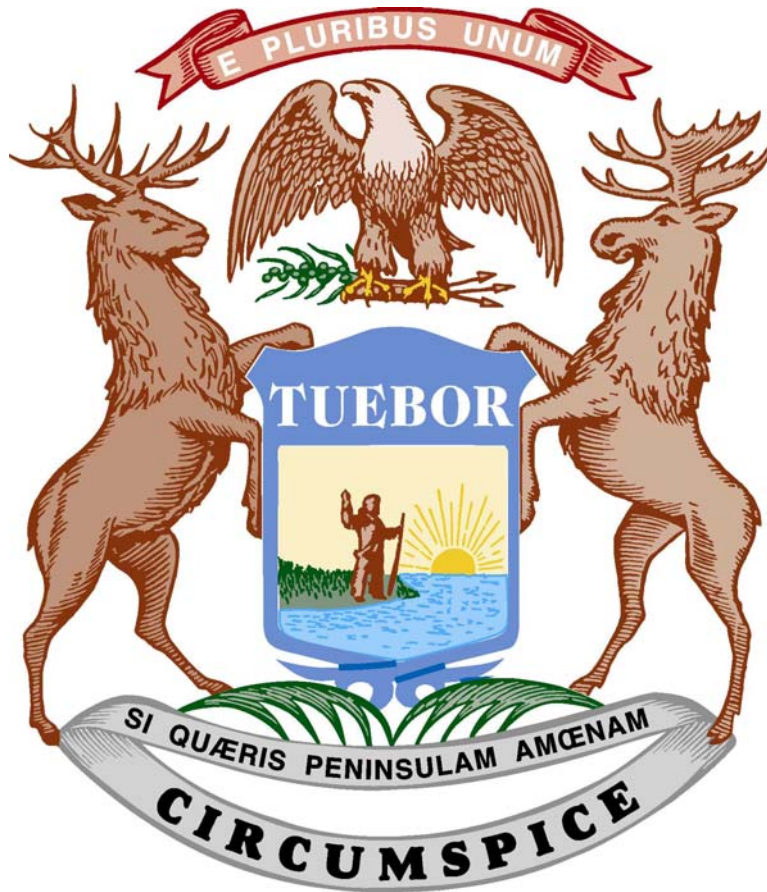
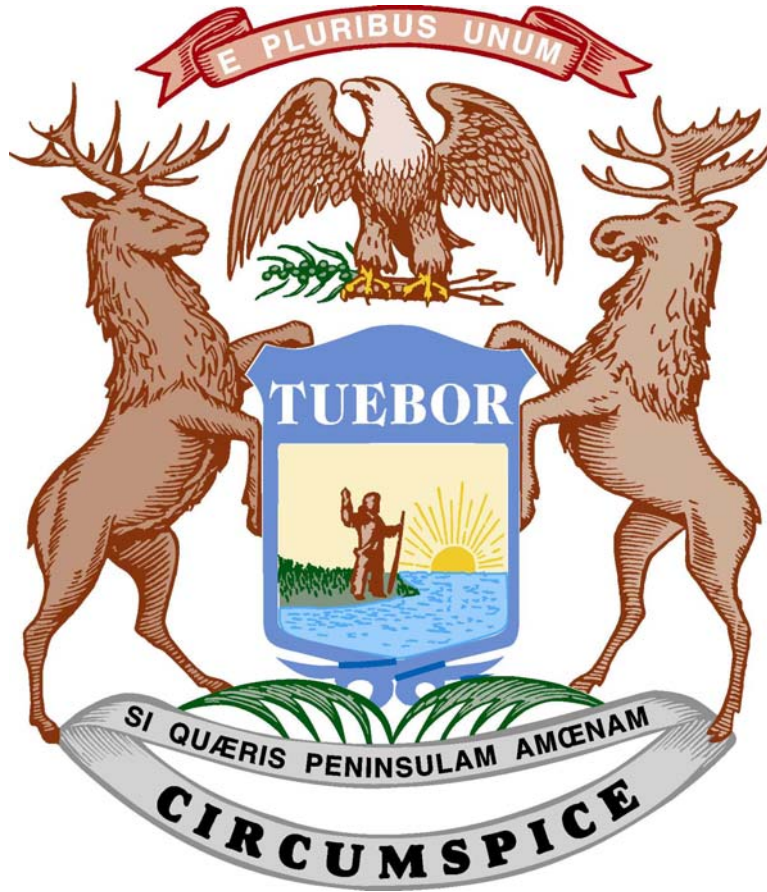


**MICHIGAN'S  
INDIVIDUAL INCOME TAX  
2012**



**Michigan Department of Treasury  
Office of Revenue and Tax Analysis  
Tax Analysis Division  
July 2014**

# MICHIGAN'S INDIVIDUAL INCOME TAX 2012



Tax Analysis Division  
July 2014

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, Eric Krupka, and Andrew Lockwood of ORTA provided assistance.

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## I. EXECUTIVE SUMMARY

### **Returns and Revenue**

For tax year 2012, Michigan's personal income tax generated \$7.0 billion in state revenues after all credits and refunds were paid. Net revenue increased \$1.4 billion (25.0 percent) from 2011 levels, reflecting the increase in taxable income of \$23.7 billion (9.0 percent) from 2011 to 2012 (resulted from the elimination of many special exemptions, and the new treatment of retirement income), and the decrease of \$550.8 million (42.7 percent) in credits from 2011 levels. About 4.5 million returns were filed for the 2012 tax year, or 23,030 more filers (0.5 percent) than the previous year.

Although the personal income tax was levied at a nominal flat rate of 4.33 percent in 2012, the average effective tax rate varied from negative 38.38 percent for filers with an AGI under \$2,000 to positive 3.46 percent for taxpayers with an AGI between \$190,001 and \$200,000. Including the impact of all refundable and nonrefundable credits, the overall effective tax rate was 2.42 percent. The negative effective rates for lower income groups arise because some taxpayers receive net payments from the state, due principally to the refundable credits for property taxes and home heating expenses, and the Michigan Earned Income Tax Credit (EITC). Most (90.4 percent) of the \$7.0 billion in net revenue was paid by income groups with income over \$50,000.

### **Interstate Comparisons**

For fiscal year 2012, Michigan's income tax revenue was eighth lowest in the nation on a per capita basis, and ninth lowest as a percentage of personal income, among the 41 states with a general income tax. Compared to the average for those 41 states, Michigan's income tax revenue was 38.3 percent below average on a per capita basis, and 29.4 percent below average as a percent of personal income.

### **Property Tax Credit**

About 1.1 million Michigan homeowners, renters, and farmers received \$583.6 million in property tax credits, including farmland preservation credits, for 2012. The average property tax credit was \$513. Excluding farmland preservation credits, the average property tax credit for tax year 2012 was \$481. The total amount of property tax credits, including farmland preservation credits, decreased by \$274.7 million (-32.0 percent) with 359,000 fewer taxpayers benefiting compared to tax year 2011.

Senior citizens received about \$194.1 million in homestead property tax credits, a decrease of \$138.4 million from tax year 2011. For about 330,100 senior citizens receiving homestead property tax credits, the average credit was \$588.

### **Home Heating Credit**

Home heating credits totaled \$47.9 million for tax year 2012 with about 375,700 households qualifying for an average credit of \$128. Home heating credits decreased \$17.8 million in 2012, when approximately 85,600 fewer taxpayers claimed the credit.

### **Michigan Earned Income Tax Credit (EITC)**

About 772,300 taxpayers claimed about \$106.4 million in Michigan EITC in 2012, resulting in an average credit of \$138 per taxpayer. In 2008, the first year the Michigan credit became effective, the state credit was 10 percent of the federal credit. It increased to 20 percent of the federal credit for tax years 2009 through 2011, and finally reduced to 6 percent of the federal credit effective in tax year 2012.

### **Historic Preservation Credit**

For tax year 2012, about 900 taxpayers claimed \$755,600 in historic preservation credits. Compared with tax year 2011, this was a decrease of \$427,500 with 240 additional taxpayers claiming a credit.

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

For tax year 2012, 48,900 taxpayers received a total of \$48.6 million credit for income tax paid to another state, resulting in an average credit of \$993. This represented a decrease of \$1.1 million with 960 more taxpayers claiming a credit.

### **Use Tax Payments**

Starting in tax year 1999, taxpayers were asked to remit use tax payments along with their personal income tax returns. In 2012, 110,600 taxpayers paid \$5.8 million in use tax. Compared to 2011, this was an increase of \$144,700 on the total use tax paid, with 3,700 more taxpayers reporting the use tax.

### **Tax Law Changes in 2013**

**Public Act 15** amended the Income Tax Act to allow a flow-through entity to avoid withholding on the distributive share of business income for a member other than a non-resident individual if the member submits an exemption certificate to the flow-through entity. Previously, only corporate members could elect to avoid withholding on the distributive share of business income.

**Public Act 133** amended the Revenue Act to require additional interest to be paid on refunds claimed by individuals, estates, or trusts under the Income Tax Act, if certain conditions are met.

The additional interest of 3 percent per year would be due if an eligible refund is paid after May 1, for returns received on or before March 1, or if a refund is paid more than 60 days from the date the return was received if received after March 1. To be eligible for the additional interest a return would have to be generally free from errors and be complete when originally filed.

**Public Act 206** amended the Income Tax Act to treat all blind filers of the homestead property tax credit the same as taxpayers who are classified as disabled. Prior to the passage of the Public Act, blind claimants over the age of 65 were classified as senior citizens and not disabled, and thus eligible for a less generous calculation of the homestead property tax credit if the claimant's total household resources were over \$21,000.

## **II. INTRODUCTION**

This report summarizes information regarding the Michigan individual income tax for tax year 2012. It is based on returns filed and processed in calendar year 2013.

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 2012 and 2013 and how those changes affect Michigan's income tax base. Section X summarizes the Michigan Public Acts (PA) in 2012 and 2013 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 2001 through changes in 2011, the Michigan personal income tax legislative history through 2011, and a table with chronological changes to the Michigan income tax requirements and limits since 1967.

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

The Michigan individual income tax became effective on October 1, 1967, under PA 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.

In response to the early 1980s economic recession that plagued Michigan with budget deficits, the state income tax rate was raised to 5.6 percent between April 1 and September 30, 1982, further increasing to 6.35 percent in 1983. As the Michigan economy improved, the income tax rate was rolled back 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. New legislation passed in 1999 reduced the income tax rate to 4.2 percent effective January 1, 2000, and further reduced the rate by 0.1 percentage point on January 2002, January 2003, and July 2004, bringing the rate to 3.9 percent, where it remained through September 2007. As the pace of the Michigan economy slowed considerably in the mid-2000s, renewed budgetary pressures led to new legislation that increased the income tax rate to 4.35 percent effective October 1, 2007, and provided for a gradual reduction of the rate (0.1 percentage point) on each October 1 beginning in 2011, until the rate reached 3.95 percent, and finally dropped to 3.9 percent on October 1, 2015. However, PA 38 of 2011 and PA 223 of 2011 maintained the 4.35 percent rate through December 2012, and reduced the rate to 4.25 percent beginning October 2012, respectively. (See Exhibit 41 on page 60 for a complete list of average Michigan Individual Income tax rates since 1968.)

The starting point of the Michigan individual income tax is federal AGI. Therefore, changes in federal tax law can affect Michigan income tax collections. The broad changes in AGI effected by the Tax Reform Act of 1986 significantly increased the Michigan income tax base. In response, the personal exemption was gradually increased from \$1,500 in 1986 to \$2,100 in 1990, a 40 percent overall increase. PA 2 of 1995 increased the personal exemption to \$2,400 for tax years 1995 and 1996, and to \$2,500 in 1997. PA 3 of 1995 indexed the exemption to inflation, where inflation adjustments would be rounded to the nearest \$100 after tax year 1997. For tax years 1998 through 2013, the inflation adjusted personal exemption is further increased by an additional \$200 under PA 86 of 1997. PA 224 of 2012 provided that the personal exemption would increase to the greatest of the indexed value or a base (\$3,950 for October 1, 2012 through December 2013, and \$4,000 for tax years 2014 and after). 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 95.

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<sup>1</sup> For a complete Michigan personal income tax legislative history through 2011, see Appendix A, page 70.

For 2012, the following exemptions were available for taxpayers: \$3,763 personal exemption, \$2,400 special exemption for filers with certain disabilities, \$300 exemption for disabled veterans, and \$1,500 exemption for taxpayers claimed as dependent by another taxpayer. (2012 was the first year where exemptions for seniors, filers receiving at least 50 percent of their AGI from unemployment compensation, and children aged 18 years and under were eliminated under PA 38 of 2011. For all changes resulting from that legislation, see page 92). Exhibit 1 depicts the average annual Michigan individual income tax rate and allowed exemptions since 2004.

**Exhibit 1**  
**Michigan Individual Income Tax Exemption Allowances**

<u>Tax Year</u>	<u>Average Rate</u>	<u>Personal Exemption</u>	<u>Claimed as Dependent Exemption</u>	<u>Special Exemptions</u>			
				<u>Blind, Deaf, or Disabled</u>	<u>Disabled Veteran</u>	<u>Senior</u>	<u>Unemployment Compensation</u>
2004	3.95% *	3,100	1,500	2,000	n.a.	2,000	2,000
2005	3.90%	3,200	1,500	2,000	n.a.	2,000	2,000
2006	3.90%	3,300	1,500	2,100	n.a.	2,100	2,100
2007	4.01% **	3,400	1,500	2,200	n.a.	2,200	2,200
2008	4.35%	3,500	1,500	2,200	250	2,200	2,200
2009	4.35%	3,600	1,500	2,300	300	2,300	2,300
2010	4.35%	3,600	1,500	2,300	300	2,300	2,300
2011	4.35%	3,700	1,500	2,400	300	2,400	2,400
2012	4.33% ***	3,763 ****	1,500	2,400	300	n.a.	n.a.
2013	4.25%	3,950	1,500	2,500	300	n.a.	n.a.
2014	4.25%	4,000	1,500	2,500	400	n.a.	n.a.

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

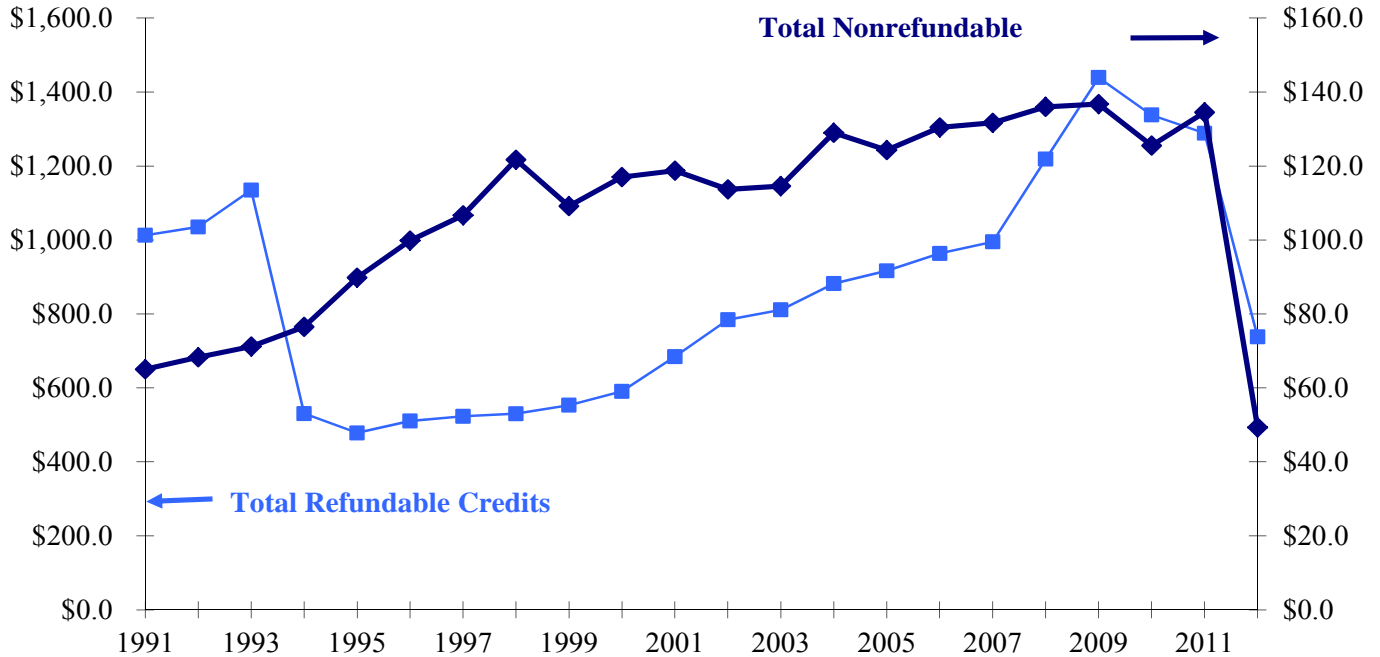
\*\*Tax rate equals 3.9% through September 2007, then it increases to 4.35% thereafter.

\*\*\*Tax rate equals 4.35% through September 2012, then it decreases to 4.25% thereafter.

\*\*\*\*Exemption equals \$3,700 through September 2012, then it increases to \$3,950 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, and the Michigan EITC. These provisions help to make the tax less burdensome on low income taxpayers. Refundable and nonrefundable credits paid and claimed have gradually increased over the years, except in 1994, when property tax reductions enacted as a part of school finance reform led to reduced property tax credits, in 2010 and 2011, when falling property values depressed property tax credits, and in 2012, when a number of credits, mainly nonrefundable ones, were no longer available. Exhibit 2 provides information on the total amount of refundable and nonrefundable credits paid since 1991. For tax year 2012, a total of \$738.0 million was paid in refundable credits, and an additional \$49.3 million was paid in nonrefundable credits. For a complete list of credits available in tax year 2012 see Chapter V on page 22.

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



A portion of income tax revenues is earmarked to the School Aid Fund (SAF) with the remainder distributed as General Fund/General Purpose (GF/GP) revenues. Beginning in fiscal year 1994-95, 14 percent of gross income tax collections was statutorily allocated to the SAF with the remainder of net income tax revenue allocated to GF/GP. For fiscal year 1996-97, the SAF allocated percentage increased to 23 percent, where it remained until tax year 1999. For tax years 2000 and after, the percentage of gross income tax collections earmarked to the SAF changed to equal 1.012 percent divided by the income tax rate. The inverse relationship between the income tax rate and the percent allocated to the SAF has resulted in a steady increase of the earmarking percentage for tax years 2000 through 2007, from 24.1 to 25.95 percent, and a recent decline on that percentage to 25.24 percent in 2007, and 23.26 percent for tax years 2008 through 2011. For tax year 2012, the earmarked percentage was 23.40 percent. Exhibit 3, on page 8, summarizes the income tax revenue earmarking to the SAF and GF/GP since 1995.

**USE TAX PAYMENTS**

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

An out-of-state business that does not have a store, warehouse, or employees in Michigan does not have to register and collect Michigan use tax. However, many out-of-state businesses voluntarily collect use tax for their customers.

Starting in tax year 1999, Michigan taxpayers were able to remit use tax payments while filing their income tax return, instead of filing separate use tax forms. This alternative simplifies the tax compliance process for the taxpayer. In tax year 2012, 110,600 taxpayers remitted \$5.8 million in use tax (see Exhibit 4 below).

**Exhibit 3**  
**Earmarking of Income Tax Revenue**

<u>Tax Years</u>	<u>Average Tax Rate</u>	<u>Earmarking Percentages</u>		<u>Tax Years</u>	<u>Average Tax Rate</u>	<u>Earmarking Percentages</u>	
		<u>SAF</u>	<u>GF/GP</u>			<u>SAF</u>	<u>GF/GP</u>
1995	4.40%	14.00 %	86.00 %	2005 - 2006	3.90%	25.95	74.05 %
1996 - 1999	4.40%	23.00	77.00	2007	4.01%	25.24	74.76
2000 - 2001	4.20%	24.10	75.90	2008 - 2011	4.35%	23.26	76.74
2002	4.10%	24.68	75.32	2012	4.33%	23.40	76.60
2003	4.00%	25.30	74.70	2013	4.25%	23.81	76.19
2004	3.95%	25.62	74.38				

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

<u>Tax Year</u>	<u>Number Of Returns</u>	<u>Use Tax Amount</u>	<u>Average Per Return</u>
1999	64,650	\$2,895,475	\$44.79
2000	79,627	2,976,223	37.38
2001	72,913	2,877,459	39.46
2002	70,619	2,872,252	40.67
2003	79,684	3,302,217	41.44
2004	86,774	4,041,439	46.57
2005	82,691	3,409,451	41.23
2006	81,360	3,346,874	41.14
2007	104,836	4,086,157	38.98
2008	103,637	4,056,857	39.14
2009	100,779	4,984,597	49.46
2010	104,707	5,232,886	49.98
2011	106,850	5,680,746	53.17
2012	110,597	5,825,409	52.67

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



## IV. INCIDENCE OF THE INDIVIDUAL INCOME TAX

For tax year 2012, about 4.5 million MI-1040 returns were filed, 23,030 more than for 2011 (see Exhibit 5 below). An additional 99,100 “credit-only” returns were filed for 2012. These “credit-only” returns refer to returns from taxpayers who did not file an 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, 24,200 claimed only a home heating credit, 22,300 claimed only a property tax credit, and 26,400 claimed both refundable credits.

The personal income tax generated \$7.0 billion in net revenue for tax year 2012, which is total revenue after all credits and refunds are paid. Income tax revenues increased \$1.4 billion (25.0%) from 2011, reflecting the \$550.8 million decrease in credits compared to 2011, the elimination of many special exemptions, and the new treatment of retirement income starting in tax year 2012.

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

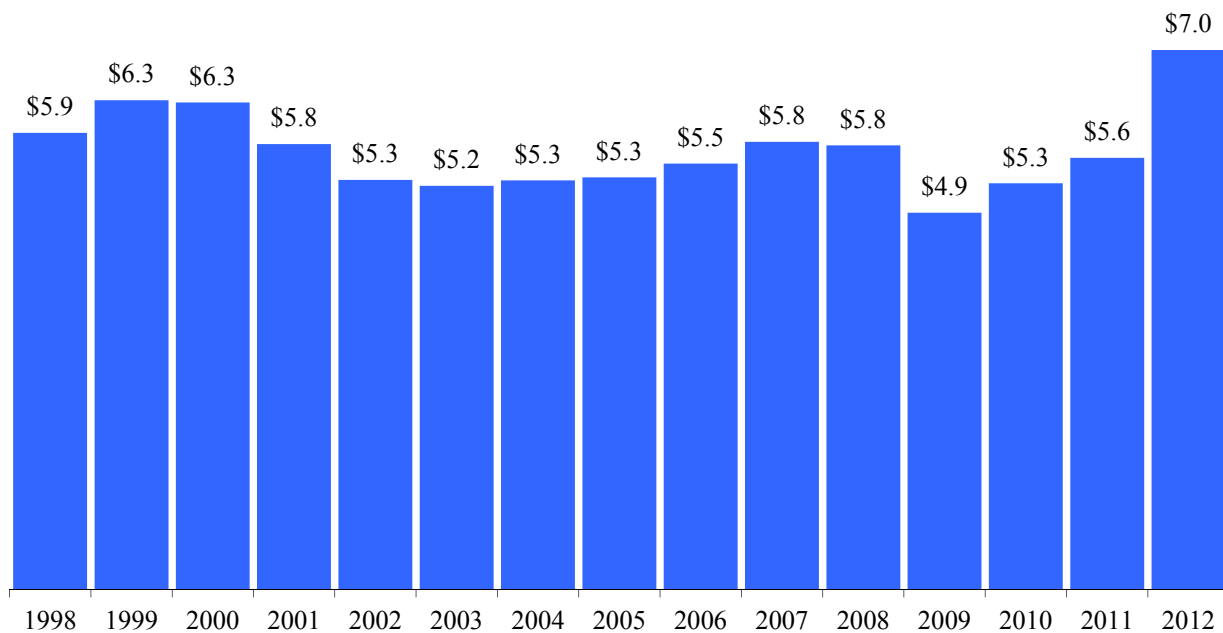
<u>Year</u>	<u>Number of 1040s Filed</u>	<u>Adjusted Gross Income</u>	<u>Average AGI</u>	<u>Nominal Rate</u>	<u>Average Effective Rate</u>	<u>Revenue</u>
1998	4,350,006	205,229,640,000	47,179	4.40%	2.88%	5,919,624,100
1999	4,414,720	222,092,788,315	50,307	4.40%	2.86%	6,343,222,500
2000	4,511,561	235,714,626,207	52,247	4.20%	2.68%	6,313,315,900
2001	4,456,031	222,960,889,578	50,036	4.20%	2.59%	5,774,007,800
2002	4,405,687	213,455,154,939	48,450	4.10%	2.49%	5,309,790,100
2003	4,369,995	223,070,894,889	51,046	4.00%	2.35%	5,232,779,200
2004	4,390,300	241,419,608,339	54,989	3.95%	2.20%	5,301,966,200
2005	4,424,662	260,604,722,102	58,898	3.90%	2.05%	5,341,831,700
2006	4,487,257	272,454,940,745	60,717	3.90%	2.03%	5,521,426,800
2007	4,560,672	292,321,301,678	64,096	4.01%	1.99%	5,803,415,000
2008	4,481,511	257,476,490,543	57,453	4.35%	2.24%	5,757,103,800
2009	4,395,979	240,741,775,266	54,268	4.35%	2.03%	4,883,682,400
2010	4,459,933	254,568,181,316	57,079	4.35%	2.07%	5,264,953,200
2011	4,491,741	264,777,026,191	58,948	4.35%	2.11%	5,594,565,100
2012	4,514,771	288,509,600,808 <sup>2</sup>	63,903	4.33%	2.42%	6,994,868,100

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<sup>2</sup>The AGI above is reduced by returns reporting a negative AGI totaling a negative \$4.9 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. Exhibit 6 below provides a graphical representation of Michigan individual income tax annual collections since 1998.

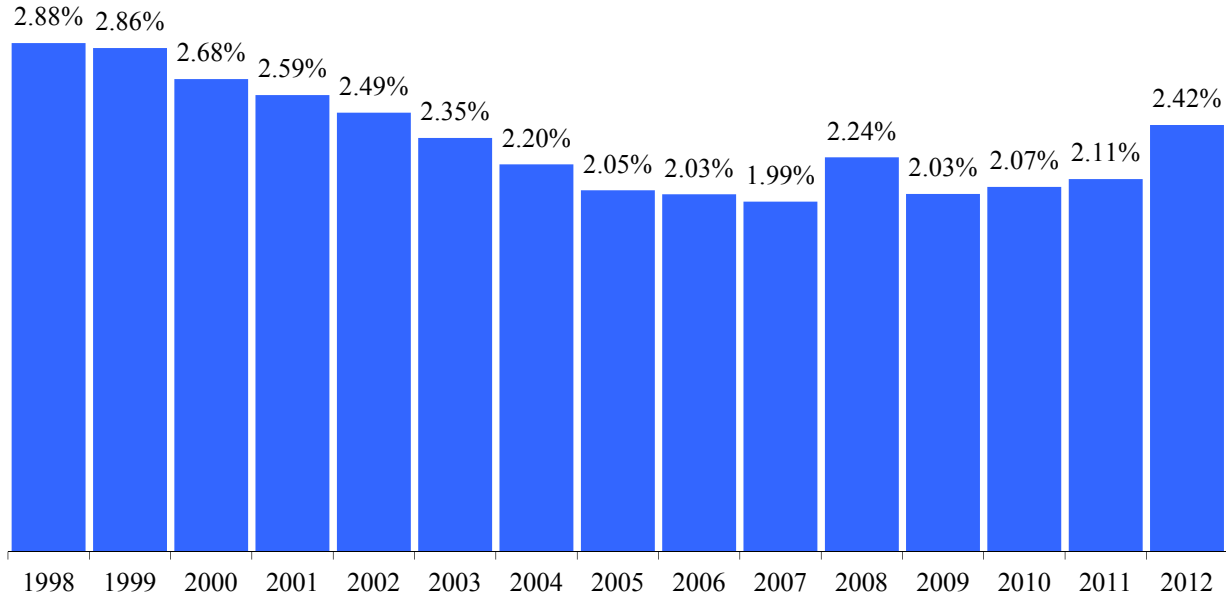
**Exhibit 6**  
**Annual Collections from Michigan Individual Income Tax**  
**(billions of dollars)**



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

Even though the nominal Michigan personal income tax is levied at a flat 4.33 percent rate, 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 2012 was 2.42 percent, lower than the calculated average of 2.88 percent for the 1997-1999 period, when the tax rate was kept at 4.4 percent. Over the 1997-2012 period, the highest average effective rate was 2.90 percent for 1997, and the lowest average was 1.99 percent for 2007. Except for tax year 2008, which reflects the full year impact of the nominal rate increase from 3.9 percent to 4.35 percent, and tax year 2012, when the treatment of retirement income was changed and several credits and special exemptions were either eliminated or reduced, the overall decrease in the average effective rate over past years resulted from a combination of generalized increase in exemptions amounts due to inflation indexing, expansion of refundable credits, and decrease in the nominal tax rate.

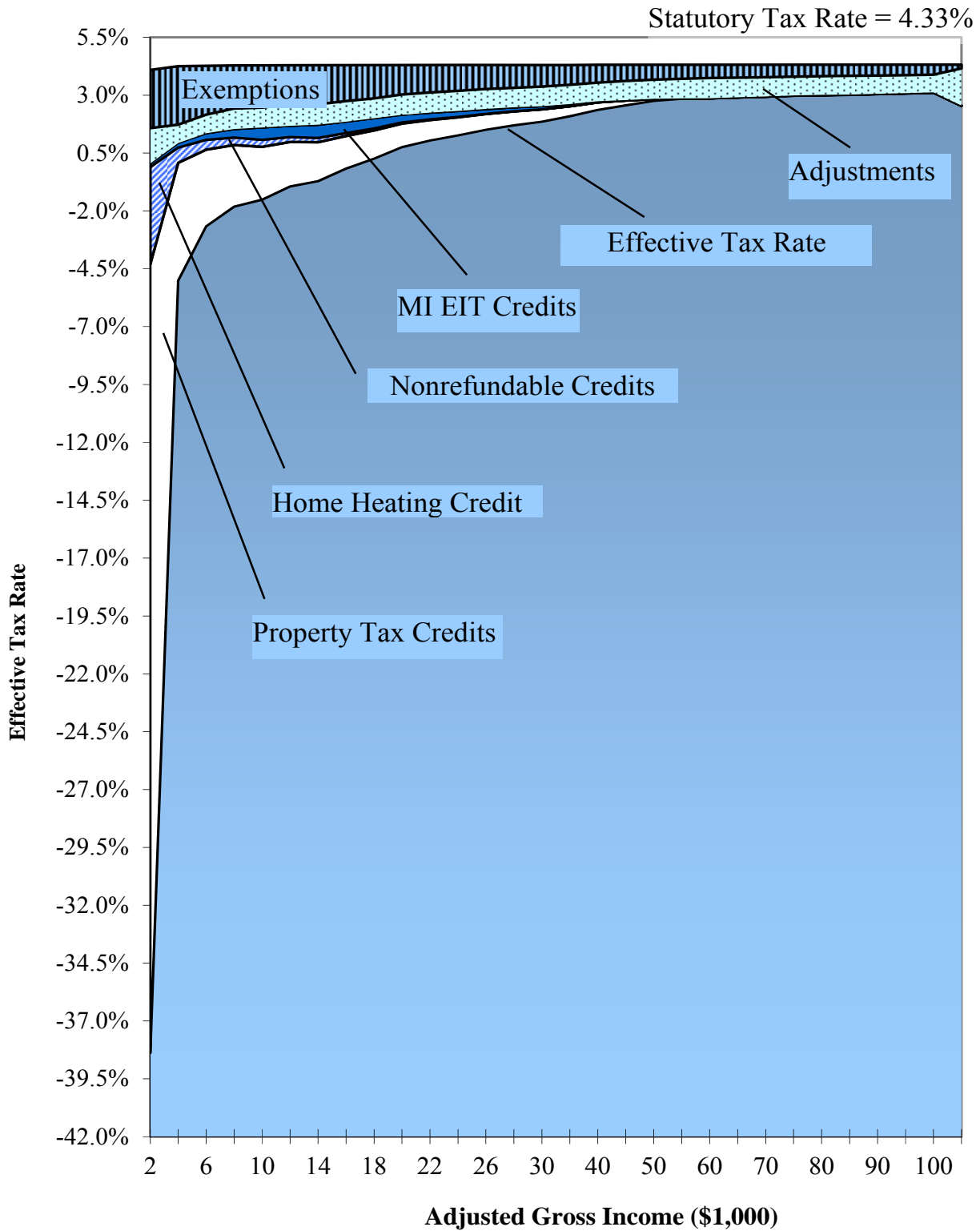
**Exhibit 7**  
**Individual Income Tax**  
**Effective Tax Rate**



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

As shown in Exhibits 8, 26 and 27 (see pages 12, 41 and 42, respectively), the effective tax rate in 2012 varied from negative 38.38 percent for taxpayers in the \$1 - \$2,000 AGI group, to positive 3.46 percent for taxpayers with an AGI between \$190,001 and \$200,000. Taxpayers with AGIs of less than \$16,000 on average received net payments from the state, mostly due to the refundable credits for property taxes, home heating expenses, and the Michigan EITC. The effective rate for taxpayers with an AGI above \$1,000,000 was 1.11 percent, lower than the peak of 3.46 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 2.42 percent rather than the nominal rate of 4.33 percent.

**Exhibit 8  
Effective Income Tax Rates,  
2012**



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 26 (see page 41). Exhibit 26 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 \$3,763 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, home heating credit, and the Michigan EITC 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.

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 2012 show that 29.0 percent of Michigan taxpayers itemized deductions on their federal income tax returns<sup>3</sup>. With federal deductibility, taxpayers offset part of their state income tax with a lower federal tax liability. For example, taxpayers in the 28 percent federal income tax bracket who itemized would have up to 28 percent of their state income tax offset by lower federal income tax liability. Federal deductibility provides greater benefits to taxpayers with higher incomes, since higher income people are both more likely to itemize their deductions and face higher marginal tax rates. For 2012, 84.1 percent of Michigan taxpayers reporting an AGI of \$100,000 or more itemized their deductions, while 11.7 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 taxpayers claimed about 8.8 million personal exemptions for 2012. 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 offset all income. As noted in Exhibit 26 (see page 41), there were an estimated 7.5 million effective personal exemptions, i.e., exemptions that actually offset income. The effective exemptions for 2012 were calculated assuming all personal exemptions, and special exemptions were equally likely to offset taxable income.

Michigan taxpayers claimed over about 213,200 special exemptions for tax year 2012. Almost all of the special exemptions were claimed by deaf/blind/disabled filers (only 23,600 exemptions for disabled veterans were claimed in the tax year). Exhibits 29 and 30 (see pages 45 through 47) present distributions of all the exemptions claimed for tax year 2012 by income group. The number of special exemptions 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 26 (see page 41) by the number of claimed exemptions, and then multiplying that quotient by the number of exemptions/deductions in Exhibit 30 (see page 47). For example, the number of effective deductions for disabled veterans in the \$30,001 to \$35,000 income group would be estimated by dividing 367,923 by 416,649 and then multiplying the result (0.8831) by 1,197. The result is an estimate of 1,057 effective deductions.

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<sup>3</sup>Data on itemized deductions was obtained from the Internal Revenue Service, Statistics of Income Division, Individual Master File System, December 2013.

The Michigan income tax is paid almost exclusively by Michigan residents. Non- or part-year residents pay about 3.5 percent of the income tax. Exhibit 9 below summarizes the distribution of Michigan returns and net tax liability by residency. While nonresidents report \$51.9 billion in AGI, they claim subtractions totaling \$53.5 billion, mostly for income not taxable in Michigan. Note that the total tax liability amount in Exhibits 9 and 10 is not reduced by refundable credits claimed by taxpayers not required to file a Michigan income tax return.

**Exhibit 9**  
**2012 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	4,309,893	\$230,995,538,007	\$6,889,874,445
Part-year resident	92,720	5,601,980,001	94,973,162
Nonresident	112,158	51,912,082,800	153,149,814
Totals	4,514,771	\$288,509,600,808	\$7,137,997,422

Married taxpayers filing jointly reported 69.3 percent of AGI and paid 71.7 percent of the Michigan income tax. Married couples tend to be older and earn higher wages, due to greater accumulated human capital. Human capital includes formal education plus skills acquired through work experience and on-the-job training. Couples also have an additional potential worker. The Michigan income tax does not have a “marriage penalty” or “marriage bonus” as potentially exists with the federal income tax. Exhibit 10 depicts the distribution of Michigan returns and net tax liability by filing status.

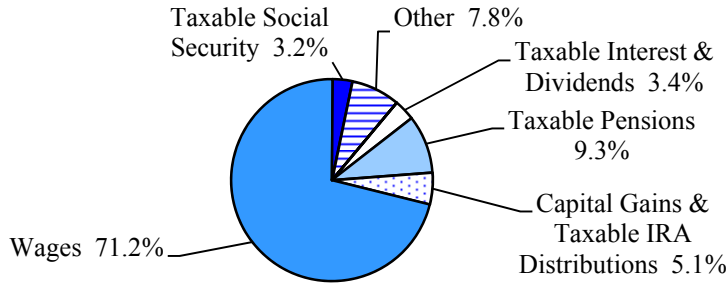
**Exhibit 10**  
**2012 Income Tax Returns Distribution by Filing Status**

<u>Filing Status</u>	<u>Number of Returns</u>	<u>Adjusted Gross Income</u>	<u>Total Tax Liability</u>
Single	2,662,132	\$83,559,797,661	\$1,921,617,456
Married filing jointly	1,788,276	199,999,863,811	5,121,491,423
Married filing separately	64,354	4,949,677,991	94,878,941
Status not reported	9	261,345	9,602
Totals	4,514,771	\$288,509,600,808	\$7,137,997,422

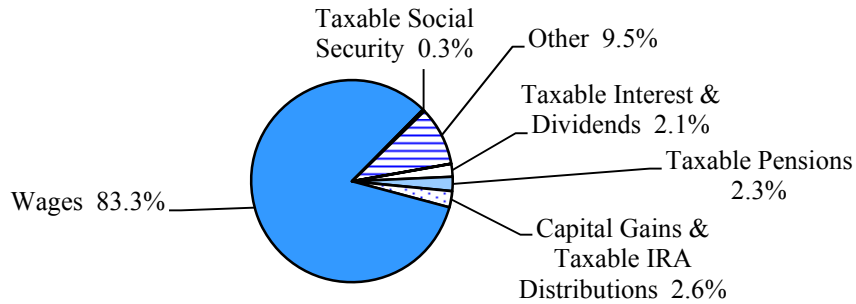
The starting point for the Michigan individual income tax is federal AGI, which is total federal income less adjustments. Federal total income is comprised of wage income, taxable pensions, interest and dividends, capital gains and some Social Security income, but excludes most Social Security and social service assistance. Using tax year 2011 detailed federal data for Michigan taxpayers we can see how the composition of federal total income varied across age groups (see Exhibit 11)

**Exhibit 11**  
**2011 Michigan Federal Total Income Categories by Age Group**

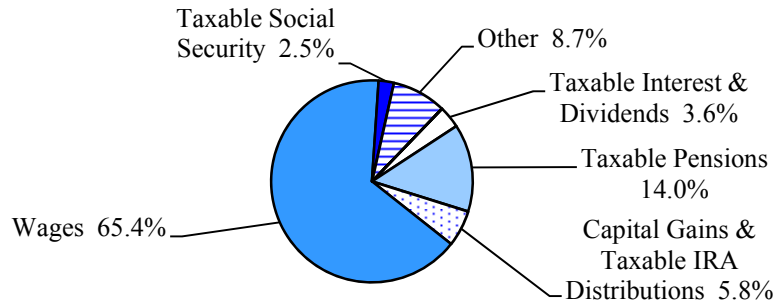
**All Taxpayers**



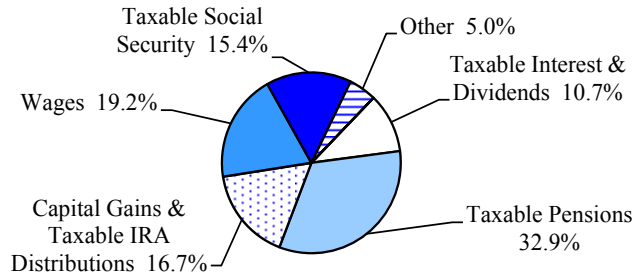
**Taxpayers in Age Group 45 years to 54 years**



**Taxpayers in Age Group 55 years to 64 years**



**Taxpayers in Age Group 65 years old and above**



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

In 2011, wage income comprised the largest part of income for all taxpayers (71.2 percent), representing 83.3 percent of total income for taxpayers in age group 45 to 54 years, and 19.2 percent of total income for those 65 and older.

Federal adjustments to income provided an average reduction of 1.4 percent of taxpayers' total income in 2011 (see Exhibit 12). The reduction of the total income varies across age group, ranging from a low of 0.4 percent reduction for filers in the 85 and over age group to 1.9 percent reduction for those on the under 25 year group.

**Exhibit 12**  
**2011 Federal Adjustments to Income for all Michigan Taxpayers by Age Group**

<u>Age Group</u>	<u>Nr of Returns</u>	<u>(A) Total Income</u>	<u>(B) Adjustments to Income</u>	<u>(C) = (A) - (B) Adjusted Gross Income</u>	<u>Percentage Change C)/(A) - 1</u>
Under 25 Yrs	726,301	\$8,382,256,607	(\$156,339,199)	\$8,225,917,408	-1.9%
25 to 34 Yrs	781,011	\$28,269,230,766	(\$407,676,598)	\$27,861,554,168	-1.4%
35 to 44 Yrs	721,889	\$45,267,936,065	(\$539,402,989)	\$44,728,533,076	-1.2%
45 to 54 Yrs	829,083	\$62,312,427,162	(\$920,509,256)	\$61,391,917,906	-1.5%
55 to 64 Yrs	736,671	\$53,535,460,091	(\$944,987,952)	\$52,590,472,139	-1.8%
65 to 74 Yrs	433,068	\$23,516,180,329	(\$310,712,650)	\$23,205,467,679	-1.3%
75 to 84 Yrs	256,827	\$10,284,389,672	(\$64,013,262)	\$10,220,376,410	-0.6%
85 and Over	124,437	\$4,073,913,125	(\$18,254,603)	\$4,055,658,522	-0.4%
Missing Age	<u>6,955</u>	<u>\$232,090,760</u>	<u>(\$4,419,454)</u>	<u>\$227,671,306</u>	-1.9%
Totals	4,616,242	\$235,873,884,577	(\$3,366,315,963)	\$232,507,568,614	-1.4%

Certain types of income are added back to federal AGI to determine the Michigan income tax base. Principal additions include interest on obligations (bonds) issued by other states, and the federal deduction of self-employment tax. Tax base subtractions include mainly income from U.S. Government bonds, military pay, social security benefits, most pension income, and income attributable to another state. Exhibits 13, 14, and 15 on pages 17 and 19 provide information by age group on AGI, total additions, and total subtractions.



**Exhibit 13**  
**2012 Total AGI, Additions and Subtractions by Age Group**  
(millions of dollars)

<u>Age Group</u>	<u>Number of Returns</u>	<u>Total AGI</u>	<u>Additions</u>		<u>Subtractions</u>	
			<u>Total Additions</u>	<u>As a % of AGI</u>	<u>Total Subtractions</u>	<u>As a % of AGI</u>
Under 25 Yrs	670,553	\$8,166.9	\$33.1	0.4%	\$482.9	5.9%
25 to 34 Yrs	748,998	\$28,626.4	\$142.1	0.5%	\$1,750.8	6.1%
35 to 44 Yrs	668,665	\$44,925.9	\$377.5	0.8%	\$2,119.4	4.7%
45 to 54 Yrs	764,986	\$60,873.1	\$828.6	1.4%	\$2,827.3	4.6%
55 to 64 Yrs	714,401	\$54,819.4	\$1,183.8	2.2%	\$7,895.0	14.4%
65 to 74 Yrs	442,245	\$26,442.5	\$1,014.7	3.8%	\$14,580.5	55.1%
75 to 84 Yrs	247,197	\$10,440.0	\$418.3	4.0%	\$7,455.0	71.4%
85 and Over	124,298	\$3,867.4	\$237.2	6.1%	\$2,694.1	69.7%
Missing Age	133,428	\$50,347.9	\$2,753.4	5.5%	\$49,213.1	97.7%
Totals	4,514,771	\$288,509.6	\$6,988.6	2.4%	\$89,017.9	30.9%

In 2012, total additions represented about 2.4 percent of total AGI, varying from 0.4 percent for taxpayers in age group under 25, up to 6.1 percent for those 85 and older (see Exhibit 13). Total subtractions represented about 30.9 percent of total AGI, and varied from 4.6 percent for filers in age group 45 to 54 years old, to 71.4 percent for those in age group 75 to 84 years.

**Exhibit 14**  
**2012 Total Additions Detail by Age Group**  
(millions of dollars)

<u>Age Group</u>	<u>Total Additions</u>	<u>Self</u>			<u>Losses Attributable to Other States</u>	<u>Net Loss from Fed Column MI 1040D</u>	
		<u>Interest &amp; Dividends</u>	<u>Taxes and Other Taxes</u>	<u>Gains from MI 1040D &amp; MI 4797</u>		<u>or MI 4797</u>	<u>Other <sup>(1)</sup></u>
Under 25 Yrs	\$33.1	\$1.7	\$15.9	\$2.6	\$2.4	\$0.9	\$9.5
25 to 34 Yrs	\$142.1	\$3.3	\$63.2	\$11.2	\$16.2	\$3.1	\$45.1
35 to 44 Yrs	\$377.5	\$11.3	\$105.3	\$35.3	\$45.7	\$10.1	\$169.8
45 to 54 Yrs	\$828.6	\$45.7	\$140.2	\$106.8	\$119.2	\$22.2	\$394.5
55 to 64 Yrs	\$1,183.8	\$106.4	\$133.6	\$210.8	\$128.7	\$28.3	\$576.0
65 to 74 Yrs	\$1,014.7	\$115.0	\$51.3	\$135.2	\$117.5	\$26.3	\$569.5
75 to 84 Yrs	\$418.3	\$90.3	\$10.1	\$68.6	\$28.4	\$13.7	\$207.1
85 and Over	\$237.2	\$72.8	\$1.6	\$41.6	\$24.4	\$6.0	\$90.9
Missing Age	\$2,753.4	\$51.0	\$5.9	\$26.6	\$2,541.6	\$2.3	\$126.0
Total	\$6,988.6	\$497.5	\$527.1	\$638.6	\$3,024.2	\$113.0	\$2,188.3
% of Total Additions	100.0%	7.1%	7.5%	9.1%	43.3%	1.6%	31.3%

Notes:

- In 2012, others included Michigan Education Savings Program (MESP) account not qualified money withdrawn that were not included in AGI; amount of NOL deductions used to reduce AGI, and refunds received from a Michigan education Trust (MET) contract.

The largest components of total additions in tax year 2012 were the other category (43.3 percent of total additions), the add back of losses attributable to other states (34.6 percent of total additions), and gains from MI 1040D and MI 4797 (9.1 percent of total additions, see Exhibit 14).

The largest components of total subtractions in tax year 2012 were income attributable to other states (63.1 percent of total subtractions) and retirement or pension benefits exemption (21.1 percent of total subtractions, see Exhibit 15). The average AGI reduction for taxpayers 35 to 44 years old was 4.7 percent, and 60.7 percent for taxpayers 65 or older (see Exhibit 13).

Beginning in 2012, pension and retirement benefits<sup>4</sup> are taxed differently depending on the age of the benefit recipient and the age of the oldest filer on a joint return. All taxable pension or retirement benefit income is exempted up to \$47,309 (single)/\$94,618 (joint) per return for filers with birth date prior to 1946, and up to \$20,000 (single)/\$40,000 (joint) per return for filers born on 1946 through 1952. Filers born after 1952 are not entitled to a pension subtraction, since all their pension and retirement benefits income is taxable.

Filers born before 1946 may also deduct interest, dividend and capital gains income up to the statutory limits. For 2012 this exclusion was for up to \$10,545 (single)/\$21,091 (joint) per return and it was reduced by any pension income deducted by the taxpayer.

While the favorable treatment of pension income and interest, dividends and capital gains remains for filers born before 1946, it is substantially reduced or non-existent for the remaining filers starting in tax year 2012. These changes reduce the instances when filers with similar income levels face significantly different tax burden due to the source of their income.

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<sup>4</sup> Benefits include income distributions from all private sources, and from qualifying public sources (the State of Michigan, Michigan local governmental units, and Federal civil service). Military and Michigan National Guard pensions, Social Security benefits and railroad retirement benefits remain exempt from Michigan income tax for filers of all ages.

**Exhibit 15**  
**2012 Total Subtractions Detail by Age Group**  
(millions of dollars)

<u>Age Group</u>	<u>Total Subtractions</u>	<u>Income from US Gov't Bonds</u>	<u>Military Pay</u>	<u>Gains from MI 1040D and MI 4797</u>	<u>Income Attributable to Other States</u>	<u>Retirement/ Pension Incl. in MI-1040</u>	<u>Dividend/ Interest/ Capital Gain Exemption</u>
Under 25 Yrs	\$482.9	\$7.1	\$164.3	\$5.1	\$277.8	\$0.1	\$0.0
25 to 34 Yrs	\$1,750.8	\$7.2	\$271.6	\$23.3	\$1,311.6	\$0.9	\$0.0
35 to 44 Yrs	\$2,119.4	\$7.5	\$133.6	\$65.8	\$1,531.2	\$2.6	\$0.0
45 to 54 Yrs	\$2,827.3	\$20.6	\$153.2	\$171.9	\$1,759.1	\$50.5	\$0.9
55 to 64 Yrs	\$7,895.0	\$48.2	\$170.1	\$306.9	\$1,822.0	\$3,813.2	\$10.0
65 to 74 Yrs	\$14,580.5	\$54.5	\$133.1	\$248.4	\$1,025.5	\$8,404.5	\$289.0
75 to 84 Yrs	\$7,455.0	\$60.1	\$64.5	\$129.3	\$333.1	\$4,819.0	\$231.9
85 and Over	\$2,694.1	\$58.7	\$22.4	\$67.4	\$90.6	\$1,635.9	\$189.8
Missing Age	<u>\$49,213.1</u>	<u>\$19.7</u>	<u>\$200.7</u>	<u>\$38.4</u>	<u>\$48,077.9</u>	<u>\$78.5</u>	<u>\$19.2</u>
Totals	\$89,017.9	\$283.7	\$1,313.4	\$1,056.5	\$56,228.9	\$18,805.2	\$740.8
% of Total Subtractions	100.0%	0.3%	1.5%	1.2%	63.2%	21.1%	0.8%

<u>Age Group</u>	<u>Social Security Benefits</u>	<u>Income from Renaissance Zones</u>	<u>State and Local IIT Refunds</u>	<u>MESP Subtraction</u>	<u>MET Subtraction</u>	<u>Miscellaneous Subtraction <sup>(1)</sup></u>
Under 25 Yrs	\$0.8	\$1.4	\$1.7	\$0.4	\$0.2	\$23.9
25 to 34 Yrs	\$9.4	\$6.7	\$35.7	\$10.8	\$3.7	\$69.7
35 to 44 Yrs	\$52.0	\$8.6	\$95.3	\$64.2	\$23.2	\$135.5
45 to 54 Yrs	\$191.0	\$9.0	\$128.8	\$71.2	\$20.6	\$250.4
55 to 64 Yrs	\$1,306.8	\$8.9	\$126.5	\$20.7	\$5.6	\$256.2
65 to 74 Yrs	\$4,085.5	\$14.4	\$64.1	\$14.5	\$4.4	\$242.6
75 to 84 Yrs	\$1,727.0	\$1.7	\$23.6	\$5.8	\$1.4	\$57.6
85 and Over	\$565.5	\$2.9	\$9.6	\$1.0	\$0.9	\$49.5
Missing Age	<u>\$35.0</u>	<u>\$0.9</u>	<u>\$9.6</u>	<u>\$0.8</u>	<u>\$0.2</u>	<u>\$732.4</u>
Totals	\$7,973.0	\$54.4	\$494.8	\$189.3	\$60.2	\$1,817.7
% of Total Subtractions	9.0%	0.1%	0.6%	0.2%	0.1%	2.0%

Notes:

1. In 2012, miscellaneous subtractions included: qualified withdrawal from an MESP account; benefits from a discriminatory self-insured medical expense reimbursement plan; qualified losses from disposal of property; amount used to determine the federal credit for elderly or totally and permanently disabled; gross income from producing oil and gas subject to Michigan severance tax; and Holocaust victim payments.

Exhibit 16 presents estimates of the growth of Michigan personal income from 2011 to 2012 prepared by the U.S. Bureau of Economic Analysis. Personal income increased 3.5 percent overall in 2012, with strong growth in adjustment for residence (13.5 percent) and dividends, interest, and rent income (5.2 percent).

**Exhibit 16**  
**Growth in Michigan Income from 2011 to 2012**  
**(thousands)**

		<u>2011</u>	<u>2012</u>	<u>Percentage</u> <u>Change</u>
Labor Earnings				
Wage and salary disbursements		\$182,218,852	\$189,640,163	4.1%
Other labor income		32,316,949	32,731,753	1.3%
Proprietors' income		<u>23,743,635</u>	<u>24,213,932</u>	2.0%
Total labor earnings	(A)	\$238,279,436	\$246,585,848	3.5%
Adjustments				
Personal contributions for social insurance		-\$12,285,288	-\$12,682,282	3.2%
Adjustment for residence		<u>1,844,106</u>	<u>2,093,716</u>	13.5%
Total adjustments	(B)	-\$10,441,182	-\$10,588,566	1.4%
Net Michigan labor earnings	(C)=(A)-(B)	\$227,838,254	\$235,997,282	3.6%
Dividends, interest, and rent	(D)	\$57,089,348	\$60,085,774	5.2%
Transfer payments	(E)	<u>80,825,228</u>	<u>82,359,966</u>	1.9%
Michigan Personal Income	(C)+(D)+(E)	\$365,752,830	\$378,443,022	3.5%

Source: Bureau of Economic Analysis, U.S. Department of Commerce, March 25, 2014 update.

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

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

A simple calculation will clarify the concept of elasticity. In Exhibit 5 (see page 9), 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). 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 for 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 2013 results in an estimated elasticity of 0.948, suggesting that a 10 percent increase in income will increase tax revenue by, on average, 9.48 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 increased by annual capital gains realizations estimates from the Congressional Budget Office (CBO).<sup>5</sup>

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

## V. INCOME TAX CREDITS

For tax year 2012, Michigan's personal income tax offered 6 different credits to taxpayers: four refundable credits (homestead property tax, farmland preservation property tax, home heating, and the Michigan earned income tax (EITC)), and two nonrefundable credits (other state income tax, and the Michigan historic preservation). 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. PA 38 of 2011 provided numerous changes to the homestead property tax credit, effective tax year 2012. Those changes included reductions on the income limit for credit eligibility, on the percentage of property taxes paid by seniors that are refunded by the credit, replacement of household income by household resources<sup>6</sup>, and a new limit of the homestead taxable value to determine credit eligibility (cannot be higher than \$135,000). For information on all changes to the homestead property tax credit resulting from PA 38 of 2011, see page 92.

For tax year 2012, most homeowners and renters received 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. Taxpayers with household resources less than \$50,000 may claim a property tax credit, and the computed credit is reduced by 10 percent for every \$1,000 that household resources exceeds \$41,000.

Disabled claimants (paraplegic, hemiplegic, quadriplegic, totally and permanently disabled, deaf or blind<sup>7</sup>) filers received a credit for 100 percent of their property taxes above the following percentages of household resources:

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

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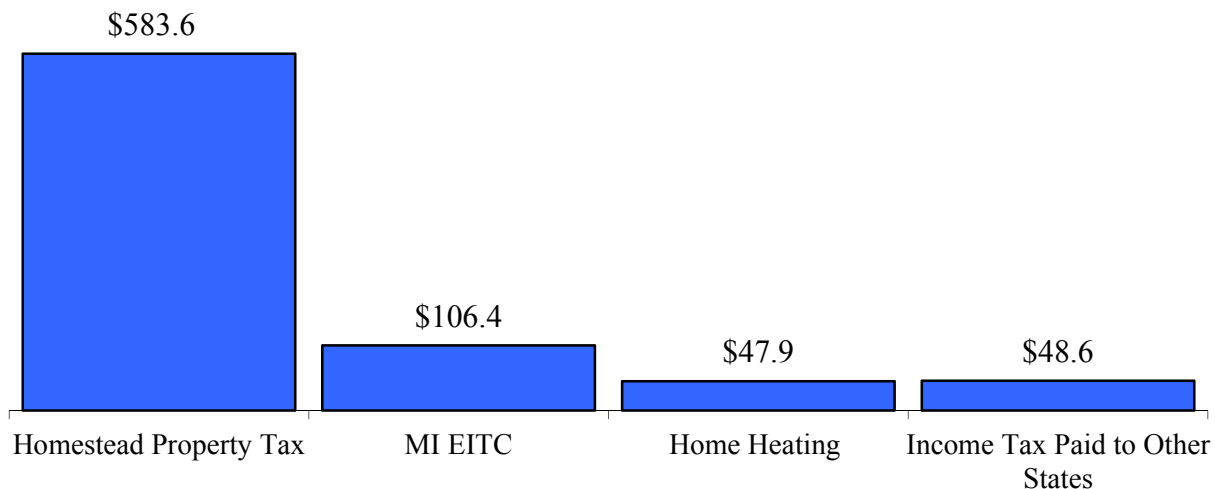
<sup>6</sup> Household resources exclude net losses from business (including farm), rental and royalties, and also excludes net operating losses. For more information on total household resources, visit <http://www.michigan.gov/taxes/0,1607,7-238-43513-235899--,00.html>

<sup>7</sup> For tax year 2012 only, taxpayers who were blind and over the age of 65 were subject to the same credit reduction phase out as senior filers face when household resources are greater than \$21,000.

Senior citizens with household resources up to \$21,000 receive a credit for 100 percent of their property taxes above a certain percentage of their household resources, just like disabled claimants. However, the credit percentage for seniors is reduced by 4 percent for every \$1,000 that household resources exceeds \$21,000, from 100 percent to 60 percent for those with household resources above \$30,000.

About 1.1 million Michigan taxpayers received \$543.7 million of homestead property tax credits and \$40.0 million in farmland preservation property tax credits for tax year 2012. The \$583.6 million in total 2012 homestead property tax credits represented a decrease of \$274.7 million (-32.0 percent) from the prior year, and 359,000 fewer taxpayers received assistance. Senior citizens received \$194.1 million of the credits, a \$138.4 million decrease from 2011. Exhibit 17 compares the amount of property tax credits paid to taxpayers compared to other credits.

**Exhibit 17**  
**2012 Individual Income Tax Credits**  
 (millions of dollars)



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

The average 2012 homestead property tax credit was \$480.78 (excluding the farmland credit), a \$68.13 decrease from the tax year 2011 average. Senior citizens' credits averaged \$587.95, a \$150.76 decrease from 2011 (see Exhibit 31 on page 48). Exhibit 18, on page 24, provides a summary of the number of credits received by taxpayers, according to AGI levels.

Exhibits 18 and 28 (on pages 24 and 43) 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 3.8 percent of total AGI, taxpayers with incomes between \$10,001 and \$20,000 received 28.9 percent of the total homestead credits. On the other hand, taxpayers with AGIs over \$50,000 accounted for 82.0 percent of total 2012 Michigan AGI, but received only 0.2 percent of total homestead credits. Exhibits 32 through 35 (see pages 49 through 52) provide the distribution of property tax credits by income group.

**Exhibit 18**  
**2012 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	359,546	\$220,810,351	\$614.14
\$10,001 - \$20,000	323,494	156,910,456	485.05
\$20,001 - \$50,000	442,927	165,005,832	372.54
Over \$50,000	4,829	936,404	193.91
Total	1,130,796	\$543,663,043	\$480.78

The farmland preservation program, originally PA 116 of 1974 which was replaced by PA 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 7,600 farms in 2012, providing credits of \$40.0 million for an average credit of \$5,273.3. Including the farmland preservation credit, the average property tax credit was \$512.70 in tax year 2012. For 3,000 farmers claiming both a farmland credit and homestead property tax credit, the combined credits averaged about 90.7 percent of total property taxes paid. Those taxpayers paid \$14.5 million in property taxes, receiving \$10.4 million in farmland credits, and \$2.8 million in homestead property tax credits.

PA 269 of 1982 provided a special tax credit for senior citizens with high rent burdens equal to the amount of rent paid that exceeds 40 percent of household income. For 2012, 8,400 senior citizens claimed an additional \$2.2 million using this alternate homestead property tax credit calculation, representing a decrease of about \$0.6 million from 2011 with about 970 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 31 (see page 48).

Qualified blind, or veteran filers are also eligible for special alternate homestead property tax credit calculation, and may claim the largest of the standard or alternate credits. For these qualified filers, the alternate credit equals the property tax amount paid times the ratio of the specific statutorily allowable taxable value with respect to the filer's homestead taxable value. Statistics for these alternate credits amount are shown separately in Exhibit 31 (see page 48).

**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,



which is measured by the household resources calculation effective tax year 2012. In tax year 2012, individuals who are disabled, deaf, blind, or qualified disabled veteran were entitled to extra exemptions.

Home heating credits for tax year 2012 totaled \$47.9 million, with 375,700 households qualifying. This represented a \$17.8 million decrease from the previous year regular credit amount, with 85,500 fewer 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 \$3.9 million of the total home heating credits claimed for tax year 2012 (see Exhibit 19). Exhibit 36 (see page 53) provides information on the distribution of the home heating credit by household resources.

**Exhibit 19**  
**2012 Home Heating Credits**

	<b>Number of Credits <u>Allowed</u></b>	<b>Dollar Amount of Credit</b>	<b>Average Credit</b>
Senior Citizens	37,464	\$3,858,982	\$103.01
General	286,774	37,420,533	130.49
Disabled	51,067	6,618,526	129.60
Veteran	<u>359</u>	<u>50,749</u>	<u>141.36</u>
Total	375,664	\$47,948,790	\$127.64

About 49,300 taxpayers used the alternative calculation based on energy consumption claiming credits worth \$14.3 million. The average credit under the standard calculation was \$98.83 compared to \$289.97 under the alternative calculation.

**Michigan Earned Income Tax Credit**

Effective in tax year 2008, the Michigan EITC follows the same requirements as the federal earned income tax credit, and is calculated as a percentage of the total federal credit for which the taxpayer is eligible in a given tax year. The federal credit was established in 1975 to offset the impact of the Social Security tax on low-income, working families. In 2008, the state credit was 10 percent of the federal credit, and increased to 20 percent of the federal credit for tax year 2009 through 2012. PA 38 of 2011 reduced the Michigan EITC to 6 percent of the federal credit, effective for tax years beginning in 2012 or after.

About 772,300 taxpayers claimed \$106.4 million in Michigan EITC in 2012, resulting in an average credit of \$137.76 per taxpayer. Exhibit 20 provides information on the distribution of credit recipients by AGI<sup>8</sup>.

**Exhibit 20**  
**2012 Michigan Earned Income Tax Credits**

<u>AGI Range</u>	<u>Number of Credits Allowed</u>	<u>Dollar Amount of Credit</u>	<u>Average Credit</u>
Under \$10,000	222,803	\$16,247,863	\$72.92
\$10,001 - \$15,000	166,085	26,426,658	\$159.12
\$15,001 - \$20,000	107,292	24,849,471	\$231.61
\$20,001 - \$25,000	79,014	16,658,699	\$210.83
\$25,001 - \$30,000	67,541	10,963,957	\$162.33
\$30,001 - \$40,000	96,803	9,704,200	\$100.25
Over \$40,000	32,739	1,536,475	\$46.93
Total	772,277	\$106,387,323	\$137.76

**NON-REFUNDABLE CREDITS**

**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 equaled 25 percent of the qualified expenditures. If the credit exceeds the taxpayer's tax liability, the balance may be carried forward up to 10 years. However, taxpayers who were issued a credit certificate for a tax year beginning after December 31, 2008 and for a credit amount allowed less than \$250,000 may forego the credit carryforward and receive a refund of 90 percent of the amount of the credit that exceeds the tax liability. For tax year 2012, 900 taxpayers claimed a total of \$755,600 in historic preservation credits (see Exhibit 31 on page 48). Starting in tax year 2012, this credit is no longer available for historic rehabilitation plans certified after December 31, 2011 (PA 38 of 2011).

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<sup>8</sup> For additional information on the characteristics of claimants of the Michigan EITC, see Office of Revenue and Tax Analysis, *Earned Income Tax Credit, Tax Year 2012*, March 2014, at [http://www.michigan.gov/documents/treasury/2012EITCReport\\_452148\\_7.pdf?20140609172129](http://www.michigan.gov/documents/treasury/2012EITCReport_452148_7.pdf?20140609172129).

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

For tax year 2012, 48,900 Michigan residents received a total of \$48.6 million in credits for income tax paid to another state on income also subject to tax in Michigan, resulting in an average credit of \$993.26. This credit was designed so that taxpayers were not taxed twice (in two states) for the same income (see Exhibit 31 on page 48).

## **VI. DESIGNATED CONTRIBUTIONS**

For tax year 2012, Michigan taxpayers could make eight (8) separate designations on their tax returns: the State Campaign Fund, the Children's Trust Fund, the Military Family Relief Fund, the Children of Veterans Tuition Grant Program, the Animal Welfare Fund, the Girl Scouts of Michigan Fund, the United Way Fund, and the Special Olympics Michigan Fund. Unlike contributions to the State Campaign Fund that result in a designated portion of the taxpayers' tax liability to be deposited in the campaign fund, contributions to all other funds either reduce taxpayers' refund or increase their tax liability.

Starting in tax year 2010, excluding the State Campaign Fund, contribution amounts to any designated fund were subject to a \$5 minimum, \$10, or more, and designations that failed to raise \$100,000 in any tax year for two consecutive tax years would cease to be included on the Michigan income tax form. PA 151 of 2012 reduced the minimum threshold from \$100,000 to \$50,000, and limited the number of contribution designations available per tax year to ten (10). In tax year 2012, all voluntary contribution, except the Girl Scouts Michigan Fund, raised the \$50,000 minimum (see Exhibits 21 and 22).

### **State Campaign Fund**

For the 2012 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 2012, 265,900 taxpayers contributed \$0.8 million to the State Campaign Fund (see Exhibit 21). On average, there was one designation for every 17 returns.

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

The Children's Trust Fund (CTF) was first created by PA 211 of 1982. Contributions to the fund are dedicated to the prevention of child abuse. PA 291 of 2000 appropriated amounts to fully fund both the Non-Game Wildlife Fund<sup>9</sup> and the CTF, and both were removed from the tax form. However, PA 160 of 2005 reinstated the CTF checkoff on the income tax form in tax year 2005. For tax year 2012, 8,600 taxpayers contributed a total of \$88,700 to the fund (see Exhibit 21).

### **Military Family Relief Fund**

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

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<sup>9</sup> 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 PA 189 of 1983. Contributions were used for research and management of non-game fish and wildlife.

to active duty by the federal government. About \$140,100 was contributed by 10,100 taxpayers for 2012 to the Military Family Relief Fund (see Exhibit 21).

### **Children of Veterans Tuition Grant Program**

Starting tax year 2007, taxpayers may designate moneys to fund the Children of Veterans Tuition Grant Program. The Program provides 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 \$68,900 was contributed by 6,200 taxpayers to fund this program for tax year 2012 (see Exhibit 21).

### **Exhibit 21 Returns Designating Contributions 1990 – 2012**

<b>Tax Year</b>	<b>Number of 1040's Filed</b>	<b>State Campaign Fund</b>		<b>Children's Trust Fund</b>		<b>Military Family Relief Fund</b>		<b>Children of Veterans Tuition Grant Program</b>	
		<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>
1990	4,022,300	741,900	\$1,483,800	138,294	\$959,428	--	--	--	--
1991	4,011,600	653,000	1,306,000	119,468	858,263	--	--	--	--
1992	3,984,600	593,000	1,186,000	86,430	923,018	--	--	--	--
1993	4,034,000	491,333	1,474,000	72,458	807,617	--	--	--	--
1994	4,123,200	473,600	1,420,800	63,375	697,414	--	--	--	--
1995	4,214,300	437,200	1,311,600	62,971	779,471	--	--	--	--
1996	4,260,200	459,400	1,378,200	57,251	650,323	--	--	--	--
1997	4,308,575	469,000	1,407,000	54,639	629,652	--	--	--	--
1998	4,350,006	429,632	1,288,896	70,496	859,000	--	--	--	--
1999	4,414,720	393,111	1,179,333	78,242	938,300	--	--	--	--
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	425,526	1,276,578	28,613	\$390,695	34,484	549,167	--	--
2006	4,487,257	406,646	1,219,938	28,587	325,337	36,603	553,021	22,970	\$212,110
2007	4,560,672	399,482	1,198,446	35,043	333,912	46,849	473,501	34,226	252,582
2008	4,481,511	366,911	1,100,733	35,448	318,945	46,019	415,611	34,524	242,270
2009	4,395,979	347,147	1,041,441	17,021	183,319	22,162	264,733	14,965	124,312
2010	4,459,933	339,663	1,018,989	6,817	82,233	6,919	115,167	5,406	66,339
2011	4,491,741	294,728	884,184	10,384	113,455	11,627	170,338	7,367	90,436
2012	4,514,771	265,901	797,703	8,594	88,736	10,125	140,093	6,242	68,911

**Notes:**

. The State Campaign Fund checkoff was increased from \$2 to \$3 in 1993.

## Other Funds

Of the remaining funds available for taxpayer voluntary contributions on tax year 2012, the Animal Welfare Fund and the United Way Fund have been available for the longest time (since 2008 and 2009, respectively), followed by the Girls Scout Fund (effective in 2011), and the Special Olympics of Michigan Fund (effective in 2012). A number of other funds were available in past years, but failed to raise the minimum threshold to remain included on the Michigan income tax form (see Exhibit 22).

### **Exhibit 22 Returns Designating Additional Contributions 2008 – 2012**

	<u>TY 2008</u>		<u>TY 2009</u>		<u>TY 2010</u>		<u>TY 2011</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
<b><u>Current Contributions:</u></b>								
Animal Welfare Fund	15,429	\$142,358	7,982	\$103,162	10,855	\$148,766	13,080	\$159,168
United Way Fund	--	--	5,934	\$256,740	7,824	\$407,369	7,101	\$246,514
Girl Scouts Fund	--	--	--	--	--	--	4,517	\$62,983
<b><u>Discontinued Contributions:</u></b>								
Amanda's Fund for Breast Cancer Prevention and Treatment	9,626	\$76,783	3,803	\$39,916	--	--	--	--
Michigan Housing and Community Development Fund	4,352	\$35,474	1,637	\$18,718	--	--	--	--
Prostate Cancer Research Fund	7,171	\$55,646	2,959	\$30,752	--	--	--	--
MI Law Enforcement Officers Memorial Monument Fund	7,517	\$62,655	2,500	\$27,477	--	--	--	--
Children's Hospital of MI Fund	--	--	5,833	\$63,940	7,403	\$87,537	--	--
Children's Miracle Network Fund	--	--	3,533	\$36,963	4,719	\$57,989	--	--
Foster Care Trust Fund	--	--	2,491	\$25,444	3,432	\$37,077	--	--
MI Council For the Arts Fund	--	--	2,692	\$29,280	3,348	\$34,443	--	--
Renewable Fuels Fund	--	--	2,225	\$18,828	2,598	\$24,798	--	--
<b><u>TY 2012</u></b>								
<b><u>Number</u>   <u>Amount</u></b>								
<b><u>Current Contributions:</u></b>								
Animal Welfare Fund	11,687	\$135,862						
United Way Fund	5,426	\$185,530						
Girl Scouts Fund	3,522	\$43,623						
Special Olympics Michigan	6,698	\$83,797						

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

## VII. INTERSTATE COMPARISONS

In 2012, Michigan along with six other states (Colorado, Illinois, Indiana, Massachusetts, Pennsylvania, and Utah) 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. 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 23 (see page 32). Exhibits 24 and 25 (see page 33) compare Michigan's income tax to that of other states in the Great Lakes region.

Michigan ranked eighth lowest in income taxes per person among the 41 states with a general income tax in fiscal year 2012, and Connecticut ranked highest. For fiscal year 2012, the average collections of \$701 per person in Michigan were lower than the average of \$750 in fiscal year 1999, when the tax rate was 4.4 percent (for Michigan income tax rates from 1968 to present, see Exhibit 41 on page 60). National average income tax collections per person were \$901, and for the 41 states with an income tax, average income tax collections per person were \$1,136

For fiscal year 2012, Michigan ranked ninth lowest in state income taxes as a percent of personal income among the 41 states with a general income tax, with Oregon ranking highest. Michigan's income tax as a percent of personal income was 1.85 percent, 0.25 percentage point below the U.S. average, and 0.77 percentage point below the average of the 41 states with a general income tax. This is a slight increase from the results in 2011, when Michigan's income tax as a percent of personal income was 1.73 percent. The above calculations use estimates of quarterly state personal income, released by the U.S. Bureau of Economic Analysis on March 2014, 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.

The income tax burden in Michigan has been declining relative to that in other states over the FY 1994-2012 period. In fiscal year 1994, Michigan ranked 11<sup>th</sup> highest in per capita income taxes and 14<sup>th</sup> highest in income taxes as a percent of personal income. For fiscal year 2012, Michigan ranked 34<sup>th</sup> and 33<sup>rd</sup> highest in each category, respectively.

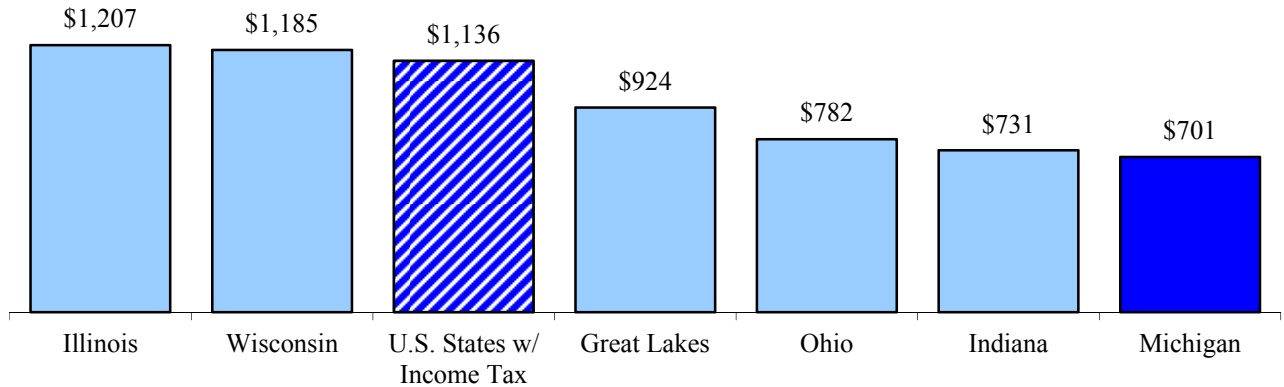
**Exhibit 23**  
**State Individual Income Taxes for FY 2012**  
**Per Person and Percentage of Personal Income**

<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	\$628	37	1.76%	36
Alaska	No Tax	N/A	No Tax	N/A
Arizona	478	41	1.33%	40
Arkansas	817	27	2.35%	18
California	1,461	6	3.21%	6
Colorado	953	21	2.11%	29
Connecticut	2,054	1	3.51%	3
Delaware	1,314	7	3.01%	7
Florida	No Tax	N/A	No Tax	N/A
Georgia	830	26	2.24%	26
Hawaii	1,119	13	2.52%	14
Idaho	766	31	2.25%	24
Illinois	1,207	11	2.68%	12
Indiana	731	33	1.96%	31
Iowa	989	19	2.28%	23
Kansas	1,008	17	2.35%	17
Kentucky	804	28	2.28%	20
Louisiana	541	39	1.37%	39
Maine	1,086	14	2.75%	10
Maryland	1,219	10	2.28%	21
Massachusetts	1,806	3	3.28%	4
Michigan	701	34	1.85%	33
Minnesota	1,494	5	3.24%	5
Mississippi	504	40	1.53%	38
Missouri	854	25	2.21%	27
Montana	902	23	2.38%	16
Nebraska	998	18	2.24%	25
Nevada	No Tax	N/A	No Tax	N/A
New Hampshire	62	42	0.13%	42
New Jersey	1,259	9	2.32%	19
New Mexico	554	38	1.56%	37
New York	1,988	2	3.82%	2
North Carolina	1,076	15	2.88%	8
North Dakota	632	36	1.23%	41
Ohio	782	30	1.98%	30
Oklahoma	733	32	1.83%	34
Oregon	1,506	4	3.90%	1
Pennsylvania	793	29	1.78%	35
Rhode Island	1,029	16	2.28%	22
South Carolina	663	35	1.90%	32
South Dakota	No Tax	N/A	No Tax	N/A
Tennessee	28	43	0.07%	43
Texas	No Tax	N/A	No Tax	N/A
Utah	876	24	2.50%	15
Vermont	956	20	2.18%	28
Virginia	1,260	8	2.63%	13
Washington	No Tax	N/A	No Tax	N/A
West Virginia	946	22	2.74%	11
Wisconsin	1,185	12	2.85%	9
Wyoming	No Tax	N/A	No Tax	N/A
U.S. Average	\$901		2.10%	
U.S. Average for States W/ General Income Tax	\$1,136		2.62%	

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

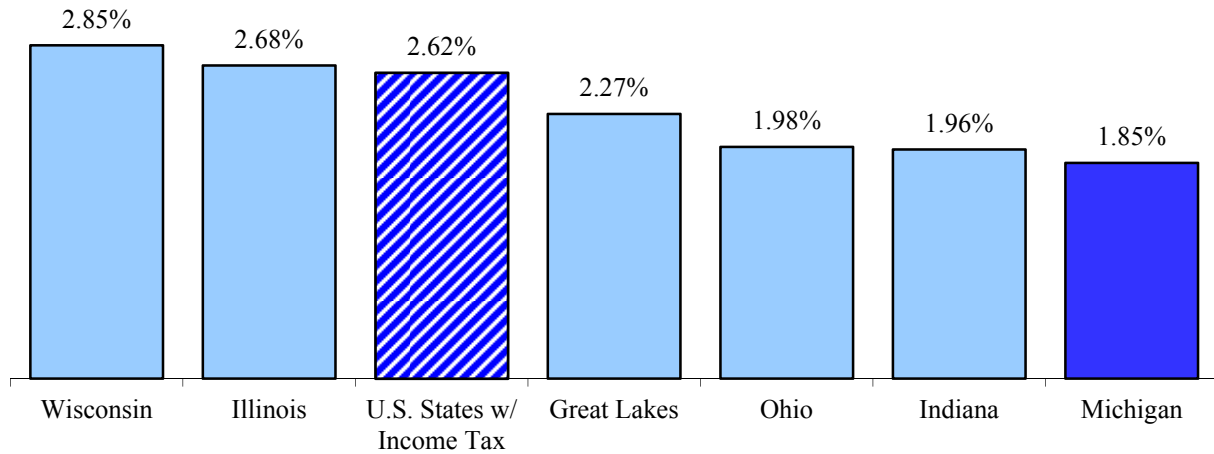


**Exhibit 24**  
**State Income Taxes Per Person**  
**Great Lakes Region – FY 2012**



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

**Exhibit 25**  
**State Income Taxes**  
**Percentage of Personal Income**  
**Great Lakes Region – FY 2012**



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

## VIII. GEOGRAPHIC PATTERN OF TAX AND CREDITS

Exhibit 37 (see pages 54 and 55) reports the distribution of income tax collections, property tax and home heating credits, and the Michigan EITC by county. Since farms receive special treatment for the homestead property tax credit and the separate farmland credit, rural counties benefit substantially from these programs.

Exhibit 38 (see pages 56 and 57) 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 32 is provided below.

Exhibits 40 and 41 (see pages 58 and 59) 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 Tax Year 2012 County Data Summary

	<u>State Average</u>	<u>Highest County</u>	<u>Lowest County</u>
Average AGI	\$63,903	\$79,642 Oakland	\$32,981 Lake
Average Income Tax Before Credits	\$1,720	\$2,802 Oakland	\$834 Montmorency
Average Income Tax After Credits	\$1,549	\$2,650 Oakland	\$653 Lake
Income Tax Credits as a Percent of Tax Before Credits	9.9%	32.4% Huron	4.5% Washtenaw
Ratio of Property Tax Credits to 1040s Filed	25.2%	35.2% Wayne	12.0% Keweenaw
Average Property Tax Credit	\$513	\$1,590 Huron	\$244 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. Changes observed since 2000 in the federal tax law continued the 1990s trend to narrow AGI (like increases in deduction limits, and temporarily generous depreciation allowances), but the most significant changes have provided sizable federal tax relief mainly via targeted new credits and lower tax rates (and brackets), which have no direct effect on the calculation of the federal AGI, and therefore, the Michigan income tax base.

Changes in AGI at the federal level can be offset or reinforced at the state level. Expansions in the tax base can be offset with tax cuts. In response to TRA-86, the Michigan personal exemption was increased steadily from \$1,500 in 1986 to \$2,100 for 1990, and the Michigan special exemptions for senior citizens, blind, disabled persons, and those taxpayers with 50 percent or more of their AGI attributable to unemployment compensation were created in 1987. For 2012, the Michigan personal exemption was \$3,763, and Michigan special exemptions were \$2,400.

### **Summary of Federal Tax Law Changes Passed Before 2014**

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 2012, see Appendix A on page 62.

#### **2012**

A number of provisions were set to expire in 2012, but were extended as follows:

- The above-the-line \$250 deduction for qualified out-of-pocket classroom expenses incurred by certain teachers and other elementary and secondary school professionals was extended to taxable year 2013;
- The exclusion from employee's income of qualified transportation fringe benefits received from employer provided transit passes and vanpooling and other qualified parking benefits was extended to taxable year 2013, where the maximum benefit exclusion limits were increased to \$240 per month in 2012 and \$245 per month in 2013;

- The above-the-line deduction of up to \$4,000 for qualified higher education expenses incurred and paid by qualified taxpayer during the taxable year under qualified circumstances was extended to taxable year 2013;
- The exclusion from gross income of otherwise taxable distributions from traditional or Roth IRA made directly to a qualified charitable organization was extended to taxable year 2013, where special transition rules enable taxpayers to have amounts distributed after November 2012 and donated before February 2013 to be treated as qualified charitable distribution for 2012;
- The exclusion from gross receipts of qualified discharges of indebtedness on principal residence of up to \$2 million (\$1 million per spouse, if married filing separately) was extended to apply for indebtedness discharged in 2013;
- The placed-in-service deadline for certain longer-lived and transportation property eligible to the additional first-year depreciation deduction of 50 percent of the adjusted basis was extended to calendar year 2014;
- The annual expensing and investment limits for qualified property (including off-the-shelf computer software and certain real property) was extended to apply to placed-in-service property in taxable years beginning in 2012 and 2013;
- The immediate expense of 50 percent of the cost of qualified underground mine safety equipment that is above and beyond existing safety equipment requirements was extended to taxable year 2013;
- The election to deduct up to \$15 million (\$20 million for productions in certain areas) of the aggregate costs of any qualifying film and television production in the year in which the expenses are incurred, in lieu of capitalizing the cost and recovering it through depreciation allowances was extended to apply to qualified film and television productions commencing in 2012 and 2013;
- The domestic production activities deduction for activities in Puerto Rico provision was extended to apply from the first six taxable years of a taxpayer beginning in 2004 and before 2012 to the first eight taxable years of a taxpayers beginning after 2004 and before 2014;
- The exclusion of 100 percent gain realized on certain small business stock held by an individual for more than five years was extended to apply to qualified small business stocks issued in 2012 and 2013;
- The reduced recognition period of five-years (instead of ten) used by C corporations who convert to S corporation status, and is used as a basis to calculate net recognized built-in gain of the S corporation that arose prior to the status conversion was extended to apply to dispositions of property in taxable years beginning in 2012 and 2013.

In 2012, current or former employees who were participants in qualified defined benefit pension plan terminated by a commercial airline carrier are allowed to contribute any portion of a payment received from the carrier (under qualified Federal bankruptcy court order) not only to a Roth Individual Retirement Account (IRA) within 180 days of receipt of such amount per previous law, but also to a traditional IRA under new law. All or part of such payments not rolled over into a Roth IRA under prior law (including earnings) may be rolled over to a traditional ITA within 180 days of the receipt of the payment or, if later, within 180 days of February 14, 2012. Individuals making a rollover contribution to a traditional IRA may exclude the amount contributed from gross income in the taxable year in which the airline payment was made to the employee.

After July 6, 2012 and before January 2022, excess pension assets transferred by employers from a defined benefit plan covered by ERISA to a retiree life insurance account within the plan are not includable in the gross income of the employer.

**2013 and beyond**

Starting in 2013, individuals joining the Federal work force will increase their contributions to the federal defined benefit retirement plans by 2.3 percentage points.

After December 2013, and before January 2022, excess assets transferred by employers from a defined benefit plan covered by ERISA to a retiree medical account within the plan are not includable in the gross income of the employer.

Beginning in 2014, eligible businesses are allowed to elect to recognize cancellation of indebtedness income over five years for specified types of business debt repurchased by the business in 2009 or 2011.

## X. MICHIGAN PUBLIC ACTS – INCOME TAX

For changes prior to 2012, see Appendix A on page 70.

### 2012

**Public Act 211** amended the Revenue Act to provide that filing a return includes filing a combined, consolidated, composite return regardless of whether any tax was paid or the taxpayer reported any amount in the tax line including zero. Once the return is filed, the 4-year period of review under the general statute of limitations begins. The Public Act was applied retroactively and took effect for all tax years open under the statute of limitations.

**Public Act 217** amended the Income Tax Act to provide withholding exemption for a flow-through entity on any member that elects to be taxed under the Michigan Business Tax. The Act also allows a corporate member of a flow-through entity to exempt that flow-through entity from the withholding requirements by filing an exemption certificate with the Department of Treasury, and providing a copy to the flow-through entity.

**Public Act 223** amended the Income Tax Act to reduce the income tax rate for individuals and trusts to 4.25 percent, effective October 1, 2012. The income tax rate for individuals and trusts was previously scheduled to be reduced to 4.25 percent on January 1, 2013. A lower income tax rate reduces the revenue loss from tax deductions and exemptions.

**Public Act 224** amended the Income Tax Act to create an alternative calculation of the personal exemption amount. The taxpayer would be allowed the greater of the new calculation or the personal exemption in existing law. The new exemption amount would be \$3,950, beginning October 1, 2012, and before January 1, 2014. On and after January 1, 2014, the alternative exemption amount is \$4,000. The Public Act allows for the exemption for tax year 2012 to be annualized, resulting in an exemption amount of \$3,763 for calendar-year filers. This is greater than the \$3,700 exemption allowed under law prior to Public Act 224.

**Public Act 394** amended the City Income Tax Act to set the tax rates for a city of more than 600,000 at 2.4 percent on residents and 1.2 percent on non-residents beginning January 1, 2013. The rates would remain at those levels until the January 1 after all bonds, obligations, and other evidence of indebtedness issued by a lighting authority have been fully paid at which time the rates would be reduced to 2.2 percent on residents and 1.1 percent on non-residents.

**Public Act 414** amended the Income Tax Act to eliminate both the individual and corporate income taxes on income derived from minerals, effective for the 2013 tax year.

**Public Act 597** amended the Income Tax Act to exempt retirement or pension benefits received for services in the Michigan National Guard, effective January 1, 2012. The Public Act also increased the allowable deduction for retirement or pension benefits received by taxpayers

through employment with a governmental agency that was not covered by the Social Security Act. The allowable deduction for taxpayers born in 1946 through 1952 was increased by up to \$15,000 for each taxpayer receiving such benefits, effective January 1, 2013. Beginning in 2015, taxpayers who were born after 1952, have reached 62 years of age, and are receiving benefits from employment with governmental agency that was not covered under the Social Security Act would be eligible to deduct up to \$15,000 of those benefits.

## **2013**

**Public Act 15** amended the Income Tax Act to allow a flow-through entity to avoid withholding on the distributive share of business income for a member other than a non-resident individual if the member submits an exemption certificate to the flow-through entity. Previously, only corporate members could elect to avoid withholding on the distributive share of business income.

**Public Act 133** amended the Revenue Act to require additional interest to be paid on refunds claimed by individuals, estates, or trusts under the Income Tax Act, if certain conditions are met. The additional interest of 3 percent per year would be due if an eligible refund is paid after May 1, for returns received on or before March 1, or if a refund is paid more than 60 days from the date the return was received if received after March 1. To be eligible for the additional interest a return would have to be generally free from errors and be complete when originally filed.

**Public Act 206** amended the Income Tax Act to treat all blind filers of the homestead property tax credit the same as taxpayers who are classified as disabled. Prior to the passage of the Public Act, blind claimants over the age of 65 were classified as senior citizens and not disabled, and thus eligible for a less generous calculation of the homestead property tax credit if the claimant's total household resources were over \$21,000.

**XI. EXHIBITS 26 THROUGH 41**



**Exhibit 26**  
**Effective Rate of the Michigan Individual Income Tax, 2012**

<u>Adjusted Gross Income Group</u>	<u>Number of Returns Filed<sup>(1)</sup></u>	<u>Adjusted Gross Income</u>	<u>Effective Personal Exemptions<sup>(2)</sup></u>	<u>Claimed Exemptions</u>	<u>Subtractions Minus Additions</u>	<u>Total Credits</u>	<u>Effective Tax</u>	<u>Effective Tax as a % of Income</u>
Less than \$1 <sup>(3)</sup>	166,343	(\$4,850,024,535)		96,350	(\$3,624,772,114)	\$69,976,552	(\$63,862,908)	
\$ 1 - 2,000	180,230	149,490,437	19,781	154,506	52,940,621	57,809,299	(57,378,420)	-38.38%
2,001 - 4,000	161,084	483,052,362	59,832	118,299	87,794,097	29,111,962	(24,199,689)	-5.01%
4,001 - 6,000	157,603	788,006,652	88,456	143,171	146,259,617	32,142,900	(21,008,812)	-2.67%
6,001 - 8,000	155,964	1,091,710,700	114,300	170,293	222,297,515	37,096,847	(19,814,154)	-1.81%
8,001 - 10,000	168,683	1,524,084,750	163,436	222,269	301,029,997	48,065,672	(23,074,847)	-1.51%
10,001 - 12,000	161,374	1,773,850,149	175,992	231,423	384,406,437	47,264,703	(16,743,280)	-0.94%
12,001 - 14,000	163,325	2,124,580,495	215,799	269,241	435,416,172	52,433,274	(15,150,123)	-0.71%
14,001 - 16,000	154,915	2,323,409,112	218,173	265,104	475,954,002	47,918,060	(3,953,789)	-0.17%
16,001 - 18,000	142,486	2,418,638,909	212,303	253,117	478,490,789	42,856,962	6,250,563	0.26%
18,001 - 20,000	129,795	2,464,656,154	191,824	227,869	494,205,605	35,199,094	18,661,298	0.76%
20,001 - 22,000	119,829	2,515,206,546	182,643	215,251	506,063,712	30,908,455	26,195,503	1.04%
22,001 - 24,000	112,360	2,583,119,359	175,889	206,595	520,778,230	27,932,525	32,616,811	1.26%
24,001 - 26,000	105,762	2,643,373,038	168,844	195,613	524,627,868	24,330,948	39,834,951	1.51%
26,001 - 28,000	100,482	2,712,196,130	163,871	187,977	527,188,841	21,808,293	46,055,283	1.70%
28,001 - 30,000	95,553	2,770,048,889	158,304	181,134	538,528,406	19,390,828	51,404,925	1.86%
30,001 - 35,000	216,182	7,013,854,713	367,923	416,649	1,347,303,183	38,689,979	146,663,662	2.09%
35,001 - 40,000	193,080	7,232,849,508	338,102	377,800	1,348,964,363	28,573,519	171,074,251	2.37%
40,001 - 45,000	167,427	7,106,561,445	302,984	337,293	1,347,170,303	17,905,741	182,082,427	2.56%
45,001 - 50,000	149,962	7,117,303,119	281,618	309,995	1,354,306,174	7,363,289	196,267,321	2.76%
Over 50,000	1,611,466	236,523,632,876	3,897,245	4,194,939	74,560,355,545	54,736,278	6,323,090,127	2.67%
Totals	4,613,905	\$288,509,600,808	7,497,319	8,774,888	\$82,029,309,363	\$771,515,182	\$6,995,011,100	2.42%

<sup>(1)</sup>Includes 99,134 credit-only returns. Does not take into account refundable Historic Preservation Credits.

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

<sup>(3)</sup>The less than \$1 category includes tax returns reporting a negative AGI.

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

**Exhibit 27**  
**Breakdown of Upper Income Filers**  
**Individual Income Tax, 2012**

<b>Adjusted Gross Income Group</b>	<b>Number of Returns Filed</b>	<b>Adjusted Gross Income</b>	<b>Effective Personal Exemptions<sup>(1)</sup></b>	<b>Claimed Exemptions</b>	<b>Subtractions Minus Additions</b>	<b>Total Credits</b>	<b>Effective Tax</b>	<b>Effective Tax as a % of Income<sup>(2)</sup></b>
\$50,001 - 55,000	138,941	\$7,290,239,066	270,472	295,637	\$1,417,380,573	\$2,250,501	\$207,956,518	2.85%
55,001 - 60,000	129,523	7,442,832,342	262,712	285,650	1,484,761,856	1,959,384	213,203,678	2.86%
60,001 - 65,000	119,018	7,436,297,635	253,074	272,131	1,453,174,435	1,685,337	216,135,654	2.91%
65,001 - 70,000	110,570	7,459,747,086	244,844	260,421	1,426,462,673	2,124,457	219,208,464	2.94%
70,001 - 75,000	103,230	7,480,165,055	237,098	251,439	1,389,465,753	1,790,124	223,292,850	2.99%
75,001 - 80,000	94,178	7,295,091,788	222,908	235,240	1,351,436,220	1,842,252	219,187,121	3.00%
80,001 - 85,000	86,648	7,145,270,864	208,868	222,109	1,333,973,461	1,818,772	215,767,863	3.02%
85,001 - 90,000	78,387	6,855,648,298	194,539	205,008	1,241,849,696	2,026,000	209,344,001	3.05%
90,001 - 95,000	71,794	6,637,812,632	180,857	191,477	1,195,443,987	1,711,118	204,466,400	3.08%
95,001 - 100,000	63,855	6,223,351,352	163,998	173,755	1,092,469,791	1,627,158	193,811,369	3.11%
100,001 - 110,000	108,735	11,397,328,902	289,073	304,361	1,881,636,746	2,882,405	362,034,109	3.18%
110,001 - 120,000	86,895	9,973,523,968	236,364	248,964	1,529,777,965	2,553,709	324,539,116	3.25%
120,001 - 130,000	67,753	8,453,738,298	187,778	197,231	1,278,229,279	2,106,060	277,990,799	3.29%
130,001 - 140,000	53,615	7,228,109,741	151,505	157,616	1,033,227,945	2,067,954	241,479,556	3.34%
140,001 - 150,000	42,292	6,124,245,212	120,846	125,425	875,558,465	1,688,059	205,885,862	3.36%
150,001 - 160,000	33,997	5,262,199,740	97,686	101,465	740,122,268	1,488,238	178,397,413	3.39%
160,001 - 170,000	27,956	4,607,295,116	79,292	83,223	655,745,559	1,336,986	156,842,684	3.40%
170,001 - 180,000	22,251	3,890,552,037	63,683	66,655	537,615,561	1,309,342	133,494,768	3.43%
180,001 - 190,000	18,210	3,366,183,063	52,223	54,429	472,087,174	1,021,570	115,782,416	3.44%
190,001 - 200,000	14,753	2,874,521,311	41,748	44,206	404,038,984	724,764	99,443,422	3.46%
200,001 - 300,000	70,572	16,858,544,898	196,611	211,611	2,612,105,890	5,701,498	579,128,596	3.44%
300,001 - 400,000	23,836	8,190,746,509	64,381	72,479	1,415,416,280	2,626,246	280,253,929	3.42%
400,001 - 500,000	12,132	5,400,733,525	32,040	37,306	1,017,819,070	1,496,921	183,061,840	3.39%
500,001 - 750,000	13,616	8,209,666,012	31,926	41,707	1,913,185,382	2,090,656	265,343,646	3.23%
750,001 - 1,000,000	5,709	4,899,084,329	11,663	17,406	1,449,977,704	1,215,912	146,229,542	2.98%
Over \$1,000,000	13,000	58,520,704,097	1,055	37,988	43,357,392,828	5,590,855	650,808,511	1.11%
Totals for AGI over \$50,000	1,611,466	\$236,523,632,876	3,897,245	4,194,939	\$74,560,355,545	\$54,736,278	\$6,323,090,127	2.67%

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

<sup>(2)</sup>For taxpayers with AGI over \$1 million, if Income Attributable to Another State were subtracted from AGI, the effective tax rate would be 3.23%.

**Exhibit 28**  
**Tax Base Deductions as a Percentage of AGI**  
**Individual Income Tax, 2012**

<b>Adjusted Gross Income Group</b>	<b>Total Effective Exemptions</b>	<b>Subtractions Minus Additions</b>	<b>Nonrefundable Credits<sup>(1)</sup></b>	<b>Property Tax Credits</b>	<b>Home Heating Credits</b>	<b>Michigan Earned Income Tax Credits</b>
Less than \$1						
\$ 1 - 2,000	57.9%	35.4%	-1.6%	787.2%	97.0%	5.0%
2,001 - 4,000	58.3%	18.2%	-0.5%	117.5%	15.2%	5.2%
4,001 - 6,000	48.8%	18.6%	-0.2%	76.5%	9.9%	6.8%
6,001 - 8,000	43.1%	20.4%	0.1%	61.4%	7.6%	8.4%
8,001 - 10,000	42.4%	19.8%	-0.1%	52.6%	7.1%	12.4%
10,001 - 12,000	38.6%	21.7%	0.1%	44.4%	5.1%	11.2%
12,001 - 14,000	39.0%	20.5%	0.0%	38.8%	4.4%	13.1%
14,001 - 16,000	35.8%	20.5%	0.0%	32.4%	3.0%	11.5%
16,001 - 18,000	33.3%	19.8%	-0.1%	28.1%	2.1%	10.3%
18,001 - 20,000	29.5%	20.1%	0.0%	23.5%	1.2%	7.7%
20,001 - 22,000	27.4%	20.1%	0.0%	20.4%	0.8%	6.7%
22,001 - 24,000	25.7%	20.2%	0.1%	18.0%	0.5%	5.8%
24,001 - 26,000	24.1%	19.8%	0.1%	15.6%	0.3%	4.8%
26,001 - 28,000	22.8%	19.4%	0.1%	13.9%	0.2%	3.9%
28,001 - 30,000	21.5%	19.4%	0.1%	12.3%	0.1%	3.2%
30,001 - 35,000	19.8%	19.2%	0.2%	9.9%	0.1%	2.1%
35,001 - 40,000	17.6%	18.7%	0.1%	7.5%	0.0%	1.0%
40,001 - 45,000	16.1%	19.0%	0.2%	4.8%	0.0%	0.4%
45,001 - 50,000	14.9%	19.0%	0.2%	1.8%	0.0%	0.1%
50,001 - 55,000	14.0%	19.4%	0.2%	0.2%	0.0%	0.0%
55,001 - 60,000	13.3%	19.9%	0.2%	0.0%	0.0%	0.0%
60,001 - 65,000	12.8%	19.5%	0.2%	0.0%	0.0%	0.0%
65,001 - 70,000	12.4%	19.1%	0.2%	0.0%	0.0%	0.0%
70,001 - 75,000	11.9%	18.6%	0.3%	0.0%	0.0%	0.0%
75,001 - 80,000	11.5%	18.5%	0.3%	0.0%	0.0%	0.0%

**Exhibit 28 (cont.)**

<b>Adjusted Gross Income Group</b>	<b>Total Effective Exemptions</b>	<b>Subtractions Minus Additions</b>	<b>Nonrefundable Credits<sup>(1)</sup></b>	<b>Property Tax Credits</b>	<b>Home Heating Credits</b>	<b>Michigan Earned Income Tax Credits</b>
80,001 - 85,000	11.0%	18.7%	0.3%	0.0%	0.0%	0.0%
85,001 - 90,000	10.7%	18.1%	0.3%	0.0%	0.0%	0.0%
90,001 - 95,000	10.3%	18.0%	0.3%	0.0%	0.0%	0.0%
95,001 - 100,000	9.9%	17.6%	0.3%	0.0%	0.0%	0.0%
100,001 - 110,000	9.5%	16.5%	0.3%	0.0%	0.0%	0.0%
110,001 - 120,000	8.9%	15.3%	0.4%	0.0%	0.0%	0.0%
120,001 - 130,000	8.4%	15.1%	0.3%	0.0%	0.0%	0.0%
130,001 - 140,000	7.9%	14.3%	0.4%	0.0%	0.0%	0.0%
140,001 - 150,000	7.4%	14.3%	0.3%	0.0%	0.0%	0.0%
150,001 - 160,000	7.0%	14.1%	0.4%	0.0%	0.0%	0.0%
160,001 - 170,000	6.5%	14.2%	0.4%	0.0%	0.0%	0.0%
170,001 - 180,000	6.2%	13.8%	0.4%	0.0%	0.0%	0.0%
180,001 - 190,000	5.8%	14.0%	0.4%	0.0%	0.0%	0.0%
190,001 - 200,000	5.5%	14.1%	0.4%	0.0%	0.0%	0.0%
200,001 - 300,000	4.4%	15.5%	0.4%	0.0%	0.0%	0.0%
300,001 - 400,000	3.0%	17.3%	0.5%	0.0%	0.0%	0.0%
400,001 - 500,000	2.2%	18.8%	0.5%	0.0%	0.0%	0.0%
500,001 - 750,000	1.5%	23.3%	0.5%	0.0%	0.0%	0.0%
750,001 - 1,000,000	0.9%	29.6%	0.5%	0.0%	0.0%	0.0%
Over \$1,000,000	0.0%	74.1%	0.2%	0.0%	0.0%	0.0%
Overall Percent	9.4%	28.4%	0.3%	4.4%	0.4%	0.9%

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<sup>(1)</sup>Nonrefundable credits, home heating credits, property tax credits, and earned income tax credits are divided by the tax rate (4.33%) to determine the equivalent income tax deduction. Nonrefundable credits for 2012 are: the Other State Tax credit, and the Michigan Historic Preservation credit.

**Exhibit 29**  
**Distribution of Personal Exemptions**  
**Claimed on 2012 Individual Income Tax Returns<sup>(1)</sup>**

<b>Adjusted Gross Income Group</b>	<b>Exemptions Claimed</b>							<b>Total Returns</b>	<b>Total Exemptions<sup>(2)</sup></b>
	<b>Zero</b>	<b>One</b>	<b>Two</b>	<b>Three</b>	<b>Four</b>	<b>Five</b>	<b>Six or More</b>		
Zero Income	4,326	40,790	16,273	2,637	1,826	850	507	67,209	96,350
\$ 1 - 2,000	62,996	90,953	19,841	3,727	1,633	701	379	180,230	154,506
2,001 - 4,000	74,395	64,777	15,808	3,714	1,618	556	216	161,084	118,299
4,001 - 6,000	55,618	74,133	19,510	5,065	2,228	716	333	157,603	143,171
6,001 - 8,000	39,689	80,528	24,414	6,836	3,012	1,007	478	155,964	170,293
8,001 - 10,000	27,828	84,542	40,241	10,140	3,995	1,357	580	168,683	222,269
10,001 - 12,000	19,346	85,238	36,350	12,372	5,549	1,730	789	161,374	231,423
12,001 - 14,000	13,198	82,621	34,887	19,865	8,877	2,698	1,179	163,325	269,241
14,001 - 16,000	8,823	79,033	35,203	18,405	9,375	2,791	1,285	154,915	265,104
16,001 - 18,000	5,503	72,413	34,008	16,739	9,368	3,093	1,362	142,486	253,117
18,001 - 20,000	3,598	68,505	32,579	13,250	7,531	2,996	1,336	129,795	227,869
20,001 - 22,000	2,256	63,306	30,055	12,453	7,247	3,048	1,464	119,829	215,251
22,001 - 24,000	1,512	58,223	29,184	11,696	7,011	3,133	1,601	112,360	206,595
24,001 - 26,000	1,025	54,859	27,626	11,025	6,688	3,049	1,490	105,762	195,613
26,001 - 28,000	707	51,720	26,701	10,364	6,441	2,922	1,627	100,482	187,977
28,001 - 30,000	519	48,432	25,952	9,741	6,258	3,007	1,644	95,553	181,134
30,001 - 35,000	765	107,325	60,552	21,941	14,338	6,891	4,370	216,182	416,649
35,001 - 40,000	369	94,079	55,113	19,263	13,756	6,409	4,091	193,080	377,800
40,001 - 45,000	218	76,464	51,048	17,003	13,036	6,013	3,645	167,427	337,293
45,001 - 50,000	153	64,153	47,846	16,304	12,566	5,803	3,137	149,962	309,995
50,001 - 55,000	89	54,862	46,708	15,960	12,903	5,533	2,886	138,941	295,637
55,001 - 60,000	61	46,385	45,655	15,845	13,099	5,661	2,817	129,523	285,650
60,001 - 65,000	45	38,074	43,736	15,364	13,688	5,518	2,593	119,018	272,131
65,001 - 70,000	34	31,416	42,611	14,866	13,804	5,452	2,387	110,570	260,421
70,001 - 75,000	37	25,789	40,969	14,669	13,915	5,456	2,395	103,230	251,439
75,001 - 80,000	27	20,999	38,078	13,995	13,631	5,280	2,168	94,178	235,240

**Exhibit 29 (cont.)**

<b>Adjusted Gross Income Group</b>	<b>Exemptions Claimed</b>							<b>Total Returns</b>	<b>Total Exemptions<sup>(2)</sup></b>
	<b><u>Zero</u></b>	<b><u>One</u></b>	<b><u>Two</u></b>	<b><u>Three</u></b>	<b><u>Four</u></b>	<b><u>Five</u></b>	<b><u>Six or More</u></b>		
80,001 - 85,000	24	16,842	35,867	13,277	13,592	4,994	2,052	86,648	222,109
85,001 - 90,000	26	13,489	33,012	12,180	13,001	4,901	1,778	78,387	205,008
90,001 - 95,000	18	11,050	30,597	11,188	12,466	4,760	1,715	71,794	191,477
95,001 - 100,000	12	8,953	26,874	10,167	11,912	4,327	1,610	63,855	173,755
100,001 - 110,000	26	13,270	45,053	17,634	21,587	8,210	2,955	108,735	304,361
110,001 - 120,000	21	9,178	35,290	14,541	18,526	6,947	2,392	86,895	248,964
120,001 - 130,000	16	6,580	27,131	11,371	14,903	5,800	1,952	67,753	197,231
130,001 - 140,000	19	4,881	21,157	9,131	12,185	4,703	1,539	53,615	157,616
140,001 - 150,000	16	3,533	16,742	7,216	9,751	3,741	1,293	42,292	125,425
150,001 - 160,000	11	2,762	13,261	5,908	7,932	3,066	1,057	33,997	101,465
160,001 - 170,000	10	2,314	10,928	4,795	6,529	2,554	826	27,956	83,223
170,001 - 180,000	n.a.	1,845	8,566	3,749	5,336	2,092	661	22,251	66,655
180,001 - 190,000	n.a.	1,515	7,046	3,096	4,308	1,696	546	18,210	54,429
190,001 - 200,000	6	1,231	5,731	2,418	3,518	1,378	471	14,753	44,206
200,001 - 300,000	38	6,185	27,029	11,572	16,634	6,841	2,273	70,572	211,611
300,001 - 400,000	18	2,301	8,899	3,551	5,480	2,651	936	23,836	72,479
400,001 - 500,000	12	1,231	4,355	1,840	2,707	1,446	541	12,132	37,306
500,001 - 750,000	19	1,400	5,070	1,916	2,990	1,544	677	13,616	41,707
750,001 - 1,000,000	11	610	2,132	795	1,240	630	291	5,709	17,406
Over \$1,000,000	<u>24</u>	<u>1,797</u>	<u>5,128</u>	<u>1,610</u>	<u>2,398</u>	<u>1,394</u>	<u>649</u>	<u>13,000</u>	<u>37,988</u>
Totals	323,469	1,770,586	1,290,816	481,194	410,388	165,345	72,973	4,514,771	8,774,888

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<sup>(1)</sup> Values in this table are based on 4,514,771 MI-1040 tax returns on file.

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

<sup>(3)</sup> Per Rule 205.1003, "n.a." was used to protect the confidentiality of filers in this income classification. These filers were included in the total column.

**Exhibit 30**  
**Distribution of Special Exemptions and Child Deductions**  
**Claimed on 2012 Individual Income Tax Returns<sup>(1)</sup>**

<b>Adjusted Gross Income Group</b>	<b>Deaf/Blind/ Disabled Exemptions</b>	<b>Disabled Veteran Exemptions</b>	<b>Claimed as Dependent Exemptions</b>	<b>Total</b>
Zero Income	11,565	658	4,120	16,343
\$ 1 - 2,000	30,168	927	63,154	94,249
2,001 - 4,000	8,571	529	74,580	83,680
4,001 - 6,000	8,240	577	55,722	64,539
6,001 - 8,000	8,659	589	39,775	49,023
8,001 - 10,000	9,555	631	27,879	38,065
10,001 - 12,000	8,651	633	19,426	28,710
12,001 - 14,000	8,419	683	13,230	22,332
14,001 - 16,000	7,242	680	8,880	16,802
16,001 - 18,000	6,767	683	5,530	12,980
18,001 - 20,000	6,017	632	3,617	10,266
20,001 - 22,000	5,453	619	2,280	8,352
22,001 - 24,000	5,207	597	1,528	7,332
24,001 - 26,000	4,675	547	1,045	6,267
26,001 - 28,000	4,225	544	711	5,480
28,001 - 30,000	3,822	497	524	4,843
30,001 - 35,000	8,752	1,197	798	10,747
35,001 - 40,000	7,419	1,034	393	8,846
40,001 - 45,000	6,469	1,006	242	7,717
45,001 - 50,000	5,354	832	188	6,374
50,001 - 55,000	5,049	881	119	6,049
55,001 - 60,000	5,011	837	95	5,943
60,001 - 65,000	4,461	746	64	5,271
65,001 - 70,000	4,175	801	69	5,045
70,001 - 75,000	3,890	688	59	4,637
75,001 - 80,000	3,477	613	53	4,143
80,001 - 85,000	3,026	581	48	3,655
85,001 - 90,000	2,483	574	43	3,100
90,001 - 95,000	2,161	489	42	2,692
95,001 - 100,000	1,907	423	32	2,362
Over \$100,000	<u>12,377</u>	<u>2,866</u>	<u>372</u>	<u>15,615</u>
Totals	213,247	23,594	324,618	561,459

<sup>(1)</sup> Values in this table are based on 4,514,771 MI-1040 tax returns on file.

**Exhibit 31**  
**Four-Year Comparison of Individual Income Tax Credits**  
**(Number and Amount in Thousands)**

	2009			2010			2011			2012		
	Number	Amount	Average	Number	Amount	Average	Number	Amount	Average	Number	Amount	Average
Property Tax Credits												
General	1,062.9	\$525,396.4	\$494.32	1,006.0	\$470,006.9	\$467.19	939.1	\$427,848.6	\$455.57	702.6	\$292,529.0	\$416.37
Senior Citizen <sup>(1)</sup>												
Total	476.5	\$374,894.9	\$786.71	458.0	\$345,861.5	\$755.09	450.1	\$332,509.0	\$738.71	330.1	\$194,074.8	\$587.95
Low Income Rent	9.2	\$2,835.3	\$308.49	10.1	\$4,665.4	\$462.98	9.4	\$2,839.5	\$301.56	8.4	\$2,244.3	\$265.79
Veteran	9.3	\$1,141.7	\$122.23	9.9	\$1,199.9	\$120.79	10.1	\$1,234.4	\$121.71	4.6	\$510.2	\$112.00
Blind	1.3	\$156.4	\$117.17	1.4	\$176.1	\$122.95	1.4	\$169.8	\$124.22	0.8	\$92.6	\$114.94
DDsabled	84.2	\$54,975.2	\$652.63	87.2	\$55,531.6	\$636.88	88.7	\$55,810.7	\$629.33	92.8	\$56,456.4	\$608.49
Farmland	8.1	\$39,864.1	\$4,930.63	8.0	\$39,694.3	\$4,948.79	7.9	\$40,821.3	\$5,165.29	7.6	\$39,979.7	\$5,273.67
Total Property Tax Credits	1,642.4	\$996,428.8	\$606.70	1,570.7	\$912,470.2	\$580.95	1,497.4	\$858,393.7	\$573.27	1,138.4	\$583,642.7	\$512.70
Home Heating Credit Total	484.8	\$88,755.5	\$183.09	491.4	\$69,758.2	\$141.94	461.2	\$65,777.1	\$142.61	375.7	\$47,948.8	\$127.64
Adoption Credit	0.5	\$667.0	\$1,265.69	0.5	\$712.9	\$1,305.61	0.4	\$489.8	\$1,206.41	n.a.	n.a.	n.a.
StillBirth Credit	0.3	\$62.4	\$182.96	0.3	\$50.8	\$188.26	0.3	\$46.8	\$181.91	n.a.	n.a.	n.a.
MI Earned Income Tax Credit	782.6	\$338,043.4	\$431.97	783.4	\$340,829.4	\$435.08	793.2	\$353,689.1	\$445.91	772.3	\$106,387.3	\$137.76
Energy Efficient Home Improvement Credit	140.2	\$15,188.5	\$108.32	132.0	\$14,037.1	\$106.35	100.3	\$10,405.2	\$103.75	n.a.	n.a.	n.a.
City Income Tax Credit	772.1	\$28,828.7	\$37.34	746.7	\$27,649.3	\$37.03	781.0	\$29,436.9	\$37.69	n.a.	n.a.	n.a.
Public Contribution Credit	263.6	\$23,694.8	\$89.87	253.3	\$22,872.1	\$90.28	257.7	\$23,845.0	\$92.51	n.a.	n.a.	n.a.
Credit for Income Tax Paid to Another State	44.6	\$40,077.9	\$897.70	46.8	\$44,807.6	\$958.37	47.9	\$49,711.3	\$1,036.90	48.9	\$48,569.5	\$993.26
Community Foundation Credit	36.0	\$3,351.0	\$93.06	34.9	\$3,251.0	\$93.06	36.2	\$3,453.1	\$95.38	n.a.	n.a.	n.a.
Homeless/Food Bank Credit	234.1	\$18,820.2	\$80.40	228.6	\$18,574.1	\$81.26	234.5	\$19,532.2	\$83.29	n.a.	n.a.	n.a.
College Tuition Credit	98.8	\$16,751.1	\$169.52	14.7	\$3,991.5	\$271.96	24.5	\$3,804.9	\$155.39	n.a.	n.a.	n.a.
Historic Preservation Credit	0.2	\$1,208.2	\$5,141.25	0.7	\$859.0	\$1,244.92	0.6	\$1,183.1	\$1,911.29	0.9	\$755.6	\$883.78
Vehicle Donation Credit	1.4	\$100.9	\$72.48	1.1	\$80.2	\$72.04	1.0	\$71.4	\$70.92	n.a.	n.a.	n.a.
Renewable Energy Surcharge Credit	499.5	\$3,932.9	\$7.87	532.9	\$3,453.5	\$6.48	514.0	\$3,490.8	\$6.79	n.a.	n.a.	n.a.

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



**Exhibit 32**  
**Distribution of Property Tax Credits Claimed**  
**Individual Income Tax, 2012 <sup>(1)</sup>**

Adjusted Gross Income Group	General			Senior Citizens <sup>(2)</sup>			Veterans			Disabled <sup>(3)</sup>		
	Number of Credits	% of Total Credits	Credit Amount	Number of Credits	% of Total Credits	Credit Amount	Number of Credits	% of Total Credits	Credit Amount	Number of Credits	% of Total Credits	Credit Amount
	<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 <sup>(4)</sup>	13,469	1.9%	\$8,169,971	43,530	13.2%	\$30,953,339	484	10.6%	\$68,618	25,741	27.5%	\$16,229,576
\$ 1 - 2,000	14,489	2.1%	7,412,592	37,263	11.3%	28,602,698	346	7.6%	44,333	22,678	24.2%	14,895,143
2,001 - 4,000	13,668	1.9%	6,158,960	20,989	6.4%	15,461,153	131	2.9%	16,380	4,624	4.9%	2,934,313
4,001 - 6,000	18,731	2.7%	8,234,739	21,363	6.5%	15,224,476	158	3.5%	19,991	4,195	4.5%	2,621,259
6,001 - 8,000	24,788	3.5%	10,908,878	23,007	7.0%	15,470,698	185	4.1%	22,416	4,268	4.6%	2,634,022
8,001 - 10,000	38,345	5.5%	17,778,067	22,455	6.8%	14,202,316	214	4.7%	26,282	4,425	4.7%	2,720,131
10,001 - 12,000	39,189	5.6%	18,338,230	22,955	7.0%	13,396,140	220	4.8%	27,235	3,888	4.2%	2,304,683
12,001 - 14,000	46,405	6.6%	22,101,991	21,338	6.5%	11,476,363	253	5.6%	30,690	3,437	3.7%	2,078,493
14,001 - 16,000	45,680	6.5%	21,468,120	18,760	5.7%	9,493,860	239	5.2%	27,404	2,834	3.0%	1,643,760
16,001 - 18,000	44,571	6.3%	20,522,293	15,296	4.6%	7,416,652	232	5.1%	24,294	2,582	2.8%	1,486,679
18,001 - 20,000	40,464	5.8%	17,927,415	12,755	3.9%	5,902,602	230	5.0%	25,069	2,166	2.3%	1,218,483
20,001 - 22,000	37,635	5.4%	16,391,745	11,016	3.3%	4,822,546	190	4.2%	20,897	1,849	2.0%	981,910
22,001 - 24,000	35,730	5.1%	15,114,720	9,799	3.0%	4,163,483	202	4.4%	19,812	1,692	1.8%	867,230
24,001 - 26,000	33,268	4.7%	13,718,747	8,328	2.5%	3,439,117	164	3.6%	16,952	1,423	1.5%	709,489
26,001 - 28,000	31,759	4.5%	12,829,804	7,220	2.2%	2,899,363	162	3.6%	17,346	1,188	1.3%	552,743
28,001 - 30,000	29,372	4.2%	11,719,244	6,150	1.9%	2,471,896	149	3.3%	15,796	1,044	1.1%	511,925
30,001 - 35,000	65,022	9.3%	24,917,576	11,671	3.5%	4,137,130	321	7.0%	31,774	2,137	2.3%	962,683
35,001 - 40,000	54,380	7.7%	20,352,556	7,745	2.3%	2,462,113	274	6.0%	25,864	1,536	1.6%	622,490
40,001 - 45,000	41,243	5.9%	12,976,547	5,047	1.5%	1,374,713	229	5.0%	19,227	1,100	1.2%	396,969
45,001 - 50,000	30,471	4.3%	4,783,109	2,639	0.8%	515,062	140	3.1%	7,776	632	0.7%	135,478
50,001 - 55,000	3,019	0.4%	412,332	544	0.2%	93,249	20	0.4%	1,082	97	0.1%	18,569
55,001 - 60,000	412	0.1%	89,738	84	0.0%	23,430	n.a.	0.0%	132	22	0.0%	4,960
60,001 - 65,000	123	0.0%	38,336	30	0.0%	15,026	n.a.	0.1%	228	n.a.	0.0%	1,771
65,001 - 70,000	70	0.0%	23,928	28	0.0%	15,328	n.a.	0.0%	89	6	0.0%	1,979
70,001 - 75,000	47	0.0%	25,611	12	0.0%	6,537	4	0.1%	281	5	0.0%	2,238
75,001 - 80,000	40	0.0%	18,956	13	0.0%	8,103	-	0.0%	-	n.a.	0.0%	1,027
80,001 - 85,000	28	0.0%	10,176	9	0.0%	3,641	-	0.0%	-	n.a.	0.0%	1,438
85,001 - 90,000	27	0.0%	13,202	13	0.0%	6,725	-	0.0%	-	n.a.	0.0%	321
90,001 - 95,000	18	0.0%	10,797	7	0.0%	5,145	-	0.0%	-	n.a.	0.0%	1,281
95,001 - 100,000	9	0.0%	5,388	n.a.	0.0%	1,275	n.a.	0.0%	80	-	0.0%	-
Over 100,000	96	0.0%	55,239	18	0.0%	10,637	n.a.	0.0%	119	9	0.0%	8,010
Totals	702,568	100.0%	\$292,529,007	330,086	100.0%	\$194,074,816	4,555	100.0%	\$510,167	93,587	100.0%	\$56,549,053

<sup>(1)</sup>Values in this table are based on a sample of the 4,639,076 MI-1040 and MI-1040CR returns.

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

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

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

<sup>(5)</sup> Per Rule 205.1003, "n.a." was used to protect the confidentiality of filers in this income classification. These filers were included in the total column.

**Exhibit 33**  
**Distribution of Senior Citizen Property Tax Credits by Household Resources**  
**Individual Income Tax, 2012**

<u>Household Resources</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	449	\$630,936	\$362,432	\$268,504
1,001 - 2,000	193	253,202	145,810	107,392
2,001 - 3,000	260	318,030	211,222	106,808
3,001 - 4,000	461	529,266	369,670	159,596
4,001 - 5,000	715	806,890	563,818	243,072
5,001 - 6,000	1,073	1,201,325	837,839	363,486
6,001 - 7,000	1,763	2,074,316	1,407,277	667,039
7,001 - 8,000	2,826	3,218,213	2,190,598	1,027,615
8,001 - 9,000	7,570	7,768,147	5,531,563	2,236,584
9,001 - 10,000	5,063	6,072,817	3,888,465	2,184,352
10,001 - 11,000	6,086	7,432,978	4,565,557	2,867,421
11,001 - 12,000	6,892	8,749,909	5,211,358	3,538,551
12,001 - 13,000	8,394	11,187,501	6,469,703	4,717,798
13,001 - 14,000	8,266	11,288,959	6,302,988	4,985,971
14,001 - 15,000	8,856	12,587,495	6,744,172	5,843,323
15,001 - 16,000	8,937	12,961,524	6,843,998	6,117,526
16,001 - 17,000	9,172	13,792,075	7,068,600	6,723,475
17,001 - 18,000	9,583	14,552,536	7,303,994	7,248,542
18,001 - 19,000	9,783	15,389,488	7,477,285	7,912,203
19,001 - 20,000	9,723	15,391,643	7,243,623	8,148,020
20,001 - 21,000	9,945	16,107,459	7,433,853	8,673,606
21,001 - 22,000	9,908	16,422,353	7,195,447	9,226,906
22,001 - 23,000	9,859	16,810,618	6,909,518	9,901,100
23,001 - 24,000	9,816	17,000,783	6,710,695	10,290,088
24,001 - 25,000	9,866	17,287,677	6,460,272	10,827,405
25,001 - 26,000	9,704	17,270,831	6,113,089	11,157,742
26,001 - 27,000	9,525	17,226,223	5,750,870	11,475,353
27,001 - 28,000	9,316	17,354,664	5,463,267	11,891,397
28,001 - 29,000	9,031	17,188,226	5,073,253	12,114,973
29,001 - 30,000	8,786	17,036,543	4,673,004	12,363,539
30,001 - 35,000	40,935	82,173,181	20,093,930	62,079,251
35,001 - 40,000	35,112	76,184,230	16,768,422	59,415,808
40,001 - 45,000	29,264	68,641,009	11,238,395	57,402,614
45,001 - 50,000	22,930	57,985,927	3,436,952	54,548,975
50,001 - 60,000	14	90,880	6,211	84,669
60,001 - 70,000	n.a.	27,554	3,972	23,582
70,001 - 80,000	0	0	0	0
Over 80,000	6	74,151	3,694	70,457
Totals	330,086	\$601,089,559	\$194,074,816	\$407,014,743

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

**Exhibit 34**  
**Distribution of General Property Tax Credits by Household Resources**  
**Individual Income Tax, 2012**

<u>Household Resources</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	5,530	\$7,540,562	\$3,621,173	\$3,919,389
1,001 - 2,000	2,675	2,595,506	1,343,537	1,251,969
2,001 - 3,000	3,631	3,330,181	1,697,092	1,633,089
3,001 - 4,000	4,854	4,462,306	2,183,276	2,279,030
4,001 - 5,000	6,233	5,766,703	2,724,291	3,042,412
5,001 - 6,000	7,442	7,236,157	3,286,203	3,949,954
6,001 - 7,000	9,260	8,875,720	3,937,743	4,937,977
7,001 - 8,000	11,360	11,589,804	4,992,494	6,597,310
8,001 - 9,000	15,213	15,942,649	6,822,388	9,120,261
9,001 - 10,000	19,580	22,162,414	9,325,180	12,837,234
10,001 - 11,000	18,302	21,022,021	8,547,879	12,474,142
11,001 - 12,000	19,367	22,778,471	9,047,069	13,731,402
12,001 - 13,000	21,093	25,929,288	10,049,989	15,879,299
13,001 - 14,000	23,451	29,755,352	11,305,989	18,449,363
14,001 - 15,000	22,774	29,520,299	10,872,603	18,647,696
15,001 - 16,000	23,685	31,742,810	11,289,999	20,452,811
16,001 - 17,000	23,963	32,578,917	11,305,561	21,273,356
17,001 - 18,000	22,765	31,168,254	10,530,280	20,637,974
18,001 - 19,000	22,853	31,985,958	10,521,335	21,464,623
19,001 - 20,000	21,644	30,638,524	9,748,074	20,890,450
20,001 - 21,000	21,365	30,917,253	9,530,160	21,387,093
21,001 - 22,000	20,275	29,930,796	8,955,485	20,975,311
22,001 - 23,000	19,658	29,552,859	8,572,438	20,980,421
23,001 - 24,000	19,115	29,317,798	8,273,315	21,044,483
24,001 - 25,000	18,679	29,038,990	7,920,554	21,118,436
25,001 - 26,000	17,830	28,305,533	7,520,725	20,784,808
26,001 - 27,000	17,565	28,174,869	7,258,314	20,916,555
27,001 - 28,000	16,942	27,948,999	6,998,487	20,950,512
28,001 - 29,000	16,280	27,511,566	6,735,699	20,775,867
29,001 - 30,000	15,847	27,293,197	6,484,421	20,808,776
30,001 - 35,000	71,311	128,321,611	28,248,664	100,072,947
35,001 - 40,000	60,275	119,384,109	23,667,978	95,716,131
40,001 - 45,000	46,789	100,624,692	14,780,895	85,843,797
45,001 - 50,000	34,950	82,237,105	4,422,777	77,814,328
50,001 - 60,000	7	24,686	2,463	22,223
60,001 - 70,000	n.a.	11,398	1,800	9,598
70,001 - 80,000	0	0	0	0
Over 80,000	n.a.	14,881	2,677	12,204
Totals	702,568	\$1,095,232,240	\$292,529,007	\$802,703,233

(3) Per Rule 205.1003, "n.a." was used to protect the confidentiality of filers in this income classification. These filers were included in the total column.

**Exhibit 35**  
**Distribution of Farmland Credit by Household Resources**  
**Individual Income Tax, 2012**

<b>Household Resources</b>	<b>Farmland Credit</b>		
	<b>Number of Returns</b>	<b>Credit Amount</b>	<b>Average Credit</b>
\$1,000 and below	121	\$1,018,667	\$8,419
1,001 - 2,000	16	64,697	4,044
2,001 - 3,000	14	38,946	2,782
3,001 - 4,000	16	42,302	2,644
4,001 - 5,000	12	34,487	2,874
5,001 - 6,000	25	94,790	3,792
6,001 - 7,000	25	57,339	2,294
7,001 - 8,000	37	135,072	3,651
8,001 - 9,000	46	162,321	3,529
9,001 - 10,000	39	111,438	2,857
10,001 - 11,000	39	122,023	3,129
11,001 - 12,000	50	153,466	3,069
12,001 - 13,000	54	156,970	2,907
13,001 - 14,000	54	173,383	3,211
14,001 - 15,000	55	186,145	3,384
15,001 - 16,000	57	180,938	3,174
16,001 - 17,000	71	173,578	2,445
17,001 - 18,000	70	195,698	2,796
18,001 - 19,000	76	275,862	3,630
19,001 - 20,000	83	218,647	2,634
20,001 - 21,000	82	284,747	3,473
21,001 - 22,000	69	187,062	2,711
22,001 - 23,000	74	260,948	3,526
23,001 - 24,000	98	293,844	2,998
24,001 - 25,000	75	254,781	3,397
25,001 - 26,000	82	254,612	3,105
26,001 - 27,000	91	327,963	3,604
27,001 - 28,000	90	365,924	4,066
28,001 - 29,000	94	332,486	3,537
29,001 - 30,000	91	281,954	3,098
30,001 - 35,000	475	1,738,844	3,661
35,001 - 40,000	443	1,794,632	4,051
40,001 - 45,000	432	1,599,135	3,702
45,001 - 50,000	436	1,828,943	4,195
50,001 - 60,000	717	3,222,903	4,495
60,001 - 70,000	578	2,967,365	5,134
70,001 - 80,000	433	2,086,746	4,819
80,001 - 90,000	385	2,047,382	5,318
90,001 - 100,000	341	1,907,844	5,595
100,001 - 125,000	502	3,188,435	6,351
125,001 - 150,000	310	2,426,001	7,826
150,001 - 200,000	336	2,932,481	8,728
Over \$200,000	<u>387</u>	<u>5,797,854</u>	14,982
<b>Totals</b>	<b>7,581</b>	<b>\$39,979,655</b>	<b>\$5,274</b>

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

**Exhibit 36**  
**Distribution of Home Heating Credits by Household Resources**  
**Individual Income Tax, 2012**

Household Resources	Senior Citizens		General		Disabled <sup>(1)</sup>		Veterans	
	Number of Returns	Home Heating Credit	Number of Returns	Home Heating Credit	Number of Returns	Home Heating Credit	Number of Returns	Home Heating Credit
Up to \$ 1,000	304	\$82,072	8,115	\$2,081,255	461	\$133,812	9	\$3,037
1,001 - 2,000	157	44,605	4,486	983,027	154	39,969	n.a.	661
2,001 - 3,000	194	45,798	5,450	1,096,632	194	53,020	n.a.	651
3,001 - 4,000	337	69,200	6,782	1,277,414	284	71,314	5	1,045
4,001 - 5,000	536	109,540	8,133	1,461,783	463	101,870	n.a.	105
5,001 - 6,000	823	148,939	9,283	1,542,220	674	144,415	n.a.	187
6,001 - 7,000	1,455	234,619	10,896	1,689,103	1,068	206,356	8	2,140
7,001 - 8,000	2,412	348,243	13,259	1,947,938	2,008	340,966	8	1,335
8,001 - 9,000	7,157	794,385	23,830	3,146,330	12,729	1,728,614	28	5,174
9,001 - 10,000	4,348	428,089	21,617	2,835,501	4,011	569,333	22	4,636
10,001 - 11,000	5,115	394,985	19,618	2,277,971	4,097	538,332	15	3,098
11,001 - 12,000	5,528	340,927	19,770	2,112,508	3,674	439,396	16	1,664
12,001 - 13,000	3,146	308,680	15,716	2,114,425	3,781	452,611	24	3,730
13,001 - 14,000	1,365	155,688	15,642	2,165,698	3,046	329,981	14	1,524
14,001 - 15,000	1,181	95,052	14,602	1,787,970	2,781	263,869	15	1,741
15,001 - 16,000	1,140	74,450	14,811	1,610,447	2,428	210,992	29	3,825
16,001 - 17,000	782	50,502	12,669	1,441,370	1,815	188,550	12	1,371
17,001 - 18,000	327	36,822	9,310	1,120,428	1,196	155,284	11	1,220
18,001 - 19,000	251	23,712	8,965	931,683	1,047	124,318	11	1,393
19,001 - 20,000	235	18,881	8,435	764,666	972	101,958	20	1,448
Over 20,000	<u>671</u>	<u>53,793</u>	<u>35,385</u>	<u>3,032,164</u>	<u>4,184</u>	<u>423,566</u>	<u>107</u>	<u>10,764</u>
Totals	37,464	\$3,858,982	286,774	\$37,420,533	51,067	\$6,618,526	359	\$50,749
Average Credit		\$103.01		\$130.49		\$129.60		\$141.36

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

<sup>(2)</sup>Per Rule 205.1003, "n.a." was used to protect the confidentiality of filers in this income category. These filers were included in the total column.

**Exhibit 37**  
**2012 Income Tax Collections by County**

<u>County</u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>	<u>MI EITC Credits</u>	<u>Tax After Credits</u>	<u>Percent of Total Tax</u>
ALCONA	\$336,429	\$68,421	\$90,231	\$3,338,296	0.0%
ALGER	277,005	54,613	75,619	3,892,958	0.1%
ALLEGAN	5,026,246	352,842	886,226	65,028,771	0.9%
ALPENA	1,138,908	200,740	284,047	13,860,354	0.2%
ANTRIM	966,177	136,014	243,222	12,273,151	0.2%
ARENAC	791,113	122,702	153,013	5,748,539	0.1%
BARAGA	183,572	42,292	75,107	3,239,644	0.0%
BARRY	2,423,285	180,198	428,428	32,861,400	0.5%
BAY	6,904,932	520,939	1,052,767	60,790,316	0.9%
BENZIE	596,525	88,333	163,385	7,930,302	0.1%
BERRIEN	7,890,341	910,538	2,022,590	100,441,297	1.4%
BRANCH	2,381,609	182,202	483,732	18,952,953	0.3%
CALHOUN	8,129,643	707,052	1,632,560	71,096,482	1.0%
CASS	2,387,434	183,710	462,330	20,765,206	0.3%
CHARLEVOIX	1,379,531	124,027	288,201	17,519,736	0.3%
CHEBOYGAN	759,909	167,499	280,303	9,949,761	0.1%
CHIPPEWA	1,096,865	186,644	369,509	14,025,494	0.2%
CLARE	1,111,045	317,942	387,876	11,570,620	0.2%
CLINTON	3,330,791	149,551	367,918	45,777,211	0.7%
CRAWFORD	385,898	78,116	126,457	4,487,553	0.1%
DELTA	1,532,228	208,433	342,742	20,642,395	0.3%
DICKINSON	1,129,678	115,552	241,708	16,233,500	0.2%
EATON	6,655,195	335,768	941,985	76,647,474	1.1%
EMMET	1,702,012	160,580	343,879	28,080,257	0.4%
GENESEE	18,725,737	2,681,447	5,661,991	233,061,551	3.3%
GLADWIN	953,620	198,101	257,377	10,219,404	0.1%
GOGEBIC	516,860	107,724	136,023	6,395,839	0.1%
GRAND TRAVERSE	5,528,457	281,946	814,875	74,273,892	1.1%
GRATIOT	3,173,502	243,772	475,873	20,991,228	0.3%
HILLSDALE	2,308,653	294,772	490,422	21,011,219	0.3%
HOUGHTON	908,087	196,235	268,759	16,119,307	0.2%
HURON	7,847,416	191,420	301,634	13,496,546	0.2%
INGHAM	18,704,114	1,264,767	2,875,843	185,253,041	2.6%
IONIA	2,903,711	275,958	603,385	32,349,753	0.5%
IOSCO	858,788	192,688	289,575	9,806,856	0.1%
IRON	389,812	71,380	101,908	4,791,838	0.1%
ISABELLA	2,734,980	256,014	473,921	29,228,179	0.4%
JACKSON	7,197,703	802,741	1,688,664	91,878,720	1.3%
KALAMAZOO	14,358,138	1,034,308	2,291,931	181,105,451	2.6%

**Exhibit 37 (cont.)**

<u>County</u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>	<u>MI EITC Credits</u>	<u>Tax After Credits</u>	<u>Percent of Total Tax</u>
KALKASKA	\$524,329	\$107,887	\$219,240	\$8,434,283	0.1%
KENT	32,744,754	2,297,021	6,356,855	486,115,937	6.9%
KEWEENAW	36,099	17,871	14,176	973,767	0.0%
LAKE	409,287	125,947	114,844	2,241,241	0.0%
LAPEER	3,015,041	310,636	739,549	54,451,305	0.8%
LEELANAU	698,361	56,689	107,327	13,724,197	0.2%
LENAWEE	7,079,956	414,831	962,725	51,183,376	0.7%
LIVINGSTON	6,186,339	263,138	788,872	152,402,714	2.2%
LUCE	72,493	40,143	57,293	2,551,381	0.0%
MACKINAC	383,858	66,769	102,581	4,883,773	0.1%
MACOMB	63,600,951	3,256,869	8,357,168	588,791,121	8.4%
MANISTEE	1,102,833	139,769	228,642	10,870,184	0.2%
MARQUETTE	2,078,818	239,417	451,875	41,850,955	0.6%
MASON	1,871,586	180,258	319,077	14,215,702	0.2%
MECOSTA	1,451,953	239,812	375,020	17,342,665	0.2%
MENOMINEE	719,280	113,514	207,708	12,448,052	0.2%
MIDLAND	3,308,853	318,595	614,775	76,385,469	1.1%
MISSAUKEE	933,608	98,732	148,678	4,809,180	0.1%
MONROE	5,766,595	410,922	1,138,021	95,841,825	1.4%
MONTCALM	3,382,412	411,030	736,103	28,325,953	0.4%
MONTMORENCY	319,744	80,100	97,130	3,330,421	0.0%
MUSKEGON	8,986,309	979,787	2,275,189	81,546,622	1.2%
NEWAYGO	2,153,728	273,179	462,466	18,220,089	0.3%
OAKLAND	68,427,570	3,043,869	7,882,593	1,502,140,039	21.5%
OCEANA	1,339,526	207,121	343,088	11,326,825	0.2%
OGEMAW	859,250	189,767	260,332	7,938,135	0.1%
ONTONAGON	197,905	40,831	50,068	2,284,851	0.0%
OSCEOLA	1,067,408	192,332	293,269	10,286,031	0.1%
OSCODA	142,850	51,699	70,068	2,523,312	0.0%
OTSEGO	753,256	107,582	255,433	11,983,943	0.2%
OTTAWA	13,291,655	562,044	2,028,906	218,225,171	3.1%
PRESQUE ISLE	500,102	107,483	129,173	5,506,882	0.1%
ROSCOMMON	941,291	191,819	262,378	9,331,069	0.1%
SAGINAW	9,952,037	1,223,543	2,441,863	103,054,584	1.5%
ST. CLAIR	8,094,165	686,915	1,596,043	100,267,736	1.4%
ST. JOSEPH	3,081,879	277,819	709,027	28,839,940	0.4%
SANILAC	3,627,327	278,019	462,092	18,761,654	0.3%
SCHOOLCRAFT	196,084	62,684	81,035	3,716,495	0.1%
SHIAWASSEE	4,155,560	354,334	733,393	40,398,782	0.6%
TUSCOLA	5,726,365	303,972	591,565	25,705,593	0.4%
VAN BUREN	4,430,364	467,500	912,962	44,978,258	0.6%
WASHTENAW	19,644,891	1,052,253	2,155,902	346,320,567	5.0%
WAYNE (excludes Detroit)	71,610,862	4,339,250	10,213,942	663,144,442	9.5%
WEXFORD	1,532,706	233,211	426,314	15,338,779	0.2%
OUTSIDE OF MICHIGAN	4,058,037	409,481	2,390,502	220,507,355	3.2%
DETROIT	<u>67,558,472</u>	<u>9,434,365</u>	<u>18,746,045</u>	<u>236,211,001</u>	<u>3.4%</u>
TOTAL	\$583,642,698	\$47,948,790	\$106,387,323	\$6,994,868,150	100.0%

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

## Exhibit 38 2012 Income Tax Data by County

County	2012	2012	Income Tax		Average		Average		Credits as a		Ratio of Property		Average		
	AGI	Average	Before	Rank	Income Tax	Rank	Income Tax	Rank	% of Tax	Rank	Tax Credits	Rank	Property Tax	Rank	
	(Millions)	AGI	Credits	Rank	Before	Credits	After	Rank	Before	Rank	to 1040s Filed	Rank	Credit <sup>(1)</sup>	Rank	
ALCONA	\$167.1	\$36,993	79	\$3,854,556	77	\$854	81	\$739	81	13.4%	20	20.4%	63	\$364	63
ALGER	160.0	42,003	47	4,317,357	74	1,133	62	1,022	56	9.8%	58	20.2%	65	361	64
ALLEGAN	2,180.9	49,702	19	71,294,889	21	1,625	17	1,482	14	8.8%	66	22.3%	44	515	19
ALPENA	545.6	40,781	61	15,559,985	51	1,163	57	1,036	54	10.9%	48	23.8%	32	358	69
ANTRIM	491.6	47,165	26	13,681,431	53	1,313	38	1,178	39	10.3%	52	20.9%	59	444	41
ARENAC	238.1	37,911	72	6,727,559	68	1,071	67	915	69	14.6%	11	24.4%	28	516	18
BARAGA	134.8	41,626	52	3,562,649	78	1,100	64	1,000	59	9.1%	64	15.8%	81	359	68
BARRY	1,124.0	51,996	14	35,818,947	30	1,657	15	1,520	12	8.3%	70	21.0%	58	534	13
BAY	2,252.1	45,145	35	68,966,210	22	1,382	34	1,219	30	11.9%	37	27.6%	10	501	24
BENZIE	319.8	42,478	46	8,831,254	66	1,173	56	1,053	53	10.2%	53	21.6%	55	367	62
BERRIEN	3,609.7	50,122	17	113,119,376	12	1,571	19	1,395	20	11.2%	44	24.7%	25	443	42
BRANCH	734.4	41,992	48	21,864,456	41	1,250	46	1,084	49	13.3%	23	23.5%	33	579	10
CALHOUN	2,649.0	46,701	30	81,534,918	18	1,437	26	1,253	28	12.8%	28	28.2%	8	507	21
CASS	835.8	47,708	23	24,498,293	36	1,398	31	1,185	38	15.2%	9	22.4%	41	609	7
CHARLEVOIX	640.7	49,085	21	19,464,258	45	1,491	24	1,342	23	10.0%	55	24.2%	29	438	43
CHEBOYGAN	412.5	41,577	54	11,402,128	61	1,149	58	1,003	58	12.7%	30	22.1%	49	346	77
CHIPPEWA	621.5	40,616	63	15,811,265	50	1,033	73	917	68	11.3%	42	19.9%	69	360	67
CLARE	494.1	37,208	77	13,611,897	54	1,025	74	871	73	15.0%	10	22.2%	45	376	60
CLINTON	1,557.1	59,894	6	49,429,576	26	1,901	6	1,761	6	7.4%	74	21.2%	56	604	8
CRAWFORD	189.7	38,633	69	5,109,494	73	1,041	72	914	70	12.2%	34	22.0%	51	358	71
DELTA	767.4	44,229	39	22,821,935	39	1,315	37	1,190	37	9.6%	60	22.4%	43	395	55
DICKINSON	584.6	46,658	31	17,789,155	46	1,420	28	1,296	25	8.7%	67	22.1%	50	407	50
EATON	2,721.3	50,965	15	84,577,458	17	1,584	18	1,435	19	9.4%	62	24.5%	27	509	20
EMMET	958.1	54,627	10	30,450,120	35	1,736	12	1,601	10	7.8%	73	22.9%	39	424	48
GENESEE	8,606.3	46,792	28	260,581,314	6	1,417	29	1,267	26	10.6%	51	25.7%	16	397	54
GLADWIN	443.0	39,965	66	11,681,396	60	1,054	69	922	67	12.5%	32	23.0%	36	375	61
GOGEBIC	265.3	40,194	65	7,227,296	67	1,095	65	969	64	11.5%	40	22.2%	47	352	76
GRAND TRAVERSE	2,534.5	54,469	11	81,238,203	19	1,746	11	1,596	11	8.6%	69	25.2%	21	472	35
GRATIOT	784.9	45,216	34	24,203,977	38	1,394	32	1,209	32	13.3%	25	23.5%	34	778	3
HILLSDALE	811.1	41,978	49	24,274,103	37	1,256	44	1,087	48	13.4%	18	22.5%	40	532	14
HOUGHTON	601.8	41,811	51	17,636,593	47	1,225	49	1,120	43	8.6%	68	17.6%	77	358	70
HURON	706.2	43,028	43	19,969,149	43	1,217	52	822	77	32.4%	1	30.1%	3	1,590	1
INGHAM	6,471.3	52,836	13	208,472,482	8	1,702	14	1,513	13	11.1%	46	29.2%	5	522	17
IONIA	1,139.4	44,468	38	35,963,712	29	1,404	30	1,263	27	10.0%	54	21.6%	54	525	16
IOSCO	447.6	37,448	75	11,203,872	62	937	79	820	78	12.5%	33	22.4%	42	321	81
IRON	201.1	37,994	71	5,535,662	71	1,046	70	905	71	13.4%	19	20.7%	62	356	73
ISABELLA	1,114.0	47,196	25	32,778,138	32	1,389	33	1,238	29	10.8%	49	24.1%	30	481	31
JACKSON	3,221.7	48,711	22	101,899,258	15	1,541	21	1,389	21	9.8%	57	25.1%	22	434	44
KALAMAZOO	6,068.0	55,664	9	199,281,509	9	1,828	9	1,661	9	9.1%	63	27.8%	9	474	34
KALKASKA	320.7	42,836	45	9,436,846	64	1,261	43	1,127	42	10.6%	50	19.8%	71	355	74
KENT	15,607.0	55,685	8	528,732,847	4	1,887	7	1,734	7	8.1%	71	26.2%	12	447	39
KEWEENAW	40.4	45,489	33	1,046,751	83	1,177	55	1,095	46	7.0%	76	12.0%	83	337	79
LAKE	113.3	32,981	83	2,910,835	79	848	82	653	83	23.0%	2	31.0%	2	385	59
LAPEER	1,854.7	49,606	20	67,294,042	23	1,800	10	1,456	16	19.1%	3	18.9%	73	426	46

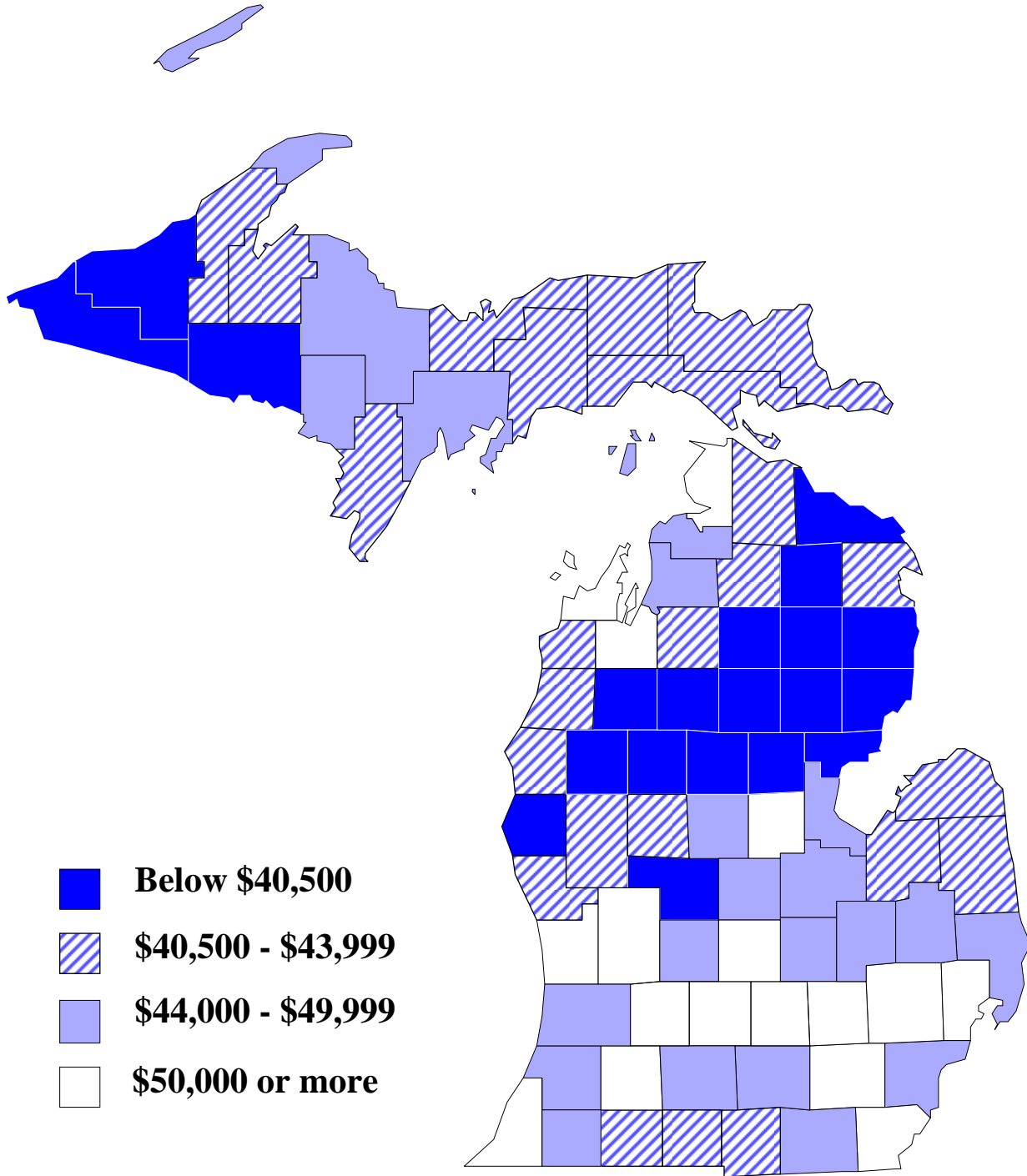


Exhibit 38 (cont.)

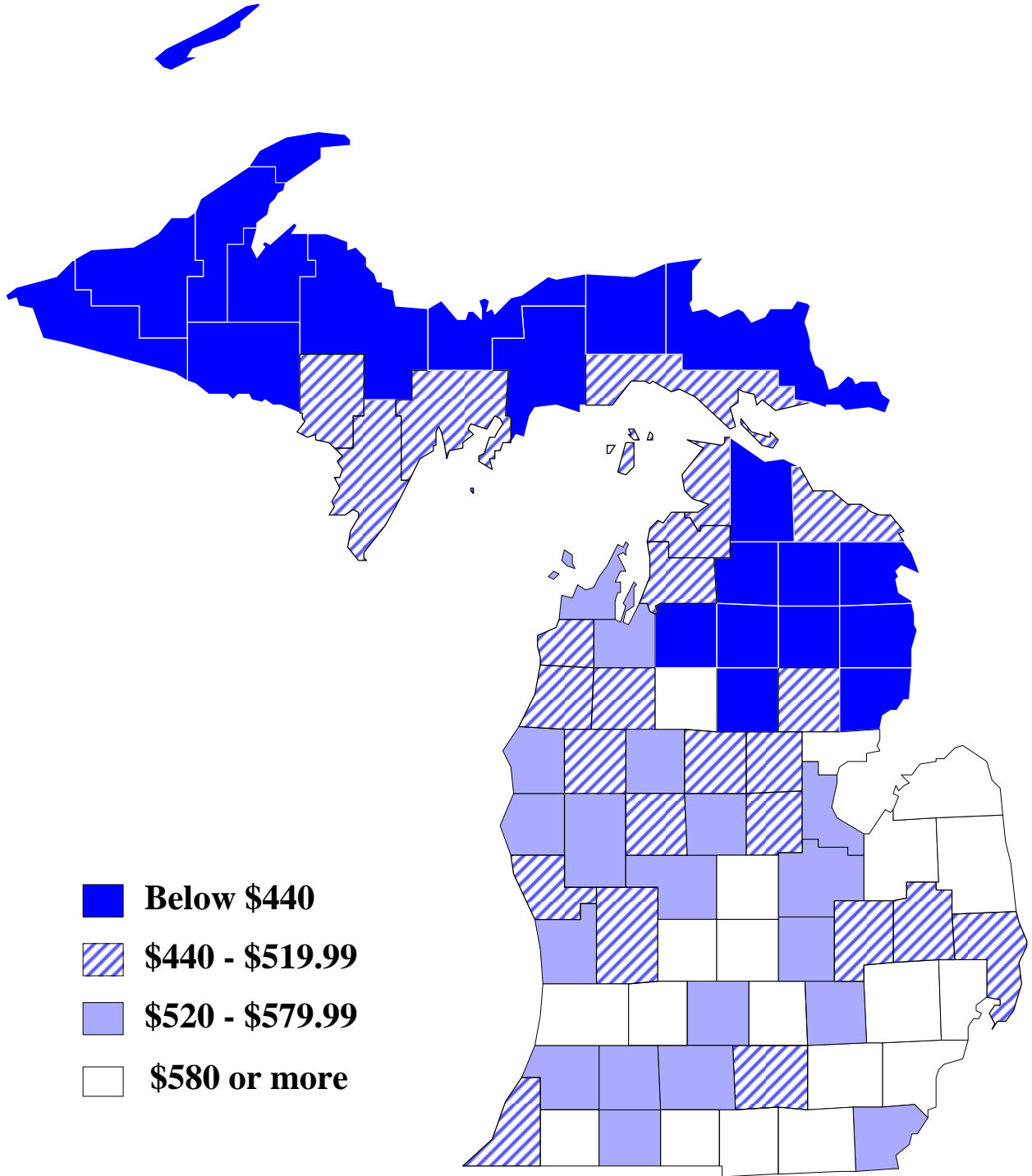
County	2012	2012	Income Tax		Average		Average		Credits as a		Ratio of Property		Average		
	AGI	Average	Rank	Before	Rank	Income Tax	Rank	Income Tax	Rank	Rank	to 1040s Filed	Rank	Property Tax	Rank	
	(Millions)	AGI		Credits		Before Credits		After Credits		Before Credits				Credit <sup>(1)</sup>	
LEELANAU	\$496.0	\$61,705	5	\$14,764,722	52	\$1,837	8	\$1,707	8	7.0%	75	17.9%	75	\$484	29
LENAWEE	2,001.6	47,001	27	60,679,499	24	1,425	27	1,202	35	15.6%	8	26.9%	11	619	6
LIVINGSTON	4,726.9	66,380	3	160,059,483	10	2,248	3	2,140	3	4.8%	82	17.2%	79	504	22
LUCE	100.3	41,624	53	2,734,645	81	1,135.18	60	1,059	51	6.7%	78	12.3%	82	244	83
MACKINAC	216.8	40,950	60	5,510,567	72	1,041	71	923	66	11.4%	41	18.7%	74	388	58
MACOMB	20,562.5	50,689	16	665,339,358	3	1,640	16	1,451	17	11.5%	39	28.3%	7	554	12
MANISTEE	443.2	40,691	62	12,354,195	58	1,134	61	998	60	12.0%	36	24.9%	23	406	51
MARQUETTE	1,445.2	49,987	18	44,768,658	28	1,548	20	1,448	18	6.5%	79	19.9%	68	361	65
MASON	564.7	43,545	40	16,578,049	49	1,278	42	1,096	45	14.2%	13	29.3%	4	493	28
MECOSTA	680.5	43,314	42	19,474,561	44	1,240	47	1,104	44	10.9%	47	21.8%	52	424	49
MENOMINEE	445.8	42,943	44	13,504,740	55	1,301	39	1,199	36	7.8%	72	17.6%	78	393	56
MIDLAND	2,431.3	66,068	4	80,747,565	20	2,194	4	2,076	4	5.4%	81	20.9%	60	431	45
MISSAUKEE	207.4	37,690	74	5,886,929	70	1,070	68	874	72	18.3%	4	22.9%	38	740	5
MONROE	3,514.3	54,125	12	112,113,693	13	1,727	13	1,476	15	14.5%	12	19.0%	72	467	36
MONTCALM	1,069.7	40,427	64	32,698,094	33	1,236	48	1,071	50	13.4%	21	25.7%	18	498	27
MONTMORENCY	166.0	35,832	80	3,863,444	76	834	83	719	82	13.8%	16	20.1%	66	344	78
MUSKEGON	3,036.0	41,969	50	94,002,670	16	1,299	40	1,127	41	13.3%	26	29.2%	6	425	47
NEWAYGO	710.9	41,166	59	21,122,393	42	1,223	50	1,055	52	13.7%	17	26.2%	13	477	33
OAKLAND	45,144.5	79,642	1	1,588,413,776	1	2,802	1	2,650	1	5.4%	80	21.1%	57	573	11
OCEANA	462.7	39,800	67	13,197,044	56	1,135	59	974	63	14.2%	14	24.9%	24	464	37
OGEMAW	337.7	35,321	81	9,229,595	65	965	76	830	76	14.0%	15	22.2%	48	405	52
ONTONAGON	103.3	37,067	78	2,613,393	82	937	78	820	79	12.6%	31	20.1%	67	354	75
OSCEOLA	410.6	38,213	70	11,873,190	59	1,105	63	957	65	13.4%	22	20.8%	61	478	32
OSCODA	101.3	34,969	82	2,802,616	80	967	75	871	74	10.0%	56	17.9%	76	276	82
OTSEGO	446.4	43,511	41	13,178,547	57	1,285	41	1,168	40	9.1%	65	20.4%	64	360	66
OTTAWA	7,027.0	57,611	7	234,360,799	7	1,921	5	1,789	5	6.9%	77	21.8%	53	500	25
PRESQUE ISLE	242.2	37,254	76	6,266,799	69	964	77	847	75	12.1%	35	19.8%	70	388	57
ROSCOMMON	435.8	37,881	73	10,760,789	63	935	80	811	80	13.3%	24	22.9%	37	357	72
SAGINAW	3,848.5	45,035	36	115,993,605	11	1,357	36	1,206	34	11.2%	45	25.4%	20	458	38
ST. CLAIR	3,510.4	47,449	24	110,948,598	14	1,500	22	1,355	22	9.6%	59	24.5%	26	446	40
ST. JOSEPH	1,095.9	41,459	57	33,099,426	31	1,252	45	1,091	47	12.9%	27	23.4%	35	499	26
SANILAC	759.8	41,363	58	22,445,268	40	1,222	51	1,021	57	16.4%	7	25.7%	17	769	4
SCHOOLCRAFT	156.6	41,518	56	4,107,537	75	1,089	66	986	62	9.5%	61	15.9%	80	326	80
SHIAWASSEE	1,490.7	44,939	37	45,530,172	27	1,373	35	1,218	31	11.3%	43	26.0%	14	481	30
TUSCOLA	1,081.6	41,538	55	31,185,765	34	1,198	53	987	61	17.6%	5	23.8%	31	922	2
VAN BUREN	1,593.8	46,705	29	50,920,941	25	1,492	23	1,318	24	11.7%	38	25.9%	15	501	23
WASHTENAW	10,643.8	70,914	2	362,681,919	5	2,416	2	2,307	2	4.5%	83	22.2%	46	588	9
WAYNE (including Detroit)	34,319.4	46,037	32	1,085,122,795	2	1,456	25	1,206	33	17.1%	6	35.2%	1	531	15
WEXFORD	582.8	39,060	68	17,585,130	48	1,179	54	1,028	55	12.8%	29	25.5%	19	403	53
OUTSIDE MICHIGAN	56,153.8	302,780		232,538,164		1,254		1,189		5.2%		4.4%		495	
DETROIT	11,132.1	36,320		333,459,648.6		1,088		771		29.2%		43.9%		502	
<b>TOTALS</b>	<b>\$288,509.6</b>	<b>\$63,903</b>		<b>\$7,766,526,282</b>		<b>\$1,720</b>		<b>\$1,549</b>		<b>9.9%</b>		<b>25.2%</b>		<b>513</b>	

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

**Exhibit 39**  
**Average Adjusted Gross Income by County**  
**2012**



**Exhibit 40**  
**Average Property Tax Credits by County**  
**2012**



**Exhibit 41**  
**Average Annual Individual Income Tax Rates**

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
1968	2.60%	1992	4.60%
1969	2.60%	1993	4.60%
1970	2.60%	1994	4.47%
1971	3.14%	1995	4.40%
1972	3.90%	1996	4.40%
1973	3.90%	1997	4.40%
1974	3.90%	1998	4.40%
1975	4.37%	1999	4.40%
1976	4.60%	2000	4.20%
1977	4.60%	2001	4.20%
1978	4.60%	2002	4.10%
1979	4.60%	2003	4.00%
1980	4.60%	2004	3.95%
1981	4.60%	2005	3.90%
1982	5.10%	2006	3.90%
1983	6.35%	2007	4.01%
1984	5.85%	2008	4.35%
1985	5.33%	2009	4.35%
1986	4.60%	2010	4.35%
1987	4.60%	2011	4.35%
1988	4.60%	2012	4.33%
1989	4.60%	2013	4.25%
1990	4.60%	2014	4.25%
1991	4.60%		

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

## **XII. APPENDIX A**

## **FEDERAL TAX LAW CHANGES<sup>10</sup> (from 2001 through 2011)**

### **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 2009, 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

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<sup>10</sup> For federal legislative changes from 1987 through 2000, see Office of Revenue and Tax Analysis, *Individual Income Tax 2007*, June 2009, at [http://www.michigan.gov/treasury/0,1607,7-121-44402\\_44404---,00.html](http://www.michigan.gov/treasury/0,1607,7-121-44402_44404---,00.html).

- new, above-the-line deductions for qualified expenses incurred by educators for classroom materials (up to \$250 in qualified out-of-pocket classroom expenses, and/or nonreimbursed expenditures for certain books, supplies and equipment related to classroom instruction qualify for the deduction) and for qualified higher education expenses (up to \$3,000 in expenses in tax year 2002, increased to \$4,000 in 2006 and repealed after tax year 2007).

## **2003**

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

The Military Family Tax Relief Act of 2003 (MFTRA-03) provided a number of tax reductions to military personnel and their families, most of which will reduce the federal AGI calculation. Some provisions were made effective retroactively, like the special rules for the exclusion of gain on the sale of qualified principal residence, while others were made effective starting tax year 2003, like the new above-the-line deduction of qualified expenses for National Guard and Reserve members.

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

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

period before the sale of a residence. The election applies to only one property at a time, and was made permanent in 2009.

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 2009, and \$1,000 in 2009 and subsequent years. The Act also allows distributions from an HSA for qualified medical expenses of the individual, spouse, or dependents to be tax-free. As a result, the impact of HSAs in the Michigan personal income tax are two fold, since both contributions to, and distributions from HSAs are not included in the taxpayer's AGI.

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

The Working Families Tax Relief Act (WFTRA-04) instituted a new uniform definition of child to be used throughout the Tax Code and provided for the extension of two sets of expiring provisions: four accelerated tax cuts from the EGTRRA-01 and the JGTRRA-03 scheduled to expire on 12/31/2004, and a package of regularly expiring tax provisions that, for the most part,



had expired on 12/31/2003. Of the extensions provided by the Act, two provisions affected the federal AGI calculation: the teacher's classroom expense deduction, and the availability of Archer medical savings accounts, both of which were extended through tax year 2006.

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

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

## **2005**

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

The new above-the-line deduction for manufacturers replaced the Extraterritorial Income Exclusion (ETI). The new deduction will be completely phased-in by 2011, starting at a 3 percent rate in 2005 and 2006, increasing to 6 percent in 2007 through 2009, and reaching 9 percent in 2011. It allows, under certain limitations, deduction from taxable income of a percentage of net income attributable to qualified domestic production activity. The deduction is limited to 50 percent of the W-2 wages paid by the taxpayer during the tax year, and corporations, individuals, S corporations, partnerships, estates, trusts, and cooperatives can take advantage of it.

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

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

Michigan taxpayers who own property in the states affected by hurricanes Katrina, Rita and Wilma, may be impacted by the following provisions in the Katrina Emergency Tax Relief Act of 2005 (KETRA-05), and the Gulf Opportunity Zone Act (GOZA-05)<sup>11</sup>:

- 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 property, and increased phase-out threshold investment amount by the lesser of \$600,000 or the cost of eligible, qualified property; and
- Special 5-year NOL carryback to the aggregate amount of the following deductions: qualified GO zone casualty losses, depreciation deductions with respect to qualified GO zone property for the taxable year the property is placed in service, and deductions for certain repair expenses resulting from Hurricane Katrina.

## **2006**

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

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

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

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<sup>11</sup> Hurricane tax relief under the GOZA-05 is distributed based on residency and activity in each designated area: Gulf Opportunity (GO) zone, Hurricane Katrina Disaster area, Rita GO zone, Hurricane Rita disaster area, Wilma GO zone, and Hurricane Wilma Disaster area.

- 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, included off-the-shelf computer software expenses, and indexed both limits for inflation.

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

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

Various provisions set to expire were made permanent or extended: permanent higher dollar amount for IRA contributions (\$4,000 starting in 2007, \$5,000 in 2009, inflation adjusted thereafter); permanent higher dollar limits on defined contribution plans (\$44,000 in 2007), elective deferrals (including \$15,000 in 2007 for 401(k) plan deferrals, 457 plan deferrals (\$15,000 in 2007), SIMPLE plan contributions (\$10,000 in 2007) and compensation that may be taken into account under a plan; permanent catch-up contributions for older workers (\$1,000 after 2005 for IRAs, \$2,500 for SIMPLE plans, \$5,000 for 401(k) plans); permanent Roth 401(k) and 403(b)s; and extension of combat pay, which is otherwise excluded from gross income, to be treated as earned income for purposes of calculating the EITC.

## **2008**

Beginning in 2008, taxpayers are allowed to direct rollovers from a qualified retirement plan, tax-sheltered annuity, or governmental plan directly to a Roth IRA, where the rollover is treated as a Roth conversion if all other conversion qualifications (e.g. income below the \$100,000 level before 2011) are met. Prior to the law, taxpayers had first to roll over the amount to a traditional IRA, and then convert the traditional IRA to a Roth.

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

For tax years beginning in 2008 through 2009, the small business expenses deduction and annual investment limit increased from \$125,000 and \$500,000 to \$250,000 and \$800,000, respectively. For tax year beginning in 2011 and 2012, the limits were further increased to \$500,000 and \$2,000,000, respectively, and the definition of qualifying property was expanded to include certain real property. However, the maximum amount of such real property is \$250,000. The first year additional 50 percent depreciation deduction was extended to include certain property acquired and placed in service in calendar year 2008 through 2012. Qualified property acquired and placed in service after September 8, 2011 and before January 1, 2012 are allowed increased additional first-year depreciation to 100 percent of the adjusted basis for the property.

The above-the-line deductions of up to \$4,000 for qualified higher education expenses, and up to \$250 for qualified out-of-pocket classroom expenses were reinstated for tax years beginning in 2008 and before 2012.

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

## **2009**

Effective in 2009, eligible small businesses may elect to increase the carryback period for applicable NOLs from two years to five years, while the percentage of exclusion from tax for capital gains realized on the sale of certain small business stock held for more than five years increases from 50 to 75 percent for stock issues after February 17, 2009 through September 2011, and then 100 percent until December 2011.

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

The limit of 50 percent exclusion from tax for capital gains realized on the sale of certain small business stock held for more than 5 years was increased to the greater of \$10 million or 10 times the taxpayer's basis in the stock. The exclusion is limited to individual investments (not

corporate). The limit is increased to 100 percent for qualified small business stock issued in 2012.

For tax year 2009 only, taxpayers may exclude up to \$2,400 of unemployment compensation from federal gross income.

## **2010**

Starting with tax years beginning in 2011, farming losses as a reduction to income of a taxpayer (other than a C corporation) receiving qualified subsidies will be limited to the greater of \$300,000 or the taxpayer's total net farm income from the prior five taxable years. Losses resulting from disease or drought, or from a fire, storm or other casualty, though, are disregarded for purposes of calculating the limitation.

For tax year 2011, the limit of qualified adoption expenses paid or reimbursed by an employer under an adoption assistance program eligible for exclusion from the gross income of an employee was increased from \$12,170 per eligible child to \$13,170 (indexed by inflation), and the period the eligible excludable expenses must occur was extended from 2011 through 2012.

Effective for taxable years beginning in 2011, the amount of start-up expenditures a taxpayer may elect to deduct was increased from \$5,000 to \$10,000, where the limit amount is reduced (but not below zero) by the amount by which the cumulative cost of start-up expenditures exceeds \$60,000 (\$50,000 previously).

## **2011**

The cost of over-the-counter medicines not prescribed by a physician and reimbursed through a health Flexible Spending Account, a health reimbursement arrangement, a health savings account, or an Archer medical savings account are no longer excluded from taxable income starting in 2012.

## MICHIGAN PERSONAL INCOME TAX LEGISLATIVE HISTORY (1967 – 2011)<sup>12</sup>

### 1967

**Public Act (PA) 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

**PA 132** made technical changes regarding the distribution of income tax proceeds.

**PA 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

**PA 332** made technical, clarifying, and administrative changes.

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<sup>12</sup> Source for Public Acts from 1967 through 1994 from Michigan House Fiscal Agency, *State of Michigan: The Income Tax*, April 1999, at [www.house.mi.gov/hfa/PDFs/inco\\_tax.pdf](http://www.house.mi.gov/hfa/PDFs/inco_tax.pdf). Source for Public Acts after 1994 from Michigan Department of Treasury, *Michigan's Individual Income Tax Report*, various years.

## **1970**

**PA 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.

**PA 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.

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

## **1971**

**PA 16** amended the Income Tax Act to redefine compensation as that defined in the IRC, and updated the reference to the IRC to December 31, 1970.

**PA 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.

**PA 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.

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

## **1972**

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

**PA 332** provided a definition of what constitutes a college contribution.

## **1973**

**PA 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**

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

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

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

**PA 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.

**PA 125** established 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.

**PA 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.

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

**PA 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.

**PA 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.

**PA 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**

**PA 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.

**PA 94** increased the penalty for late payment of income taxes.

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

**PA 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.

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

**PA 233** repealed the financial institutions and corporate income taxes in conjunction with the enactment of the single business tax (1975 PA 228), created a tax credit for individuals subject to both the income and single business taxes, and repealed the credit for personal property tax paid on inventories.

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

**PA 320** increased the maximum allowable property tax credit from \$500 to \$1,200 beginning in 1976.

## **1976**

**PA 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.

**PA 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.

**PA 379** allowed a property tax credit on a tax return 2 years after the year the credit is claimed.

**PA 434** updated the reference to the federal IRC to November 15, 1976.

**PA 435** amended the additional income tax exemption to include hemiplegics.

## **1977**

**PA 1** required submission of income tax forms to the Taxation Committee for format approval, and altered the definition of household income used in computing the property tax credit.

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

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

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

## **1978**

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

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

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

**PA 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, and set a misdemeanor penalty for failing to file a return.

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

**PA 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.

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

## **1979**

**PA 30** allowed a retroactive credit for Canadian taxes paid in 1978.

**PA 41** expanded the credit for the purchase and installation of energy conservation devices.

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

**PA 132** provided for separate payment of the homestead property tax credit, and revised the computation of certain rental credits.

**PA 199** allowed a credit for contributions to certain public broadcast stations, and removed the cutoff date on certain other contributions.

## **1980**

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

**PA 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.

**PA 250** updated the reference to the federal IRC 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).

**PA 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).

**PA 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.

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

**PA 475** allowed a credit for artwork contributions to certain public and nonprofit entities.

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

## **1981**

**PA 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).

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

**PA 152** extended and enlarged the home heating credit through 1983. It also narrowed the homestead definition.

## **1982**

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

**PA 169** made certain corporate officers personally liable for withholding payments due from a corporation, and required employers to furnish copies of exemption certificates for certain employees.

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

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

**PA 240** included in taxable income the federal "marriage penalty" deduction.

**PA 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; and provided an added credit for senior citizens with rent over 50 percent of income in 1982, 45 percent in 1983, and 40 percent thereafter.

**PA 387** updated the reference to the federal IRC to November 15, 1982.

**PA 480** deleted the disallowance of homestead property tax credit for claimants' delinquent property taxes.

**PA 515** allowed certain farmers and commercial fisherman to file annual estimates, and required payments therewith under certain conditions.

### **1983**

**PA 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 PA 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.

**PA 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.

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

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

## **1984**

**PA 36** restructured and extended the home heating tax credit through 1986.

**PA 221** decreased the tax rate to 5.35 percent beginning September 1, 1984, and 4.6 percent beginning October 1, 1987.

**PA 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.

**PA 283** updated the reference to the federal IRC to November 15, 1984.

**PA 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.

**PA 285** continued through 1985 the reduction in property tax credits claimed by public assistance recipients; specified that child support payments from non-custodial parents may not be used to reduce property tax credits; and continued through 1984 the reduction in property tax credits for those earning more than \$65,000 a year.

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

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

**PA 419** specified that only contributions to a public broadcast station located within in Michigan may be claimed as a tax credit, and 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**

**PA 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.

**PA 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.

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

**PA 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).

**PA 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**

**PA 16** decreased the tax rate to 4.6 percent beginning April 1, 1986.

**PA 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.

**PA 160** amended the Farmland and Open Space Preservation Act requiring that a person applying for a farmland preservation credit against the income tax or single business tax must 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.

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

**PA 315** allowed taxpayers to deduct from taxable income payment amount made for an advance tuition payment contract under the Michigan Education Trust Act (1986 PA 316).

## **1987**

**PA 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.

**PA 254** increased the personal exemption to \$1,600 for tax year 1987, \$1,800 for 1988, \$2,000 for 1989, and \$2,100 for 1990. The Act extended through tax year 1987 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; and made technical, clarifying, and administrative changes to the Income Tax Act.

## **1988**

**PA 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 federal IRC (i.e., a dependent) is exempt from state income tax liability and does not have to file a return beginning in 1987.

**PA 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.

**PA 153** allowed a taxpayer to claim a credit of up to \$100 (\$200 for a joint return) 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.

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

**PA 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.

**PA 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.

**PA 515** allowed a taxpayer to claim a credit 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 is limited to the lesser of: \$100 (\$200, for a joint return); 10 percent of tax liability; or \$5,000 for a resident estate or trust. The credit cannot apply in tax years for which the aggregate amount of such credits claimed by all filers for all prior tax years (together with the single business tax credit allowed under 1988 PA 514) exceeds \$3 million.

**PA 516** allowed low-income seniors to claim a credit of up to \$600 for the cost of prescription drugs. It also 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; and amended the Lottery Act to repeal the exemption for state lottery winnings.

## **1989**

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

**PA 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.

**PA 166** 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, in the case of the passage of school finance revision Proposal B (HJR I). Proposal B was rejected by voters, on November 7, 1989 (For: 436,958; Against: 1,392,053), so the act did not take effect.

## **1990**

**PA 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.

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

**PA 285** amended the Revenue Act to allow retired federal employees 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 requirement that refund claims based on the validity of a tax law must be filed within 90 days after the date set for filing a return.

**PA 344** amended the Income Tax Act to conform with 1990 PA 285 above, specifying 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**

**PA 82** provided that withholding taxes deposited under the Revenue Act by certain employers on the same schedule as federal withholding deposits (pursuant to 1991 PA 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.

**PA 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 federal IRC; and 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 and the Single Business Tax acts.

**PA 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, and cut in half the amount of the credit available to claimants whose heating costs are included in rent payments.

## **1992**

**PA 67** provided for fiscal year 1992 that 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. It also discontinued, after June 1992, the \$27.4 million advance that previously was made in June on the August payment.

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

**PA 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 PA 275) to be appropriated and used solely for the purposes of the fund.

**PA 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**

**PA 128** provided for a credit 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 federal IRC. The state credit is allowed only if the taxpayer has not deducted the repayment in calculating his or her federal adjusted gross income.

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

**PA 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.

**PA 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.

**PA 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.

**PA 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**

**PA 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.

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

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

**PA 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.

**PA 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.

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

## **1995**

**PA 2** increased the personal exemption to \$2,400 for tax years 1995 and 1996, and to \$2,500 for tax years beginning after 1996. PA 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.

**PA 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.

**PA 7** provided that for 1995 and after 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

qualified institutions must agree 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.

**PA 194** increased the percentage of income tax gross collections before refunds that are earmarked to the state school aid fund from 14.4 percent to 23 percent, beginning FY 1996-97.

**PA 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. This deduction is reduced by the amount of pension income deducted.

**PA 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.

**PA 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.

**PA 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.

**PA 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 1995 PA 230).

## **1996**

**PA 264** required employers 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 PA 265.

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

**PA 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.

**PA 448** provided a Michigan income tax deduction to individuals residing in a renaissance zone.

**PA 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.

**PA 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 PA 478).

**PA 484** made numerous clarifying, technical, and administrative amendments.

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

## **1997**

**PA 81** created a special exemption for young children. Starting tax year 1998, 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.

**PA 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.

**PA 86** increased the personal exemption by \$200 beginning with the 1998 tax year.

## **1998**

**PA 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.

**PA 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 2009, 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.

**PA 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**

**PA 1** changed the percentage of gross collections allocated to the SAF for tax years after 1999. 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.

**PA 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.

**PA 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 is allowed for tax years beginning on or after January 1, 1994.

**PA 214** made technical changes in the historic preservation credit.

## **2000**

**PA 40** reduced the Michigan income tax rate for 2000 from 4.3 percent to 4.2 percent.

**PA 41** increased property tax credits for certain disabled filers effective for tax year 2000. This resulted in the uniform treatment of all senior citizens and disabled filers.

**PA 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 for tax years beginning after 1999.

**PA 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.

**PA 161 and PA 163** created 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.

**PA 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.

**PA 301** increased the special exemption amount to \$1,800 in tax year 2000. The Act 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. The exemption for taxpayers who are eligible to be claimed as a dependent on another taxpayer's return was also increased from \$1,000 to \$1,500 for tax years beginning after 1999.

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

**PA 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.

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

**PA 499** repealed the prescription drug credit effective for tax year 2001.

## **2001**

**PA 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.

**PA 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**

**PA 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.

**PA 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.

**PA 615** allowed resident tribal members from a Michigan federally recognized Indian tribe who signed agreements<sup>13</sup> with the Michigan Department of Treasury to deduct all non-business

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<sup>13</sup> Public Act 616 of 2002 allowed the Michigan Department of Treasury to enter into agreements with federally recognized Indian tribes. The agreements specify whether, and to what extent, Michigan's tax laws apply to each tribe, the tribe members, and other individuals and businesses conducting business with a tribe or its members. In return, tribes would promote

income earned or received in the tax year (to the extent included in AGI) . The deduction only applies to income received during the period in which an agreement is effective.

## **2003**

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

**PA 22 and PAs 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.

**PA 28 and PA 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.

**PA 211** established that 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.

**PA 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.

**PA 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**

**PA 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.

**PA 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 \$50 (single filers) or \$100 (married, filing jointly), and it sunsets after tax year 2009.

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the enforcement of Michigan tax laws on businesses conducted by them involving non-resident tribal members and non-tribal members. 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.

**PA 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.

**PA 363 and PA 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.

**PA 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.

**PA 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**

**PA 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.

**PA 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.

**PA 234** allowed taxpayers who had been issued tax voucher certificates due to investment in the Michigan Early Stage Venture Investment Fund (2007 PA 102) 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.



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

## **2006**

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

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

**PA 372** allowed a qualified taxpayer to receive a refundable credit equal to a percentage of the federal earned income tax credit (EITC) the taxpayer is allowed to claim for the tax year. For tax years beginning in 2009, the Michigan EITC credit is equal to 10% of the federal EITC claimed. Thereafter, the Michigan EITC credit increases to 20% of the federal EITC claimed.

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

## **2007**

**PA 94** increased the tax rate to 4.35 percent effective October 1, 2007. It also established that beginning October 1, 2012, and each October 1 thereafter, the income tax rate shall be reduced by 0.1 percentage point annually until the rate is 3.95 percent. On October 1, 2015, the rate declines to 3.9 percent. Effective tax year 2009, a qualified disabled veteran, or the veteran's dependent who files an annual income tax return, but not both, may claim an additional exemption of \$250, adjusted annually according to US consumer price index changes.

**PA 133** established four new checkoffs on the income tax return effective tax year 2009. Taxpayers will be allowed to contribute \$5, \$10, or more to the Prostate Cancer Research Fund; Amanda's Fund (for breast cancer prevention and treatment); the Animal Welfare Fund; and the Michigan Housing and Community Development fund. Taxpayers' contributions to those funds decrease their refunds or increase their tax liability, and Treasury may cease to include a contribution designation on the income tax form if that contribution designation fails to raise \$100,000 in any tax year for 2 consecutive tax years. Moreover, starting on tax year 2011, both the Children of Veteran Tuition Grant Program and the Children's Trust Fund contribution designation will follow the same guidelines regarding contribution amount and availability in the form as prescribed to the newly enacted checkoffs.

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

## **2008**

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

**PA 143** imposed to the Military Family Relief Fund the same guidelines that govern the checkoffs created by PA 133 of 2007. As a result, new contribution amounts (\$5, \$10 or more) will appear on the tax form. Contribution designation will be moved from the tax form to the Schedule for Voluntary Contributions, beginning with tax year 2011.

**PA 151** created a new checkoff on the income tax return for the Michigan Law Enforcement Memorial Monument Fund. Contributions to this fund will be used to finance the construction of a memorial monument dedicated to law enforcement officers from Michigan who died in the line of duty.

**PA 207** allowed not only cash donations but also the value of food items donated to qualified entities for the homeless shelter/food bank contribution credit if the food items are donated in conjunction with a program where the food vendor makes matching contributions of similar items to the qualified entity, beginning in tax year 2008.

**PA 287** established two new credits: 1) a new refundable credit, effective for tax years 2009 through 2012, equal to 10 percent of the amount spent on the purchase and installation of qualified home improvements located on the eligible taxpayer's principal residence that meet Energy Star energy efficiency guidelines, subject to a maximum of \$75 (single, MFS) or \$150 (MFJ) (eligible taxpayers refers to those with AGI up to \$37,500 (single, MFS) or \$75,000 (MFJ)); and 2) a new nonrefundable credit, effective for tax years 2009 through 2012, equal to a percentage of the additional utility charges paid that were imposed so that electric utilities would meet newly enacted renewable energy standards (the credit is restricted to eligible taxpayers with AGI up to \$65,000 (single, MFS), or \$130,000 (MFJ)).

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

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

**PA 447** modified the Historic Preservation credit structure. Among other things, starting in tax year 2009, qualified taxpayers may transfer the credit, and the ownership of the rehabilitated property to a new owner, and may receive a refund of up to 90 percent of the credit amount that exceeds the tax payer's liability if the total credit certified amount is less than \$250,000.

**PA 526, 558, and 560** allowed taxpayers to contribute towards the Foster Care Trust Fund, the Children's Miracle Network Fund, and the Michigan Council for the Arts Fund, Children's Hospital of Michigan Fund, and United Way Fund, respectively, via checkoffs on the income tax form, starting in tax year 2009.

## **2009**

**PA 134** allowed taxpayers to deduct the amount of a charitable contribution made to the Advance Tuition Payment Fund created under the Michigan Education Trust Act. The income tax deductions are effective for the 2011 tax year and each subsequent tax year.

**PA 195** eliminated the sunset on the existing credit for donated vehicles, enacted under PA 313 of 2004. Without this Act, the vehicle donation credit would expire after tax year 2009.

## **2010**

**PA 6** amended the Michigan Education savings Program Act to permit a corporation or a State or local government agency or instrumentality to establish an education savings account, and permit these entities and nonprofit organizations to defer naming a beneficiary for an account. The Act also allowed distributions from accounts to be made in the form of an electronic funds transfer to an account specified by the designated beneficiary or account holder, and disallowed contributions to accounts to be made by money orders.

**PA 214** allowed taxpayers who are customers of municipally owned electric utility to claim a credit for charges imposed to cover the cost of the utility's compliance with the renewable energy standard in the Clean, Renewable, and Efficient Energy Act. Prior to this law, credit could be taken by all customers of entities whose distribution of electricity is regulated by the Public Service Commission, but it did not include a municipal utility. This change is effective for the life of the credit, which is effective for tax years 2011 and 2012.

**PA 235** created the Venture Investment credit, which allows a taxpayer to claim a nonrefundable credit equal to 25 percent of a qualified investment made in a qualified business during tax years

2012 and 2012. The new credit may be carried forward for up to 15 years. Qualified investment must be certified by the Michigan Strategic Fund (MSF) and the total amount of certified credits is limited to \$10 million in one year.

**PAs 346 and 347** allowed taxpayers to contribute towards the newly created Girl Scouts of Michigan Fund via a checkoff on the income tax form, starting in tax year 2012.

## **2011**

**Public Act 38** amended the Income Tax Act to adjust the income tax rate for future years, eliminate and reduce several exemptions, deductions, and tax credits, and impose a new 6 percent tax on taxable corporate income effective January 1, 2012.

PA 38 delayed until 2013 the rate cut to 4.25 percent, repealed future cuts to 3.9 percent, and adopted 100 percent sales factor apportionment for business income reported by individuals.

The special exemptions for seniors, children age 18 and under, unemployment compensation greater than 50 percent of AGI were eliminated, as well as the deductions for political donations, prizes won in state-regulated bingo, raffle, or charity games, and charitable gifts from retirement plans.

Credits for the following were eliminated: city income taxes; public contributions; contributions to homeless shelters, food banks, and community foundations; contributions to a medical savings account; donations to Family Development Program; film wage withholding; automobile donations; college tuition and fees; historic rehabilitation plan certificated after 2012; excess adoption expenses; and stillbirth certificates. Also effective for tax year 2012, the MI earned income tax credit is reduced from 20 percent to 6 percent of the federal credit.

PA 38 makes several reductions to homestead property tax credits. Homeowners are not eligible if their home has a taxable value of more than \$135,000. Seniors claimants with total household resources of \$21,000 or less remain entitled to a credit equal to 100 percent of taxes greater than 3.5 percent (or less) of income. But the 100 percent is reduced by 4 percent for each additional \$1,000 in total household resources until \$30,000 is reached and senior claimants receive 60 percent of the credit. Also starting in tax year 2012, the credit phase-out for all homestead property tax credit claimants begins at \$41,001 of total household resources, reduced from \$73,651 of household income under prior law. The credit is reduced by 10 percent for each \$1,000 increase for all claimants, so for total household resources above \$50,000 there is no credit. Total household resources replace household income as the definition of income for determining income eligibility for the credit. Business losses no longer offset other income for purpose of calculating total household resources, unlike the calculation of household income<sup>14</sup>.

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<sup>14</sup> A chart with detailed information on differences between total household resources, household income, AGI and taxable income can be found at [http://www.michigan.gov/documents/CC-41011\\_92366\\_7.pdf](http://www.michigan.gov/documents/CC-41011_92366_7.pdf)

PA 38 reduces the deduction for pension and retirement benefits by limiting the deduction for taxpayers born between 1946 and 1952 to \$20,000 on a single return and \$40,000 on a joint return, and eliminating the deduction for taxpayers born after 1952<sup>15</sup>.

The new 6 percent corporate income tax was enacted to replace the Michigan business tax (MBT) that was eliminated for most taxpayers by Public Act 39 of 2012. New and updated requirements for flow-through income withholding were also implemented by the new law.

More detail on the tax changes for tax year 2012 is available on the website for the Department of Treasury ([www.michigan.gov/treasury](http://www.michigan.gov/treasury)).

**Public Acts 41 through 45** amended the State Employees' Retirement Act, the Public School Employees Retirement Act, the Michigan Legislative Retirement System Act, Public Act 339 of 1927 (public libraries), and the Judges Retirement Act, respectively, to repeal the full exemption for pension and retirement benefits received from public sources. After repeal of the exemption in each of these acts, any exemption for pension and retirement benefits is now governed by the provisions of the Income Tax Act. Under the Income Tax Act, benefits from public sources will be treated the same as benefits from private sources for taxpayers born after 1945.

**Public Acts 56 and 57** amended the City Income Tax and City Utility Users Tax Acts, respectively, to lower the population thresholds in these Acts that apply to the City of Detroit to 600,000. The previous threshold in each Act was 750,000. The threshold in the City Income Tax Act allows Detroit to have a different tax rate than other cities and, based on population, Detroit is the only city to levy the utility users tax

**Public Acts 172, 174, 177, 178 and 180** clarified portions of the individual income tax and correct certain technical issues that were identified or had arisen since the passage of PA 38. Changes were made to the definition of total household resources, the calculation of the homestead property tax credit, and the effective date of the new apportionment formula to align the statute with the original intent.

**Public Acts 188 and 192 through 194** corrected and clarified the withholding provisions in the Act. These new Acts amended provisions related to withholding from pension and retirement benefits and income from flow-through entities.

**Public Act 273** allowed taxpayers to exclude the portion of a parcel of real property that is unoccupied and classified as agricultural when calculating the taxable value of property for purposes of eligibility for the homestead property tax credit (effective 2012, credit only applies to homesteads with a taxable value up to \$135,000).

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<sup>15</sup> A chart with detailed information on Retirement Benefits Changes can be found at [http://www.michigan.gov/documents/taxes/Tax\\_Change\\_Summaries\\_-\\_Retirement\\_Exemptions\\_359799\\_7.pdf](http://www.michigan.gov/documents/taxes/Tax_Change_Summaries_-_Retirement_Exemptions_359799_7.pdf)

**Public Act 314** restored the deduction for income earned by residents of a qualified renaissance zone for tax years beginning in or after 2012. The deduction is limited to residents of the portions of a renaissance zone that were designated as a renaissance zone before January 1, 2012.

**MICHIGAN INCOME TAX REQUIREMENTS  
(1967 – 2013)**

<b><u>General MI-IIT Information:</u></b>	<b><u>MCL Section</u></b>	<b><u>TY 1967</u></b>	<b><u>TY 1968</u></b>	<b><u>TY 1969</u></b>	<b><u>TY 1970</u></b>	<b><u>TY 1971</u></b>	<b><u>TY 1972</u></b>	<b><u>TY 1973</u></b>	<b><u>TY 1974</u></b>	<b><u>TY 1975</u></b>	<b><u>TY 1976</u></b>	<b><u>TY 1977</u></b>
. IRC compliance (*)	206.12(3)	1954 IRC	1954 IRC	1954 IRC	1969 IRC	1970 IRC	1970 IRC	1970 IRC	1970 IRC	1970 IRC	1976 IRC	1976 IRC
. Exemption from MI - IIT:	206.201	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT
. Revenue Distribution: (1)												
. To Local Units:	206.481	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	12.1%	12.1%	12.1%	12.1%
. Filing Requirement: (2)	206.315	GI	GI	GI	AGI	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	\$1,500
	Joint Return	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$3,000	\$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	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
. Tax Rate	206.51(1), 51(b)-51(h)	2.60%	2.60%	2.60%	2.60%	3.14%	3.90%	3.90%	3.90%	4.37%	4.60%	4.60%
<b><u>Exemptions Amounts:</u></b>												
. Personal Exemption:	206.30(2), 30a	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,500	\$1,500	\$1,500	\$1,500
. Special Exemptions: (4)	206.30(3)	No	No	No	No	No	No	No	Yes	Yes	Yes	Yes
. Para/Hemi/Quadriplegic (**) (***)	206.30(3)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,500	\$1,500	\$1,500	\$1,500

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For notes, see page 121.

## MICHIGAN INCOME TAX REQUIREMENTS (cont.)

<b><u>General MI-IIT Information:</u></b>	<b><u>MCL Section</u></b>	<b><u>TY 1978</u></b>	<b><u>TY 1979</u></b>	<b><u>TY 1980</u></b>	<b><u>TY 1981</u></b>	<b><u>TY 1982</u></b>	<b><u>TY 1983</u></b>	<b><u>TY 1984</u></b>	<b><u>TY 1985</u></b>	<b><u>TY 1986</u></b>	<b><u>TY 1987</u></b>	<b><u>TY 1988</u></b>
. IRC compliance (*)	206.12(3)	1976 IRC	1976 IRC	1979 IRC	1979 IRC	1982 IRC	1982 IRC	1984 IRC	1984 IRC	1984 IRC	1987 IRC	1987 IRC
. Exemption from MI - IIT:	206.201	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT
. Revenue Distribution:	(1)											
. To Local Units:	206.481	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	6.9%	6.9%
. Filing Requirement:	(2)											
(Gross income (GI) or AGI above threshold)	206.315	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI
	Single Return	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,600	\$1,800
	Joint Return	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,200	\$3,600
. Reciprocity States		IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN
. Liability Threshold for Estimated Pmt	(3)	206.301	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$500	\$500
. Use Tax Return in MI-1040 Booklet		n.a.	n.a.	n.a.	n.a.	n.a.	Yes	Yes	No	No	Yes	Yes
. Tax Rate	206.51(1), 51(b)-51(h)	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), 30a	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,600	\$1,800
. Special Exemptions:	(4)	206.30(3)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Para/Hemi/Quadriplegic (**)(***)	206.30(3)	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,400	\$1,200
. Disabled	206.30(3)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,400	\$1,200
. Blind (***)	206.30(3)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,400	\$1,200
. Deaf (****)	206.30(3)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,500	\$1,500	\$1,400	\$1,200
. Senior	(#)	206.30(3)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,400	\$1,200
. Unemployed	(#)	206.30(3)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,400	\$1,200
. Claimed as Dependent	206.30(4)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$500



## MICHIGAN INCOME TAX REQUIREMENTS (cont.)

<u>General MI-IIT Information:</u>		<u>MCL Section</u>	<u>TY 1989</u>	<u>TY 1990</u>	<u>TY 1991</u>	<u>TY 1992</u>	<u>TY 1993</u>	<u>TY 1994</u>	<u>TY 1995</u>	<u>TY 1996</u>	<u>TY 1997</u>	<u>TY 1998</u>	<u>TY 1999</u>
. IRC compliance (*)		206.12(3)	1987 IRC	1987 IRC	1987 IRC	1987 IRC	1987 IRC	1987 IRC	1987 IRC	1996 IRC	1996 IRC	1996 IRC	1996 IRC
. Exemption from MI - IIT:		206.201	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT
. Revenue Distribution:	(1)												
. To Local Units:		206.481	6.9%	6.9%	6.9%	6.9%	6.9%	7.21%/7.3%	7.21%/7.3%	No	No	No	No
. To School Aid Fund:		206.51(2)	No	No	No	No	No	14.4%	14.4%	23.0%	23.0%	23.0%	23.0%
. Filing Requirement:	(2)	206.315	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI
(Gross income (GI) or		Single Return	\$2,000	\$2,100	\$2,100	\$2,100	\$2,100	\$2,100	\$2,400	\$2,400	\$2,500	\$2,800	\$2,800
AGI above threshold)		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	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
. Use Tax Return in MI-1040 Booklet			Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes, line in MI-1040
. Tax Rate		206.51(1), 51(b)-51(h)	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), 30a	\$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)	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.)

<b><u>General MI-IIT Information:</u></b>	<b><u>MCL</u></b>	<b><u>TY</u></b>	<b><u>TY</u></b>	<b><u>TY</u></b>	<b><u>TY</u></b>	<b><u>TY</u></b>	<b><u>TY</u></b>	<b><u>TY</u></b>	<b><u>TY</u></b>	<b><u>TY</u></b>
	<b><u>Section</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>
. IRC compliance (*)	206.12(3)	1996 IRC	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	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 School Aid Fund:	206.51(2)	Formula	Formula	Formula	Formula	Formula	Formula	Formula	Formula	Formula
. Filing Requirement:	(2)									
(Gross income (GI) or	206.315	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI
AGI above threshold)	Single Return	\$2,900	\$2,900	\$3,000	\$3,100	\$3,100	\$3,200	\$3,300	\$3,400	\$3,500
	Joint Return	\$5,800	\$5,800	\$6,000	\$6,200	\$6,200	\$6,400	\$6,600	\$6,800	\$7,000
. 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
. Liability Threshold for Estimated Pmt	(3) 206.301	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
. Use Tax Return in MI-1040 Booklet		Yes, line in MI- 1040	Yes, line in MI- 1040	Yes, line in MI- 1040	Yes, line in MI- 1040	Yes, line in MI- 1040	Yes, line in MI- 1040	Yes, line in MI- 1040	Yes, line in MI- 1040	Yes, line in MI- 1040
. Tax Rate	206.51(1), 51(b)-51(h)	4.20%	4.20%	4.10%	4.00%	3.95%	3.90%	3.90%	4.01%	4.35%

### **Exemptions Amounts:**

. Personal Exemption:	206.30(2), 30a	\$2,900	\$2,900	\$3,000	\$3,100	\$3,100	\$3,200	\$3,300	\$3,400	\$3,500
. Special Exemptions:	(4) 206.30(3)	Yes	Yes	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	\$2,200
. Disabled	206.30(3)	\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200	\$2,200
. Blind (***)	206.30(3)	\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200	\$2,200
. Deaf (****)	206.30(3)	\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200	\$2,200
. Senior	206.30(3)	\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200	\$2,200
. Unemployed	206.30(3)	\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200	\$2,200
. Claimed as Dependent	206.30(4)	\$1,500	\$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	\$600
. Age 6 and Under		\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600
. Age 7 to 12		\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600
. Disabled Veteran	206.30(3)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$250

## MICHIGAN INCOME TAX REQUIREMENTS (cont.)

<u>General MI-IIT Information:</u>	<u>MCL</u>	<u>Form</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	
	<u>Section</u>		<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	
. IRC compliance (*)	206.12(3)		1996 IRC	1996 IRC	1996 IRC	1996 IRC	1996 IRC	
. Exemption from MI - IIT:	206.201		Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	
. Revenue Distribution:	(1)							
. To School Aid Fund:	206.51(2)		Formula	Formula	Formula	Formula	Formula	
. Filing Requirement:	(2)	206.315	MI-1040	AGI	AGI	AGI	AGI	
(Gross income (GI) or			Single Return	\$3,600	\$3,600	\$3,700	\$3,763	\$3,950
AGI above threshold)			Joint Return	\$7,200	\$7,200	\$7,400	\$7,526	\$7,900
. 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	
. Liability Threshold for Estimated Pmt	(3)	206.301	MI-1040	\$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
. Tax Rate	206.51(1), 51(b)-51(h)	MI-1040		4.35%	4.35%	4.35%	4.33%	4.25%
<b><u>Exemptions Amounts:</u></b>								
. Personal Exemption:	206.30(2), 30a	MI-1040		\$3,600	\$3,600	\$3,700	\$3,763	\$3,950
. Special Exemptions:	(4)	206.30(3)	MI-1040	Yes	Yes	Yes	Yes	Yes
. Para/Hemi/Quadriplegic (**) (***)	206.30(3)			\$2,300	\$2,300	\$2,400	\$2,400	\$2,500
. Disabled	206.30(3)			\$2,300	\$2,300	\$2,400	\$2,400	\$2,500
. Blind (***)	206.30(3)			\$2,300	\$2,300	\$2,400	\$2,400	\$2,500
. Deaf (****)	206.30(3)			\$2,300	\$2,300	\$2,400	\$2,400	\$2,500
. Senior	(#)	206.30(3)		\$2,300	\$2,300	\$2,400	n.a.	n.a.
. Unemployed	(#)	206.30(3)		\$2,300	\$2,300	\$2,400	n.a.	n.a.
. Claimed as Dependent		206.30(4)		\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
. Child	(#)	206.30d(2)		\$600	\$600	\$600	n.a.	n.a.
. Age 6 and Under				\$600	\$600	\$600	n.a.	n.a.
. Age 7 to 12				\$600	\$600	\$600	n.a.	n.a.
. Disabled Veteran	206.30(3)			\$300	\$300	\$300	\$300	\$300

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

**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>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>
<b><u>Check-Offs:</u></b>													
. State Campaign Fund	(5)	169.261(2)	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
Other Voluntary Contributions:	(6)												
. Nongame Wildlife Trust Fund		206.439	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
. Children's Trust Fund		206.440	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b><u>Tax Base Adjustments Limits</u></b>													
. Maximum Private Pension Deduction (*****)	(7)	206.30(1)(f)(iv)	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

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

		<b>MCL Section</b>	<b>TY 1989</b>	<b>TY 1990</b>	<b>TY 1991</b>	<b>TY 1992</b>	<b>TY 1993</b>	<b>TY 1994</b>	<b>TY 1995</b>	<b>TY 1996</b>	<b>TY 1997</b>	<b>TY 1998</b>	<b>TY 1999</b>
<b>Check-Offs:</b>													
. State Campaign Fund	(5)	169.261(2)	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
Other Voluntary Contributions:	(6)												
. Nongame Wildlife Trust Fund		206.439	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Children's Trust Fund		206.440	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Tax Base Adjustments Limits</b>													
. Maximum Private Pension Deduction (*****)	(7)	206.30(1)(f)(iv)	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 (*****)	(8)	206.30(1)(p)	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.)**

		<b>MCL Section</b>	<b>TY 2000</b>	<b>TY 2001</b>	<b>TY 2002</b>	<b>TY 2003</b>	<b>TY 2004</b>	<b>TY 2005</b>	<b>TY 2006</b>	<b>TY 2007</b>	<b>TY 2008</b>
<b><u>Check-Offs:</u></b>											
. State Campaign Fund	(5)	169.261(2)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
		Single Return	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3
		Joint Return	\$6	\$6	\$6	\$6	\$6	\$6	\$6	\$6	\$6
Other Voluntary Contributions:	(6)										
. Children of Veterans Tuition Grant		206.437	No	No	No	No	No	No	Yes	Yes	Yes
. Military Family Relief Fund		206.438	No	No	No	No	Yes	Yes	Yes	Yes	Yes
. Nongame Wildlife Trust Fund		206.439	No	No	No	No	No	No	No	No	No
. Children's Trust Fund		206.440	No	No	No	No	No	Yes	Yes	Yes	Yes
. Prostrate Cancer Research Fund		206.435	No	No	No	No	No	No	No	No	Yes
. Amanda's Fund		206.435	No	No	No	No	No	No	No	No	Yes
. Animal Welfare Fund		206.435	No	No	No	No	No	No	No	No	Yes
. Michigan Housing and Community Development Fund		206.435	No	No	No	No	No	No	No	No	Yes
. Michigan Law Enforcement Memorial Monument Fund		206.435	No	No	No	No	No	No	No	No	Yes

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

		<u>MCL</u> <u>Section</u>	<u>Form</u>	<u>TY</u> <u>2009</u>	<u>TY</u> <u>2010</u>	<u>TY</u> <u>2011</u>	<u>TY</u> <u>2012</u>	<u>TY</u> <u>2013</u>
<b><u>Check-Offs:</u></b>								
. State Campaign Fund	(5)	169.261(2)	MI-1040	Yes	Yes	Yes	Yes	Yes
			Single Return	\$3	\$3	\$3	\$3	\$3
			Joint Return	\$6	\$6	\$6	\$6	\$6
Other Voluntary Contributions:	(6)							
. Children of Veterans								
Tuition Grant		206.437	Form 4642	Yes	Yes	Yes	Yes	Yes
. Military Family Relief Fund		206.438	Form 4642	Yes	Yes	Yes	Yes	Yes
. Nongame Wildlife Trust Fund		206.439		No	No	No	No	No
. Children's Trust Fund		206.440	Form 4642	Yes	Yes	Yes	Yes	Yes
. Prostrate Cancer Research Fund		206.435		Yes	No	No	No	No
. Amanda's Fund		206.435		Yes	No	No	No	No
. Animal Welfare Fund		206.435	Form 4642	Yes	Yes	Yes	Yes	Yes
. Michigan Housing and Community Development Fund		206.435		Yes	No	No	No	No
. Michigan Law Enforcement Memorial Monument Fund		206.435		Yes	No	No	No	No
. Renewable Fuels Fund		206.435		Yes	Yes	No	No	No
. Foster Care Trust Fund		206.435		Yes	Yes	No	No	No
. Children's Miracle Network Fund		206.435		Yes	Yes	No	No	No
. MI Council for the Arts Fund		206.435		Yes	Yes	No	No	No
. Renewable Fuels Fund		206.435		Yes	Yes	No	No	No
. United Way Fund		206.435	Form 4642	Yes	Yes	Yes	Yes	Yes
. Girl Scout of Michigan Fund		206.435	Form 4642	No	No	Yes	Yes	Yes
. Special Olympics Michigan Fund		206.435	Form 4642	No	No	No	Yes	Yes
. AMBER Alert Fund of Michigan		206.435	Form 4642	No	No	No	No	Yes
. ALS of Michigan ("Lou Gehrig's Disease") Fund		206.435	Form 4642	No	No	No	No	Yes
. Alzheimer's Association of Michigan		206.435	Form 4642	No	No	No	No	Yes



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

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

		<u>MCL</u>	<u>Form</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>
		<u>Section</u>		<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b><u>Tax Base Adjustments Limits</u></b>			MI-1040					
. Maximum Private Pension Deduction (*****)	(7)	206.30(1)(f)(iv)	Form 4884	Yes	Yes	Yes	Yes	Yes
For those born before 1946			Single Return	\$45,120	\$45,120	\$45,842	\$47,309	\$48,602
			Joint Return	\$90,240	\$90,240	\$91,684	\$94,618	\$96,605
For those born after 1945 and before 1953	(7')	203.30(9)	Form 4884	Yes	Yes	Yes	Yes	Yes
			Single Return	\$45,120	\$45,120	\$45,842	\$20,000	\$20,000
			Joint Return	\$90,240	\$90,240	\$91,684	\$40,000	\$40,000
For those born after 1952		203.30(9)	Form 4884	Yes	Yes	Yes	No	No
			Single Return	\$45,120	\$45,120	\$45,842	n.a.	n.a.
			Joint Return	\$90,240	\$90,240	\$91,684	n.a.	n.a.
. Political Contribution	(#)	206.30(1)(j)		Yes	Yes	Yes	No	No
			Single Return	\$50	\$50	\$50	n.a.	n.a.
			Joint Return	\$100	\$100	\$100	n.a.	n.a.
. Maximum Senior Interest, Dividends, and Capital Gains Deduction (*****)	(8)	206.30(1)(p)	Schedule 1	Yes	Yes	Yes	Yes	Yes
			Single Return	\$10,058	\$10,058	\$10,218	\$10,545	\$10,767
			Joint Return	\$20,115	\$20,115	\$20,437	\$21,091	\$21,534
For those born after 1945	(8)	206.30(1)(p)	Schedule 1	Yes	Yes	Yes	No	No
			Single Return	\$10,058	\$10,058	\$10,218	n.a.	n.a.
			Joint Return	\$20,115	\$20,115	\$20,437	n.a.	n.a.
. Maximum MESP Contribution		206.30(1)(t)(i)	Schedule 1	Yes	Yes	Yes	Yes	Yes
			Single Return	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
			Joint Return	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
. Federal Taxable Wage Base for FICA				\$106,800	\$106,800	\$106,800	\$110,100	\$113,700
. Federal Salary Elective Deferrals								
. 401(k)				\$16,500	\$16,500	\$16,500	\$17,000	\$17,500
. 403(b), or 457				\$16,500	\$16,500	\$16,500	\$17,000	\$17,500
. 50 and over				\$22,000	\$22,000	\$22,000	\$22,500	\$23,000
. Federal IRA Contribution Limit				Yes	Yes	Yes	Yes	Yes
. General				\$5,000	\$5,000	\$5,000	\$5,000	\$5,500
. 50 and over				\$6,000	\$6,000	\$6,000	\$6,000	\$6,500

**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>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
<b><u>NonRefundable Credits</u></b>													
. Taxes Paid to													
Another State Cr.	(10)	206.255(1)	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Nonresident Cr. for Reciprocal State													
Income Tax Exemption	(11)	206.256	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. City Income Taxes Cr.	(12) (#	206.257	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Public Contribution Cr.	(13) (#	206.26	No	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)
<b><u>Refundable Credits</u></b>													
. Inventory Tax Cr.	(21)	206.258(1)	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>Section</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>
<b><u>NonRefundable Credits</u></b>													
. Taxes Paid to Another State Cr.	(10)	206.255(1)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Nonresident Cr. for Reciprocal State Income Tax Exemption	(11)	206.256	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. City Income Taxes Cr.	(12) (#)	206.257	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Public Contribution Cr.	(13) (#)	206.26	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	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Agricultural Products Gleaned Cr.		206.263	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<hr/>													
<b><u>Refundable Credits</u></b>													
. Inventory Tax Cr. or Franchise Fee Cr.	(21)	206.258(1) 206.258(1)	No No	No No	No No	No No	No No	No No	No No	No No	No No	No No	No No
. Sec. 1341 of IRC Cr.		206.265	No	No	No	No	No	No	No	No	No	No	No
<hr/>													

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

		<u>MCL</u> <u>Section</u>	<u>TY</u> <u>1989</u>	<u>TY</u> <u>1990</u>	<u>TY</u> <u>1991</u>	<u>TY</u> <u>1992</u>	<u>TY</u> <u>1993</u>	<u>TY</u> <u>1994</u>	<u>TY</u> <u>1995</u>	<u>TY</u> <u>1996</u>	<u>TY</u> <u>1997</u>	<u>TY</u> <u>1998</u>	<u>TY</u> <u>1999</u>
<b><u>NonRefundable Credits</u></b>													
. Headlee Amendment Refund	(9)	206.252	No	No	No	No	No	No	Yes	No	No	No	No
. Taxes Paid to Another State Cr.	(10)	206.255(1)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Nonresident Cr. for Reciprocal State Income Tax Exemption	(11)	206.256	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. City Income Taxes Cr.	(12) (#)	206.257	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Public Contribution Cr.	(13) (#)	206.26	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	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	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	Yes	Yes	Yes	No	No	No	No	No	No	No	No
. Medical Care Savings Acct. Cr.	(15) (#)	206.264	No	No	No	No	No	Yes	Yes	Yes	No	No	No
. MI Historic Preservation Cr.	(16)	206.266	No	No	No	No	No	No	No	No	No	No	Yes
. College Tuition Cr.	(18) (#)	206.274	No	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes
<b><u>Refundable Credits</u></b>													
. Sec. 1341 of IRC Cr.		206.265	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Prescription Drug Cr.	(23)	206.273	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

**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>Section</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b><u>NonRefundable Credits</u></b>											
. Taxes Paid to											
Another State Cr.	(10)	206.255(1)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Nonresident Cr. for Reciprocal State											
Income Tax Exemption	(11)	206.256	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. City Income Taxes Cr.	(12) (#	206.257	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Public Contribution Cr.	(13) (#	206.260	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')
. Community Foundation Cr.	(13) (#	206.261	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	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')
. MI Historic Preservation Cr.	(16)	206.266	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Vehicle Donation Cr.	(17) (#	206.269	No	No	No	No	No	Yes	Yes	Yes	Yes
. College Tuition Cr.	(18) (#	206.274	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Individual or Family											
Development Account Cr.		206.276	No	No	No	No	No	No	No	Yes	Yes
. Film Production Cr.	(19) (#	206.367	No	No	No	No	No	No	No	No	Yes
. Energy Cost Recovery											
Surcharge Cr.	(20) (#	206.253(2)	No	No	No	No	No	No	No	No	No
<b><u>Refundable Credits</u></b>											
. Sec. 1341 of IRC Cr.		206.265	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Adoption Cr.	(22) (#	206.267, 268	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Prescription Drug Cr.	(23)	206.273	Yes	Yes	No	No	No	No	No	No	No
. Cr. for Sales Tax Paid on Food											
and Prescription Drugs	(24)	206.523	No	No	No	No	No	No	No	No	No
. Stillbirth Credit	(25) (#	206.275	No	No	No	No	No	No	Yes	Yes	Yes
. Earned Income Tax Credit	(26)	206.272	No	No	No	No	No	No	No	No	Yes
. Energy Efficient Qualified	(27) (#	206.253(1)	No	No	No	No	No	No	No	No	No
. MI Historic Preservation Cr.	(28)	206.266(8)	No	No	No	No	No	No	No	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>Section</u>		<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b><u>NonRefundable Credits</u></b>								
. Taxes Paid to								
Another State Cr.	(10)	206.255(1)	MI-1040	Yes	Yes	Yes	Yes	Yes
. Nonresident Cr. for Reciprocal State								
Income Tax Exemption	(11)	206.256	MI-1040	Yes	Yes	Yes	Yes	Yes
. City Income Taxes Cr.	(12) (#)	206.257		Yes	Yes	Yes	No	No
. Public Contribution Cr.	(13) (#)	206.260		Yes (a')	Yes (a')	Yes (a')	No	No
. Community Foundation Cr.	(13) (#)	206.261		Yes (a')	Yes (a')	Yes (a')	No	No
. Homeless Shelter/Foodbank Cr.	(13) (#)	206.261		Yes (a')	Yes (a')	Yes (a')	No	No
. MI Historic Preservation Cr.	(16)	206.266	Form 3581	Yes	Yes	Yes	Yes	Yes
. Vehicle Donation Cr.	(17) (#)	206.269		Yes	Yes	Yes	No	No
. College Tuition Cr.	(18) (#)	206.274		Yes	Yes	Yes	No	No
. Individual or Family								
Development Account Cr.		206.276		Yes	Yes	Yes	No	No
. Film Production Cr.	(19) (#)	206.367		Yes	Yes	Yes	No	No
. Energy Cost Recovery								
Surcharge Cr.	(20) (#)	206.253(2)		Yes	Yes	Yes	No	No
<b><u>Refundable Credits</u></b>								
. Sec. 1341 of IRC Cr.		206.265	MI-1040	Yes	Yes	Yes	Yes	Yes
. Adoption Cr.	(22) (#)	206.267, 268		Yes	Yes	Yes	No	No
. Prescription Drug Cr.	(23)	206.273		No	No	No	No	No
. Cr. for Sales Tax Paid on Food								
and Prescription Drugs	(24)	206.523		No	No	No	No	No
. Stillbirth Credit	(25) (#)	206.275		Yes	Yes	Yes	No	No
. Earned Income Tax Credit	(26)	206.272	MI-1040	Yes	Yes	Yes	Yes	Yes
. Energy Efficient Qualified	(27) (#)	206.253(1)		Yes	Yes	Yes	No	No
. MI Historic Preservation Cr.	(28)	206.266(8)	Form 3581	Yes	Yes	Yes	Yes	Yes

For notes, see page 121.

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

<b>Refundable Credits (cont.)</b>	<b>MCL Section</b>	<b>TY 1967</b>	<b>TY 1968</b>	<b>TY 1969</b>	<b>TY 1970</b>	<b>TY 1971</b>	<b>TY 1972</b>	<b>TY 1973</b>	<b>TY 1974</b>	<b>TY 1975</b>	<b>TY 1976</b>	<b>TY 1977</b>
. <u>Homestead Property Tax Cr.</u> (29)	206.520, 522	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:												
. 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
. 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), (i)	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(15)	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), (c)	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)(c)	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)(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.	n.a.	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.	n.a.	Yes (i)	Yes (i)	Yes (i)	Yes (i)
. Farmland Preservation Credit (30)	554.710(1)	No	No	No	No	No	No	No	No	No	Yes (j)	Yes (j)



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

<b>Refundable Credits (cont.)</b>	<b>MCL Section</b>	<b>TY 1978</b>	<b>TY 1979</b>	<b>TY 1980</b>	<b>TY 1981</b>	<b>TY 1982</b>	<b>TY 1983</b>	<b>TY 1984</b>	<b>TY 1985</b>	<b>TY 1986</b>	<b>TY 1987</b>	<b>TY 1988</b>
. <u>Homestead Property Tax Cr.</u>	(29) 206.520, 522	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:												
. 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
. 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), (i)	\$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
Credit phase out before limit		n.a.	n.a.	n.a.	n.a.	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000
. Total HPTC Limit	206.520(15)	\$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), (c)	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)(c)	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)(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)(c)	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	(30) 554.710(1)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)

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

<b>Refundable Credits (cont.)</b>	<b>MCL Section</b>	<b>TY 1989</b>	<b>TY 1990</b>	<b>TY 1991</b>	<b>TY 1992</b>	<b>TY 1993</b>	<b>TY 1994</b>	<b>TY 1995</b>	<b>TY 1996</b>	<b>TY 1997</b>	<b>TY 1998</b>	<b>TY 1999</b>
. <u>Homestead Property Tax Cr.</u>	(29) 206.520, 522	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:												
. 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
. 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),	\$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
. Credit phase out before limit		10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000
. Total HPTC Limit	206.520(15)	\$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), (c)	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)(c)	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)(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)(c)	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	(30) 554.710(1)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)

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

<b>Refundable Credits (cont.)</b>	<b>MCL Section</b>	<b>TY 2000</b>	<b>TY 2001</b>	<b>TY 2002</b>	<b>TY 2003</b>	<b>TY 2004</b>	<b>TY 2005</b>	<b>TY 2006</b>	<b>TY 2007</b>	<b>TY 2008</b>
. <u>Homestead Property Tax Cr.</u>	(29) 206.520, 522	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%
. Renters	206.520(2)									
. Ad Valorem Taxes		20%	20%	20%	20%	20%	20%	20%	20%	20%
. Service Charges		10%	10%	10%	10%	10%	10%	10%	10%	10%
. Nursing Home Patient		share	share	share	share	share	share	share	share	share
. Homeowner Veterans Cr. Requirements:										
. 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
. Income Limit	206.506	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
. Homeowner Blind Cr. Requirements:										
. Taxable Value Allowance										
. Taxpayer only blind	206.522(1)(e)(i), (i)	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
. Taxpayer and Spouse blind	206.522(3)	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
. Household Income Limit	206.520(8)	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650
. Credit phase out before limit		10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000
. Total HPTC Limit	206.520(15)	\$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)
. Special Credits:										
. Seniors										
. General	206.522(1)(b), (c)	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)
. 1973 Homestead Exempt	206.522(5)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)
. Para/hemi/quadruplegic	206.522(1)(c)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Disabled	206.522(1)(c)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Deaf	206.522(1)(c)	Yes (d)	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)	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)	Yes (i) or (d)
. Farmland Preservation Credit	(30) 554.710(1)	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.)		<u>MCL</u> <u>Section</u>	<u>Form</u>	<u>TY</u> <u>2009</u>	<u>TY</u> <u>2010</u>	<u>TY</u> <u>2011</u>	<u>TY</u> <u>2012</u>	<u>TY</u> <u>2013</u>
. Homestead Property Tax Cr.	(29)	206.520, 522	MI-1040CR	Yes (b''')	Yes (b''')	Yes (b''')	Yes (b''''')	Yes (b''''')
. Eligible Property Tax Paid Percent								
. Homeowners		206.520(1)		100%	100%	100%	100%	100%
. Renters		206.520(2)						
. Ad Valorem Taxes				20%	20%	20%	20%	20%
. Service Charges				10%	10%	10%	10%	10%
. Nursing Home Patient				share	share	share	share	share
. Homeowner Veterans Cr. Requirements:			MI-1040CR-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
. Income Limit		206.506		\$7,500	\$7,500	\$7,500	\$7,500 (b''''')	\$7,500 (b''''')
. 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
. Taxpayer and Spouse blind		206.522(3)		\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
. Homestead Taxable Value Limit		206.520(1)		n.a.	n.a.	n.a.	≤ \$135,000	≤ \$135,000
. Household Income Limit		206.520(8)		\$82,650	\$82,650	\$82,650	n.a.	n.a.
. Household Resources Limit		206.520(8)		n.a.	n.a.	n.a.	\$50,000 (b''''')	\$50,000 (b''''')
. Credit phase out before limit				10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000
. Total HPTC Limit		206.520(15)		\$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')
. Special Credits:								
. Seniors								
. General		206.522(1)(b), (c)		Yes (d)	Yes (d)	Yes (d)	Yes (d) (d')	Yes (d) (d')
. Low Income Renters		206.520(9), (10)		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)
. Para/hemi/quadruplegic		206.522(1)(c)		Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Disabled		206.522(1)(c)		Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Deaf		206.522(1)(c)		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)
. 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)
. Farmland Preservation Credit	(30)	554.710(1)	MI-1040CR-5	Yes (j')	Yes (j')	Yes (j')	Yes (j')	Yes (j')

For notes, see page 121.

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

<b>Refundable Credits (cont.)</b>	<b>MCL Section</b>	<b>TY 1978</b>	<b>TY 1979</b>	<b>TY 1980</b>	<b>TY 1981</b>	<b>TY 1982</b>	<b>TY 1983</b>	<b>TY 1984</b>	<b>TY 1985</b>	<b>TY 1986</b>	<b>TY 1987</b>	<b>TY 1988</b>
. <u>Home Heating Credit</u>	(31) 206.527a(1)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Federal Poverty Income Limit	206.527a(1)(b)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	110%	110%	110%	110%
. General Credit	206.527a(1)(c)(i)	Yes (k)	Yes (k')	Yes (k')	Yes (k')	Yes (k')	Yes (k')	Yes (k')	Yes (k')	Yes (k')	Yes (k')	Yes (k')
. Maximum Credit:	206.527a(1)(a)											
. 0 or 1 Exemption		\$200	\$200	\$226	\$233	\$254	\$272	\$272	\$272	\$272	\$272	\$272
. 2 Exemptions		\$240	\$240	\$271	\$279	\$305	\$326	\$326	\$326	\$326	\$326	\$326
. 3 Exemptions		\$280	\$280	\$316	\$325	\$355	\$379	\$379	\$379	\$379	\$379	\$379
. 4 Exemptions		\$310	\$310	\$350	\$361	\$394	\$421	\$421	\$421	\$425	\$433	\$450
. 5 Exemptions		\$340	\$340	\$383	\$394	\$430	\$460	\$460	\$480	\$497	\$506	\$525
. 6 Exemptions		\$370	\$370	\$417	\$430	\$470	\$502	\$502	\$550	\$570	\$579	\$601
. more than 6 exemp.		\$370	\$370	\$417	\$430	\$470	\$502	\$502	+\$70/exemp.	+\$73/exemp.	+\$74/exemp.	+\$76/exemp.
. Maximum Income Limit Requirement:												
. 0 or 1 Exemption		n.a.	\$5,714	\$6,457	\$6,657	\$7,257	\$7,771	\$7,771	\$7,771	\$7,771	\$7,771	\$7,771
. 2 Exemptions		n.a.	\$6,857	\$7,742	\$7,971	\$8,714	\$9,314	\$9,314	\$9,314	\$9,314	\$9,314	\$9,314
. 3 Exemptions		n.a.	\$8,000	\$9,028	\$9,286	\$10,143	\$10,829	\$10,829	\$10,829	\$10,829	\$10,829	\$10,829
. 4 Exemptions		n.a.	\$8,857	\$10,000	\$10,314	\$11,257	\$12,029	\$12,029	\$12,029	\$12,142	\$12,371	\$12,857
. 5 Exemptions		n.a.	\$9,714	\$10,943	\$11,257	\$12,286	\$13,143	\$13,143	\$13,714	\$14,200	\$14,457	\$15,000
. 6 Exemptions		n.a.	\$10,571	\$11,914	\$12,286	\$13,429	\$14,343	\$14,343	\$15,714	\$16,285	\$16,543	\$17,171
. more than 6 exemp.		n.a.	\$10,571	\$11,914	\$12,286	\$13,429	\$14,343	\$14,343	+\$2,000/exemp.	+\$2,086/exemp.	+\$2,114/exemp.	+\$2,171/exemp.
. Alternative Credit	206.527a(1)(c)(ii)	No	No	No	No	No	No	Yes (l)	Yes (l)	Yes (l)	Yes (l')	Yes (l')
. Heating Fuel Cost Limit	206.527a(1)(d)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,200	\$1,184	\$1,211	\$1,207	\$1,190
. Maximum Income:												
. 0 or 1 Exemptions		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$6,263	\$6,463	\$6,569	\$6,778	\$7,060
. 2 Exemptions		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$8,428	\$8,698	\$8,840	\$9,122	\$9,501
. 3 or more		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$9,231	\$9,108	\$9,315	\$9,285	\$9,501
. Credit Proration (%)	206.527a(18)	n.a.	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

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

<b>Refundable Credits (cont.)</b>	<b>MCL Section</b>	<b>TY 1989</b>	<b>TY 1990</b>	<b>TY 1991</b>	<b>TY 1992</b>	<b>TY 1993</b>	<b>TY 1994</b>	<b>TY 1995</b>	<b>TY 1996</b>	<b>TY 1997</b>	<b>TY 1998</b>	<b>TY 1999</b>
. <u>Home Heating Credit</u>	(31) 206.527a(1)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Federal Poverty Income Limit	206.527a(1)(b)	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%
. General Credit	206.527a(1)(c)(i)	Yes (k')	Yes (k')	Yes (k'')	Yes (k'')	Yes (k'')	Yes (k'')	Yes (k')	Yes (k'')	Yes (k'')	Yes (k'')	Yes (k'')
. Maximum Credit:	206.527a(1)(a)											
. 0 or 1 Exemption		\$272	\$272	\$272	\$272	\$272	\$285	\$289	\$299	\$305	\$312	\$319
. 2 Exemptions		\$326	\$326	\$343	\$355	\$365	\$380	\$388	\$400	\$410	\$420	\$428
. 3 Exemptions		\$389	\$408	\$430	\$447	\$459	\$476	\$486	\$501	\$515	\$528	\$536
. 4 Exemptions		\$467	\$490	\$517	\$539	\$554	\$571	\$585	\$602	\$619	\$635	\$645
. 5 Exemptions		\$546	\$573	\$604	\$630	\$649	\$667	\$683	\$703	\$724	\$743	\$754
. 6 Exemptions		\$624	\$655	\$691	\$722	\$743	\$762	\$782	\$804	\$829	\$851	\$862
. more than 6 exemp.		+\$79/exemp.	+\$83/exemp.	+\$88/exemp.	+\$92/exemp.	+\$95/exemp.	+\$96/exemp.	+\$99/exemp.	+\$101/exemp.	+\$105/exemp.	+\$108/exemp.	+\$109/exemp.
. Maximum Income Limit Requirement:												
. 0 or 1 Exemption		\$7,771	\$7,771	\$8,144	\$7,771	\$7,771	\$8,143	\$8,257	\$8,543	\$8,714	\$8,914	\$9,114
. 2 Exemptions		\$9,314	\$9,314	\$10,962	\$10,143	\$10,429	\$10,857	\$11,086	\$11,429	\$11,714	\$12,000	\$12,229
. 3 Exemptions		\$11,114	\$11,657	\$12,286	\$12,771	\$13,114	\$13,600	\$13,886	\$14,314	\$14,714	\$15,086	\$15,314
. 4 Exemptions		\$13,343	\$14,000	\$14,771	\$15,400	\$15,829	\$16,314	\$16,714	\$17,200	\$17,686	\$18,143	\$18,429
. 5 Exemptions		\$15,600	\$16,371	\$17,257	\$18,000	\$18,543	\$19,057	\$19,514	\$20,086	\$20,686	\$21,229	\$21,543
. 6 Exemptions		\$17,829	\$18,714	\$19,743	\$20,629	\$21,229	\$21,771	\$22,343	\$22,971	\$23,686	\$24,314	\$24,629
. more than 6 exemp.		+\$2,257/exemp.	+\$2,371/exemp.	+\$2,514/exemp.	+\$2,629/exemp.	+\$2,714/exemp.	+\$2,743/exemp.	+\$2,829/exemp.	+\$2,886/exemp.	+\$3,000/exemp.	+\$3,086/exemp.	+\$3,114/exemp.
. Alternative Credit	206.527a(1)(c)(ii)	Yes (l''')	Yes (l''')	Yes (l''')	Yes (l''')	Yes (l''')	Yes (l''')	Yes (l''')	Yes (l''')	Yes (l''')	Yes (l''')	Yes (l''')
. Heating Fuel Cost Limit	206.527a(1)(d)	\$1,234	\$1,264	\$1,246	\$1,289	\$1,312	\$1,312	\$1,300	\$1,335	\$1,403	\$1,404	\$1,416
. Maximum Income:												
. 0 or 1 Exemptions		\$7,420	\$7,790	\$8,144	\$8,313	\$8,523	\$8,789	\$9,068	\$9,303	\$9,558	\$9,774	\$10,011
. 2 Exemptions		\$9,986	\$10,485	\$10,962	\$11,190	\$11,473	\$11,831	\$11,818	\$12,136	\$12,755	\$12,764	\$12,873
. 3 or more		\$11,218	\$11,491	\$11,327	\$11,718	\$11,927	\$11,927	\$11,818	\$12,136	\$12,755	\$12,764	\$12,873
. Credit Proration (%)	206.527a(18)	100%	100%	100%	100%	100%	100%	62%	70%	74%	82%	90%

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

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

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

<b>Refundable Credits (cont.)</b>		<b>MCL Section</b>	<b>Form</b>	<b>TY 2009</b>	<b>TY 2010</b>	<b>TY 2011</b>	<b>TY 2012</b>	<b>TY 2013</b>
. <u>Home Heating Credit</u>	(31)	206.527a(1)	MI-1040CR-7	Yes	Yes	Yes	Yes	Yes
. Federal Poverty Income Limit		206.527a(1)(b)		110%	110%	110%	110%	110%
. General Credit		206.527a(1)(c)(i)		Yes (k")	Yes (k")	Yes (k")	Yes (k")	Yes (k")
. Maximum Credit:		206.527a(1)(a)						
. 0 or 1 Exemption				\$418	\$418	\$420	\$431	\$443
. 2 Exemptions				\$562	\$562	\$567	\$584	\$598
. 3 Exemptions				\$706	\$706	\$714	\$736	\$753
. 4 Exemptions				\$850	\$850	\$861	\$888	\$908
. 5 Exemptions				\$994	\$994	\$1,009	\$1,041	\$1,062
. 6 Exemptions				\$1,138	\$1,138	\$1,156	\$1,193	\$1,217
. more than 6 exemp.				+\$144/exemp.	+\$144/exemp.	+\$147/exemp.	+\$152/exemp.	+\$155/exemp.
. Maximum Income Limit Requirement:								
. 0 or 1 Exemption				\$11,929	\$11,929	\$11,986	\$12,299	\$12,642
. 2 Exemptions				\$16,043	\$16,043	\$16,186	\$16,671	\$17,071
. 3 Exemptions				\$20,158	\$20,158	\$20,387	\$21,014	\$21,500
. 4 Exemptions				\$24,272	\$24,272	\$24,587	\$25,357	\$25,929
. 5 Exemptions				\$28,387	\$28,387	\$28,815	\$29,728	\$30,328
. 6 Exemptions				\$32,500	\$32,500	\$33,014	\$34,071	\$34,757
. more than 6 exemp.				+\$4,114/exemp.	+\$4,114/exemp.	+\$4,200/exemp.	+\$4,343/exemp.	+\$4,429/exemp.
. Alternative Credit		206.527a(1)(c)(ii)		Yes (l")	Yes (l")	Yes (l")	Yes (l")	Yes (l")
. Heating Fuel Cost Limit		206.527a(1)(d)		\$2,430	\$2,506	\$2,506	\$2,598	\$2,642
. Maximum Income:								
. 0 or 1 Exemptions				\$12,590	\$12,691	\$12,973	\$13,317	\$13,576
. 2 Exemptions				\$16,942	\$17,078	\$17,458	\$17,920	\$18,269
. 3 or more				\$21,298	\$21,469	\$21,946	\$22,527	\$22,967
. Credit Proration (%)		206.527a(18)		65%	52%	52%	48%	49%



## 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.
  - .(#) Repealed by PA 38 of 2011.
- 
- .(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. In 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. Starting TY 2012, pension deduction is reduced only for those born after 1945. See footnote (7').
- .(7') Starting TY 2012, those born after 1945 and before 1953 are entitled to lower maximum pension deduction limit. Once taxpayers reach the age of 67, this deduction may offset all types of income, and is not restricted to retirement and pension income. For those born after 1952, however, there is no deduction until age 67 is reached, when filers may take only the greater of this deduction or the sum of the social security deduction and the personal exemption. For all filers born after 1945, once age 67 is reached, when taxpayer takes the greater of this deduction or the deduction for compensation or retirement received for services in the armed forces of the US, or retirement under the railroad retirement act.
- .(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. Starting TY 2012, this deduction is no longer available for those born after 1945.

**Non Refundable Credits:**

- .(9) Headlee Credit: equaled to 2% of 1995 tax liability computed before taking into account any credit. Credit was effective only for TY 1995.
- .(10) Taxes Paid to Another State Credit: for TY 1967, credit equaled the amount of income tax paid in other states, limited to taxpayer liability. Starting TY 1968, credit was limited further to the proportion of the MI IIT due that the amount of the taxpayer's out-of-state income bears to the taxpayer's AGI.
- .(11) Nonresident Credit for Reciprocal State Income Tax exemption applies to the MI IIT paid by nonresident taxpayers from the following states: Reciprocal States (IN, WI, KY, IL, OH, MN), Idaho (TY 1970-82), Maryland (TY 1970-91), New Mexico (TY 1970-75), Virginia (TY 1968 on), West Virginia (TY 1970-91), and Canadian Provinces (TY 1978 on ).
- .(12) City Income Tax Credit Calculation:
  - For TY 1968 and 1969:

If City Income Tax is:	Credit
. <=\$100	20% of city income taxes
. >\$100, <=\$150	\$20 + 15% of excess over \$100
. >\$150, <=\$200	\$27.50+ 10% of excess over \$150
. > \$200	min {\$32.50 + 5% of excess over \$200, \$10,000}
  - . For TY 1970, credit equals to min {12% of eligible city income tax paid, \$15}.
  - . For TY 1971 - 1985:

If City Income Tax is:	Credit
. <=\$100	20% of city income taxes
. >\$100, <=\$150	\$20 + 10% of excess over \$100
. >\$150, <=\$200	\$25 + 5% of excess over \$150
. > \$200	min {\$27.50 + 5% of excess over \$200, \$10,000}
  - . Starting TY 1986:

If City Income Tax is:	Credit
. <=\$100	20% of city income taxes
. >\$100, <=\$150	\$20 + 10% of excess over \$100
. >\$150	min (\$25 + 5% of excess over \$150, \$10,000)
- .(13) Contribution Credit Calculation:
  - (a). From TY 1968 through 1987, credit was limited to min. {50% of contribution, 10% of liability, \$5,000} for estates, trusts, or min. {\$100, 20% of liability, 50% of contribution} for other returns.
  - (a'). Starting TY 1988, credit limited to min. {50% contribution, \$100 for single returns, \$200 for joint returns} or min. {50% contribution, \$5,000, 10% of tax liability} for estate and trust returns.
- .(14) Renewable/Solar Energy Credit equaled to a percentage of the first \$2,000 of eligible cost and a percentage of the next \$8,000 (or \$3,000 in TY 1983 - 1991, for single family dwelling) / \$13,000 (or \$7,000 in TY 1983-1991, for multiple dwelling) eligible cost. Percentages ranged from: 25% and 15% for TY 1979-1980; 20% and 10% for TY 1981; 15% and 5% for TY 1982; and 30% and 15% in TY 1983 - 1991.
- .(15) Medical Care Savings Account Credit calculation: credit equals min {3.3% of eligible net contribution, \$3,000 (single), \$6,000 (joint)}, where \$3,000 and \$6,000 were indexed by inflation.
- .(16) MI Historical Preservation Credit equals to 25% of qualified expenses, reduced by the amount of federal historic credit received. Starting TY 2009, instead of carrying forward the cr amount that exceeds liability (10 yrs), taxpayer may elect to have 90% of the excess credit amount refunded.
- .(17) Vehicle Donation Credit equals to 50% fair market value of donated auto, limited to \$50 (single), \$100 (joint).

- (18) College Tuition and Fees Credit available for MI resident taxpayers with household income up to \$200,000, who paid undergraduate tuition and fees on behalf of a student who attends an eligible school. Eligible school refers to school that has certified that tuition will not increase by more than the rate of inflation. Credit may be taken for up to 4 years, per student.  
From TY 1995-97, the credit was limited to min {4% of tuition and fees paid per student, \$250 per student per year}.  
Starting TY 1998, the credit was limited to min {8% of tuition and fees paid per student, \$375 per student per year}.
- (19) Film Production Credit is available for MBT taxpayers who are eligible for the MBT credit but instead, elect to claim the credit against IIT liability.
- (20) Energy Cost Recovery Surcharge Credit is restricted to eligible taxpayers with AGI up to \$65,000 (single), or \$130,000 (joint), and the equals a percentage of the additional utility charges paid that were imposed, so that electric utilities would meet newly enacted energy standards.

#### Refundable Credits:

- (21) Inventory tax credit equaled a percent (25% in TY 1973, 32% in TY 1974, 39% in TY 1975) of qualified personal property taxes on inventory deductible on the federal return. Franchise Fee Credit equaled to 20% of qualified franchise fees paid.
- (22) Adoption Credit equals to min {qualified adoption expenses per child, \$1,200 per child}.  
Credit is limited to eligible filers who claimed the federal adoption credit.
- (23) Prescription Drug credit was limited to seniors with household income up to 150% of federal poverty standard.  
Credit equaled to min {\$600, qualified expenses over 5% of taxpayer's household income}.
- (24) Credit for Sales Tax Paid on Food and Prescription Drugs was inversely proportioned to household income, as follows:
- | Household Income      | Credit per Person |
|-----------------------|-------------------|
| <=\$5,000             | \$10              |
| >\$5,000, <=\$7,000   | \$9               |
| >\$7,000, <=\$9,000   | \$8               |
| >\$9,000, <=\$11,000  | \$7               |
| >\$11,000, <=\$15,000 | \$6               |
| >\$15,000             | \$0               |
- (25) 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
- (26) Earned Income Tax Credit: equals 10% of federal EITC claimed for TY 2008, 20% of federal EITC claimed for TY 2009 through TY 2011 and 6% for TY 2012 and after.
- (27) Energy Star Equipment Credit: credit available for taxpayers with AGI up to \$37,500 (single), or \$75,000 (joining) and equals min {10% cost of purchase & installation, \$75 (single), or \$150 (joint) }.
- (28) MI Historical Preservation Credit equals to 25% of qualified expenses, reduced by the amount of federal historic credit received. Starting TY 2009, instead of carrying forward the cr amount that exceeds liability (10 yrs), taxpayer may elect to have 90% of the excess credit amount refunded, where maximum equals 90% of \$250,000 per completed project, subject to a total of \$250,000 credit amount.  
Starting in TY 2012, only taxpayers with a rehabilitation certificate issued between 1999 and 2011 are eligible to claim this credit.
- (29) 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  $\min \{12\% \text{ of eligible property taxes paid, } \$15\}$ .

(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
. $\leq \$100$	20% of property taxes
. $> \$100, \leq \$150$	$\$20 + 10\%$ of excess over \$100
. $> \$150, \leq \$200$	$\$25 + 5\%$ of excess over \$150
. $> \$200, \leq \$10,000$	$\$27.50 + 5\%$ 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.

(b'''). Starting in TY 2012, the credit became subject no longer to household income, but to household resources. Household resources refer to total household income plus any net business loss after netting all business income and loss, plus any net rental or royalty loss, plus any deduction from federal adjusted gross income for a carryback or carryforward of a net operating loss as defined in IRC sec. 172 (b) (2).

(c). Through TY 2011, General Credit (for homeowners or renters) equals to 60% of property tax amount paid in excess of 3.5% of household income.

(c'). Starting TY 2012, General Credit (for homeowners or renters) equals to 60% of property tax amount paid in excess of 3.5% of household resources.

(d). Through TY 2011, 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
$\leq \$3,000$	0.0%
$> \$3,000, \leq \$4,000$	1.0%
$> \$4,000, \leq \$5,000$	2.0%
$> \$5,000, \leq \$6,000$	3.0%
$> \$6,000$	3.5%

(d'). Starting TY 2012, homeowners or renters who are Seniors with household income above \$21,000 have credit amount equaled to percentage of eligible property tax paid in excess of 3.5% taxpayer's household resources as follows:

Household Income	Credit %
$\leq \$21,000$	same as (d)
$> \$21,000, \leq \$22,000$	96.0%
$> \$22,000, \leq \$23,000$	92.0%
$> \$23,000, \leq \$24,000$	88.0%
$> \$24,000, \leq \$25,000$	84.0%
$> \$25,000, \leq \$26,000$	80.0%
$> \$26,000, \leq \$27,000$	76.0%
$> \$27,000, \leq \$28,000$	72.0%
$> \$28,000, \leq \$29,000$	68.0%
$> \$29,000, \leq \$30,000$	64.0%
$> \$30,000$	60.0%

- (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.

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

.(31) 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).
- (k'''). Starting TY 2012, credit calculation remains the same as before, but becomes subject to household resources, and not household income.

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 on, credit equals to total heating fuel cost amount reduced by 11 percent of claimant's household income, the result multiplied by 70 percent.
- (l'''). Starting TY 2012, credit calculation remains the same as before, but becomes subject to household resources, and not household income.