	83	851	68	755	62	11.3%	74	14.1%	83	414	55
LAKE	109.5	30,754	83	2,451,588	80	689	82	490	82	28.8%	2	32.6%	17	365	71
LAPEER	1,808.0	48,501	17	52,001,364	24	1,395	17	1,227	14	12.0%	68	25.9%	55	518	26

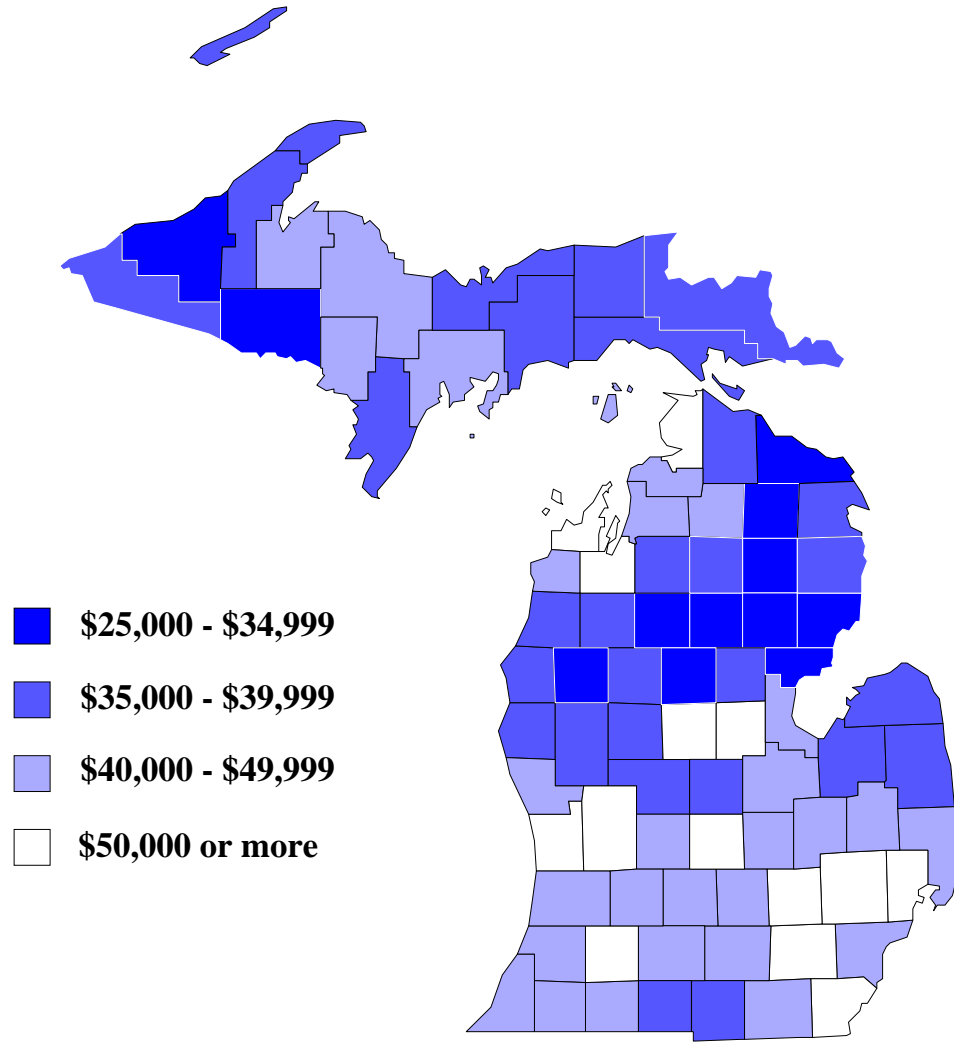
Exhibit 33 (cont.)

County	2006	2006	Income Tax		Average			Average			Credits as a		Ratio of Property		Average	
	AGI	Average		Before	Income Tax	Income Tax	Income Tax	Before	After	% of Tax	Before	to 1040s Filed	Tax Credits	Property Tax	Property Tax	Credit ⁽¹⁾
	(Millions)	AGI	Rank	Credits	Rank	Before	Rank	After	Rank	Before	Rank	Rank	Rank	Rank	Rank	Rank
LEELANAU	\$458.2	\$57,546	5	\$12,163,179	53	\$1,527	7	\$1,277	10	16.4%	39	30.5%	28	\$612	11	
LENAWEE	1,960.9	45,229	26	54,986,170	23	1,268	26	1,013	29	20.1%	14	32.6%	19	631	9	
LIVINGSTON	3,406.3	63,686	3	104,729,531	10	1,958	3	1,756	3	10.3%	81	29.3%	39	591	13	
LUCE	93.1	36,884	63	2,260,115	81	895.45	65	800	58	10.6%	78	16.2%	82	254	83	
MACKINAC	196.7	36,014	68	4,493,139	72	823	74	634	75	23.0%	8	33.4%	14	363	73	
MACOMB	19,263.7	50,154	14	560,856,247	3	1,460	11	1,161	16	20.5%	12	41.1%	2	657	8	
MANISTEE	415.4	37,487	60	10,295,836	59	929	59	764	61	17.8%	23	29.5%	36	427	54	
MARQUETTE	1,206.4	43,210	31	32,296,765	29	1,157	35	1,050	25	9.2%	82	21.3%	73	350	77	
MASON	493.9	38,571	51	12,905,364	50	1,008	50	811	56	19.6%	16	32.6%	18	497	39	
MECOSTA	605.1	39,508	44	15,280,137	45	998	52	838	52	16.0%	42	25.1%	63	455	49	
MENOMINEE	423.1	39,596	43	11,493,640	56	1,076	41	964	36	10.4%	80	20.0%	76	370	68	
MIDLAND	2,139.3	59,293	4	62,501,902	20	1,732	4	1,581	4	8.7%	83	25.2%	61	458	48	
MISSAUKEE	183.6	33,838	79	4,613,004	71	850	69	629	76	26.1%	3	28.3%	46	659	7	
MONROE	3,378.4	51,504	12	98,135,109	12	1,496	10	1,177	15	21.3%	9	26.3%	54	549	19	
MONTCALM	1,008.4	37,927	55	27,803,046	33	1,046	45	859	48	17.9%	21	29.5%	37	512	32	
MONTMORENCY	161.6	33,205	81	3,188,687	77	655	83	544	81	16.9%	33	20.8%	75	352	76	
MUSKEGON	2,954.6	40,831	39	83,151,831	16	1,149	36	945	41	17.7%	24	34.1%	11	462	47	
NEWAYGO	678.9	38,871	47	18,510,019	42	1,060	43	868	44	18.1%	20	29.9%	32	506	35	
OAKLAND	39,637.5	75,744	1	1,254,212,813	1	2,397	1	2,132	1	11.1%	75	34.0%	12	691	5	
OCEANA	453.0	38,852	48	11,992,741	54	1,029	47	846	51	17.7%	26	28.6%	42	502	37	
OGEMAW	324.6	33,607	80	7,867,822	64	815	76	662	72	18.8%	19	27.1%	51	411	58	
ONTONAGON	109.8	34,535	75	2,708,234	79	852	67	752	63	11.8%	70	18.7%	80	324	79	
OSCEOLA	384.7	35,297	71	9,804,365	61	900	64	741	65	17.6%	27	24.0%	67	463	46	
OSCODA	94.0	30,860	82	2,195,230	82	721	80	619	78	14.1%	56	19.2%	77	322	80	
OTSEGO	432.8	42,977	32	10,951,780	57	1,087	39	970	34	10.8%	77	23.5%	70	366	70	
OTTAWA	6,489.0	56,756	6	197,992,123	7	1,732	5	1,550	5	10.5%	79	29.6%	34	513	31	
PRESQUE ISLE	234.6	34,894	73	5,456,390	69	812	77	668	71	17.7%	25	23.6%	69	407	59	
ROSCOMMON	408.7	34,513	76	8,608,509	63	727	79	573	80	21.1%	10	28.5%	43	397	62	
SAGINAW	3,577.6	42,861	34	96,992,473	13	1,162	34	967	35	16.7%	35	30.7%	25	486	42	
ST. CLAIR	3,505.5	46,119	21	100,588,168	11	1,323	19	1,113	20	15.9%	43	33.3%	15	520	25	
ST. JOSEPH	1,088.8	40,447	42	30,088,781	32	1,118	38	948	40	15.2%	48	25.4%	59	515	30	
SANILAC	714.8	36,336	67	19,116,312	39	972	57	721	68	25.8%	4	32.1%	21	699	4	
SCHOOLCRAFT	144.5	38,757	49	3,458,065	75	927	60	821	55	11.5%	72	19.1%	78	291	82	
SHIAWASSEE	1,478.6	42,670	35	40,499,396	27	1,169	33	992	32	15.1%	49	30.1%	31	489	41	
TUSCOLA	1,031.7	38,379	53	26,902,755	34	1,001	51	744	64	25.7%	5	29.6%	35	817	2	
VAN BUREN	1,489.8	43,492	29	42,730,477	26	1,247	27	1,044	27	16.3%	40	32.4%	20	526	22	
WASHTENAW	9,532.3	66,864	2	294,516,730	5	2,066	2	1,776	2	14.0%	57	35.3%	6	684	6	
WAYNE (including Detroit)	35,687.7	45,663	24	1,012,504,433	2	1,296	22	963	37	25.6%	6	45.0%	1	606	12	
WEXFORD	563.0	36,956	62	15,175,621	46	996	53	821	54	17.5%	29	31.3%	24	434	51	
OUTSIDE OF MICHIGAN	55,350.0	258,691		277,945,940		1,299		1,181		9.0%		13.1%		625		
DETROIT	13,155.5	38,022		354,785,875		1,025		673		34.3%		49.2%		534		
TOTALS	\$272,454.9	\$60,717		6,591,593,869		\$1,469		\$1,231		16.2%		34.0%		577		

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

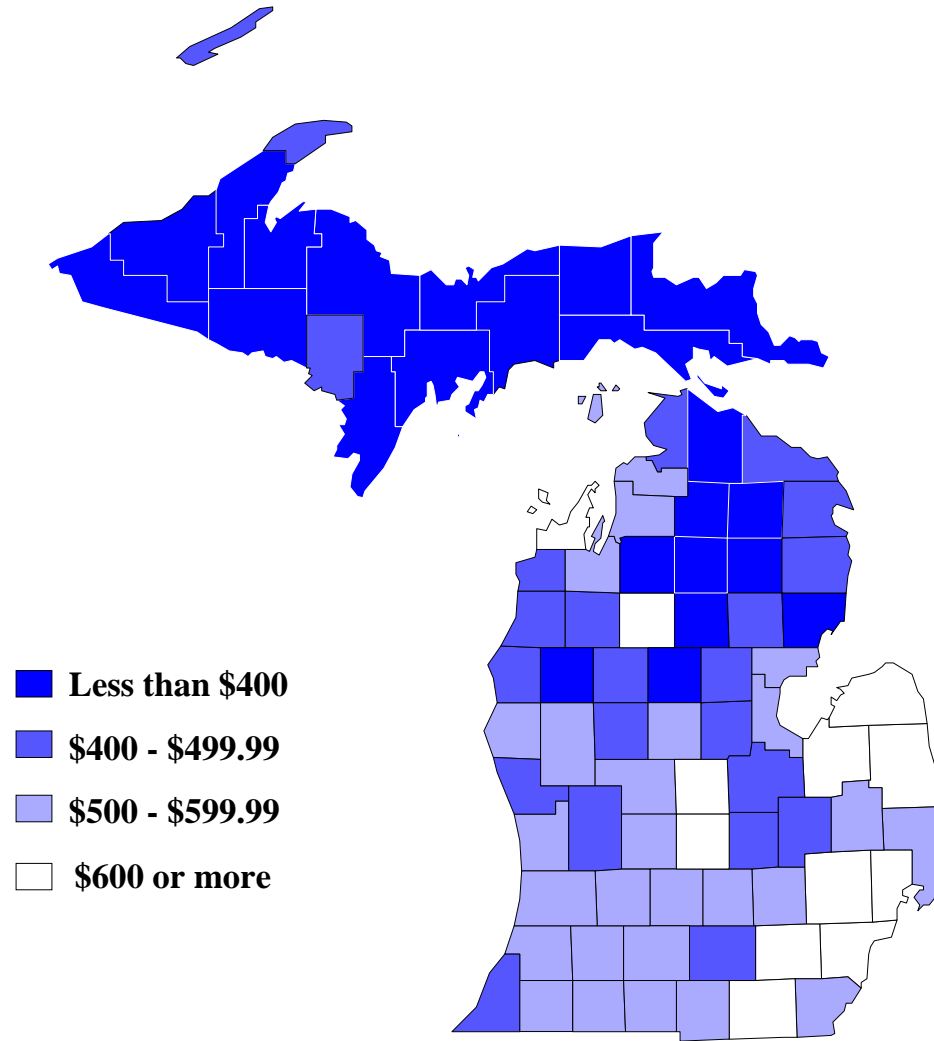
Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 34
Average Adjusted Gross Income by County
2006



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

Exhibit 35
Average Property Tax Credits by County
2006



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

Exhibit 36
Average Annual Individual Income Tax Rates

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

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

XII. APPENDIX A

FEDERAL TAX LAW CHANGES (from 1987 through 2005)

1987

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

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

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

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

1994

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

1995

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

1996

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

1997

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

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

1998

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

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

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

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

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

2001

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

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

2002

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

The maximum annual contribution limits to IRAs (both traditional and Roth) increased from \$2,000 to \$3,000 in 2002 through 2004, \$4,000 in 2005 through 2007, and up to \$5,000 in 2008, when the limit is adjusted for inflation for tax years thereafter. Individuals who are age 50 or

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

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

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

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

2003

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

The Military Family Tax Relief Act of 2003 (MFTRA-03) provided a number of tax reductions to military personnel and their families, most of which will reduce the federal AGI calculation. Some provisions were made effective retroactively, like the special rules for the exclusion of

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

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

- the new above-the-line deduction for overnight travel expenses of National Guard and Reserve members. Effective for tax years after 2002, reservists who stay overnight more than 100 miles away from home while in service may deduct non-reimbursed travel expenses (transportation, meals and lodging), limited to the rates for such expenses authorized for federal employees, including per diem in lieu of subsistence;
- the expansion of military death benefit: the military death benefit was increased to \$12,000 and made it not taxable (it was \$6,000, with \$3,000 tax-free), effective for deaths occurring after September 10, 2001; and
- the new special election regarding sale of principal residence available for members of the uniformed services or the Foreign Service, which applies retroactively for home sales after May 6, 1997. Under current law, all taxpayers may exclude up to \$250,000 of gain from the sale or exchange of their principal residence (\$500,000 of gain for married filing jointly), if the taxpayer owned and used the property as a principal residence for two years or more during the five-year period that ends on the date of sale of the property. The new law allows uniformed and foreign service personnel called to active duty away from home to elect to suspend for up to ten years of such duty time the running of the five-year ownership-and-use period before the sale of a residence. The election applies to only one property at a time, and 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 2007, \$700 in 2007, \$800 in 2007, \$900 in 2008, and \$1,000 in 2009 and subsequent years. The Act also allows distributions from an HSA for qualified medical expenses of the individual, spouse, or dependents to be tax-free. As a result, the impact of HSAs in the Michigan personal income tax are two fold, since both contributions to, and distributions from HSAs are not included in the taxpayer’s AGI.

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

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

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

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

2005

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

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

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

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

Michigan taxpayers who own property in the states affected by hurricanes Katrina, Rita and Wilma, may be impacted by the following provisions in the Katrina Emergency Tax Relief Act of 2006 (KETRA-05), and the Gulf Opportunity Zone Act (GOZA-05)⁹:

- 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 recontribute to such plans, where the amount recontributed 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

⁹ Hurricane tax relief under the GOZA-05 is distributed based on residency and activity in each designated area: Gulf Opportunity (GO) zone, Hurricane Katrina Disaster area, Rita GO zone, Hurricane Rita disaster area, Wilma GO zone, and Hurricane Wilma Disaster area.

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

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

MICHIGAN PERSONAL INCOME TAX LEGISLATIVE HISTORY¹⁰

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.

¹⁰ Source for Public Acts from 1967 through 1994 from Michigan House Fiscal Agency, *State of Michigan: The Income Tax*, April 1999, at www.house.mi.gov/hfa/PDFs/inco_tax.pdf. Source for Public Acts after 1994 from Michigan Department of Treasury, *Michigan's Individual Income Tax Report*, various years.

1970

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

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

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

1971

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

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

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

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

1972

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

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

1973

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

1974

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

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

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

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

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

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

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

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

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

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

1975

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

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

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

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

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

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

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

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

1976

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

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

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

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

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

1977

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

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

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

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

1978

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

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

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

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

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

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

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

1979

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

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

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

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

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

1980

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

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

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

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

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

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

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

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

1981

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

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

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

1982

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

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

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

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

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

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

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

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

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

1983

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

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

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

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

1984

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

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

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

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

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

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

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

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

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

1985

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

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

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

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

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

1986

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

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

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

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

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

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

1987

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

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

1988

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

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

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

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

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

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

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

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

1989

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

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

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

1990

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

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

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

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

1991

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

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

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

1992

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

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

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

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

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

1993

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

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

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

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

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

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

1994

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

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

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

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

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

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

1995

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

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

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

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

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

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

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

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

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

1996

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

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

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

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

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

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

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

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

1997

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

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

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

1998

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

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

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

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

1999

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

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

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

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

2000

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

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

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

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

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

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

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

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

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

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

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

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

2001

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

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

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

2002

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

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

Public Act 615 allowed resident tribal members from certain Michigan federally recognized Indian tribes to deduct all non-business income earned or received in the tax year (to the extent included in AGI). Only resident tribal members from a Michigan federally recognized Indian tribes who signed agreements¹¹ 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.

¹¹ Public Act 616 of 2002 allowed the Michigan Department of Treasury to enter into agreements with federally recognized Indian tribes. The agreements specify whether, and to what extent, Michigan's tax laws apply to each tribe, the tribe members, and other individuals and businesses conducting business with a tribe or its members. At the same time, tribes would promote the enforcement of Michigan tax laws on businesses conducted by them involving non-resident tribal members and non-tribal members. The taxes addressed by the tax agreements include the sales and use tax, the individual income tax, the motor fuels tax, the tobacco tax, and the single business tax.

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

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

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

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

2004

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

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

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

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

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

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

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

2005

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

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

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

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

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>
<u>General MI-IIT Information:</u>													
. 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%
. Filing Requirement:	(2)	206.315	MI-1040	GI	GI	GI	AGI	AGI	AGI	AGI	AGI	AGI	AGI
(Gross income (GI) or AGI above threshold)			Single Return	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,500	\$1,500	\$1,500
			Joint Return	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$3,000	\$3,000	\$3,000
. Reciprocity States			IN, WI	IN, WI, KY	IN, WI, KY	IN, WI, KY	IN, WI, KY, IL	IN, WI, KY, IL, OH	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
. 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%
<u>Exemptions Amounts:</u>													
. Personal Exemption:	206.30(2)	MI-1040	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,500	\$1,500	\$1,500
. Special Exemptions:	(4)	206.30(3)	MI-1040	No	No	No	No	No	No	No	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

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

	<u>MCL</u> <u>Section</u>	<u>Form</u>	<u>TY</u> <u>1978</u>	<u>TY</u> <u>1979</u>	<u>TY</u> <u>1980</u>	<u>TY</u> <u>1981</u>	<u>TY</u> <u>1982</u>	<u>TY</u> <u>1983</u>	<u>TY</u> <u>1984</u>	<u>TY</u> <u>1985</u>	<u>TY</u> <u>1986</u>	<u>TY</u> <u>1987</u>	<u>TY</u> <u>1988</u>
General MI-IIT Information:													
. 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%
. 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	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,600
			Joint Return	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,200
. 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
. Use Tax Return in MI-1040 Booklet			MI-1040	n.a.	n.a.	n.a.	n.a.	n.a.	Yes	Yes	No	No	Yes
. Tax Rate	206.51(1), 51(b)-51(e)	MI-1040	4.60%	4.60%	4.60%	4.60%	5.10%	6.35%	5.85%	5.33%	4.60%	4.60%	4.60%
Exemptions Amounts:													
. Personal Exemption:	206.30(2)	MI-1040	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,600
. Special Exemptions:	(4)	206.30(3)	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Para/Hemi/Quadriplegic (**)(***)	206.30(3)		\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,400
. Disabled	206.30(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,400
. Blind (***)	206.30(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,400
. Deaf (****)	206.30(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,500	\$1,500	\$1,400
. Senior	206.30(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,400
. Unemployed	206.30(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,400
. 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

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>
General MI-IIT Information:													
. IRC compliance (*)	206.12(3)		1987 IRC	1987 IRC	1987 IRC	1987 IRC	1987 IRC	1987 IRC	1987 IRC	1987 IRC	1987 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		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	AGI
(Gross income (GI) or AGI above threshold)		Single Return	\$2,000	\$2,100	\$2,100	\$2,100	\$2,100	\$2,100	\$2,400	\$2,400	\$2,500	\$2,800	\$2,800
		Joint Return	\$4,000	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,800	\$4,800	\$5,000	\$5,600	\$5,600
. Reciprocity States			IN, WI, KY, IL, OH, MN	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	\$500
. Use Tax Return in MI-1040 Booklet		MI-1040	Yes	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	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	206.30d(2)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$600	\$600
. Age 6 and Under			n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$300	\$300
. 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.)

	<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>Section</u>		<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	
<u>General MI-IIT Information:</u>											
. IRC compliance (*)	206.12(3)		1996 IRC	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	Exempt from Federal IIT	
. Revenue Distribution:	(1)										
. To School Aid Fund:	206.51(2)		Formula	Formula	Formula	Formula	Formula	Formula	Formula	Formula	
. Filing Requirement:	(2)	206.315	MI-1040	AGI	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	\$3,300	\$3,400
			Joint Return	\$5,800	\$5,800	\$6,000	\$6,200	\$6,200	\$6,400	\$6,600	\$6,800
. Reciprocity States			IN, WI, KY, IL, OH, MN	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	
. Use Tax Return in MI-1040 Booklet			MI-1040	Yes, line in MI-1040	Yes, line in MI-1040	Yes, line in MI-1040	Yes, line in MI-1040	Yes, line in MI-1040	Yes, line in MI-1040	Yes, line in MI-1040	
. Tax Rate	206.51(1), 51(b)-51(e)	MI-1040	4.20%	4.20%	4.10%	4.00%	3.95%	3.90%	3.90%	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	\$3,400
. Special Exemptions:	(4)	206.30(3)	MI-1040	Yes	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	\$2,200
. Disabled	206.30(3)		\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200
. Blind (***)	206.30(3)		\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200
. Deaf (****)	206.30(3)		\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200
. Senior	206.30(3)		\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200
. Unemployed	206.30(3)		\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200
. Claimed as Dependent	206.30(4)		\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
. Child	206.30d(2)		\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600
. Age 6 and Under			\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600
. Age 7 to 12			\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600

For notes, see page 109.

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>
Check-Offs:													
. State Campaign Fund	(5)	169.261(2)	MI-1040	No	No	No	No	No	No	No	No	Yes	Yes
			Single Return	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$2	\$2
			Joint Return	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$4	\$4
<hr/>													
Taxbase Adjustments Limits			MI-1040										
. Maximum Private Pension Deduction (*****)	203.30(1)(f)(iv) and (v)	(7)		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.	\$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
. Political Contribution	206.30(1)(j)			No	No	No	No	No	Yes	Yes	Yes	Yes	Yes
			Single Return	n.a.	n.a.	n.a.	n.a.	n.a.	\$50	\$50	\$50	\$50	\$50
			Joint Return	n.a.	n.a.	n.a.	n.a.	n.a.	\$50	\$50	\$50	\$50	\$50
. Federal Taxable Wage Base for FICA				\$6,600	\$7,800	\$7,800	\$7,800	\$7,800	\$9,000	\$10,800	\$13,200	\$14,100	\$15,300
. Federal Salary Elective Deferrals				\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
. 401(k)				\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

		MCL Section	Form	TY 1978	TY 1979	TY 1980	TY 1981	TY 1982	TY 1983	TY 1984	TY 1985	TY 1986	TY 1987	TY 1988
<u>Check-Offs:</u>														
. 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
. 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/>														
<u>Taxbase Adjustments Limits</u>			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
. Federal Taxable Wage Base for FICA				\$17,700	\$22,900	\$25,900	\$29,700	\$32,400	\$35,700	\$37,800	\$39,600	\$42,000	\$43,800	\$45,000
. Federal Salary Elective Deferrals . 401(k)				\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$7,000

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MICHIGAN INCOME TAX REQUIREMENTS (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
Check-Offs:														
. 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
. 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
Taxbase Adjustments Limits														
			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
. Federal Taxable Wage Base for FICA				\$48,000	\$51,300	\$53,400	\$55,500	\$57,600	\$60,600	\$61,200	\$62,700	\$65,400	\$68,400	\$72,600
. Federal Salary Elective Deferrals														
. 401(k)				\$7,627	\$7,979	\$8,475	\$8,728	\$8,994	\$9,240	\$9,240	\$9,500	\$9,500	\$10,000	\$10,000
. 403(b), or 457				n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$7,500	\$8,000	\$8,000
. Federal IRA Contribution Limit				No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
. General				n.a.	n.a.	n.a.	n.a.	n.a.	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

		<u>MCL</u>	<u>Form</u>	<u>TY</u>	<u>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>	<u>2007</u>
Check-Offs:											
. State Campaign Fund	(5)	169.261(2)	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
			Single Return	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3
			Joint Return	\$6	\$6	\$6	\$6	\$6	\$6	\$6	\$6
. Children of Veterans Tuition Grant	(6)	206.437	MI-1040	No	No	No	No	No	No	Yes	Yes
. Military Family Relief Fund	(6)	206.438	MI-1040	No	No	No	No	Yes	Yes	Yes	Yes
. Children's Trust Fund	(6)	206.440	MI-1040	No	No	No	No	No	Yes	Yes	Yes
<hr/>											
Taxbase Adjustments Limits			MI-1040								
. Maximum Private Pension Deduction (*****)	203.30(1)(f)(iv) and (v) (7)			Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
			Single Return	\$34,920	\$36,090	\$37,110	\$37,710	\$38,550	\$39,570	\$40,920	\$42,240
			Joint Return	\$69,840	\$72,180	\$74,220	\$75,420	\$77,100	\$79,140	\$81,840	\$84,480
. Political Contribution	206.30(1)(j)			Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
			Single Return	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
			Joint Return	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
. Maximum Senior Interest, Dividends, and Capital Gains Deduction (*****)	206.30(1)(r) (8)			Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
			Single Return	\$7,785	\$8,048	\$8,273	\$8,408	\$8,595	\$8,828	\$9,128	\$9,420
			Joint Return	\$15,570	\$16,095	\$16,545	\$16,815	\$17,190	\$17,655	\$18,255	\$18,840
. Maximum MESP Contribution	206.30(1)(W)(i)			Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
			Single Return	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	5000	\$5,000	\$5,000
			Joint Return	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	10000	\$10,000	\$10,000
. Federal Taxable Wage Base for FICA				\$76,200	\$80,400	\$84,900	\$87,000	\$87,900	\$90,000	\$94,200	\$97,500
. Federal Salary Elective Deferrals											
. 401(k)				\$10,500	\$10,500	\$11,000	\$12,000	\$13,000	\$14,000	\$15,000	\$15,500
. 403(b), or 457				\$8,000	\$8,500	\$11,000	\$12,000	\$13,000	\$14,000	\$15,000	\$15,500
. 50 and over				n.a.	n.a.	\$12,000	\$14,000	\$16,000	\$18,000	\$20,000	\$20,500
. Federal IRA Contribution Limit				Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. General				\$2,000	\$2,000	\$3,000	\$3,000	\$3,000	\$4,000	\$4,000	\$4,000
. 50 and over				n.a.	n.a.	\$3,500	\$3,500	\$3,500	\$4,500	\$5,000	\$5,000

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>
<u>NonRefundable Credits</u>														
. 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)
<hr/>														
<u>Refundable Credits</u>														
. Inventory Tax Cr.	(19)	206.258(1)	MI-1040	No	No	No	No	No	No	Yes	Yes	Yes	No	No
or Franchise Fee Cr.		206.258(1)		No	No	No	No	No	No	Yes	Yes	Yes	No	No

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>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>
		<u>Section</u>		<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
<u>NonRefundable Credits</u>														
. Taxes Paid to														
Another State Cr.	(10)	206.255(1)	MI-1040	Yes	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)
. 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
<u>Refundable Credits</u>														
. Inventory Tax Cr.	(19)	206.258(1)	MI-1040	No	No	No	No	No	No	No	No	No	No	No
or Franchise Fee Cr.		206.258(1)		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
. Prescription Drug Cr.	(21)	206.273	MI-1040	No	No	No	No	No	No	No	No	No	No	No

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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>
<u>NonRefundable Credits</u>														
. 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
. 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
. College Tuition Cr.	(18)	206.274	Schedule CT	No	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes
<u>Refundable Credits</u>														
. Sec. 1341 of IRC Cr.		206.265	MI-1040	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Prescription Drug Cr.	(21)	206.273	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

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>TY</u>
		<u>Section</u>		<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<u>NonRefundable Credits</u>											
. Taxes Paid to											
Another State Cr.	(10)	206.255(1)	MI-1040	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
. City Income Taxes Cr.	(12)	206.257	MI-1040	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')
. Community Foundation Cr.	(13)	206.261	MI-1040	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	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')
. MI Historic Preservation Cr.	(16)	206.266	Form 3581	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Vehicle Donation Cr.	(17)	206.269	MI-1040	No	No	No	No	No	Yes	Yes	Yes
. College Tuition Cr.	(18)	206.274	Schedule CT	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<u>Refundable Credits</u>											
. Sec. 1341 of IRC Cr.		206.265	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Adoption Cr.	(20)	206.267, 268	MI-1040	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Prescription Drug Cr.	(21)	206.273	MI-1040	Yes	Yes	No	No	No	No	No	No

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

Refundable Credits (cont.)	<u>MCL Section</u>	<u>Form</u>	<u>TY 1967</u>	<u>TY 1968</u>	<u>TY 1969</u>	<u>TY 1970</u>	<u>TY 1971</u>	<u>TY 1972</u>	<u>TY 1973</u>	<u>TY 1974</u>	<u>TY 1975</u>	<u>TY 1976</u>	<u>TY 1977</u>
. <u>Homestead Property Tax Cr.</u> (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)
. 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)
. 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.)

Refundable Credits (cont.)	MCL Section	Form	TY 1978	TY 1979	TY 1980	TY 1981	TY 1982	TY 1983	TY 1984	TY 1985	TY 1986	TY 1987	TY 1988
. 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%	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)

For notes, see page 109.

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.)

Refundable Credits (cont.)	MCL Section	Form	TY 2000	TY 2001	TY 2002	TY 2003	TY 2004	TY 2005	TY 2006	TY 2007
. <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")
. Eligible Property Tax Paid Percent										
. Homeowners	206.520(1)		100%	100%	100%	100%	100%	100%	100%	100%
. Renters	206.520(2)									
. Ad Valorem Taxes			20%	20%	20%	20%	20%	20%	20%	20%
. Service Charges			10%	10%	10%	10%	10%	10%	10%	10%
. Nursing Home Patient			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
. Household Income Limit	206.506		\$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
. Taxpayer and Spouse blind	206.522(3)		\$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
. Total HPTC Limit	206.520(16)		\$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)
. Special Credits:										
. Seniors										
. General	206.522(1)(b)		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)
. 1973 Homestead Exempt	206.522(5)		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)
. Disabled	206.522(1)(b), (c)		Yes (d)	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)	Yes (d)
. Veterans	206.522(1)(d)		Yes (h)	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)	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')	Yes (j')

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

Refundable Credits (cont.)	Section	Form	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.)

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
. Home Heating Credit	(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.)

Refundable Credits (cont.)	MCL Section	Form	TY 2000	TY 2001	TY 2002	TY 2003	TY 2004	TY 2005	TY 2006	TY 2007
. <u>Home Heating Credit</u>	(25) 206.527a(1)	CR-7	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Federal Poverty Income Limit	206.527a(1)(b)		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")
. Maximum Credit:	206.527a(1)(a)									
. 0 or 1 Exemption			\$323	\$332	\$342	\$347	\$359	\$369	\$378	\$394
. 2 Exemptions			\$435	\$448	\$461	\$468	\$482	\$495	\$509	\$528
. 3 Exemptions			\$547	\$565	\$579	\$589	\$604	\$620	\$640	\$662
. 4 Exemptions			\$658	\$681	\$698	\$709	\$727	\$746	\$771	\$496
. 5 Exemptions			\$770	\$797	\$816	\$830	\$849	\$871	\$902	\$930
. 6 Exemptions			\$882	\$914	\$935	\$951	\$972	\$997	\$1,033	\$1,064
. more than 6 exemp.			+\$112/exemp.	+\$116/exemp.	+\$119/exemp.	+\$121/exemp.	+\$122/exemp.	+\$126/exemp.	+\$131/exemp.	+\$134/exemp.
. Maximum Income Limit Requirement:										
. 0 or 1 Exemption			\$9,229	\$9,486	\$9,771	\$9,914	\$10,257	\$10,529	\$10,786	\$11,243
. 2 Exemptions			\$12,429	\$12,800	\$13,171	\$13,371	\$13,771	\$14,129	\$14,529	\$15,072
. 3 Exemptions			\$15,629	\$16,143	\$16,543	\$16,829	\$17,257	\$17,700	\$18,271	\$18,900
. 4 Exemptions			\$18,800	\$19,457	\$19,943	\$20,257	\$20,771	\$21,300	\$22,014	\$22,729
. 5 Exemptions			\$22,000	\$22,771	\$23,314	\$23,714	\$24,257	\$24,871	\$25,757	\$26,558
. 6 Exemptions			\$25,200	\$26,114	\$26,714	\$27,171	\$27,771	\$28,471	\$29,500	\$30,386
. more than 6 exemp.			+\$3,200/exemp.	+\$3,322/exemp.	+\$3,388/exemp.	+\$3,498/exemp.	+\$3,498/exemp.	+\$3,586/exemp.	+\$3,740/exemp.	+\$3,829/exemp.
. Alternative Credit	206.527a(1)(c)(ii)		Yes (l")	Yes (l")	Yes (l")	Yes (l")	Yes (l")	Yes (l")	Yes (l")	Yes (l")
. Heating Fuel Cost Limit	206.527a(1)(d)		\$1,453	\$1,493	\$1,578	\$1,687	\$1,843	\$2,028	\$2,231	\$2,231
. Maximum Income:										
. 0 or 1 Exemptions			\$10,350	\$10,703	\$10,922	\$11,211	\$11,360	\$11,635	\$12,066	\$12,263
. 2 Exemptions			\$13,209	\$13,573	\$14,345	\$15,088	\$15,287	\$15,658	\$16,230	\$16,502
. 3 or more			\$13,209	\$13,573	\$14,345	\$15,340	\$16,757	\$18,433	\$20,282	\$20,282
. Credit Proration (%)	206.527a(18)		100%	100%	100%	80%	76%	76%	76%	53%
. Tribal Credit	(26) 206.30(1)(aa)	4013	n.a.	n.a.	n.a.	n.a.	n.a.	Yes	Yes	Yes
. Stillbirth Credit	(27) 206.275	MI-1040	n.a.	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 for TY 1995.
- (10) Taxes Paid to Another State Credit: for TY 1967, credit equaled the amount of income tax paid in other states, limited to taxpayer liability. Starting TY 1968, credit was limited further to the proportion of the MI IIT due that the amount of the taxpayer's out-of-state income bears to the taxpayer's AGI.
- (11) Nonresident Credit for Reciprocal State Income Tax exemption applies to the MI IIT paid by nonresident taxpayers from the following states: Reciprocal States (IN, WI, KY, IL, OH, MN), Idaho (TY 1970-82), Maryland (TY 1970-91), New Mexico (TY 1970-75), Virginia (TY 1968 on), West Virginia (TY 1970-91), and Canadian Provinces (TY 1978 on).

.(12) City Income Tax Credit Calculation:

For TY 1968 and 1969:

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

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

. For TY 1971 - 1985:

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

. Starting TY 1986:

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

.(13) Contribution Credit Calculation:

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

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

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

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

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

.(16) MI Historical Preservation Credit equals to 25% of qualified expenses, reduced by the amount of federal historic credit received.

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

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

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

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

Refundable Credits:

- .(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.

.(27) Stillbirth Credit: credit equals to 4.5% of the personal exemption amount for the tax year allowed for a single exemption, rounded up to the nearest \$10 increment