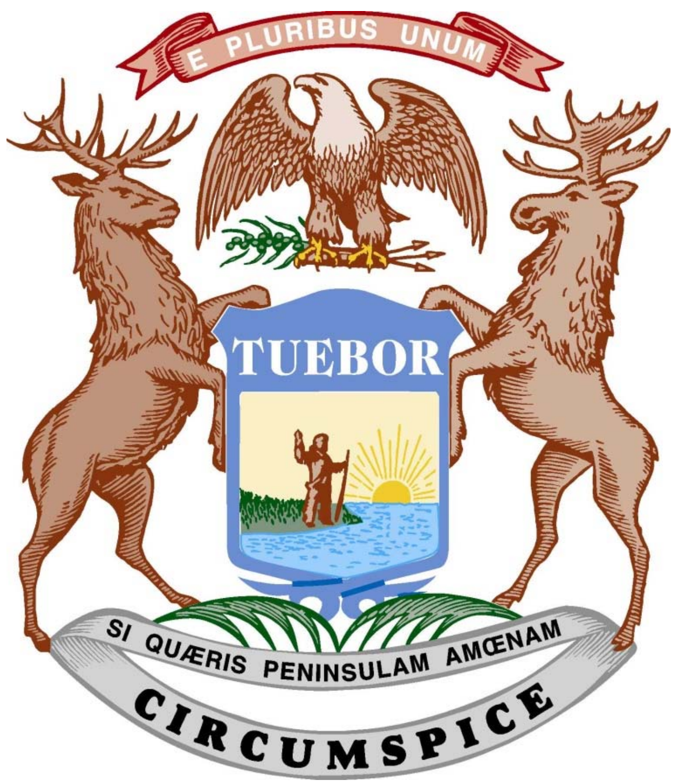
Executive Budget Appendix on Tax Credits, Deductions, and Exemptions

Fiscal Years 2016 and 2017



State of Michigan
Rick Snyder, Governor

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ACKNOWLEDGMENTS

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County equalization directors provided estimates of the value of tax-exempt property in their counties, county treasurers provided data for the taxes they administer, and city income tax directors provided estimates for other local tax credits, deductions, and exemptions. We would like to thank all of these officials for their assistance and cooperation.

The public act summaries in this report are intended to be brief overviews of the legislation enacted in 2014. They are not intended to provide any tax guidance and may not be relied upon as the official interpretation or position of the Michigan Department of Treasury.

This report is available on the Internet at *http://www.michigan.gov/treasury*.

Nick Khouri
State Treasurer
Department of Treasury

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Fiscal Year	Date of Release	Lead Department
1979 - 1980	January 1980	Management and Budget
1981 - 1982	March 1981	Management and Budget
1982 - 1983	April 1982	Management and Budget
1983 - 1984	July 1983	Management and Budget
1984 - 1985	July 1984	Management and Budget
1985 - 1986	December 1985	Management and Budget
1986 - 1987	October 1986	Management and Budget
1987 - 1988	November 1988	Management and Budget
1988 - 1989 1989 - 1990	February 1991	Treasury
1990 - 1991 1991 - 1992	March 1993	Treasury
1992 - 1993 1993 - 1994	June 1994	Treasury
1994 - 1995 1995 - 1996	April 1995	Treasury
1996 - 1997	March 1996	Treasury
1997 - 1998	June 1997	Treasury
1998 - 1999	May 1998	Treasury
1999 - 2000	February 2000	Treasury
2000 - 2001	April 2000	Treasury
2001 - 2002	July 2001	Treasury
2002 - 2003	April 2002	Treasury
2003 – 2004	March 2003	Treasury
2004 – 2005	August 2004	Treasury
2005 – 2006	May 2005	Treasury
2006 – 2007	May 2006	Treasury
2007 – 2008	September 2007	Treasury
2008 – 2009	November 2008	Treasury
2009 – 2010	December 2009	Treasury
2010 – 2011	January 2011	Treasury
2011 – 2012	October 2011	Treasury
2013 – 2014	July 2012	Treasury
2014 – 2015	June 2013	Treasury
2015 – 2016	December 2014	Treasury
2016 – 2017	June 2016	Treasury

APPENDIX ON TAX CREDITS, DEDUCTIONS, AND EXEMPTIONS

EXECUTIVE SUMMARY

Fiscal Years 2016 and 2017

The *Appendix on Tax Credits, Deductions, and Exemptions* (formerly entitled the *Tax Expenditure Appendix*) is a compilation of the revenue cost of the various tax credits, deductions, and exemptions contained in Michigan tax law. Section 1 of Public Act 72 of 1979 requires the Governor to submit a report on specific tax credits, deductions, and exemptions along with the annual presentation of the *Executive Budget* to the Legislature. Throughout this report, credits, deductions, and exemptions will often be referred to as tax expenditures.

Tax expenditures can be defined broadly as the tax revenue foregone as a result of preferential provisions such as credits, deductions, exemptions, deferrals, exclusions, or lower tax rates. These provisions are tax expenditures because, like appropriations, they allocate resources for specific public purposes, but do so through the tax system rather than the expenditure system.

Total tax expenditures are projected to increase 3.2 percent between fiscal year (FY) 2016 and FY 2017, from $35.38 billion to $36.53 billion. Tax expenditures are divided into five broad categories: business privilege, consumption, individual income, local property, and transportation.

Business privilege tax expenditures are predicted to decrease from $1,243.9 million to $1,101.9 million from FY 2016 to FY 2017. The estimates under the business privilege tax category reflect the credits, deductions, and exemptions in place under the corporate income tax and the most significant certificated credits which may be claimed under the Michigan business tax.

Consumption tax expenditures are predicted to increase 5.3 percent between FY 2016 and FY 2017, from $16,761.7 million to $17,644.4 million. Growth in tax expenditures related to health care services, food for home use, and industrial processing account for most of the increase. Comparisons between the estimates for consumption tax expenditures contained in this report and those in prior editions of the *Tax Expenditure Appendix* are not valid due to changes in the methodology and data sources used to calculate tax expenditures related to services.

Individual income tax expenditures are predicted to rise from $8,479.3 million in FY 2016 to $8,757.7 million in FY 2017, a 3.3 percent increase. In recent tax years the income tax adjustment for income attributable to another state has been volatile, resulting in volatility of the estimated income tax expenditure.

Local tax expenditures are predicted to increase 1.4 percent between FY 2016 and FY 2017, rising from $8,844.5 million to $8,968.9 million. The value of local tax exemptions will rise as property values stabilize and begin to increase.

Transportation tax expenditures are predicted to increase by 7.2 percent between FY 2016 and FY 2017, from $48.66 million to $52.17 million.

CHAPTER 1

INTRODUCTION TO TAX EXPENDITURES

Section 1 of Public Act 72 of 1979 requires the Governor to submit a report on specific tax credits, deductions, and exemptions along with the annual presentation of the *Executive Budget* to the Legislature:

> The governor, with the annual budget message to the legislature, shall report, at a minimum, the tax credits, deductions, and exemptions enumerated in this act. The message shall include tax credits, deductions, and exemptions by budget and also shall contain a separate report on tax credits, deductions, and exemptions in total, which may be printed as an appendix to the budget. The department of treasury shall furnish these items to the governor for inclusion in the report as required by this act.

The *Appendix on Tax Credits, Deductions, and Exemptions* is a compilation of the revenue cost of the various tax credits, deductions, and exemptions contained within the Michigan state and local tax structure. These provisions are more commonly known as tax expenditures and will be referred to as tax expenditures in this report. When known, the number of taxpaying units taking advantage of a given tax expenditure is also included.

This *Appendix* is divided into eight chapters. Chapter 1 discusses the definition and measurement of tax expenditures. Chapter 2 presents a summary of tax expenditures by type of tax. Chapter 3 lists tax expenditures by budget category. Chapters 4 through 8 examine the five main tax expenditure categories in greater detail: business privilege, consumption, individual income, transportation, and local property. Chapters 4 through 8 discuss changes in tax laws and the reliability of tax expenditure estimates. In addition, a brief description of each tax expenditure is provided.

Defining Tax Expenditures

Tax expenditures can be defined broadly as the tax revenue foregone as a result of preferential provisions such as credits, deductions, exemptions, deferrals, exclusions, or lower tax rates. These provisions are tax expenditures because, like appropriations, they allocate resources for specific public purposes, but do so through the tax system rather than the expenditure system. For economic purposes, it makes no difference whether a policy objective is pursued through direct spending or through the tax code. For example, a tax credit of 50 percent of the amount spent on health care by individuals is exactly the same as a spending program that pays 50 percent of health care expenses, since both reduce the effective cost of health care by 50 percent.

Classifying items as tax expenditures is a subjective process. Some argue that the tax expenditure definition should be as broad as possible, encompassing all deductions or credits that reduce the taxable base from 100 percent of income or wealth. Others recommend a more narrow definition that includes only those tax deductions or credits that are adjustments to the "normal" or appropriate tax structure. The narrow tax expenditure definition reserves the term tax expenditure for items that are substitutes for direct spending. This report includes statutory credits, deductions, and exemptions, a broad concept than tax expenditures, and this broader approach includes several tax provisions that many would consider adjustments necessary to obtain the appropriate tax base, such as the exemption for food under the sales tax.

Changes in law can affect revenues and not involve a tax expenditure. For example, reductions in tax rates would generally reduce tax revenues but do not fit the definition of a tax expenditure. Changes in the way the tax law apportions income between states would also not qualify as a tax expenditure. Finally, a tax change that requires a change in the recognition of income between subsidiaries (perhaps through unitary or separate reporting) or the recognition of expenses between a client and an employment agency would not be tax expenditures.

Traditionally, tax expenditures have served two purposes. First, they redistribute the tax burden. Tax expenditures such as personal income tax exemptions, sales tax exemptions for food and prescription drug purchases, and the corporate income tax credit for small firms all shift the relative tax burden. These tax expenditures are designed to reduce the tax burden on low-income individuals and businesses. Second, tax expenditures create an incentive for individuals or firms to change their behavior. The earned income tax credit, at both the federal and state levels, is intended to increase work effort and attachment to the labor force and is a good example of a tax expenditure designed to influence taxpayer behavior.

Tax expenditures are so named because they can be viewed as alternatives to direct government appropriations or regulation. In fact, tax expenditures are very similar to direct appropriations in many respects. The main difference is that while appropriations achieve policy goals directly, tax expenditures achieve policy goals indirectly by changing relative prices or reducing costs. For example, the government may help the poor directly by providing food stamps. Alternatively, the government can exempt food from the sales tax, which lowers the cost of food purchases relative to other goods. This will aid poorer residents because they spend a greater percentage of their income on basic needs such as food, which is not taxed.

However, the allocation of government resources through the tax system suffers from some drawbacks. First, because tax expenditures accomplish their goals indirectly, they may provide a less efficient means of targeting benefits than direct expenditures. Sometimes, the targeted group may not receive the benefits, or other groups who were not targeted originally may benefit. Second, policymakers tend to ignore tax expenditures during the budgeting process. Instead, they focus their attention almost strictly upon actual revenue and spending. They may spend less time considering potential new tax expenditures and revenue that might be collected by eliminating or reducing current tax expenditures. Finally, providing resources via tax expenditures may be more costly than through direct appropriation. Centralized purchasing of certain items such as prescription drugs or diabetic supplies by the state may result in a lower cost than if individuals purchase the items and then apply for a tax credit. On the other hand, the cost to governments of administering most tax expenditures is usually a fraction of the cost of administering direct spending programs.

Annual review of tax expenditures would encourage policymakers to rank all policy goals before deciding which should be funded, by how much, and by what means. Ideally, this review process would use three criteria in order to evaluate which tax expenditures are retained. First, the effectiveness of the specific tax expenditure should be evaluated. Does it accomplish its objective at the lowest cost without unintended outcomes? Second, the tax expenditure should be more effective relative to alternatives such as direct spending or regulation. Finally, the relative importance of the tax expenditure and its goals should be examined and compared to direct spending actions. This report does not attempt to evaluate each tax expenditure according to these criteria. It is designed to aid policymakers in evaluating the efficiency, effectiveness, and relative importance of each tax expenditure.

Technical Issues

State Versus Federal Tax Expenditures

The starting point in calculating Michigan taxable income is the federal Internal Revenue Code definition of adjusted gross income (AGI). As a result, the exclusions and deductions used in the calculation of federal AGI also reduce state income tax liability. Exclusions or deductions from federal AGI that Michigan does not disallow specifically are classified as federal tax expenditures. This classification does not mean that federal tax expenditures are outside the control of state government. Michigan could require that specific federal tax expenditures be added back to AGI in calculating Michigan taxable income.

State Versus Local Tax Expenditures

This report also distinguishes between state tax expenditures (associated with taxes collected by the state government) and local tax expenditures (associated with taxes collected by local governments). For the purposes of this report, the distinction between state and local government tax expenditures rests on which level of government collects the tax, not the level of government affected by the tax expenditure. In fact, some state tax expenditures have implications for local government budgets, while some local government tax expenditures have ramifications for the state government budget. For example, property tax exemptions granted for industrial or commercial development are classified as local tax expenditures. These local property tax exemptions also have state budget implications because they reduce state education tax revenue and reduce taxable value per pupil and thus increase state aid payments to local school districts through the state's formula for providing funds to K-12 education.

Income Tax Personal Exemption

For tax year 2014, individual Michigan taxpayers could claim a $4,000 personal exemption for themselves and each of their dependents. The personal exemption is classified as a tax expenditure in this report. Some contend that the exemption is essential for determining an appropriate income tax base and should not be considered a tax expenditure.

Industrial Processing Exemption From Sales Tax

The levy of a "pure" retail sales tax takes place only at the retail level, that is, sales to the final consumer. Goods or services used in the production of consumer goods are exempt from this pure retail sales tax. States differ as to the business purchases they exempt from the sales tax. In Michigan, sales of goods used in industrial processing are exempt, although sales of goods used in business, but not in the actual manufacturing process, are subject to taxation. In this sense, the exclusion of non-retail sales from a pure retail sales tax base is not a tax expenditure even though it is a statutory exemption in the General Sales Tax Act.

Measuring Tax Expenditures

The estimates in this report for fiscal year (FY) 2016 and FY 2017 are based on the most recent data available. Tax year 2013 income tax data (returns processed in the spring of 2014) are used, as are 2013 property and sales tax data, and tax year 2013 Corporate Income Tax (CIT) data. Most estimates of the cost (in terms of foregone revenue) of credits, deductions, exemptions, and other reductions are based on actual tax return data. However, many exemptions are not reported on tax returns. In these instances, tax expenditure estimates were derived from other sources.

The tax expenditure estimates *do not* necessarily reflect the amount of actual revenue that would be gained through the repeal of specific provisions. This is attributable to three economic assumptions (listed below) which have been made to ease the task of estimation. (These assumptions are consistent with those made at the federal level and used by other states.)

> **Assumption 1: The elimination of a particular tax expenditure does not alter economic behavior.**
>
> In many instances, tax expenditures are specifically designed to provide incentives for people and businesses to behave in a certain manner. Elimination of tax expenditures would most likely alter their behavior. For example, if the sales tax exemption for food were eliminated, the final price that consumers pay for food would increase and food purchases would decline. In this case, the elimination of the tax expenditure would be similar to a price increase. This drop in food purchases offsets some of the revenue gain from eliminating the exemption.
>
> **Assumption 2: Each tax expenditure is independent.**
>
> The repeal of certain tax expenditure provisions can increase or decrease the revenue losses associated with other provisions that are kept in place. For example, reducing or removing one property tax exemption may allow firms to take greater advantage of other exemptions, offsetting at least some of the original revenue impact.

Assumption 3: The elimination of tax expenditures does not affect overall macroeconomic conditions.

In principle, repeal or enactment of major tax expenditure provisions would have some impact on the economy. For example, imposing the sales tax on services or repealing the personal income tax exemption may significantly reduce income levels and affect taxpayers' spending which would affect the macro economy. However, marginal changes in particular provisions are unlikely to have a significant impact on overall income levels and rates of economic growth.

In essence, each tax expenditure estimate is an isolated estimate. That is, each estimate assumes implicitly that no other tax expenditures exist (i.e., there is no interaction) and that all other factors remain constant (i.e., taxpayers do not change their behavior and the repeal of the provision does not affect the overall economy). Because this report ignores many of these factors to simplify estimation, actual state revenue gains from eliminating specific tax expenditures would generally fall short of the estimates.

Cautionary Notes and the Reliability of Estimates

In many instances, this report aggregates individual tax expenditure estimates. However, due to the simplifying assumptions that have been made, aggregating various tax expenditure estimates in order to measure the cost of changing all of them simultaneously will not be accurate. The estimated revenue gain from simultaneously eliminating two tax expenditures will be less than the sum of the cost of the two measured separately. Therefore, the reader is cautioned regarding interactions between tax expenditures.

The reader is also cautioned about comparing tax expenditure estimates across years. Substantial changes in federal, state, and local tax laws occur each year that affect the number, type, and magnitude of tax expenditures. In addition, measurement techniques may also vary from year to year, depending on the available data.

Tax expenditure estimates that appear in this report have different levels of reliability depending on the accuracy of the data and the estimation procedure employed. Chapters 4 through 8 denote the reliability of tax expenditure estimates included in the respective chapters. High reliability implies that the estimate should be relatively accurate. If the estimate does not approximate closely the actual value of the tax expenditure, it is most likely incorrect by a relatively small margin. Conversely, low reliability implies that the actual value could be much greater or smaller and that the range of possible values is large. Reliability indicators are as follows:

1. High reliability level.

This category is reserved for estimates that were derived using actual recent tax return data. The higher education tax expenditure, which is based on recent income tax return data, is an example of an estimate that is accurate and highly reliable.

2. Average reliability level.

Tax expenditure estimates in this category were also based on tax return data. However, specific economic assumptions were necessary to derive these estimates because less recent data or sample data were used. The personal exemption from city income taxes is an example of an estimate with average reliability. Estimates were based on a recent survey of city treasurers. Some city estimates were carried forward from last year, while other estimates were based on rounded figures. While this will affect the precision of the total estimate, the impact should be relatively small.

3. Low reliability level.

This category is reserved for estimates that are imprecise. Estimates in this category were based on highly aggregated (national) data, required restrictive assumptions, or used poor non-tax data sources. For example, federal income tax expenditure estimates have a low degree of reliability because they were based on national tax expenditure data apportioned to Michigan.

Why Report Tax Expenditures?

Some economists argue that a regular periodic evaluation of tax expenditures should become common practice. Unlike fixed appropriations, tax expenditures are open-ended entitlements: if people or firms qualify for an exemption, they receive it. In periods of recession, tax expenditures are rarely re-examined as budget cuts are typically focused around direct spending. When the economy improves, both direct spending and tax expenditures tend to increase as legislators can afford to be more generous.

According to the Advisory Commission on Intergovernmental Relations (ACIR), there are at least three reasons why tax expenditures should be reviewed periodically:

1. Tax Equity.

Reviewing tax expenditures helps to ensure both vertical and horizontal equity in the tax structure. Horizontal equity refers to taxpayers in similar income groups, while vertical equity refers to taxpayers in different income groups. If a tax system that relies on voluntary compliance is to work, people must regard that system as equitable.

2. Fiscal Discipline.

Adopting regular tax expenditure reporting gives policymakers more information regarding available resources and how these resources are being used. All state programs, whether they are funded through direct or indirect spending, should work in unison so that particular policy objectives can be attained.

3. Political Accountability.

By mandating a periodic review of the tax code, state lawmakers would foster a public discussion about how the tax system should be designed. In addition, lawmakers would indicate publicly whether they support or oppose certain tax expenditures, much like the appropriations process.

The Michigan Legislature has recognized these potential problems and places sunset dates on some new tax expenditures, or requires a report on the activity related to the tax break. In addition, the annual publication of this report provides an itemization of tax expenditures along with their cost.

Finally, the inclusion of any item as a tax expenditure should not be viewed as an expression of support for or objection to any particular tax policy. As noted above, tax expenditures represent spending done outside of the annual appropriation process. While a periodic review of tax expenditures is encouraged as a way to better conduct public policy, the inclusion of a particular credit, deduction, or exemption in this report does not signify any conclusion regarding the public policy merit of that particular tax expenditure.

CHAPTER 2

SUMMARY OF TAX EXPENDITURES

Chapter 2 lists tax expenditures by the tax categories business privilege, consumption, individual income, transportation, local property, and other local tax expenditures. Chapter 2 also includes aggregated tax expenditures. As noted earlier, aggregated measures of tax expenditures should be viewed with caution. The independence assumption underlying individual tax expenditure estimates is unrealistic and, if relaxed, aggregated figures would likely decrease.

Total tax expenditures are projected to increase from $35.378 billion in FY 2016 to $36.525 billion in FY 2017, a 3.2 percent increase (see Exhibit 1). The overall increase in tax expenditures was concentrated in consumption and individual income tax expenditures.

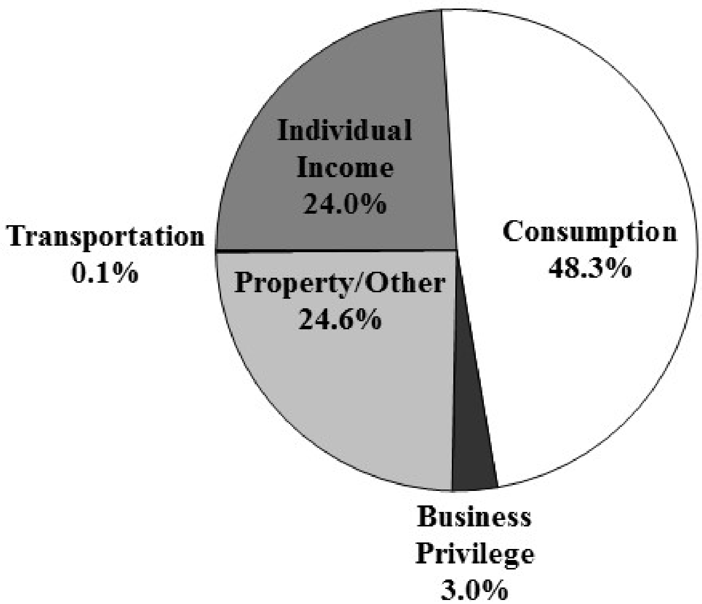
Exhibit 1
Total Tax Expenditures, FY 2016 and FY 2017

Tax Category	FY 2016 (000)	FY 2017 (000)	Change (000)
Business Privilege	$1,243,855	$1,101,900	-$141,955
Consumption	16,761,738	17,644,360	882,622
Individual Income	8,479,261	8,757,706	278,445
Property	8,597,950	8,719,850	121,900
Other Local (City Income)	246,588	249,053	2,465
Transportation	48,663	52,173	3,510
TOTAL	$35,378,055	$36,525,042	$1,146,987

Totals may differ slightly due to rounding.

Most tax expenditures result from deductions, exemptions, or credits from consumption, income, and property taxes (see Exhibit 2). For FY 2017, consumption tax expenditures comprise 48.3 percent of total tax expenditures, while income tax expenditures comprise 24.0 percent and property and other local taxes comprise 24.6 percent. Not surprisingly, taxes that generate significant revenue are also associated with large tax expenditures (see Exhibit 3). Most notable are consumption tax expenditures resulting from the exemptions for food, services, and industrial processing.

Exhibit 2
FY 2017 Distribution of Tax Expenditures



Total may not equal 100 percent due to rounding.

Exhibit 3
FY 2017 Tax Expenditures and Projected Revenue
(millions of dollars)

Tax Category	Tax Expenditure	Projected Revenues*	Percent of Revenues
Business Privilege			
Oil and Gas Severance	$6.9	$22.5	30.7%
Corporate Income/MBT	997.3	222.6	448.0%
Consumption			
Total Alcohol	0.1	211.3	0.0%
Cigarette and Tobacco	18.6	948.4	2.0%
Sales and Use	17,625.6	8,684.5	203.0%
Individual Income Tax	5,767.8	9,750.9	59.2%
Transportation			
Aviation Fuel	3.6	5.5	64.9%
Gasoline	30.3	1,085.9	2.8%
Diesel Fuel	5.8	218.2	2.7%
Motor Vehicle Registration	11.7	1,188.7	1.0%
City Income Tax	249.1	495.0	50.3%
TOTAL	$24,716.8	$22,833.5	108.2%

*From Consensus Revenue Estimating Conference, May 2016. City income taxes are not a consensus estimate.

Exhibits 4 through 8 provide a breakdown of individual tax expenditures across the five tax categories. An asterisk denotes a new tax expenditure or one that has been modified by legislation since the publication of the previous report. For more detailed information regarding these changes, consult the specific chapter relating to the tax expenditure.

Exhibit 4
Business Privilege Tax Expenditures

Tax or Tax Expenditure	FY 2016 (000)	FY 2017 (000)
Insurance Company		
Disability Insurance Exclusion	$11,000	$11,600
Michigan Association and Facilities Credit	76,655	$80,500
Michigan Examination Fees Credit	4,900	5,100
Supplemental Workers' Compensation	500	500
SUBTOTAL	$93,055	$97,700
Oil and Gas Severance Tax		
Marginal Wells	$4,900	$5,200
Public Land	1,500	1,700
SUBTOTAL	$6,400	$6,900
Corporate Income Tax		
Foreign Dividends Income Exclusion	$236,000	$247,800
Government Securities' Income Exclusion	1,700	1,800
Income from Extractive Activities Deduction	600	600
Small Business Alternate Tax Credit	10,700	11,200
SUBTOTAL	$249,000	$261,400
Michigan Business Tax Certificated Credits		
Brownfield Redevelopment Credit	25,000	28,400
Film Credits	42,900	14,000
Michigan Economic Growth Authority (MEGA)	577,900	525,400
MEGA Photovoltaic Technology Credit	0	0
MEGA Polycrystaline Silicon Manufacturing	28,800	31,400
MEGA Vehicle Battery Credit	217,500	110,500
Other Certificated Credits	3,300	26,200
SUBTOTAL	$895,400	$735,900
TOTAL	$1,243,855	$1,101,900

Exhibit 5
Consumption Tax Expenditures

Tax or Tax Expenditure	FY 2016 (000)	FY 2017 (000)
Alcoholic Beverages Taxes		
Beer Shipped Out-of-State	n.a.	n.a.
Damaged Beer	n.a.	n.a.
Homemade Wine	n.a.	n.a.
Small Brewer's Credit	$90	$90
SUBTOTAL	$90	$90
Tobacco Products Tax		
Bad Debt Deduction	$400	$400
Licensee Expenses	13,470	13,260
Sales on Military Bases and Reservations	5,020	4,970
SUBTOTAL	$18,890	$18,630
Sales and Use Tax Expenditures		
Air and Water Pollution	$57,500	$57,750
Aircraft Parts	6,830	7,030
Bad Debts	23,600	23,700
Cargo Aircraft	22,260	21,930
Church Construction	2,384	2,408
Church Cars	2,250	2,260
Collection Fee	39,241	39,408
Commercial Domestic Aircraft	4,000	4,000
Commercial Vessels	n.a.	n.a.
Communication and Telephone Exemption	33,300	31,640
Donated Property	n.a.	n.a.
Donated Vehicles	125	125
Driver Training	197	195
Employee Meals	16,800	16,870
Enterprise Zone Credit	n.a.	n.a.
Food	1,289,290	1,333,570
Food for Students	40,405	41,793
Government or Red Cross	273,000	274,000
Gratuity and Tips	73,000	76,000
Horticultural and Agricultural Products	284,000	293,000
Imported Property from Other States	1,720	1,750

Exhibit 5 (Continued)

Tax or Tax Expenditure	FY 2016 (000)	FY 2017 (000)
Industrial Processing	$1,351,000	$1,398,000
Interstate Communications	6,200	6,000
Interstate Trucks and Trailers	30,970	31,100
Investment Coins	3,330	3,330
Isolated Sales	n.a.	n.a.
Military PX Sales	713	695
Military Vehicles Sales	n.a.	n.a.
Military Vehicles Sales (Residents Out-of-State)	n.a.	n.a.
Newspapers, Periodicals, and Films	115,210	117,190
Nonprofit Ambulance and Fire Services	n.a.	n.a.
Nonprofit Hospital or Housing Construction	2,080	2,140
Nonprofit Organizations	280,100	289,720
Nonprofits Sales under $5,000	n.a.	n.a.
Nonresident Merchandise Transfer	n.a.	n.a.
Nonresident Property	n.a.	n.a.
Ophthalmic and Orthopedic Products	62,810	64,690
Prescription Drugs	623,500	658,170
Radio and TV	4,400	4,400
Rail Rolling Stock	7,260	7,290
Residential Utilities	169,000	172,000
Returned Vehicles	1,100	1,100
Sales of Business	n.a.	n.a.
Sale of Water	64,900	65,500
Services (Including Nonprofits)	11,746,990	12,467,570
Small Out-of-State Purchases	n.a.	n.a.
Tax on the Difference - Vehicles	30,000	35,000
Telephone Services	16,740	16,810
Textbooks Sold by Schools	n.a.	n.a.
Tribal Tax Agreement	n.a.	n.a.
Vehicles and Aircraft Transfers	39,170	39,950
Vehicles Purchased for Use in Another State	n.a.	n.a.
Vending Machines and Mobile Facilities	17,383	17,556
SUBTOTAL	$16,742,758	$17,625,640
TOTAL	$16,761,738	$17,644,360

Exhibit 6
Individual Income Tax Expenditures

Tax or Tax Expenditure	FY 2016 (000)	FY 2017 (000)
State Income Tax		
Adjustments to Income (except military)	$0	$0
College Savings Accounts	12,798	13,735
Dependent Exemption	18,090	18,271
Disabled Veteran Exemption	300	300
Earned Income Credit	117,460	121,571
Farmland Credit	43,509	45,249
Historic Preservation Credit	108	54
Home Heating Assistance Credit	71	72
Homestead Property Tax Credit	534,754	540,102
Income Attributable to Another State	2,485,940	2,585,378
Income from Extractive Activities Deduction	1,500	1,500
Income Tax Paid to Other State Credit	52,966	54,795
Military Pay	22,990	24,133
Miscellaneous Deductions	3,825	3,825
Net Operating Loss Deduction	2,000	2,000
Net Adjustment for Gains/Losses	11,000	11,000
Pension and Retirement Benefits Deduction	262,893	269,667
Personal Exemption	1,355,696	1,360,767
Renaissance Zones	1,277	1,213
Senior Investment Income Deduction	14,764	14,978
Senior Standard Deduction	206,000	261,000
Social Security Benefits	381,063	396,306
Special Exemption	12,469	12,518
State and Local Income Tax Refunds	20,661	20,868
Tribal Tax Agreements	n.a.	n.a.
U.S. Government Bond Interest Deduction	8,366	8,450
TOTAL STATE	$5,570,500	$5,767,752
Federal Adjustments		
Accelerated Depreciation	$56,191	$57,877
Employer Contributions to Insurance	1,013,732	1,044,144
Employer Pension Plans	562,405	579,277
Federal Adjustments to Income	44,783	46,126
Fellowships and Scholarships	14,449	14,882
Gain on Sale of Primary Residence	$303,502	$306,537
Income Maintenance Benefits	4,890	5,037

Exhibit 6 (Continued)

Tax or Tax Expenditure	FY 2016 (000)	FY 2017 (000)
Federal Adjustments (continued)		
Individual Retirement Accounts	295,670	304,540
Interest on Life Insurance Savings	101,750	104,803
Medical Savings Account	26,181	26,966
Railroad Retirement Benefits	1,629	1,678
Social Security Benefits	359,552	370,339
Student Loan Deduction	8,037	8,278
Veterans' Benefits	60,356	62,167
Workers' Compensation	55,634	57,303
TOTAL FEDERAL	$2,908,761	$2,989,954
TOTAL STATE AND FEDERAL	$8,479,261	$8,757,706

Exhibit 7
Transportation Tax Expenditures

Tax or Tax Expenditure	FY 2016 (000)	FY 2017 (000)
Aviation Gasoline and Marine Fuel		
Federally Owned Aircraft	$319	$321
Interstate Flight Refund	3,232	3,248
Marine Vessel Exemption	740	740
SUBTOTAL	$4,291	$4,309
Motor Fuel Taxes		
Diesel Fuel for Jobsites and Charter Firms	$5,668	$5,810
Diesel Fuel for Railroads	n.a.	n.a.
Evaporation and Loss Allowance	12,720	16,140
Fuel for Off-Road Use	1,100	1,100
Municipal Franchise Vehicles	410	400
Public Vehicles	12,830	12,700
Tribal Tax Agreements	n.a.	n.a.
SUBTOTAL	$32,728	$36,150
Motor Vehicles Registration Fee		
Disabled Veterans' Vehicles	$570	$580
Handicapper Vans	n.a.	n.a.
Intercity Commercial Buses	n.a.	n.a.
Public and Nonprofit Vehicles	11,060	11,120
SUBTOTAL	$11,630	$11,700
Watercraft Registration Fee		
Publicly-Owned Vehicle	$14	$14
TOTAL	$48,663	$52,173

Exhibit 8
Local Property and Other Local Tax Expenditures

Tax or Tax Expenditure	FY 2016 (000)	FY 2017 (000)
Property and Other Local Tax Expenditures		
Agriculture Transfers	$37,200	$37,800
Air and Water Pollution Control	130,000	130,000
Church Transfers	n.a.	n.a.
Cultural Organizations	n.a.	n.a.
Disabled Veteran Homestead Exemption	21,200	21,800
Energy Conservation Devices	60	50
Enterprise Zone Credit	0	0
Fairground Property	n.a.	n.a.
Homestead Exemption	3,111,000	3,142,000
Homestead Exemption for Farm Property	173,400	176,900
Industrial Facilities Development	235,700	238,100
Mobile Homes	66,200	67,500
Neighborhood Enterprise Zones	23,500	24,000
Next Energy Exemption	3,600	3,700
Obsolete Property Rehabilitation	12,000	12,300
Personal Property - Indust./Commercial Ad Valorem	365,000	366,800
Personal Property - Industrial Facilities	69,900	70,600
Personal Property - Small Taxpayer Exemption	80,000	80,800
Poverty Exemption	8,700	8,900
Railroad Right-of-Way/Broadband Credit	45,600	46,300
Renaissance Zones	81,000	82,000
Specifically-Taxed Property	n.a.	n.a.
Tax-Exempt Property	1,844,000	1,871,000
Tax Increment Financing	320,000	330,000
Taxable Value Cap	1,968,600	2,008,000
Water Softeners	1,290	1,300
SUBTOTAL	$8,597,950	$8,719,850
City Income Tax		
Federal Deductions	n.a.	n.a.
Net Profits of Financial Institutions	n.a.	n.a.
Nonresident Reduced Rate	$236,488	$238,853
Pensions, Annuities, and Retirement	n.a.	n.a.
Personal Exemption	10,100	10,200
Supplemental Unemployment Benefits	n.a.	n.a.
SUBTOTAL	$246,588	$249,053
TOTAL	$8,844,538	$8,968,903

CHAPTER 3

TAX EXPENDITURE BUDGET

Chapter 3 illustrates the concept of a tax expenditure budget. This presentation organizes tax expenditures by the spending category that benefits from the expenditure rather than by the revenue source that finances it. Tax expenditures are grouped in categories similar to direct expenditures in the *Executive Budget* such as commerce, education, transportation, and natural resources. This allows for a comparison of funding between direct appropriations and tax expenditures for selected spending categories.

By a wide margin, the commerce and income distribution budget categories tend to receive most funding from tax expenditures (see Exhibit 9). Relative to direct spending, tax expenditures appear to be a preferred method to fund these objectives. In contrast, transportation and higher education are funded much more intensively via direct appropriations (see Exhibit 10).

Exhibits 11 and 12 provide an itemized breakdown of tax expenditures by spending category. These exhibits are a simple reorganization of the summary tables provided in Chapter 2; only the groupings are different.

Exhibit 9
Tax Expenditure Budget, FY 2017

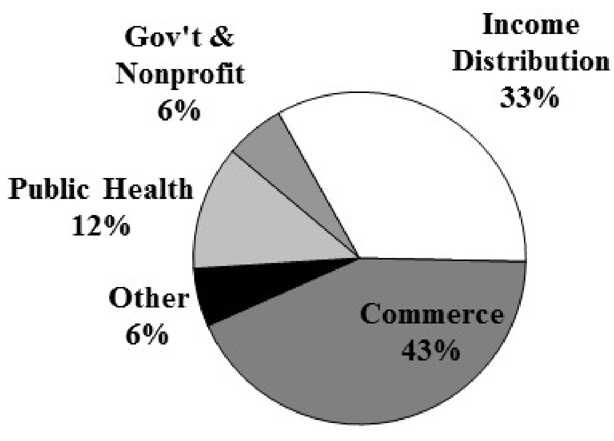


Exhibit 10
Comparison of State Tax and Direct Expenditures (From State Resources) for Selected Spending Categories, FY 2015

Spending Category	FY 2016 Tax Expenditure (000)	FY 2015 Direct Expenditure (000)	Total (000)	Percent Tax Expenditure
Agriculture	$327,509	$73,920	$401,429	81.6%
Commerce (LARA)	13,392,627	326,385	13,719,012	97.6%
Higher Education	514,477	1,419,470	1,933,947	26.6%
Income Distribution (DHS)	7,498,454	1,121,690	8,620,144	87.0%
Military Affairs	90,399	74,241	164,640	54.9%
Natural Resources	59,600	305,090	364,690	16.3%
Public (Community) Health	4,195,370	5,301,105	9,496,475	44.2%
Transportation	57,927	2,439,633	2,497,560	2.3%
TOTAL	$26,136,363	$11,061,533	$37,197,897	70.3%

Note: FY 2015 expenditure figures from *FY 2014-15 Appropriations Report*, *Part II - Initial Appropriations*, Senate Fiscal Agency.

Note that Exhibit 10: (1) compares *own* state resources to tax expenditures (i.e., it ignores federal grants), and (2) *does not* include local tax expenditures and local direct expenditures. For example, the income distribution budget category does not include tax expenditures associated with the city income tax. Tax expenditures associated with the government and nonprofit budget category are also not included, because there is no comparable direct expenditure category.

Exhibit 11
Fiscal Summary, Tax Expenditure Budget

Budget Category	FY 2016 (000)	FY 2017 (000)
Agriculture	$715,283	$733,669
Commerce	15,123,281	15,709,672
Education	994,477	981,307
Government and Nonprofit Organizations	2,074,542	2,112,758
Income Distribution	11,937,116	12,216,953
Military Affairs	90,399	93,295
Natural Resources	189,660	189,900
Public Health	4,195,370	4,425,665
Transportation	57,927	61,823
TOTAL	$35,378,055	$36,525,042

Note: Total may differ from Exhibit 1 due to rounding.
See Exhibit 12 for a detailed list of tax expenditures.

Exhibit 12
Tax Expenditure Budget Detail

Tax/Tax Expenditure	FY 2016 (000)	FY 2017 (000)
Agriculture		
General Property Tax		
Agriculture Transfer	$37,200	$37,800
Homestead Exemption for Farm Property	173,400	176,900
Taxable Value Cap	177,174	180,720
Income Tax		
Farmland Development Credit (PA 116)	43,509	45,249
Sales and Use Taxes		
Horticultural or Agricultural Products	284,000	293,000
TOTAL	$715,283	$733,669
Commerce		
Alcoholic Beverage Taxes		
Small Brewer’s Credit	$90	$90
Tobacco Products Tax		
Bad Debt Deduction	400	400
Licensee Expenses	13,470	13,260
Income Tax		
Accelerated Depreciation	56,191	57,877
Income Attributable to Another State	2,485,940	2,585,378
Net Operating Loss Deduction	2,000	2,000
Net Adjustment for Gains/Losses	11,000	11,000
Renaissance Zone Credit	1,277	1,213
Insurance Company Retaliatory Tax		
Disability Insurance Exclusion	11,000	11,600
Michigan Association and Facilities Credit	76,655	80,500
Michigan Examination Fees Credit	4,900	5,100
Supplemental Workers’ Compensation Credits	500	500
Corporate Income Tax		
Foreign Dividends Income Exclusion	236,000	247,800
Government Securities' Income Exclusion	1,700	1,800
Small Business Alternate Tax Credit	10,700	11,200
Michigan Business Tax		
Brownfield Redevelopment Credit	25,000	28,400
Film Credits	42,900	14,000
Michigan Economic Growth Authority (MEGA)	577,900	525,400

Tax/Tax Expenditure	FY 2016 (000)	FY 2017 (000)
Commerce (Continued)		
MEGA Photovoltaic Technology Credit	0	0
MEGA Polycrystaline Silicon Manufacturing	28,800	31,400
MEGA Vehicle Battery Credit	$217,500	$110,500
Other Certificated Credits	3,300	26,200
Oil and Gas Severance Tax		
Marginal Wells	4,900	5,200
Property Tax		
Broadband Investment Credit	19,000	19,400
Enterprise Zone	0	0
Industrial Facilities Development	235,700	238,100
Mobile Homes	66,200	67,500
Neighborhood Enterprise Zones	23,500	24,000
Next Energy Exemption	3,600	3,700
Obsolete Property Rehabilitation	12,000	12,300
Personal Property - Indust./Commercial Ad Valorem	365,000	366,800
Personal Property - Industrial Facilities	69,900	70,600
Personal Property - Small Taxpayer Exemption	80,000	80,800
Renaissance Zones	81,000	82,000
Tax Increment Financing	320,000	330,000
Taxable Value Cap	472,464	481,920
Water Softeners	1,290	1,300
Sales and Use Taxes		
Aircraft Parts	6,830	7,030
Bad Debts	23,600	23,700
Cargo Aircraft	22,260	21,930
Collection Fee	39,241	39,408
Commercial Domestic Aircraft	4,000	4,000
Communication and Telephone Exemption	33,300	31,640
Employee Meals	16,800	16,870
Gratuities and Tips	73,000	76,000
Imported Property from Other States	1,720	1,750
Industrial Processing	1,351,000	1,398,000
Interstate Telecommunications	6,200	6,000
Interstate Trucks and Trailers	30,970	31,100
Investment Coins	3,330	3,330
Newspapers, Periodicals, and Films	115,210	117,190

Tax/Tax Expenditure	FY 2016 (000)	FY 2017 (000)
Commerce (Continued)		
Radio and TV	4,400	4,400
Returned Vehicles	1,100	1,100
Sale of Water	64,900	65,500
Services (except education, health, and nonprofits)	7,660,350	8,202,170
Tax on the Difference - Vehicles	30,000	35,000
Telephone Services	16,740	16,810
Vehicle and Aircraft Transfers	$39,170	$39,950
Vending Machines	17,383	17,556
TOTAL	$15,123,281	$15,709,672
Education		
Income Tax		
College Savings Account	$12,798	$13,735
Fellowships and Scholarships	14,449	14,882
Higher Education/Public Contribution Credit	$0	$0
Property Tax		
Exempt Public Education Property	480,000	488,000
Sales Tax		
Services	487,230	464,690
TOTAL	$994,477	$981,307
Government and Nonprofit Organizations		
Aviation Gasoline Tax		
Federally Owned Aircraft	$319	$321
Income Tax		
Historic Preservation Credit	108	54
U.S. Government Bond Interest Deduction	8,366	8,450
Motor Fuel Taxes		
Public Vehicles	12,830	12,700
Motor Vehicle Weight Tax		
Public and Nonprofit Vehicles	11,060	11,120
Oil and Gas Severance Tax		
Public Land	1,500	1,700
Property Tax		
Tax Exempt Property	1,364,000	1,383,000

Tax/Tax Expenditure	FY 2016 (000)	FY 2017 (000)
Government and Nonprofit Organizations (Continued)		
Sales and Use Taxes		
Church Cars	2,250	2,260
Church Construction	2,384	2,408
Government or Red Cross	273,000	274,000
Nonprofit Organizations	280,100	289,720
Services	118,611	127,011
Watercraft Registration Fee		
Publicly Owned Watercraft	14	14
TOTAL	$2,074,542	$2,112,758
Income Distribution		
City Income Tax		
Nonresident Reduced Rate	$236,488	$238,853
Personal Exemption	10,100	10,200
General Property Tax		
Disabled Veteran Homestead Exemption	$21,200	$21,800
Homestead Exemption	3,111,000	3,142,000
Poverty Exemption	8,700	8,900
Taxable Value Cap	1,318,962	1,345,360
Income Tax		
Adjustments to Income (gains/losses and other)	0	0
Adjustments to Income (federal)	44,783	46,126
Dependent Exemption	18,090	18,271
Earned Income Tax Credit	117,460	121,571
Employer Contributions to Health and Life Insurance	1,013,732	1,044,144
Employer Pension Plans	562,405	579,277
Gain on Sale of Primary Residence	303,502	306,537
Home Heating Assistance Credit	71	72
Homestead Property Tax Credit (excluding veterans)	534,304	539,652
Income Maintenance Benefits	4,890	5,037
Individual Retirement Account	295,670	304,540
Interest on Life Insurance Savings	101,750	104,803
Miscellaneous Deductions	3,825	3,825
Other State Tax Credit	52,966	54,795
Pension and Retirement Benefits Deduction	262,893	269,667

Tax/Tax Expenditure	FY 2016 (000)	FY 2017 (000)
Income Distribution (Continued)		
Personal Exemption	1,355,696	1,360,767
Railroad Retirement Benefits	1,629	1,678
Senior Investment Income Deduction	14,764	14,978
Senior Special Deduction	206,000	261,000
Social Security Benefits (federal exclusion)	359,552	370,339
Social Security Benefits (in federal AGI)	381,063	396,306
Special Exemption	12,469	12,518
State and Local Income Tax Refunds	20,661	20,868
Student Loan Deduction	8,037	8,278
Workers' Compensation	55,634	57,303
Sales and Use Taxes		
Donated Vehicles	125	125
Food	1,289,290	1,333,570
Food for Students	40,405	41,793
Residential Utilities	169,000	172,000
TOTAL	$11,937,116	$12,216,953
Military Affairs		
Cigarette Tax		
Sales on Military Bases and Reservations	$5,020	$4,970
Income Tax		
Disabled Veteran Exemption	300	300
Military Pay	22,990	24,133
Veterans' Benefits	60,356	62,167
Veterans' Property Tax Credit	450	450
Motor Vehicle Weight Tax		
Disabled Veteran Vehicles	570	580
Sales and Use Taxes		
Military Post-Exchange Sales	713	695
TOTAL	$90,399	$93,295

Tax/Tax Expenditure	FY 2016 (000)	FY 2017 (000)
Natural Resources		
Income Tax		
Income from Extractive Activities Deduction	$1,500	$1,500
Corporate Income Tax		
Income from Extractive Activities Deduction	$600	$600
Property Tax		
Air and Water Pollution	130,000	130,000
Energy Conservation Devices	60	50
Sales and Use Taxes		
Air and Water Pollution	57,500	57,750
TOTAL	$189,660	$189,900
Public Health		
Income Tax		
Medical Care Savings	$26,181	$26,966
Sales and Use Taxes		
Medical Services	3,480,799	3,673,699
Nonprofit Hospital Construction	2,080	2,140
Ophthalmic and Orthopedic Products	62,810	64,690
Prescription Drugs	$623,500	$658,170
TOTAL	$4,195,370	$4,425,665
Transportation		
Aviation Gasoline Tax		
Interstate Flight Refund	$3,232	$3,248
Motor Fuel Taxes		
Diesel Fuel for Jobsites	5,668	5,810
Evaporation and Loss Allowance	12,720	16,140
Fuel for Off-Road Use	1,100	1,100
Transportation (Continued)		
Marine Vessel Fuel	$740	$740
Municipal Franchise Vehicles	410	400
Sales and Use Taxes		
Driver Training	197	195
Rail Rolling Stock	7,260	7,290
Utility Property Tax		
Railroad Right-of-Way	26,600	26,900
TOTAL	$57,927	$61,823

CHAPTER 4

BUSINESS PRIVILEGE TAX EXPENDITURES

Business privilege tax expenditures include insurance company retaliatory, oil and gas severance, and corporate income expenditures. Business privilege tax expenditures are projected to decrease from $1,243.9 million in FY 2016 to $1,101.9 million in FY 2017. The reduction of tax credits and deductions under the corporate income tax results in much smaller tax expenditures than under the Michigan Business Tax (MBT).

Estimate Reliability (2) Small Business Alternative Tax Rate Credit
(3) Other Corporate Income Tax and MBT Tax Expenditures

This year's report includes tax expenditures for the corporate income tax, which replaced the MBT for most corporate taxpayers effective January 1, 2012. A big difference between the corporate income tax and the MBT is that business entities other than traditional corporations (sole proprietorships, partnerships, S-corporations, and other flow-through entities) are not taxed under the corporate tax. The income from flow-through entities is taxable to the owners under the individual income tax. Other tax expenditure estimates from business privilege taxes were based on 2013 data. Insurance and oil and gas severance tax expenditure estimates are also reliable because they were based on recent data collected by the state.

Business Privilege Tax Expenditure Changes

Public Act 3 of 2014 amended the Revenue Act in several areas. The Act made the following broad changes:

i. Limits the amount of time the Department of Treasury may take to complete fieldwork and issue the Preliminary Audit Determination. A Final Assessment must be issued within 9 months after the Preliminary Audit Determination except is certain circumstances. Deadlines can generally be extended by agreement between the taxpayer and the Department.
ii. Requires the Department to inform a successor/purchaser of the known or estimated tax liability of an acquired business within 60 days of receiving a request from the successor/purchaser.
iii. Alters the circumstances in which the statute of limitations must be extended.
iv. Substantially changes the circumstances under which a responsible person (defined in the Act) is responsible for the unpaid taxes of a business.
v. Deems a refund claim denied for purposes of appeal if the Department has taken no action within one year following the receipt of the claim.

Public Acts 13 through 16 of 2014 amended the corporate income tax to resolve technical issues, create a new exemption for domestic international sales corporations, and expand eliminations for unitary business groups.

Public Act 240 of 2014 amended the Revenue Act to allow the Department of Treasury to enter into an "Offer in Compromise" for tax, interest, and penalty due if doubt exists as to the taxpayer's liability, doubt exists as to the collectability of the tax, or a federal compromise of tax under Internal Revenue Code section 7122 has been granted for the same tax years. An accepted compromise may be revoked if it is determined that a taxpayer misrepresented his/her situation or if a taxpayer fails to comply with any of the terms and conditions of the offer.

Public Act 282 of 2014 amended the Michigan Business Tax (MBT) Act to retroactively change several provisions of the MBT. The Public Act excludes from the definition of gross receipts amounts related to a cancellation of debt income, revises the calculation of the investment tax credit when an asset is sold, and revises the calculation of the renaissance zone credit for a taxpayer that was located and conducting business in a zone before December 1, 2002. The Act also repealed the Multistate Tax Compact, effective beginning January 1, 2008. This repeal expressed the original intent of the MBT to require apportionment using sales as a single factor.

Public Act 295 of 2014 amended the Income Tax Act to create an exemption for flow-through entities from the withholding requirements when the withholding would violate distribution restrictions under specified federal and state housing programs.

Public Act 424 of 2014 amended the Revenue Act to allow for the payment of additional interest of 3 percent per year if a refund due against the MBT is not paid by the later of (1) 90 days after the refund is approved, or (2) 90 days after the due date of the return (including extensions).

Insurance Company Tax

Effective January 1, 2012, the MBT on Michigan insurance premiums was replaced by a 1.25 percent tax in the Income Tax Act. Foreign companies are also subject to a retaliatory tax, which requires them to pay the same tax that a Michigan-based insurer would have to pay in the firm's home state. Foreign insurers pay the premiums tax or the retaliatory tax, whichever is greater. The estimated yield from taxes on insurers is $319.0 million for FY 2017; revenue goes to the State General Fund.

	FY 2017 Estimate
Captive Insurance Companies Exempts companies authorized under the Insurance Code as captive insurance companies or special purpose financial captives from the MBT and its gross premiums tax.	n.a.

	FY 2017 Estimate
Disability Insurance Exclusion Exempts the first $190,000,000 of disability insurance premiums written in Michigan.	$11,600,000
Michigan Association and Facilities Credit Provides a credit for payments made to the Michigan workers' compensation placement facility, the Michigan basic property insurance association, the Michigan automobile insurance placement facility, the property and casualty guaranty association, and the life and health guaranty association.	$80,500,000
Michigan Examination Fees Credit Allows an insurance company to claim a credit equal to 50 percent of the examination fees paid by the company during the year under section 224 of the insurance code.	$5,100,000
Workers' Disability Supplemental Benefit (WDSB) Credit Provides a credit for 100 percent of the supplemental cost of living payments made to persons injured between September 1965 and December 1979. Prior to the identical Single Business Tax (SBT) credit, firms were reimbursed through the appropriations process for these payments.	$500,000

Oil and Gas Severance Tax

Enacted in 1929, the oil and gas severance tax is levied on the privilege of producing oil and gas. The base is the gross cash market value of oil and gas that is severed from the ground. The tax rate is 6.6 percent for normal oil production, 5.0 percent for natural gas production, and 4.0 percent for stripper wells, marginal properties, and production achieved through carbon dioxide secondary or enhanced recovery projects. The projected yield is $22.5 million for FY 2017; revenue goes to the State General Fund.

	FY 2017 Estimate
Marginal Wells Taxes oil from marginal or stripper wells at 4.0 percent, rather than the 6.6 percent rate on other oil production.	$5,200,000
Public Land Exempts oil and gas severed from publicly-owned lands from taxation.	$1,700,000

Corporate Income Tax Expenditures

Public Act 38 of 2011 added a 6.0 percent tax on corporate income to the Income Tax Act. The new tax took effect on January 1, 2012, and applies only to C corporations and entities taxed as C corporations for federal income tax purposes, with the tax imposed on federal taxable income subject to allocation or apportionment. A significant difference between the MBT and the new corporate tax is the elimination of most tax credits. The only credit enacted against the corporate income tax is the small business alternative credit. Financial institutions are not taxed on business income or gross receipts, but are subject to a tax of 0.29 percent on their apportioned net capital.

An entity that has received, has been approved before 2012 to receive, or has been assigned certain certificated tax credits under the MBT may elect to continue to file and pay under the MBT in lieu of the corporate income tax. Examples of the remaining certificated credits are the photovoltaic credit, the MEGA employment tax credit, polysilicon credit, select renaissance zone credits, battery pack credits, historic preservation credit, brownfield redevelopment credit, film production and infrastructure credits, and the farmland preservation credit.

Revenues from the corporate income tax were estimated at the May 2016 Consensus Conference to be $932.0 million in FY 2016 and $966.5 million in FY 2017. The certificated credits remaining under the MBT were estimated at -$1,031.0 million in FY 2016 and -$743.9 million in FY 2017.

Included with the estimated reduction in corporate tax revenue associated with the small business alternative credit are estimates of the remaining certificated credits that will be claimed by those taxpayers that continue to file under the MBT.

	FY 2017 Estimate
Anchor Company Credit (MBT Certificated Credit) Provides credits to a qualified taxpayer that was designated by the Michigan Economic Growth Authority (MEGA) as an "anchor company" within the past five years and that has influenced a new qualified supplier or customer to open, locate, or expand in this state.	n.a.
Brownfield Redevelopment Credit (MBT Certificated Credit) Provides credit for a portion of the cost for investments made for the demolition, construction, restoration, alteration, renovation, or improvement of buildings located in Brownfield development zones.	$28,400,000
Farmland Preservation Credit (MBT Certificated Credit) Provides property tax relief for corporate farms eligible under former Public Act 116 of 1974 and reenacted by Public Act 451 of 1994. Unlike most MBT certificated credits, an agreement for this credit may be entered into after 2011. This credit is included in "Other Certificated Credits" in Exhibits 4 and 12.	n.a.

	FY 2017 Estimate
Film Credits (MBT Certificated Credit) Provides credits for film production expenditures made after February 2008. To be eligible for the credit, companies must enter into an agreement with the Michigan film office. The MBT provides a 40 to 42 percent direct production expenditure and 30 percent qualified personnel expenditures film production credit; a 25 percent investment film infrastructure credit.	$14,000,000
Foreign Dividends Exemption (Corporate Income) Excludes dividends and royalties received from a foreign entity or person from taxable income.	$247,800,000
Government Securities Interest Exemption (Corporate Income) Excludes interest income from obligations or securities of the federal government, State of Michigan or Michigan governmental unit.	$1,800,000
Historic Preservation Credit (MBT Certificated Credit) Provides for a credit of up to 25 percent of expenditures for the restoration of a qualified historic site. This credit is included in "Other Certificated Credits" in Exhibits 4 and 12.	n.a.
Income from Extractive Activities Deduction (Corporate Income) The extraction of oil, natural gas, and non-ferrous metals are subject to specific taxes in lieu of other taxes.	$600,000
Michigan Economic Growth Authority (MEGA) Credits (MBT Certificated Credit) Provides numerous credits for new or expanding firms based on additional payroll and health care costs or additional business activity costs associated with an expansion or new location. Credits are also available for job retention.	$525,400,000
MEGA Photovoltaic Technology Credit (MBT Certificated Credit) Provides for MEGA credits for the construction and operation of a new facility in Michigan for the development and manufacturing of photovoltaic energy, photovoltaic systems, or other photovoltaic technology. The total amount of credits under this provision, for all years, may not exceed $75,000,000.	$0

FY 2017 Estimate

MEGA Polycrystalline Silicon Manufacturing Credit (MBT Certificated Credit) — $31,400,000

Provides for a single twelve-year MEGA credit for the manufacture of polycrystalline silicon to be used for solar cells and semiconductor microchips beginning with a tax year that begins after December 31, 2011. The credit's MEGA agreement must have been entered into by December 31, 2008.

MEGA Vehicle Battery Credit (MBT Certificated Credit) — $110,500,000

Provides for MEGA credits for the mass production of certain plug-in traction battery packs for electrical motor vehicles that qualify for a federal tax credit. The credit is refundable, but may also be carried forward for up to 10 years.

Renaissance Zone Credit (MBT Certificated Credit) — n.a.

Provides a credit for the portion of tax attributable to business activity in a renaissance zone designated based on a development or qualified collaboration agreement. This credit is included in "Other Certificated Credits" in Exhibits 4 and 12.

Small Business Alternative Tax Credit (Corporate Income) — $11,200,000

For qualifying smaller firms, provides a credit that effectively lowers the taxpayer's tax to 1.8 percent of adjusted business income. Qualifications include: Gross receipts must be less than or equal to $20 million (the credit is phased out for firms with gross receipts between $19 million and $20 million). Total adjusted business income may not exceed $1.3 million. Allocated business income limit for any one owner may not exceed $180,000 (with a credit phase-out between $160,000 and $180,000).

Workers' Disability Supplemental Benefit (WDSB) Credit (MBT Certificated Credit) — n.a.

Provides a credit for 100 percent of the supplemental cost of living payments made to persons injured between September 1965 and December 1979. Prior to the identical SBT credit, firms were reimbursed through the appropriations process for these payments. This credit is included in "Other Certificated Credits" in Exhibits 4 and 12.

CHAPTER 5

CONSUMPTION TAX EXPENDITURES

Consumption tax expenditures include tax expenditures associated with alcohol, cigarette, and sales and use taxes. Total consumption tax expenditures are projected to increase to $17,644.4 million in FY 2017, a 5.3 percent increase over the FY 2016 level of $16,761.7 million. The growth in sales and use tax expenditures associated with exempt services such as construction, health care, and professional, scientific, and technical services account for most of the growth between FY 2016 and FY 2017. Sales and use tax expenditure estimates are based on FY 2008 through FY 2014 data. Alcohol and cigarette tax expenditure estimates were based on FY 2014 data.

Estimate Reliability	(1)	Alcohol and Cigarette Taxes
		Residential Utilities Exemption
	(3)	Other Sales and Use Tax Expenditures

Because firms' sales tax returns provide no information regarding most sales of exempt goods or services, sales and use tax expenditures are difficult to estimate. For example, because restaurants do not report the actual gratuities and tips their workers receive, it is not possible to accurately gauge the revenue lost from excluding these payments from the sales tax base. In this and many other instances, it was necessary to base estimates on restrictive assumptions. In addition, many estimates were based on national sales data apportioned to Michigan.

Cigarette tax expenditure estimates were based on recent tax collections. These estimates are reliable.

Consumption Tax Expenditure Changes

Public Act 3 of 2014 amended the Revenue Act in several areas. The Act made the following changes:

- i. Limits the amount of time the Department of Treasury may take to complete fieldwork and issue the Preliminary Audit Determination. A Final Assessment must be issued within 9 months after the Preliminary Audit Determination except is certain circumstances. Deadlines can generally be extended by agreement between the taxpayer and the Department.
- ii. Requires the Department to inform a successor/purchaser of the known or estimated tax liability of an acquired business within 60 days of receiving a request from the successor/purchaser.
- iii. Alters the circumstances in which the statute of limitations must be extended.
- iv. Substantially changes the circumstances under which a responsible person (defined in the Act) is responsible for the unpaid taxes of a business.
- v. Deems a refund claim denied for purposes of appeal if the Department has taken no action within one year following the receipt of the claim.

Public Acts 48 and 49 of 2014 amended the Michigan Liquor Control Code to change the collection process for the taxes on beer, wine, and mixed spirit drinks including (1) a requirement that the tax on beverages manufactured outside of Michigan be paid by the wholesaler assigned to distribute the beverage, and (2) an allowance that an in-state manufacturer may designate a wholesaler to pay any tax due on the manufacturer's behalf.

Public Acts 53 and 54 of 2014 amended the General Sales Tax and Use Tax Acts, respectively, to extend the sunset of the exemptions for the renovation of Cobo Center in Detroit through January 1, 2016.

Public Acts 108 and 109 of 2014 amended the General Sales Tax and Use Tax Acts to limit the Department of Treasury's use of indirect audit procedures. These procedures use information from a range of sources other than the taxpayer's records and returns to determine the correct tax liability.

Public Act 121 of 2014 amended the Use Tax Act to extend the retroactive time period by one year for the exemption of property affixed to real estate in another state. The exemption was originally enacted as Public Act 474 of 2012.

Public Act 161 of 2014 amended the Use Tax Act to reinstate the inclusion of medical services provided by Medicaid managed care organizations in the tax base subject to the use tax, beginning April 1, 2014.

Public Act 162 of 2014 amended the Health Insurance Claims Assessment Act to lower the assessment rate from 1.0 percent to 0.75 percent on paid claims. The lower rate took effect for claims with a date of service on or after July 1, 2014. The lower assessment rate is conditional on the State of Michigan being able to use tax revenue raised from taxing the medical services described in Public Act 161 above as a state match for the Medicaid program.

Public Act 248 of 2014 amended the Use Tax Act to expand the exemption for transfers of a vehicle, manufactured home, aircraft, snowmobile, or watercraft to a broader subset of relatives. The exemption now applies if the purchaser or transfer recipient is the father-in-law, mother-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, or grandparent-in-law of the former owner.

Public Act 272 of 2014 amended the Tobacco Products Tax Act to earmark $3.0 million from the tax on cigarettes to the Michigan State Capitol Historic Site Fund. The earmarked amount would be adjusted each year for the cumulative annual percentage change in the Consumer Price Index. The earmark would reduce funds otherwise deposited in the General Fund.

Public Act 284 of 2014 amended the Accommodations Tax Act to allow a county levying the hotel-motel tax to collect taxes that remain unpaid for more than 90 days in the same manner as the collection of a delinquent special assessment under the General Property Tax Act.

Public Act 298 of 2014 amended the Tobacco Products Tax Act to allow compensation to cigarette stamping agents for the initial purchase of case packers or similar machines or conveyors used to repackage cigarette cartons into case boxes after digital stamps are affixed.

Public Acts 425 and 426 of 2014 amended the General Sales Tax Act and the Use Tax Act to make a technical correction to the subsection reference for the discount allowed to taxpayers paying on an accelerated basis. Public Acts 117 and 118 of 2012 changed the payment amount that accelerated sales and use tax filers are required to make each month by adding a new subsection. The new reference unintentionally changed the discount available to accelerated filers.

Public Acts 553 and 554 of 2014 amended the General Sales Tax Act and the Use Tax Act, respectively, to create a presumption that a seller is engaged in the business of making retail sales in Michigan if the seller or an affiliated person engages in certain activities in Michigan described in the Acts. The Acts would also establish "click-through" nexus, requiring a seller to collect Michigan sales or use tax, if the seller has entered into an agreement with one or more Michigan residents to refer potential purchases to the seller in exchange for a commission or other consideration. These Acts take effect October 1, 2015.

Alcoholic Beverage Taxes

The following table lists specific alcoholic beverage taxes and their expected yields for FY 2017 (millions of dollars).

Alcoholic Beverage Taxes
(millions)

Tax	Location of Deposit	FY 2017 Revenue
Beer and Wine Excise	General Fund	$53.0
4.0 Percent Liquor Excise	School Aid Fund	$52.5
4.0 Percent Liquor Specific	General Fund	$52.9
4.0 Percent Liquor Tourism	Convention Facility Development Fund	$52.9

	FY 2017 Estimate
Beer Shipped Out-of-State Exempts beer manufactured in Michigan, or imported into this state, and then shipped for sale and consumption outside the state.	n.a.
Damaged Beer Exempts beer from the beer tax when consumed on the manufacturer's property or not offered for sale.	n.a.

	FY 2017 Estimate
Homemade Wine Exempts homemade wine or alcoholic cider from the wine tax when made on the premises by an owner for family use.	n.a.
Small Brewer's Credit Allows brewers who produce less than 50,000 barrels annually to apply for a $2 per barrel credit on the first 30,000 barrels produced.	$90,000

Tobacco Products Tax

In 1947, the State of Michigan enacted an excise tax on the sale and distribution of cigarettes to consumers. The tax rate is currently $2.00 per pack of 20 cigarettes. Cigarette tax revenues are mainly distributed to the School Aid Fund, the Medicaid Benefits Trust Fund, and the General Fund-General Purpose account. In FY 2017, the tax on cigarettes will yield an estimated $864.1 million. Taxes on other tobacco products (smokeless tobacco and cigars) are projected to yield $84.3 million.

	FY 2017 Estimate
Bad Debt Deduction Allows cigarette wholesalers to deduct any losses from bad debts.	$400,000
Licensee Expenses Exempts 1.5 percent of the cigarette tax due from licensees, and 1.0 percent of the tax on other tobacco products, to cover their expenses in administering the tax.	$13,260,000
Sales on Military Bases and Reservations Exempts the sale of cigarettes on U.S. military bases and to tribal members living within their own tribe's Indian country.	$4,970,000
Tribal Tax Agreements Establishes the number of cigarettes that each tribe may obtain tax-free for the tribe's resident members, while requiring retailers in each tribal agreement area to limit tax-free sales to resident members.	n.a.

State Convention Facility Development Tax

Public Act 106 of 1985 is known as the State Convention Facility Development Act. The Act levies a tax of 1.5 percent of the room charge on hotels with 81 to 160 rooms located in Wayne (excluding Detroit), Oakland, and Macomb Counties, and 5 percent on hotels with over 160 rooms. For Detroit, the tax rates are 3 and 6 percent. The Act became effective October 1, 1985. Revenue is dedicated to pay for qualified convention facilities, with excess revenue returned to Michigan counties.

	FY 2017 Estimate
Small Hotel Exemption Excludes hotels and motels with fewer than 81 rooms from the state convention facility development tax.	n.a.

Sales and Use Tax Expenditures

Enacted in 1933, the sales tax is levied on gross proceeds from retail sales of tangible personal property for use or consumption. The sales tax rate is equal to 6 percent. Sales tax collections are projected to yield $7,529.7 million in FY 2017. Sales tax revenues are distributed as follows: 73.3 percent to the School Aid Fund; up to 24.3 percent to cities, villages, and townships; and the remainder to the General Fund. State law earmarks 4.65 percent of the sales tax on transportation-related items to the Comprehensive Transportation Fund (CTF). The use tax is levied on the privilege of use, storage, and consumption of certain tangible personal property that is not subject to the sales tax. It is also levied on the services of telephone, telegraph, and other leased wire communications; sales of used autos between individuals; and transient hotel and motel charges. Most services are exempt. The use tax was enacted in 1937 as a complement to the sales tax; the rate is 6 percent of the purchase or rental price. Two-thirds of the revenue goes to the General Fund while the remainder is deposited into the School Aid Fund. Use tax collections are projected to total $1,154.8 million in FY 2017. Use tax collections do not include the local community stabilization share tax described under Public Act 80 of 2014. Current law directs $380.9 million of the tax collected for FY 2017 to the authority. Due to their complementary nature, sales and use tax expenditures are reported together and include both the state use tax and the local community stabilization share tax.

	FY 2017 Estimate
Air and Water Pollution Exempts the sale of personal property purchased or installed as part of air or water pollution control facilities.	$57,750,000

	FY 2017 Estimate
Aircraft Parts Exempts sales of parts and materials affixed in Michigan to passenger, cartage, and certain other aircraft from tax.	$7,030,000
Bad Debts Effective January 1, 1984, a retailer is allowed to deduct the amount of bad debts related to previously reported, taxable retail sales at the time that these debts become worthless or uncollectible.	$23,700,000
Cargo Aircraft Exempts from use tax aircraft owned by an air carrier certified by the United States Department of Transportation and used solely for the transport of air cargo.	$21,930,000
Church Construction Exempts materials used in the construction of a church sanctuary. This exemption was created by Public Act 274 of 1998.	$2,408,000
Church Cars Exempts sales of most cars and trucks to regularly organized churches or houses of religious worship.	$2,260,000
Collection Fee Sales and use tax returns are due by the 20th of the month for sales made the previous month. A seller may retain 0.75 percent of the tax (not to exceed $20,000) if proceeds are remitted by the 12th of the month, or 0.50 percent of the tax (not to exceed $15,000) if proceeds are remitted from the 13th through the 20th of the month.	$39,408,000
Commercial Domestic Aircraft Exempts from use tax aircraft owned by domestic passenger carriers if the aircraft is used primarily in regular commercial passenger transportation.	$4,000,000
Commercial Vessels Exempts sales of commercial vessels of 500 tons or more when purchased on special order. Also exempts bunker and galley fuel, provisions, supplies, maintenance and repairs for the exclusive use of such vessels engaged in interstate commerce.	n.a.

	FY 2017 Estimate
Communication and Telephone Exemption Exempts communications and telephone service from coin-operated installations, switchboards, concentrator identifiers, and interoffice circuitry and their accessories for telephone answering services and directory advertising proceeds.	$31,640,000
Donated Vehicles Exempts certain vehicle transfers from the sales or use taxes when the vehicle is transferred from a qualifying organization to certain low-income families.	$125,000
Driver Training Exempts property used for demonstration or driver training programs.	$195,000
Employee Meals Exempts meals provided by employers to their employees starting in 2002.	$16,870,000
Food Exempts food for human consumption, except prepared food intended for immediate consumption.	$1,333,570,000
Food for Students Exempts sales of food by nonprofit schools or other similar educational institutions to students.	$41,793,000
Government or Red Cross Exempts sales to the United States or agencies or instrumentalities wholly owned by the U.S.; the American Red Cross; and the State of Michigan, its departments, institutions, and political subdivisions.	$274,000,000
Gratuity and Tips Excludes a separately billed and itemized gratuity or tip from a retailer's gross proceeds.	$76,000,000
Horticultural and Agricultural Products Exempts sales of property used or consumed in connection with production of horticultural or agricultural products to persons engaged in business.	$293,000,000
Imported Property Exempts property that is not an aircraft purchased by a nonresident and brought into Michigan more than 90 days after purchase from the use tax. A similar exemption applies to property purchased by a resident and brought into the state more than 360 days after purchase.	$1,750,000

	FY 2017 Estimate
Industrial Processing Exempts sales to persons for use or consumption in industrial processing. This tax expenditure estimate excludes raw materials used in production. This estimate includes exemptions for durable and non-durable manufacturing equipment and utility expenses.	$1,398,000,000
International Telecommunications Exempts international and WATS calls from the use tax.	$6,000,000
Interstate Trucks and Trailers Exempts purchases of qualified trucks and their trailers (and parts affixed to them) by interstate motor carriers from sales and use tax.	$31,100,000
Investment Coins Exempts investment coins from sales and use tax. Investment coins are legal tender with a fair market value greater than the face value of the coins.	$3,330,000
Isolated Sales Exempts an isolated sale or transfer transaction by a property owner not required to possess a sales tax license.	n.a.
Military PX Sales Exempts military post-exchange sales.	$695,000
Military Vehicle Sales Exempts vehicle sales to nonresidents serving in the U.S. armed forces, or when purchased by a Michigan resident in military service when sales tax is paid to another state.	n.a.
Newspapers, Periodicals, and Films Exempts sales of copyrighted films, newspapers, and periodicals.	$117,190,000
Nonprofit Ambulance and Fire Service Exempts sales of vehicles not for resale to Michigan nonprofit corporations organized exclusively to provide a community with ambulance or fire department services.	n.a.
Nonprofit Hospital or Housing Construction Exempts tangible personal property used by contractors where the property is affixed to and made a structural part of the real estate of a nonprofit hospital or nonprofit housing.	$2,140,000

	FY 2017 Estimate
Nonprofit Organizations Exempts sales to nonprofit schools, hospitals, homes for the care of children or aged persons, and other benevolent institutions operated by an entity of government, a regularly-organized church, a religious or fraternal organization, a veteran's organization, a nonprofit corporation, or a parent-cooperative preschool.	$289,720,000
Nonprofit Sales Under $5,000 Exempts aggregate sales under $5,000 for qualified nonprofit organizations.	n.a.
Nonresident Merchandise Transfer Exempts promotional merchandise that is transferred pursuant to a redemption offer to a person located outside the state.	n.a.
Nonresident Property Exempts the storage, use, or consumption of property brought into Michigan by a nonresident living temporarily within this state.	n.a.
Ophthalmic and Orthopedic Products Exempts sales to individuals of artificial limbs or eyes, ophthalmic products, or orthopedic appliances.	$64,690,000
Prescription Drugs Exempts drugs, both prescription and over-the- counter drugs dispensed by a prescription, for human consumption.	$658,170,000
Radio and TV Exempts sales to persons licensed to operate commercial radio or television stations when the property is used as a component of a film, tape, or recording produced for resale or transmission.	$4,400,000
Rail Rolling Stock Exempts rail rolling stock and selected other related equipment, material, and supplies from sales and use taxes.	$7,290,000
Residential Utilities Exempts the residential use of electricity, natural gas, and home heating fuels from the additional two percent sales and use tax rate.	$172,000,000
Returned Vehicles Exempts from gross proceeds "a refund less an allowance" for motor vehicle buybacks by manufacturers under provisions of the lemon law.	$1,100,000

FY 2017 Estimate

Sale of Business n.a.

Excludes from the use tax non-inventoried property purchased as part of a business.

Sale of Water $65,500,000

Exempts the sale of water through water mains or delivered in bulk tanks in quantities over 500 gallons.

Services $12,467,570,000

Exempts services for categories listed in the table below. The estimates include services consumed by businesses, consumers, and government/non-profit entities. Approximately $4.15 billion of the total represents services purchased by consumers.

Service Tax Expenditures, FY 2017
(millions)

Category	For Profit	Nonprofit	Total
Accommodations and Food Service	$11.5	$0.0	$11.5
Admin., Support, and Waste Mgmt.	927.6	14.2	941.8
Arts, Entertainment, and Recreation	205.3	42.3	247.6
Construction	1,299.2	0.0	1,299.2
Educational Services	66.4	398.3	464.7
Health Care and Social Assistance	1,476.6	2,197.1	3,673.7
Information	331.1	0.0	331.1
Other Services (except Public Admin.)	672.7	113.1	785.8
Professional, Scientific, and Technical	2,444.9	15.9	2,460.8
Real Estate and Rental and Leasing	889.0	0.0	889.0
Transportation and Warehousing	1,222.4	12.9	1,235.3
Utilities	0.0	127.0	127.0
TOTAL	$9,546.8	$2,920.8	$12,467.6

Source: Calculations by the Office of Revenue and Tax Analysis using the *2007 Economic Census: Geographic Area Series, Michigan,* U.S. Department of Commerce. Totals may differ from other exhibits and may not add due to rounding.

	FY 2017 Estimate
Small Out-of-State Purchases Exempts property purchased outside Michigan where the purchase price or actual value does not exceed $10 per calendar month.	n.a.
Tax on the Difference - Vehicles Exempts a portion of the credit given for motor vehicles used as a partial payment on the purchase of a motor vehicle. The exemption was limited to no more than $2,500 in 2015, and will rise by $500 each succeeding January 1. The full value of a trade-in is also exempt for a titled watercraft used as partial payment on the purchase of a titled watercraft.	$35,000,000
Telephone Services Exempts tangible personal property located on the premises of the subscriber and central office equipment or wireless equipment directly used in transmitting, receiving, or switching, or in the monitoring or switching of a two-way interactive device.	$16,810,000
Textbooks Sold by Schools Exempts sales of textbooks sold by a public or nonpublic school to students enrolled in a K-12 program.	n.a.
Tribal Tax Agreements Exempts certain sales of tangible personal property to tribes and tribal members for use within a designated agreement area, while providing for increased collections on sales to non-members.	n.a.
Vehicle and Aircraft Transfers Exempts certain isolated transfers of vehicles, aircraft, snowmobiles, or watercraft.	$39,950,000
Vehicles Purchased for Use in Another State Provides for an adjusted tax on the vehicles purchased in Michigan for use in another state. The sales tax is equal to what would have been paid if the vehicle had been purchased in the other state.	n.a.
Vending Machines and Mobile Facilities Exempts the portion of gross proceeds representing commissions paid to an entity otherwise exempt from the sales tax where the gross proceeds are from certain non-electric vending machines where consideration is 10 cents or less. Also exempts sales of nonalcoholic beverages, and items sold near room temperature from a mobile facility or vending machine.	$17,556,000

CHAPTER 6

INDIVIDUAL INCOME TAX EXPENDITURES

Individual income tax expenditures include federal income tax expenditures (i.e., tax revenue foregone due to deductions, credits, or exemptions from the calculation of federal adjusted gross income), and state income tax expenditures (i.e., tax revenue foregone due to credits and exemptions that appear on the state income tax form). State individual income tax expenditures are projected to increase 3.5 percent from $5,570.5 million in FY 2016 to $5,767.8 million in FY 2017. Federal income tax expenditures are projected to increase 2.8 percent from $2,908.8 million in FY 2016 to $2,990.0 million in FY 2017. Individual income tax expenditure estimates were based on tax year 2013 data.

Estimate Reliability	(1)	State Income Tax Expenditures
	(3)	Federal Income Tax Expenditures

State income tax expenditure estimates are reliable because they are based on actual individual tax returns for tax year 2013. In addition, most state income tax expenditures are credits that are relatively stable from year to year.

In contrast, federal income tax expenditure estimates are less reliable. Federal income tax expenditures are estimated by apportioning total (national) federal tax expenditure estimates to Michigan using a three-step formula (outlined later). Thus, Michigan federal income tax expenditure estimates will only be as reliable as federal government (national) estimates and the assumptions used to apportion those estimates to Michigan.

Individual Income Tax Expenditure Changes

No changes in 2014.

State Income Tax Expenditures

Enacted in 1967, the Michigan individual income tax is a direct tax on federal AGI after certain adjustments are made. For FY 2017, the State of Michigan will collect an estimated $9,750.9 million in net income tax revenue. Income tax revenue goes to the School Aid Fund and General Fund.

State income tax expenditures include the state personal exemption, subtractions from income, and various state tax credits. In tax year 2013, these tax expenditures reduced Michigan's effective income tax rate from a nominal rate of 4.25 percent to an average effective rate of 2.35 percent. Detailed information on income tax expenditures is presented in Exhibits 13 through 17.

	FY 2017 Estimate
College Savings Account A deduction is allowed for contributions to purchase contracts under the Michigan Education Trust or to fund accounts in the Michigan Education Savings Program. Investment earnings are also exempt.	$13,735,000
Dependent Exemption Taxpayers claimed as a dependent on another taxpayer's return may claim an exemption equal to $1,500 for themselves when filing their tax return.	$18,271,000
Disabled Veterans Exemption Allows a taxpayer to claim an additional exemption of $400 if the taxpayer or a dependent of the taxpayer is a qualified disabled veteran.	$300,000
Earned Income Tax Credit Provides a refundable income tax credit equal to 6 percent of any federal earned income tax credit for which a taxpayer is eligible.	$121,571,000
Farmland Development Credit Provides an income tax credit for property taxes paid on farms covered by a farmland development rights agreement to reduce conversion of agricultural and open space lands to other uses (see Exhibit 16). This credit was expanded by Public Act 421 of 2000.	$45,249,000
Historic Preservation Credit Provides a credit against qualified expenditures made to rehabilitate a historic resource. The rehabilitation plan must be certified by the Michigan Historical Center.	$54,000
Holocaust Survivor Asset Recovery Deduction Public Act 181 of 1999 allows Holocaust survivors to subtract any income received as a result of a settlement of claims against any entity or individual for any recovered asset pursuant to the German act regulating unresolved property claims.	n.a.
Home Heating Assistance Credit Provides a refundable credit to assist low-income households with the cost of home heating. For FY 2014, these credits totaled an estimated $45.7 million. The program is primarily funded with a block grant from the federal government. The credit's net cost to the state was $68,300 in FY 2014.	$72,000

	FY 2017 Estimate
Homestead Property Tax Credit Provides a refundable credit against income tax liability for property tax paid. In most cases, this credit is 60 percent of the amount by which property taxes exceed 3.5 percent of household income. Renters may use 20 percent of the rent paid to approximate their property tax, and then calculate their credit as above. Special credits are available for low-income senior citizens, veterans, and blind and disabled persons. For tax year 2013, homestead credits, excluding the farmland credit itemized separately, totaled $524.2 million (Exhibit 16). Of the homestead credits, 53.4 percent went to general taxpayers, 35.6 percent went to senior citizens, and the remaining 11.0 percent went to veterans and blind and disabled persons.	$540,102,000
Income Attributable to Another State Provides a deduction to Michigan residents for business income earned in another state and gains on the sale of property in other states. In addition, non-residents may deduct income not allocated to Michigan.	$2,585,378,000
Income from Extractive Activities Deduction The extraction of oil, natural gas, and non-ferrous metals are subject to specific taxes in lieu of other taxes.	$1,500,000
Income Tax Paid to Another State Credit Provides a credit to Michigan taxpayers subject to income tax if the taxpayer's income is also taxed by another state. For tax year 2013, taxpayers claimed $48.2 million in credits.	$54,795,000
Military Pay Exempts compensation received while on active duty in the U.S. Armed Forces.	$24,133,000
Miscellaneous Deductions Includes the amount used to determine the federal credit for the elderly or totally and permanently disabled and any portion of a qualified withdrawal from an MESP account that is included in AGI.	$3,825,000
Net Operating Loss Deduction Taxpayers may only deduct the Michigan portion of a net operating loss.	$2,000,000

	FY 2017 Estimate
Net Adjustment for Gains/Losses	$11,000,000

Michigan taxpayers only include in Michigan taxable income gains or losses on business or real property if that property is located in Michigan. Losses on property located outside Michigan may not be subtracted and gains on property located outside Michigan may be excluded.

Pension and Retirement Benefits Deduction	$269,667,000

Provides a deduction for pension and retirement benefits based on the age of the taxpayer and, if married, the taxpayer's spouse. For those born prior to 1946, all benefits from public sources are deductible and benefits from private sector plans are deductible up to $49,811 for singles and $99,623 for married couples filing a joint return (2015 limits). Taxpayers born between 1946 and 1952, inclusive, may deduct from all retirement benefits up to $20,000 for singles and $40,000 for married couples. The deduction for pension and retirement benefits is replaced with the Michigan standard deduction against all income when those born between 1946 and 1952 reach age 67. A deduction is allowed for taxpayers born after 1953 before they turn age 67 in only special circumstances.

Personal Exemption	$1,360,767,000

Exempts $4,000 (tax year 2014) from AGI for each personal exemption claimed on the federal income tax return. The personal exemption will increase in $100 increments based on the rate of inflation. The personal exemption reduced tax year 2013 revenue by approximately $1,242.3 million.

The distribution of effective exemptions across AGI classes is outlined in Exhibit 13. Effective exemptions are exemptions that offset actual income.

Renaissance Zones	$1,213,000

Public Act 376 of 1996 establishes Renaissance Zones. Public Act 98 of 1999 allows for the designation of 10 additional zones. Public Act 139 of 1999 lets the communities with zones designated in 1996 establish new subzones and extend the tax cuts in their subzones. The Income Tax Act exempts residents of the zones from tax on most types of income. Special provisions apply to capital gains, interest, dividend, and lottery income.

	FY 2017 Estimate
Senior Investment Income Deduction	$14,978,000

Allows a taxpayer who was born prior to 1946 to deduct dividends, interest, and capital gains included in AGI up to limits which are adjusted for inflation annually. The limits for tax year 2015 are $11,104 for singles and $22,207 for couples filing a joint return. The limits are reduced by the amount deducted for pension and retirement benefits.

Senior Standard Deduction — $261,000,000

Beginning in tax year 2013, taxpayers born after 1945 and before 1953 who have reached age 67 are eligible for a deduction against all income in lieu of a deduction for retirement benefits. The deduction is $20,000 for singles and $40,000 for couples filing a joint return.

Social Security Benefits — $396,306,000

Provides a deduction for Social Security benefits included in AGI. Depending on income, benefit recipients may have to include some Social Security benefits in AGI for federal tax purposes.

Special Exemption — $12,518,000

Allows a taxpayer and his or her spouse to each claim a $2,600 exemption for tax year 2015 if they or a dependent are disabled. These exemptions are adjusted periodically for inflation.

State and Local Income Tax Refunds — $20,868,000

Provides a deduction of a state and local income tax refund if the refund is included in AGI. For federal tax purposes, payments of state and local taxes that are reported as an itemized deduction but subsequently returned as a refund are included in AGI for the year in which the refund was received. For example, income tax withholding for tax year 2014 may be claimed as an itemized deduction on the 2014 federal income tax return. If a portion of that withholding is returned to a taxpayer as a refund in early 2015, the taxpayer would report the refund as income on the 2015 federal income tax return, but subtract the refund amount on the 2015 Michigan return.

Tribal Tax Agreements — n.a.

Exempts all non-business income of resident tribal members from the income tax. Business income will be allocated based on the percentage of business activity that takes place within tribal and trust lands.

FY 2017 Estimate

U.S. Government Bond Interest Deduction $8,450,000

Provides a deduction for interest received on debt issued by the U.S. Government and included in AGI. The deduction includes interest received from U.S. Savings Bonds and U.S. Treasury bills, notes, and bonds.

Federal Income Tax Expenditures

Michigan's income tax uses the federal definition of AGI as the starting point in calculating taxable income. Therefore, income sources excluded from AGI at the federal level are excluded automatically from state income taxation unless the state explicitly adds these items back. This section lists income sources that are not included in the federal definition of AGI and are not added back to Michigan taxable income.

Federal income tax expenditure estimates were derived using a three-step formula:

1. Federal (national) government tax expenditure estimate times Michigan's apportionment factor equals Michigan's share of federal government revenue loss.

2. Michigan's share of federal revenue loss divided by the average marginal tax rate for federal taxpayers equals Michigan income excluded from federal taxation.

3. Michigan income excluded from federal taxation times the state income tax rate equals Michigan's tax expenditure due to federal deductions or exemptions.

Federal government estimates are from the *Budget of the United States Government*.

The apportionment factors for the various expenditures are based on relevant statistics from the Bureau of Economic Analysis, the U.S. Census Bureau, and other sources. Federal marginal tax rates are from the U.S. Department of Treasury.

The reader is again cautioned regarding the reliability of federal income tax expenditure estimates. The accuracy of these estimates is dependent upon the accuracy of federal estimates, apportionment factor estimates, and marginal tax rate estimates.

Exhibit 13
Selected Individual Income Tax Expenditures by Income Class, CY 2013

Adjusted	MI-1040s		Gen. Prop Tax Credit		Effective Exemptions[1]	
Gross Income	Number	Percent	Number	Amount	Number	Amount
Zero Income[2]	217,840	4.6%	12,481	$7,610,885	0	$0
$0 - 2,000	179,340	3.8%	12,923	6,757,070	10,879	1,826,316
2,001 - 4,000	161,266	3.4%	12,609	5,882,194	53,154	8,923,158
4,001 - 6,000	157,243	3.3%	16,854	7,581,465	81,209	13,632,915
6,001 - 8,000	156,057	3.3%	22,561	10,244,999	106,394	17,860,878
8,001 - 10,000	168,176	3.6%	35,129	16,738,087	155,872	26,167,071
10,001 - 12,000	159,781	3.4%	36,573	17,590,901	164,018	27,534,498
12,001 - 14,000	162,101	3.4%	44,199	21,506,476	206,557	34,675,780
14,001 - 16,000	152,435	3.2%	43,273	20,899,289	205,997	34,581,754
16,001 - 18,000	138,504	2.9%	40,773	19,075,874	194,422	32,638,661
18,001 - 20,000	127,084	2.7%	37,408	16,734,118	179,389	30,114,865
20,001 - 25,000	286,691	6.1%	85,727	36,819,072	425,731	71,469,568
25,001 - 30,000	251,155	5.3%	74,491	30,412,275	393,854	66,118,163
30,001 - 35,000	219,172	4.7%	62,542	24,285,821	360,454	60,511,183
35,001 - 40,000	195,665	4.2%	52,387	19,730,540	332,024	55,738,524
40,001 - 45,000	173,616	3.7%	39,958	12,707,061	306,100	51,386,502
45,001 - 50,000	152,132	3.2%	29,058	4,564,256	278,630	46,775,031
50,001 - 55,000	141,331	3.0%	2,495	355,146	265,857	44,630,806
55,001 - 60,000	130,940	2.8%	358	75,323	259,342	43,537,012
60,001 - 70,000	230,918	4.9%	181	66,517	487,809	81,890,918
70,001 - 80,000	198,822	4.2%	69	40,102	454,345	76,273,094
80,001 - 90,000	167,577	3.6%	65	41,031	401,910	67,470,653
90,001 - 100,000	139,518	3.0%	39	20,502	348,335	58,476,669
Over 100,000	644,032	13.7%	109	70,621	1,728,039	290,094,530
TOTAL	4,711,396	100.0%	662,262	$279,809,625	7,400,319	$1,242,328,550

[1] Effective exemptions in this exhibit are personal exemptions that offset exemptions.
This number does not include disabled and other special exemptions.

[2] Includes 85,040 credit-only returns.

Exhibit 14
Effective Income Tax Rates by Income Class, CY 2013[1]

Adjusted Gross Income	Total Adjusted Gross Income	Total Income Tax Paid	Effective Tax Rate
Zero Income[2]	($5,773,643,911)	($57,697,733)	
$0 - 2,000	146,664,228	(57,987,735)	-39.54%
2,001 - 4,000	484,033,452	(23,419,617)	-4.84%
4,001 - 6,000	786,008,283	(19,725,984)	-2.51%
6,001 - 8,000	1,092,286,610	(18,149,936)	-1.66%
8,001 - 10,000	1,520,711,668	(21,662,833)	-1.42%
10,001 - 12,000	1,756,014,261	(15,730,269)	-0.90%
12,001 - 14,000	2,110,783,142	(15,990,059)	-0.76%
14,001 - 16,000	2,284,329,673	(5,713,922)	-0.25%
16,001 - 18,000	2,352,530,990	5,931,549	0.25%
18,001 - 20,000	2,413,187,871	16,932,861	0.70%
20,001 - 25,000	6,433,526,101	75,502,093	1.17%
25,001 - 30,000	6,894,873,902	116,271,683	1.69%
30,001 - 35,000	7,111,608,230	147,013,294	2.07%
35,001 - 40,000	7,328,051,509	170,762,532	2.33%
40,001 - 45,000	7,370,774,434	187,288,668	2.54%
45,001 - 50,000	7,220,691,141	196,248,733	2.72%
50,001 - 55,000	7,416,731,357	208,205,013	2.81%
55,001 - 60,000	7,524,471,500	211,948,332	2.82%
60,001 - 70,000	14,981,995,793	427,095,755	2.85%
70,001 - 80,000	14,883,466,090	435,813,924	2.93%
80,001 - 90,000	14,218,837,452	422,059,007	2.97%
90,001 - 100,000	13,232,036,523	398,999,564	3.02%
Over 100,000	166,060,325,004	4,096,565,179	2.47%
TOTAL	$289,850,295,303	$6,880,560,098	2.37%

Effective rate excluding zero income AGI and Taxes Paid	2.35%
Effective rate excluding zero income AGI	2.33%

(1) Values in this table are based on a sample of the 4,560,975 MI-1040 and MI-1040CR returns.

(2) Includes 85,040 credit-only returns (zero income).

Exhibit 15
Tax Expenditures as a Percent of Adjusted Gross Income, CY 2013

Adjusted Gross Income	Effective Exemptions(1)	Adjustments to Income	Nonrefundable Credits(2)	Prop. Tax Credits
Less Than $2,000	475.4%	58.9%	-0.4%	827.1%
2,001 - 4,000	118.7%	22.4%	0.0%	116.6%
4,001 - 6,000	81.6%	21.2%	0.0%	74.2%
6,001 - 8,000	65.7%	21.6%	0.0%	59.4%
8,001 - 10,000	59.1%	20.2%	0.0%	51.0%
10,001 - 12,000	52.4%	22.7%	0.0%	43.5%
12,001 - 14,000	50.9%	21.4%	0.0%	38.3%
14,001 - 16,000	45.6%	21.7%	0.0%	32.5%
16,001 - 18,000	40.7%	21.0%	0.1%	27.6%
18,001 - 20,000	36.3%	21.2%	0.1%	23.0%
20,001 - 25,000	31.6%	21.0%	0.1%	18.1%
25,001 - 30,000	26.6%	20.2%	0.1%	13.2%
30,001 - 35,000	23.0%	19.1%	0.1%	9.7%
35,001 - 40,000	20.3%	18.6%	0.1%	7.3%
40,001 - 45,000	18.5%	18.6%	0.1%	4.6%
45,001 - 50,000	17.0%	18.9%	0.1%	1.7%
50,001 - 55,000	15.8%	19.6%	0.0%	0.1%
55,001 - 60,000	14.9%	20.0%	0.1%	0.0%
60,001 - 70,000	13.9%	19.9%	0.2%	0.0%
70,001 - 80,000	12.8%	18.8%	0.2%	0.0%
80,001 - 90,000	11.8%	18.7%	0.3%	0.0%
90,001 - 100,000	11.0%	18.4%	0.3%	0.0%
Over 100,000	4.4%	37.5%	0.3%	0.0%

(1) The effective exemption number includes special exemptions (e.g., disabled exemption).

(2) Income tax credits were divided by the tax rate (4.25%) to determine the equivalent tax deduction. Nonrefundable credits include the credit for taxes paid to other states, and the historic preservation credit.

Exhibit 16
Property Tax Credits by County, CY 2013

County	General		Seniors		Veterans	
	Number	Amount	Number	Amount	Number	Amount
ALCONA	300	$92,500	400	$161,400	< 50	$2,100
ALGER	400	110,400	300	119,000	< 50	1,600
ALLEGAN	5,100	1,775,600	3,000	1,676,300	< 50	3,900
ALPENA	1,300	364,000	1,200	509,500	< 50	4,400
ANTRIM	1,000	369,500	800	418,900	< 50	1,500
ARENAC	600	197,900	600	270,100	< 50	1,600
BARAGA	200	61,800	200	86,900	< 50	1,500
BARRY	2,300	848,800	1,600	862,600	< 50	2,500
BAY	6,600	2,109,300	4,700	2,366,900	100	12,000
BENZIE	900	286,400	500	246,200	< 50	1,400
BERRIEN	9,600	3,337,200	5,800	3,220,600	100	6,400
BRANCH	2,100	668,700	1,300	668,300	< 50	2,500
CALHOUN	8,400	3,054,600	4,600	2,689,500	100	8,300
CASS	1,900	630,400	1,300	657,200	< 50	2,100
CHARLEVOIX	1,600	536,500	1,100	576,600	< 50	1,300
CHEBOYGAN	1,100	303,600	700	308,200	< 50	3,100
CHIPPEWA	1,600	494,500	1,000	469,700	100	5,000
CLARE	1,400	402,300	900	402,600	< 50	3,200
CLINTON	2,800	1,096,900	1,900	1,118,300	< 50	900
CRAWFORD	500	145,900	400	160,100	< 50	2,700
DELTA	1,800	543,900	1,400	680,100	100	8,000
DICKINSON	1,300	412,500	1,100	593,700	100	6,500
EATON	7,500	2,965,900	4,300	2,494,200	< 50	3,100
EMMET	2,400	824,500	1,200	665,700	< 50	1,700
GENESEE	27,400	9,418,700	11,400	5,294,900	200	23,300
GLADWIN	1,000	318,100	1,000	448,800	< 50	2,900
GOGEBIC	700	181,300	600	273,000	< 50	6,700
GRAND TRAVERSE	7,100	2,917,400	3,400	2,150,700	< 50	2,300
GRATIOT	2,000	619,500	1,300	655,000	< 50	2,600
HILLSDALE	2,000	689,100	1,300	645,000	100	5,400
HOUGHTON	1,300	401,100	800	371,800	100	6,800
HURON	1,600	597,100	1,800	988,400	< 50	3,200
INGHAM	23,000	9,770,100	8,100	5,118,800	100	8,200
IONIA	2,900	960,300	1,600	819,100	< 50	2,200
IOSCO	1,100	306,300	900	346,100	100	6,800
IRON	400	122,000	500	223,500	< 50	5,100
ISABELLA	3,600	1,248,400	1,300	735,200	< 50	3,200
JACKSON	9,100	3,195,800	5,100	2,688,400	100	8,400
KALAMAZOO	18,400	7,099,700	7,600	4,714,500	100	7,100
KALKASKA	900	250,200	500	208,300	< 50	1,800
KENT	46,500	17,591,400	17,900	10,266,300	100	16,100
KEWEENAW	100	14,200	0	11,500	< 50	600

Exhibit 16 (Continued)

County	General Number	General Amount	Seniors Number	Seniors Amount	Veterans Number	Veterans Amount
LAKE	400	$145,500	400	$152,200	< 50	$1,900
LAPEER	3,800	1,376,400	2,100	1,050,200	< 50	3,200
LEELANAU	700	258,500	500	286,300	< 50	600
LENAWEE	5,800	2,077,900	3,700	2,036,300	< 50	2,500
LIVINGSTON	400	145,500	400	152,200	< 50	1,900
LUCE	200	37,600	100	23,600	< 50	1,200
MACKINAC	600	177,400	300	169,800	< 50	900
MACOMB	65,900	32,550,700	36,900	23,643,200	200	24,100
MANISTEE	1,200	372,700	1,100	564,600	< 50	3,200
MARQUETTE	3,500	1,123,400	1,600	765,800	100	8,600
MASON	1,900	615,500	1,300	776,400	< 50	1,700
MECOSTA	1,700	564,300	1,000	461,000	< 50	3,100
MENOMINEE	900	266,000	700	304,100	< 50	3,300
MIDLAND	4,200	1,458,200	2,300	1,246,500	100	6,200
MISSAUKEE	600	169,800	400	189,500	< 50	800
MONROE	6,300	2,286,900	4,300	2,141,800	100	4,500
MONTCALM	3,400	1,122,400	2,200	1,105,300	< 50	3,500
MONTMORENCY	400	117,900	400	149,900	< 50	2,400
MUSKEGON	11,200	3,819,100	6,000	3,162,200	100	11,000
NEWAYGO	2,100	733,900	1,500	810,100	< 50	4,500
OAKLAND	70,500	36,259,100	35,100	24,382,900	100	19,700
OCEANA	1,300	410,300	1,000	527,400	< 50	2,900
OGEMAW	1,000	276,500	800	354,300	< 50	2,800
ONTONAGON	200	67,500	200	91,000	< 50	4,400
OSCEOLA	1,000	303,800	800	386,200	< 50	2,200
OSCODA	200	66,000	200	60,800	< 50	1,400
OTSEGO	1,200	397,600	600	302,200	< 50	1,500
OTTAWA	15,000	5,490,400	8,400	4,731,500	100	7,100
PRESQUE ISLE	500	140,500	600	255,200	< 50	4,000
ROSCOMMON	1,200	345,600	1,000	397,200	< 50	3,500
SAGINAW	11,700	3,632,000	6,000	2,702,500	200	16,800
ST. CLAIR	9,600	3,516,600	5,800	3,069,300	100	12,000
ST. JOSEPH	3,100	968,500	1,900	934,200	< 50	2,300
SANILAC	2,000	740,700	1,400	735,700	< 50	4,500
SCHOOLCRAFT	300	85,700	200	80,300	< 50	2,400
SHIAWASSEE	4,200	1,384,100	2,700	1,315,300	100	5,000
TUSCOLA	2,700	851,300	1,900	946,300	100	5,700
VAN BUREN	4,700	1,742,300	2,800	1,641,800	< 50	3,100
WASHTENAW	22,400	11,185,300	7,200	5,175,600	< 50	5,200
WAYNE LESS DETROIT	75,200	37,444,100	37,300	24,747,600	200	24,200
WEXFORD	2,000	651,400	1,200	571,300	< 50	4,800
OUTSIDE OF MICHIGAN	5,200	2,128,200	1,900	1,141,000	< 50	4,200
DETROIT	93,400	42,097,200	21,700	13,182,800	200	37,400
TOTAL	662,300	$279,810,900	316,700	$186,504,700	4,200	$467,100

Exhibit 16 (Continued)

County	Blind and Disabled Number	Blind and Disabled Amount	Farmland Number	Farmland Amount	Total Credits Number	Total Credits Amount
ALCONA	100	$40,500	< 50	$15,600	900	$312,100
ALGER	100	21,600	< 50	500	700	253,100
ALLEGAN	800	430,900	100	684,100	9,200	4,570,700
ALPENA	400	165,000	< 50	17,800	3,000	1,060,700
ANTRIM	200	73,700	< 50	31,100	2,000	894,600
ARENAC	200	67,000	100	194,400	1,500	730,900
BARAGA	100	21,500	< 50	0	500	171,700
BARRY	400	181,000	100	484,800	4,300	2,379,600
BAY	1,400	737,500	200	1,424,200	13,000	6,649,900
BENZIE	100	64,900	< 50	3,100	1,600	602,100
BERRIEN	1,600	907,000	100	301,400	17,200	7,772,700
BRANCH	300	152,000	200	829,900	3,900	2,321,500
CALHOUN	1,900	1,105,200	200	928,600	15,200	7,786,300
CASS	300	136,700	100	719,700	3,600	2,146,100
CHARLEVOIX	200	82,200	< 50	33,500	2,800	1,230,100
CHEBOYGAN	300	111,400	< 50	17,200	2,100	743,500
CHIPPEWA	200	118,000	< 50	28,700	2,900	1,115,800
CLARE	300	139,100	< 50	108,200	2,700	1,055,400
CLINTON	400	208,700	200	833,200	5,300	3,258,000
CRAWFORD	100	51,600	< 50	0	1,000	360,300
DELTA	400	183,100	< 50	61,100	3,600	1,476,300
DICKINSON	200	94,900	< 50	13,200	2,700	1,120,800
EATON	900	575,400	100	638,700	12,900	6,677,400
EMMET	200	117,500	< 50	9,800	3,800	1,619,100
GENESEE	5,500	2,909,200	100	378,500	44,500	18,024,600
GLADWIN	300	120,200	< 50	32,100	2,400	922,100
GOGEBIC	100	48,500	< 50	0	1,400	509,400
GRAND TRAVERSE	700	419,500	< 50	67,300	11,300	5,557,300
GRATIOT	400	164,600	400	1,865,600	4,000	3,307,400
HILLSDALE	400	183,300	200	643,200	4,000	2,166,100
HOUGHTON	200	81,300	< 50	0	2,400	861,000
HURON	300	128,900	900	6,278,300	4,700	7,995,900
INGHAM	2,900	1,878,300	100	1,138,800	34,200	17,914,200
IONIA	500	248,000	100	765,900	5,200	2,795,500
IOSCO	300	124,000	< 50	43,400	2,500	826,600
IRON	100	41,500	< 50	2,000	1,000	394,100
ISABELLA	400	207,100	100	542,000	5,400	2,735,900
JACKSON	1,800	985,300	100	397,300	16,100	7,275,100
KALAMAZOO	2,500	1,483,600	100	493,200	28,700	13,798,200
KALKASKA	100	52,200	< 50	3,000	1,500	515,600
KENT	5,500	3,296,500	100	680,800	70,200	31,851,200
KEWEENAW	< 50	4,000	< 50	0	100	30,400

Exhibit 16 (Continued)

County	Blind and Disabled		Farmland		Total Credits	
	Number	Amount	Number	Amount	Number	Amount
LAKE	200	$67,400	< 50	$4,800	1,000	$371,800
LAPEER	600	288,100	< 50	174,600	6,700	2,892,400
LEELANAU	100	47,100	< 50	40,700	1,300	633,200
LENAWEE	1,100	599,100	400	2,159,000	11,000	6,874,800
LIVINGSTON	700	430,700	< 50	4,800	11,700	6,007,300
LUCE	< 50	10,900	< 50	300	300	73,500
MACKINAC	100	36,200	< 50	4,800	1,000	389,100
MACOMB	8,100	5,660,600	< 50	128,700	111,100	62,007,500
MANISTEE	200	106,200	< 50	4,300	2,500	1,051,000
MARQUETTE	400	186,100	< 50	3,400	5,600	2,087,300
MASON	400	170,600	100	222,700	3,700	1,786,900
MECOSTA	300	149,200	< 50	175,300	3,100	1,352,900
MENOMINEE	100	49,100	< 50	65,400	1,800	688,000
MIDLAND	700	341,200	< 50	209,400	7,300	3,261,400
MISSAUKEE	100	47,800	100	521,000	1,200	928,900
MONROE	1,000	543,800	100	595,600	11,800	5,572,600
MONTCALM	700	326,700	200	791,100	6,500	3,349,000
MONTMORENCY	100	38,700	< 50	14,300	900	323,200
MUSKEGON	2,700	1,443,300	< 50	249,000	20,000	8,684,700
NEWAYGO	500	234,900	100	208,200	4,200	1,991,600
OAKLAND	7,300	5,173,500	< 50	141,800	113,100	65,977,000
OCEANA	200	124,800	100	299,300	2,600	1,364,800
OGEMAW	300	121,400	< 50	87,500	2,000	842,500
ONTONAGON	100	22,500	< 50	1,700	500	187,000
OSCEOLA	200	86,800	100	231,400	2,100	1,010,400
OSCODA	100	22,900	< 50	0	500	151,200
OTSEGO	200	60,400	< 50	0	2,000	761,700
OTTAWA	1,700	974,900	200	1,460,300	25,300	12,664,200
PRESQUE ISLE	100	50,300	< 50	47,800	1,200	497,800
ROSCOMMON	300	120,200	< 50	32,800	2,500	899,300
SAGINAW	2,600	1,315,200	500	2,153,300	20,800	9,819,900
ST. CLAIR	1,600	915,700	< 50	221,900	17,200	7,735,600
ST. JOSEPH	500	258,200	100	671,400	5,700	2,834,600
SANILAC	400	171,200	500	1,891,500	4,400	3,543,600
SCHOOLCRAFT	100	22,400	< 50	5,900	600	196,700
SHIAWASSEE	900	443,000	200	837,000	8,000	3,984,500
TUSCOLA	500	242,900	600	3,522,700	5,800	5,569,000
VAN BUREN	900	461,200	100	437,100	8,500	4,285,500
WASHTENAW	1,900	1,324,900	200	1,277,900	31,700	18,968,900
WAYNE LESS DETROIT	10,200	7,411,700	< 50	117,600	122,900	69,745,100
WEXFORD	400	193,600	< 50	40,900	3,700	1,462,000
OUTSIDE OF MICHIGAN	500	329,700	< 50	252,400	7,600	3,855,400
DETROIT	12,800	8,647,000	< 50	6,300	128,100	63,970,600
TOTAL	94,800	$57,434,900	7,500	$40,226,400	1,085,400	$564,444,000

	FY 2017 Estimate
Accelerated Depreciation When a person buys property to be used in a business or to earn rent and the property has a useful life of more than one year, the cost of the property is typically depreciated over its expected life. For tax purposes, a person may deduct depreciation at an accelerated rate. The federal tax expenditure estimate for depreciation now compares tax law depreciation with the estimated economic depreciation adjusted for inflation.	$57,877,000
Employer Contributions to Health and Life Insurance Exempts employer payments for employee medical insurance from taxation. Also exempts employer payments for life insurance premiums on the first $50,000 of life insurance.	$1,044,144,000
Employer Pension Plans Exempts employer payments into qualified employee pension plans from taxation.	$579,277,000
Federal Adjustments to Income Excludes moving expenses, health insurance purchased by self-employed persons, and alimony paid from the calculation of federal AGI.	$46,126,000
Fellowships and Scholarships Excludes most fellowships and scholarships used for tuition and fees for degree-seeking candidates from the calculation of federal AGI.	$14,882,000
Gain on Sale of Primary Residence Excludes from AGI a gain from the sale of a primary residence. To qualify for the full exemption, the taxpayer must have owned and lived in the home for at least two of the past five years and not claimed an exclusion in the previous two years. The maximum exclusion is $250,000 for a single return and $500,000 for a joint return.	$306,537,000
Income Maintenance Benefits Excludes public assistance benefits such as Temporary Aid to Needy Families (TANF) and general assistance from taxation.	$5,037,000

	FY 2017 Estimate
Individual Retirement Accounts Since 1982, taxpayers could establish an IRA and deduct from taxable income contributions up to $2,000 per year. The maximum contribution is $5,500 for 2015. Only persons with an AGI below $98,000 on a joint return ($61,000 on a single return) or those not covered by an employer retirement plan can take the full $5,500 deduction. A partial deduction, phased out according to income, is available between $98,000-$118,000 for joint filers and $61,000-$71,000 for single filers.	$304,540,000
Interest on Life Insurance Savings Exempts interest earned from life insurance from tax if used to buy additional life insurance.	$104,803,000
Medical Care Savings Account Reduces income by the amount contributed by or on behalf of a taxpayer to a qualified medical care savings account.	$26,966,000
Railroad Retirement Benefits Exempts most Type I railroad retirement benefits, which are taxed the same as social security benefits (see below).	$1,678,000
Social Security Benefits Exempts most social security benefits. Federal social security benefits are not taxable unless half of these benefits plus modified AGI exceed $32,000 on a joint return or $25,000 on an individual return. If benefits exceed this amount, a portion (generally no more than 50 percent but potentially up to 85 percent of social security benefits) is taxable under federal law. This estimate is only for the portion of Social Security benefits that are excluded from federal AGI. The portion included in AGI is reported separately above.	$370,339,000
Student Loan Deduction Allows a deduction for interest paid on qualified education loans.	$8,278,000
Veterans' Benefits Excludes veterans' benefits administered by the Veterans' Administration from AGI.	$62,167,000
Workers' Compensation Exempts workers' compensation received by the worker or his or her beneficiaries from taxation.	$57,303,000

CHAPTER 7

TRANSPORTATION TAX EXPENDITURES

Transportation tax expenditures are projected to rise modestly, increasing from $48.66 million in FY 2016 to $52.17 million in FY 2017. Transportation tax expenditure estimates were based on FY 2013 and FY 2014 data.

Estimate Reliability	(1)	Aviation Fuel Tax Motor Vehicle Registration Fee Watercraft Registration Fee
	(2)	Marine Vessel Fuel Motor Fuel Tax

Because most transportation tax expenditures require taxpayers to claim a refund from the state, transportation tax expenditure estimates have a relatively high degree of reliability. In addition, most of the estimates were based on recent data.

Transportation Tax Expenditure Changes

No changes in 2014.

Aircraft Registration and Transfer Fee

In lieu of general or local property taxes on aircraft, the state levies an aircraft registration fee. The tax base is either the maximum gross weight or maximum take-off weight, whichever is greater. The registration fee is assessed at one cent per pound. The transfer fee is $1. These fees will yield an estimated $350,000 to the state's Aeronautics Fund in FY 2017.

Aviation Fuel Tax Expenditures

Enacted in 1929, the aviation fuel tax is a tax on fuel sold for propelling aircraft. It is levied on the privilege of using aviation facilities, and the rate is three cents per gallon. In FY 2017, the aviation fuel tax is projected to yield $5.5 million, which is deposited into the state's Aeronautics Fund.

	FY 2017 Estimate
Federally-Owned Aircraft Exempts the federal government from the aviation gasoline tax for fuel used in federally-owned aircraft.	$321,000

FY 2017 Estimate

Interstate Flight Refund $3,248,000

Airlines that operate scheduled interstate flights receive a refund of 1.5 cents per gallon of aviation fuel used.

Marine Vessel Fuel Tax Expenditures

Enacted in 1947, the marine vessel fuel tax is levied on the privilege of operating vessels on navigable streams. The rate is 15 cents per gallon on diesel fuel. Two percent of gasoline sales is assumed to be for off-road use and is earmarked to the Recreation Improvement Fund. Not less than 80 percent of this amount is transferred to the Waterways Fund.

FY 2017 Estimate

Marine Vessel Exemption $740,000

Exempts watercraft used: by federal, state, or local governments; for commercial fishing; by the Sea Scouts; in interstate or foreign commerce; by a railroad company; and in connection with an activity providing a person's chief means of livelihood from the tax on marine fuels.

Motor Carrier Privilege Fee

A $100 fee is assessed on most vehicles operating on highways as common and contract carriers. Buses, trucks, or tractors used solely for the transportation of household goods pay a $50 fee. The fee was enacted in 1929 for the privilege of using highways. Revenue is deposited into the Michigan Transportation Fund. There are no tax expenditures associated with this fee.

Motor Fuel Taxes

Motor fuel taxes include gasoline, diesel fuel, motor carrier diesel fuel, and liquefied petroleum gas taxes. The tax rate on gasoline is 19 cents per gallon. The diesel fuel tax rate is 15 cents per gallon. Legislation enacted in 2015 will raise both the tax on gasoline and the tax on diesel fuel to 26.3 cents per gallon, effective January 1, 2017. Revenue is earmarked to the Michigan Transportation Fund, and distributed to the state, counties, and cities to maintain roads, and to the Comprehensive Transportation Fund to help finance public transportation. In FY 2017, motor fuel taxes will yield an estimated $1,304.5 million including the new revenue from the higher tax rates.

	FY 2017 Estimate
Diesel Fuel for Railroads Exempts diesel fuel used by railroad locomotives from motor fuel taxes.	n.a.
Evaporation and Loss Allowance The 2 percent evaporation and loss allowance was replaced in 1997 by a 1.5 percent allowance for the collection of fuel taxes.	$16,140,000
Fuel for Job Sites and Charter Firms Exempts fuel consumed on job sites or by private and public charter bus trips from the gasoline and diesel fuel taxes.	$5,810,000
Fuel for Off-Road Use Exempts fuel purchased for motor vehicles used exclusively on nonpublic roads.	$1,100,000
Municipal Franchise Vehicles Refunds gasoline tax to persons operating passenger vehicles under a municipal franchise, license, permit, agreement or grant, such as taxi cabs.	$400,000
Public Vehicles Exempts fuel purchased for motor vehicles owned or leased by state, federal, or local governments from motor fuel taxes.	$12,700,000
Tribal Tax Agreements Provides for tribes to obtain tax-free motor fuel for use by the tribe, tribal entities, and resident tribal members. Sales to other parties made by tribal retailers will be fully taxed.	n.a.

Motor Vehicle Registration Fee

The motor vehicle registration fee was based originally on vehicle weight and type and was levied in lieu of the general property tax. Beginning with model year 1984, the registration fee for passenger vehicles became based on the vehicle's value rather than its weight. Other vehicles are still taxed on their weight. Registrations are effective for one year and expire annually on the owner's birthday. Legislation enacted in 2015 will raise the registration fees for most passenger cars, vans, light trucks and large commercial trucks by 20 percent, beginning January 1, 2017. For FY 2017, the motor vehicle registration fee is projected to yield $1,188.7 million, including the higher fees.

	FY 2017 Estimate
Disabled Veterans' Vehicles Provides totally disabled veterans free vehicle license plates.	$580,000
Handicapper Vans Reduces the tax by 50 percent for vans that are owned by persons using a wheelchair.	n.a.
Intercity Commercial Buses Intercity commercial buses pay a registration fee of $25 rather than a tax based on weight.	n.a.
Public and Nonprofit Vehicles Motor vehicles owned and operated by the state, a state institution, a municipality, a nonprofit college or university, or other nonprofit organization pay a lower rate of $5 for license plates with a five-year registration period.	$11,120,000

Watercraft Registration Fee

A fee is assessed on motorboats and other vessels operating in Michigan waters based on boat type and length. The fee was enacted in 1967. The Marine Safety Fund receives 49 percent of the revenue, the Waterways Fund receives 17.5 percent, and the Harbor Development Fund receives the remaining 33.5 percent. Registrations are valid for three years.

	FY 2017 Estimate
Publicly-Owned Watercraft Levies a special fee of $1.50 for publicly-owned vessels if the vessels are not used for recreational, commercial, or rental purposes.	$14,300

CHAPTER 8

PROPERTY AND OTHER LOCAL TAX EXPENDITURES

Property tax expenditures include expenditures associated with general property, iron ore specific, mobile home, real estate property transfer, and city income taxes. Local property and other local tax expenditures are projected to increase 1.4 percent from $8,844.5 million in FY 2016 to $8,968.9 million in FY 2017. Estimates related to property taxes have stopped decreasing due to the stabilization of property values in many parts of the state. Estimates were based on FY 2013 and FY 2014 data.

Estimate Reliability	(1)	Railroad Right-of-Way
	(3)	Tax-Exempt Property
	(1-2)	Homestead Exemption for Farm and Homestead Property
		Other Local Taxes
		Technology Parks

Tax expenditure estimates attributable to tax-exempt property are not reliable due to the inherent difficulty of estimating values of tax-exempt properties within each of Michigan's 83 counties. County equalization directors provide these estimates based on their own estimates or surveys of local units. Estimates are somewhat arbitrary because equalization directors use different methods to derive estimates. In many cases, equalization directors did not provide estimates, and estimates from previous years were used. These latter cases are noted in the exhibits.

Other local tax expenditures include accommodations, city income, and city utility users' tax. For most of these categories, data were not available to estimate the statewide value of tax expenditures associated with these taxes. The two exceptions are the Nonresident Reduced Rate and Personal Exemption tax expenditures associated with the city income tax. These estimates were based on a survey of city treasurers and are relatively stable from year to year.

Property and Other Local Tax Expenditure Changes

Public Act 17 of 2014 amended the Neighborhood Enterprise Zone (NEZ) Act to add an exception to the requirement that an application for an NEZ certificate be filed before a building permit was issued.

Public Act 18 of 2014 amended the General Property Tax Act to set the taxable value of reconstructed property equal to the taxable value in the year prior to an accident or act of God if the reconstructed property is made of substantially the same materials as before, the square footage is no more than five percent larger than the property damaged or destroyed, and if construction is completed by December 31 in the year three years after the accident or act of God occurred. The taxable value may then be adjusted for year-to-year increases.

Public Act 20 of 2014 amended the Brownfield Redevelopment Authority Act to adjust the annual deadline for an authority to apply to receive State Education Tax reimbursement for personal property tax exemptions enacted in 2007.

Public Act 27 of 2014 amended the Michigan Renaissance Zone Act to allow a qualified local governmental unit located in Saginaw County to apply for an extension of renaissance zone status for an additional eight years.

Public Act 38 of 2014 amended the Tax Increment Finance Authority Act to modify the definition of qualified refunding obligation bonds for a specific time period so that new refunding bonds may be issued.

Public Act 40 of 2014 amended the General Property Tax Act to delete a requirement that a property with a principal residence exemption not be for sale for the exemption to continue when the owner currently resides in a nursing home or assisted living facility.

Public Acts 80, 81, 87, and 89 through 93 of 2014 were a package of legislation designed to implement exemptions for certain industrial and commercial personal property and provide for a mechanism to replace a portion of the property tax revenue lost by local units of government.

> **Public Act 80** amended the Use Tax Act to re-identify the components of the use tax and alter the amount of community stabilization share tax revenue.
>
> **Public Act 81** amended the enacting section of Public Act 408 of 2012 to change the ballot question before voters at the August 2014 election. The Act would place before voters the question of adopting the legislation as amended by this series of bills.
>
> **Public Act 87** amended the General Property Tax Act to amend the exemptions for certain personal property to add new definitions and revise reporting requirements.
>
> **Public Acts 89 through 91** amended the enacting sections of prior legislation to repeal certain exemptions for personal property if the ballot question before voters in August 2014 was defeated.
>
> **Public Act 92 of 2014** created the State Essential Services Assessment Act. The assessment would be levied on exempt eligible manufacturing personal property at 2.4 mills in the first five years after the property is acquired, 1.25 mills for the next five years, and 0.9 mills after that. The revenue from the assessment would be deposited into the state General Fund.
>
> **Public Act 93 of 2014** created the Alternative State Essential Services Assessment Act. The Act would apply to eligible personal property exempt from the state essential services assessment. The alternative assessment would be equal to 50 percent of the essential services assessment and revenue would be deposited into the state General Fund.

Public Act 82 of 2014 amended the Michigan Severance Tax Act to lower the tax rate on natural gas or oil extracted from approved operations that increase the amount of recoverable oil or natural gas using the injection of carbon dioxide.

Public Act 164 of 2014 amended the General Property Tax Act to remove a decrease in the occupancy rate from the determination of losses in adjusting the value of property. A previous legal decision had declared the use of an increase in the occupancy rate in determining additions to value unconstitutional.

Public Act 274 of 2014 amended the General Property Tax Act to allow a local tax collecting unit to exempt from the collection of taxes under the Act specific real and personal property of an eligible economic development group. The exemption is subject to an approval process under the oversight of the State Treasurer, and may extend for up to seven years. If an exemption is approved, the county in which the local tax collecting unit is located may withdraw all mills levied by the county from the tax exemption.

Public Act 310 of 2014 amended the General Property Tax Act to exclude from the transfer of ownership certain conveyances of residential real property involving family members, either as beneficiaries or distributees of a trust.

Public Act 188 of 1954 authorizes townships to engage in public improvements, pay for them using special assessments, and allow taxpayers to pay the assessment in installments. **Public Acts 429 and 561 of 2014** limit the amount of a lien on property subject to an assessment to the amount of any individual installment and clarify that the lien does not attach to the property until the installment is due.

Public Acts 446 and 447 of 2014 amended the Next Michigan Development Act to authorize the Michigan Strategic Fund Board to designate up to seven Next Michigan Development Corporations, an increase from the six previously allowed, and to give preference to an eligible urban entity that is the largest city in a county with a population of at least 1,500,000. The preference would only apply to an entity in the City of Detroit.

Public Act 456 of 2014 amended the General Property Tax Act to allow a tax exemption for eligible nonprofit housing property owned by a charitable nonprofit housing organization. The exemption must be approved by the State Tax Commission, after consultation with the State Treasurer or his or her designee. The exemption will remain in effect for the lesser of 3 years (5 years in the case of a residential building lot) or until the eligible property is either occupied by a low-income person under a lease agreement or transferred by the charitable nonprofit housing organization.

Public Act 488 of 2014 amended the General Property Tax Act to provide that the Act does not apply to real or personal property owned by a nonprofit street railway. This would apply to the M-1 Rail project in Detroit.

Public Act 499 of 2014 amended the General Property Tax Act to address a plan to allow a local governmental unit to withhold property from foreclosure if the property is subject to a delinquent property tax installment payment plan. The new payment plan would be created by the governmental unit for a financially distressed owner whereby the owner makes an initial payment as well as regular periodic installment payments.

Public Act 500 of 2014 amended the General Property Tax Act to reduce the amount of interest due on unpaid taxes covered by a tax foreclosure avoidance agreement created by Public Act 499. In addition, a foreclosing governmental unit may reduce the amount of taxes, interest, penalties, and fees required to be paid to redeem property to an amount equal to 50 percent of the state equalized value of the property. The lower amount applies before July 1, 2016.

Public Act 501 of 2014 amended the General Property Tax Act to make changes to the process of tax foreclosure sales.

Public Act 502 of 2014 amended the General Property Tax Act to establish rules for the process by which a local government foreclosing on tax delinquent properties can acquire and then sell those properties.

Public Act 511 of 2014 amended the General Property Tax Act to exempt an eligible hydroponics aquaculture production facility or an eligible hydroponics production facility from the taxes levied under the Act, for taxes levied after December 31, 2014.

Public Act 512 of 2014 created the Eligible Hydroponics and Eligible Aquaculture Production Facilities Specific Tax Act to impose a specific tax equal to 25 percent of the tax that would have been levied if the facilities were subject to the General Property Tax Act. The terms “aquaculture” and “hydroponics” are defined specifically in the new Act.

Public Act 513 of 2014 amended the Plant Rehabilitation and Industrial Development District Act to create an exception that would allow the tax reduction established under the Act to take effect for a specific property on December 31, 2011.

Public Act 514 of 2014 amended the Plant Rehabilitation and Industrial Development District Act to allow, under certain circumstances, the delayed approval for an amended or transfer application for an exemption certificate, or for a request to revoke a certificate.

Public Act 535 of 2014 amended the General Property Tax Act to exclude a conveyance of land from a transfer of ownership if (1) the land is made subject to a conservation easement, or (2) the land or an interest in the land is made eligible for a deduction as a qualified conservation contribution.

Public Act 568 of 2014 amended Public Act 160 of 1972 to allow the officers of a city, township, or village to enter into an agreement with the county treasurer to administer the tax collection functions of the local unit.

Utility Property Tax Expenditures

The State of Michigan levies a utility property tax on certain public utilities doing business in Michigan. The tax base is equal to 50 percent of the true cash value of all property owned by railroad, railroad car, and telephone and telegraph companies. Enacted in 1905, the utility property tax rate equals the average statewide general property tax rate in the preceding year on commercial and industrial property. Revenue is deposited into the General Fund, and FY 2017 collections are projected to total $42.0 million.

	FY 2017 Estimate
Broadband Investment Credit Public Act 50 of 2002 provides a credit for the state utility property tax for a company that installs telecommunications equipment with information carrying capability exceeding 200 kilobits per second in both directions. This credit was intended to accelerate the introduction of broadband Internet access to Michigan.	$19,400,000
Railroad Right-of-Way Provides a credit to railroad companies for maintaining or improving certain rolling stock and rights-of-way in Michigan.	$26,900,000

General Property Tax

Enacted in 1893, Michigan's general property tax is the main source of revenue for local governments. The property tax is levied on a base of taxable value. Taxable value cannot increase in any one year by more than 5 percent or the rate of inflation, whichever is less (excluding transfers, new construction, and additions). Rates may vary by local unit, though each local unit's rate is subject to the State Constitution (Article IX, Sec. 6) and various statutes. The following table lists average statewide millage rates since 1990. The one-year reduction in the State Education Tax to 5 mills was responsible for the decline in average millage rates for 2003.

Average Statewide Millage Rates

Calendar Year	Homestead Property	Non-homestead Property	All Property
1993	n.a.	n.a.	56.64
1994	30.22	48.17	38.19
1995	31.00	48.79	38.88
1996	31.36	49.54	39.32
1997	31.36	49.63	39.25
1998	31.43	49.68	39.27
1999	31.40	49.76	39.16
2000	31.54	50.10	39.32
2001	32.12	50.72	39.78
2002	32.60	51.00	40.17
2003	31.81	49.74	39.00
2004	32.71	50.81	40.00
2005	32.60	51.38	39.88
2006	32.66	51.38	39.96
2007	32.72	51.49	39.89
2008	33.14	50.94	38.94
2009	32.86	51.09	39.13
2010	33.13	50.40	39.70
2011	33.68	50.97	40.00
2012	33.47	51.24	40.40
2013	33.53	51.47	40.47
2014	33.92	51.77	40.79

Source: All Property Millage Rates from State Tax Commission except 1994; CY 1994 All Property Rate and Homestead and Non-homestead millage rates from Office of Revenue and Tax Analysis, Michigan Department of Treasury.

FY 2017 Estimate

Agricultural Transfers $37,800,000

Increases in the taxable value of property are capped at 5 percent or the rate of inflation, whichever is less. When ownership in property is transferred, the taxable value is set equal to the state equalized value, which is 50 percent of the true cash value. This provision exempts transfers of agricultural property from the "pop up" in taxable value when the new owner certifies that the property will continue to be used in agriculture.

	FY 2017 Estimate
Air and Water Pollution Control Exempts air and water pollution control equipment from the property tax after approval and certification by the State Tax Commission.	$130,000,000
Cultural Organizations Exempts from the property tax real property owned and occupied by a nonprofit organization meeting specific requirements. Some of the requirements are that the organization must be: incorporated under state law; devoted exclusively to the development of literature, music, painting or sculpture; and available to the general public on a regular basis. Data are not available to estimate this item.	n.a.
Disabled Veteran Homestead Exemption Exempts from property taxes real property used and owned by a disabled veteran who is entitled to veterans' benefits at the 100 percent rate, has received or is receiving assistance due to disability for specially adapted housing, or has be rated by the U.S. Department of Veterans Affairs as unemployable.	$21,800,000
Energy Conservation Devices Exempts energy conservation devices from property tax. This exemption must be approved and certified by the State Tax Commission.	$50,000
Fairground Property Exempts property owned by an agricultural society and used primarily for fair purposes.	n.a.
Homestead Exemption Exempts most owner-occupied housing that is the primary residence of the owner from local school operating mills, generally 18 mills.	$3,142,000,000
Homestead Exemption for Farm Property Exempts qualified agricultural property, including houses, from local school operating mills.	$176,900,000
Industrial Facilities Development Allows local governments to grant property tax exemptions for up to 12 years to encourage the establishment of new industrial facilities and the creation, restoration, or replacement of obsolete facilities. In lieu of property tax, an industrial facilities tax is levied on industrial property (building, machinery, and equipment, but not land).	$238,100,000

FY 2017 Estimate

For a restored facility, the industrial facilities tax is levied at the same rate as the local property tax, but only on the taxable value of the property before the exemption. Therefore, the value of restoration or replacement is exempt from the industrial facilities tax. For a new facility approved after 1993, the industrial facility tax is half the property tax rate applied to the taxable value of the new facility. The full 6-mill State Education Tax rate is levied unless reduced by the Director of the Strategic Fund. Exhibit 18 displays a partial estimate of the taxable value of property subject to the industrial facilities development program. Public Act 39 of 2007 and Public Act 457 of 2008 reduced the tax on new facility personal property on land classified as industrial or commercial real property.

Neighborhood Enterprise Zones $24,000,000

Allows local units of government that participate in this program to grant property tax abatements. For new housing, the property tax rate is equal to one-half the statewide average millage rate. For rehabilitated housing, assessments are frozen so that the value of improvements is not taxed. Currently, 19 cities participate in this program.

Next Energy Exemption $3,700,000

Provides an exemption for alternative energy personal property certified by the Michigan Next Energy Authority from personal property taxes. The exemption is intended to help promote the research, development, and manufacturing of alternative energy technologies in Michigan.

Obsolete Property Rehabilitation Exemption $12,300,000

Under the Obsolete Property Rehabilitation Act (OPRA), commercial buildings in qualified local governmental units may be granted an OPRA abatement certificate, which results in reduced property taxes on the increased value of renovated and redeveloped facilities.

Personal Property Ad Valorem Exemptions $366,800,000

Exempts industrial personal property from the 18-mill property tax for local schools and the state education tax (6 mills). Commercial personal property is exempt from 12 of the 18 mills for schools.

	FY 2017 Estimate
Personal Property Industrial Facilities Provides an exemption from the industrial facilities tax equal to the portion of the tax attributable to the 6 mills for state education tax and the 18 mills for school operations.	$70,600,000
Personal Property Small Taxpayer Exemption Provides an exemption for personal property classified as industrial or commercial personal property if, among other qualifications, the true cash value of all industrial and commercial personal property owned by, leased by or in the possession of the owner in the local tax collecting unit is less than $80,000.	$80,800,000
Poverty Exemption Provides an exemption for impoverished individuals who, in the judgment of the township supervisor and board of review, are unable to contribute towards the provision of public services.	$8,900,000
Renaissance Zones Exempts individuals who are residents of a Renaissance Zone or a business that is located and conducts business activity within a Renaissance Zone from most property taxes.	$82,000,000
Tax-Exempt Property Exhibit 18 reports the results from the 2014 County Survey of Tax-Exempt Property. The survey includes seven categories of tax-exempt property reported by county. These estimates of the taxable value of exempt property were provided by county equalization departments, as required by Public Act 155 of 1925. Exhibit 17 contains a map of Michigan's counties. The total estimated taxable value of exempt property (not including tax-exempt property for industrial facility development) reported was $34.8 billion. If taxed at the 2013 average nonhomestead statewide rate of 51.47 mills, tax-exempt property would have yielded $1.79 billion in property tax revenue. Note: Tax-exempt property for Ingham and Wayne counties is not included in estimates. Both counties contain *substantial* tax-exempt property used for public education, state and federal government, municipal and personal purposes. Estimates for the various classifications of tax-exempt property are presented below.	$1,871,000,000

	FY 2017 Estimate
Tax-Exempt Acreage Exhibit 19 shows exempt nonprofit religious or educational property by county. Properties are exempt under Article IX, Sec. 4, of the State Constitution. Tax-exempt acreage totaled an estimated 581,038 acres in 2013.	n.a.
Tax-Exempt County and Municipal Property Exempts real property owned by counties, townships, cities, villages, and school districts.	$254,000,000
Tax-Exempt Federal Property Exempts real property belonging to the United States government.	$342,000,000
Tax-Exempt Other Real Tax Exempt Property Exempts other real property including hospitals, charitable institutions, selected nonprofit organizations, cemeteries, and utilities.	$179,000,000
Tax-Exempt Personal Property Exempts specific items from the property tax. Examples include hospital equipment, special tools, inventories, solar wind and water energy equipment, air and water pollution equipment, and wood and fish harvesting equipment. Examples of personal property owners receiving the exemption include charitable institutions, libraries, banks and trusts, credit unions, parent-cooperative preschools, government units, airports, memorial posts, and public service organizations. The estimate does not include personal property owned by religious and nonprofit educational organizations.	$430,000,000
Tax-Exempt Public Education Property Exempts real property owned, leased, loaned, or otherwise made available to school districts if the property is used primarily for public school purposes.	$488,000,000
Tax-Exempt Specifically-Taxed Property Imposes a registration fee on motor vehicles, boats, and aircraft in lieu of property taxes. The difference between the revenue from the registration fee compared to revenue that would result from a property tax represents a tax expenditure.	n.a.
Tax-Exempt State Property Exempts real property owned by the State of Michigan.	$178,000,000

	FY 2017 Estimate
Tax Increment Financing Allows municipalities to create tax increment finance plans under the Downtown Development Authority Act, P.A. 197 of 1975; the Tax Increment Finance Authority Act, P.A. 450 of 1980; the Local Development Finance Authority Act, P.A. 281 of 1986; and the Brownfield Redevelopment Act, P.A. 381 of 1996. Each authority may capture millage from the general property tax and industrial and commercial facilities taxes. The captured revenue, which would normally accrue to the city, county, and school district, is diverted to finance commercial and industrial costs. Estimates of the cost of tax increment financing assume that local units would have invested in projects without assistance from tax increment finance plans. To the extent these investments would not have occurred without funding through the tax increment finance plan, the tax expenditure estimates are overstated.	$330,000,000
Taxable Value Cap Limits the rate of increase in property tax assessments to 5 percent or the rate of inflation, whichever is less. Taxable value becomes 50 percent of true cash value when ownership is transferred.	$2,008,000,000
Veterans' Organizations Exempts real and personal property owned and occupied by veterans' organizations. Previously, exemptions were limited to those buildings used as residences. Some revenue will be lost through the exemption, but only a few headquarters are currently on the tax rolls.	n.a.
Water Softeners and Water Coolers Exempts rented or leased water softener equipment and leased bottled water coolers from the personal property tax.	$1,300,000

Iron Ore Specific Tax

The iron ore tax is levied on iron ore mines in lieu of property tax. The tax was enacted in 1951 to encourage commercial development of mineral resources in Michigan. The rate is 1.1 percent of the value per gross ton of iron ore pellets, and it is levied only in Marquette County. The iron ore tax yielded $14.5 million in FY 2014. The state's share of the iron ore specific tax is deposited into the School Aid Fund. The state received $8.6 million in FY 2014.

Exhibit 17
Counties of Michigan

Exhibit 18
Estimated Taxable Value of Exempt Real and Personal Property by County, 2014
(Taxable Value in Thousands)

County	Industrial Facilities Tax	Federal	State	County and Municipal	Public Education
ALCONA	$0	$96,908	$7,122	$24,027	$15,603
ALGER*	113	22,328	1,757	2,230	7,253
ALLEGAN *	102,725	0	0	0	0
ALPENA *	8,372	9,094	68,954	103,000	68,200
ANTRIM *	0	0	0	0	0
ARENAC	1,247	517	2,663	1,437	1,150
BARAGA	5,794	20,100	39,143	20,860	24,515
BARRY	5,578	800	53,680	24,542	51,179
BAY *	144,357	15,669	13,958	19,377	212,856
BENZIE *	0	33,116	85,394	20,320	5,463
BERRIEN	49,046	0	0	0	0
BRANCH *	55,737	0	854	10,450	4,500
CALHOUN	193,926	n.a	n.a	n.a	n.a
CASS *	22,739	10	3,419	20,837	133,043
CHARLEVOIX *	101,829	979	22,066	24,426	44,643
CHEBOYGAN *	0	2,192	72,007	38,012	21,395
CHIPPEWA *	1,869	1,243,228	50,000	3,000	54,000
CLARE *	8,209	927	25,013	3,443	37,108
CLINTON *	18,536	15	3,200	15,000	25,000
CRAWFORD *	915	28,545	330,000	6,233	21,150
DELTA *	20,090	56,950	14,051	12,450	27,608
DICKINSON	15,056	8,300	9,500	10,200	45,000
EATON	124,995	312	19,968	123,760	43,680
EMMET	7,139	0	61,189	324	2,308
GENESEE	49,139	18,658	62,388	533,893	622,585
GLADWIN	6,424	0	25,000	13,000	31,000
GOGEBIC *	906	29,214	105	12,521	2,287
GRAND TRAVERSE *	6,778	8,954	45,046	114,401	37,472
GRATIOT *	28,137	1,650	9,250	8,700	185,000
HILLSDALE	52,096	270	3,700	21,000	75,000
HOUGHTON *	0	15,919	91,862	10,108	119,944
HURON*	56,841	39,400	10,542	85,700	0
INGHAM *	186,082	n.a.	n.a	n.a.	n.a.
IONIA *	16,624	0	3,297	17,255	21,800
IOSCO *	0	7,893	49,295	3,394	185
IRON *	3,000	24,000	16,000	8,000	530
ISABELLA	10,284	n.a.	n.a.	n.a.	n.a.
JACKSON *	94,089	2,000	201,000	38,000	98,000
KALAMAZOO	147,381	39,519	401,764	848,532	1,573,386
KALKASKA *	2,996	1,000	100,000	100,000	95,000
KENT *	543,538	24,450	23,766	174,895	484,900
KEWEENAW *	0	68,575	7,732	10,763	1,655

Exhibit 18 (Continued)

County	Personal Property	Other	Exempt Total	Total Taxable Value Real and Personal Property	Exempt as a Percent of Taxable
ALCONA	$0	$847	$144,507	$747,343	16.2%
ALGER*	55,000	0	88,568	$363,013	19.6%
ALLEGAN *	113,900	0	113,900	$4,292,706	2.6%
ALPENA *	174,760	0	424,008	$892,059	32.2%
ANTRIM *	0	0	0	$1,714,546	0.0%
ARENAC	1,057	0	6,824	$560,995	1.2%
BARAGA	53,017	125,669	283,304	$242,786	53.9%
BARRY	67,958	37,198	235,357	$1,944,042	10.8%
BAY *	255,154	2,593	519,607	$2,853,946	15.4%
BENZIE *	0	15,503	159,796	$1,130,554	12.4%
BERRIEN	1,653	0	1,653	$7,263,773	0.0%
BRANCH *	0	6,500	22,304	$1,300,870	1.7%
CALHOUN	n.a	n.a	0	$3,564,237	0.0%
CASS *	0	0	157,309	$1,896,295	7.7%
CHARLEVOIX *	3,526	13	95,653	$1,989,701	4.6%
CHEBOYGAN *	28,393	9,494	171,493	$1,333,478	11.4%
CHIPPEWA *	21,200	3,500	1,374,928	$1,086,612	55.9%
CLARE *	72,638	0	139,129	$1,015,749	12.0%
CLINTON *	43,215	0	86,430	$2,470,083	3.4%
CRAWFORD *	53,403	20,000	459,331	$543,646	45.8%
DELTA *	0	0	111,059	$1,192,275	8.5%
DICKINSON	6,512	2,775	82,287	$985,065	7.7%
EATON	131,873	150,800	470,393	$3,278,190	12.5%
EMMET	0	0	63,821	$2,640,552	2.4%
GENESEE	491,834	0	1,729,358	$8,559,522	16.8%
GLADWIN	6,315	2,460	77,775	$928,985	7.7%
GOGEBIC *	330	302	44,759	$500,278	8.2%
GRAND TRAVERSE *	13	17,587	223,473	$4,474,083	4.8%
GRATIOT *	135,000	10,000	349,600	$1,244,811	21.9%
HILLSDALE	53,885	42,500	196,355	$1,264,752	13.4%
HOUGHTON *	2,425	9,504	249,762	$839,997	22.9%
HURON*	0	0	135,642	$2,117,618	6.0%
INGHAM *	n.a.	n.a.	n.a.	$7,038,304	n.a.
IONIA *	3,900	0	46,252	$1,491,380	3.0%
IOSCO *	0	597	61,364	$1,108,790	5.2%
IRON *	0	0	48,530	$479,165	9.2%
ISABELLA	n.a.	n.a.	0	$1,664,679	0.0%
JACKSON *	200,000	5,000	544,000	$4,249,045	11.3%
KALAMAZOO	144,323	115,004	3,122,528	$7,959,552	28.2%
KALKASKA *	100,000	55,000	451,000	$737,335	38.0%
KENT *	1,840,872	158,010	2,706,893	$20,352,498	11.7%
KEWEENAW *	367	61,190	150,282	$134,376	52.8%

Exhibit 18 (Continued)

County	Industrial Facilities Tax	Federal	State	County and Municipal	Public Education
LAKE *	$118	$73,422	$41,768	$8,266	$9,252
LAPEER *	57,151	3,272	16,794	140,854	98,456
LEELANAU *	5	429,884	6,064	29,543	14,000
LENAWEE *	100,337	1,500	34,800	76,300	228,800
LIVINGSTON	97,933	446	1,875	174,040	175,109
LUCE *	11,500	50	8,000	2,571	4,301
MACKINAC *	n.a.	22,794	73,314	10,193	15,013
MACOMB *	795,737	2,939,414	82,904	461,687	880,193
MANISTEE	13,344	138,100	41,238	36,679	39,351
MARQUETTE *	20,100	63,000	45,000	24,000	210,000
MASON *	6,068	136,000	33,300	89,300	171,000
MECOSTA	122	7,500	4,000	11,000	400,000
MENOMINEE *	3,679	0	74,966	94	705
MIDLAND *	162,044	335	9,130	75,210	90,150
MISSAUKEE *	2,695	36	54,767	4,577	19,780
MONROE *	132,623	145	10,908	80,528	177,373
MONTCALM	6,851	n.a.	0	n.a.	n.a.
MONTMORENCY *	360	120,000	36,000	20,000	13,000
MUSKEGON	80,727	17,203	85,847	144,474	261,309
NEWAYGO *	3,172	n.a.	n.a.	n.a.	n.a.
OAKLAND	260,561	n.a.	n.a.	n.a.	n.a.
OCEANA *	7,218	16,500	6,100	2,200	15,000
OGEMAW *	533	6,230	12,830	8,171	6,256
ONTONAGON	867	223,445	28,309	4,533	11,264
OSCEOLA	12,442	0	4,689	5,580	23,316
OSCODA *	734	279,766	96,109	21,910	33,483
OTSEGO *	2,041	2,016	22,300	6,285	80,000
OTTAWA *	712,321	18,434	27,448	183,395	770,587
PRESQUE ISLE *	373,177	0	40,315	108,911	n.a.
ROSCOMMON*	1,485	113	230,000	5,717	32,088
SAGINAW	157,277	26,289	156,000	212,200	694,000
SAINT CLAIR*	71,092	12,699	66,192	217,989	246,092
SAINT JOSEPH *	104,296	n.a.	n.a.	n.a.	n.a.
SANILAC	9,102	n.a.	n.a.	n.a.	n.a.
SCHOOLCRAFT *	10,039	n.a.	n.a.	n.a.	48,867
SHIAWASSEE *	6,074	675	18,500	68,000	93,000
TUSCOLA*	13,292	0	0	0	0
VAN BUREN *	97,974	0	1,000	12,500	7,500
WASHTENAW *	280,902	0	230	474	10,259
WEXFORD *	17,060	n.a.	n.a.	n.a.	0
TOTAL	$5,539,558	$6,360,761	$3,305,381	$4,731,271	$9,073,901

Note: Wayne and Ingham Counties are not in totals. 2014 taxable value for Wayne County was $40.0 billion.

* Based on surveys from current and prior years as counties did not provide estimates.

Exhibit 18 (Continued)

County	Personal Property	Other	Exempt Total	Total Taxable Value Real and Personal Property	Exempt as a Percent of Taxable
LAKE *	$680	$5,462	$138,850	$542,707	20.4%
LAPEER *	184,151	0	443,527	$2,628,945	14.4%
LEELANAU *	0	45,833	525,324	$2,460,525	17.6%
LENAWEE *	0	21,000	362,400	$3,176,503	10.2%
LIVINGSTON	540,774	7,178	899,422	$7,718,985	10.4%
LUCE *	650	1,749	17,321	$187,507	8.5%
MACKINAC *	7,817	2,164	131,295	$951,060	12.1%
MACOMB *	159,121	415,808	4,939,127	$24,643,742	16.7%
MANISTEE	51,628	56,822	363,818	$1,105,414	24.8%
MARQUETTE *	0	242,000	584,000	$2,279,869	20.4%
MASON *	0	80,800	510,400	$1,688,822	23.2%
MECOSTA	76,268	39,000	537,768	$1,228,898	30.4%
MENOMINEE *	0	4,431	80,196	$714,071	10.1%
MIDLAND *	154,540	110,240	439,605	$3,644,688	10.8%
MISSAUKEE *	0	0	79,160	$571,235	12.2%
MONROE *	0	8,671	277,625	$5,542,303	4.8%
MONTCALM	89,554	0	89,554	$1,700,701	5.0%
MONTMORENCY *	0	175,000	364,000	$497,338	42.3%
MUSKEGON	567,395	0	1,076,228	$4,291,856	20.0%
NEWAYGO *	n.a.	n.a.	0	$1,428,471	0.0%
OAKLAND	145,114	n.a.	145,114	$50,048,650	0.3%
OCEANA *	4,100	0	43,900	$1,145,209	3.7%
OGEMAW *	0	2,844	36,331	$812,896	4.3%
ONTONAGON	28,002	115,191	410,744	$251,379	62.0%
OSCEOLA	188,275	6,630	228,490	$691,393	24.8%
OSCODA *	7,365	7,552	446,185	$390,719	53.3%
OTSEGO *	45,800	3,665	160,066	$1,141,275	12.3%
OTTAWA *	0	701,302	1,701,166	$9,752,002	14.9%
PRESQUE ISLE *	n.a.	n.a.	149,226	$653,518	18.6%
ROSCOMMON*	8,400	9,514	285,832	$1,241,859	18.7%
SAGINAW	1,543,518	245,000	2,877,007	$4,903,635	37.0%
SAINT CLAIR*	129,346	178,053	850,371	5,458,426	13.5%
SAINT JOSEPH *	n.a.	n.a.	0	1,905,455	0.0%
SANILAC	n.a.	n.a.	0	1,505,873	0.0%
SCHOOLCRAFT *	n.a.	n.a.	48,867	353,229	12.2%
SHIAWASSEE *	12,000	0	192,175	1,674,030	10.3%
TUSCOLA*	0	0	0	1,627,458	0.0%
VAN BUREN *	1,500	0	22,500	3,068,836	0.7%
WASHTENAW *	774	647	12,384	14,496,463	0.1%
WEXFORD *	n.a.	n.a.	0	923,174	0.0%
TOTAL	$8,009,296	$3,338,602	$34,819,212	$272,458,502	11.3%

Note: Wayne and Ingham Counties are not in totals. 2014 taxable value for Wayne County was $40.0 billion.

* Based on surveys from current and prior years as counties did not provide estimates.

Exhibit 19
General Property Tax – Estimated Exempt Acreage by County, 2014

County	Estimated Acreage	County	Estimated Acreage
ALCONA	410	LAKE *	1,052
ALGER*	14,000	LAPEER*	4,600
ALLEGAN *	1,000	LEELANAU *	2,675
ALPENA *	5,800	LENAWEE *	9,200
ANTRIM *	1,000	LIVINGSTON *	4,582
ARENAC	23,319	LUCE *	2,300
BARAGA	147,477	MACKINAC *	240
BARRY	31,269	MACOMB *	5,467
BAY*	3,650	MANISTEE	4,500
BENZIE *	554	MARQUETTE *	190
BERRIEN *	6,812	MASON	620
BRANCH *	425	MECOSTA	2,700
CALHOUN *	5,670	MENOMINEE *	141
CASS *	773	MIDLAND *	2,000
CHARLEVOIX *	350	MISSAUKEE	875
CHEBOYGAN *	10,950	MONROE	3,200
CHIPPEWA *	1,500	MONTCALM *	7,000
CLARE *	172	MONTMORENCY *	200
CLINTON *	100	MUSKEGON	2,100
CRAWFORD *	1,519	NEWAYGO *	6,800
DELTA *	700	OAKLAND	4,725
DICKINSON	250	OCEANA *	500
EATON	3,165	OGEMAW *	693
EMMET	1,000	ONTONAGON	200
GENESEE	12,000	OSCEOLA	1,285
GLADWIN	1,000	OSCODA *	211
GOGEBIC *	2,300	OTSEGO *	735
GRAND TRAVERSE *	2,490	OTTAWA *	6,300
GRATIOT *	300	PRESQUE ISLE *	92,659
HILLSDALE	2,900	ROSCOMMON *	1,398
HOUGHTON *	5,263	SAGINAW	4,500
HURON*	341	SAINT CLAIR *	11,972
INGHAM *	n.a.	SAINT JOSEPH *	8,712
IONIA *	544	SANILAC *	0
IOSCO *	32,857	SCHOOLCRAFT *	n.a.
IRON *	645	SHIAWASSEE *	325
ISABELLA *	2,882	TUSCOLA *	475
JACKSON *	3,020	VAN BUREN *	4,530
KALAMAZOO	40,000	WASHTENAW *	200
KALKASKA *	340	WEXFORD *	343
KENT *	3,200		
KEWEENAW	8,886	TOTAL	581,038

* Based on a previous year's survey.

Notes: Many estimates are rounded to the nearest hundred. Wayne County is not included. Total may differ due to rounding.

Mobile Home Tax

Enacted in 1959, the mobile home tax is levied on mobile homes in lieu of property tax. The tax rate is $3 per month per occupied mobile home located in licensed mobile home parks. Township or city treasurers administer the mobile home tax. Counties and municipalities keep 50 cents each, while the remaining $2 is remitted to the state and deposited into the School Aid Fund. The 2014 state share of this tax totaled $2.9 million indicating $4.4 million in total state and local collections. Exhibit 20 only shows the county share of the tax.

	FY 2017 Estimate
Mobile Home Tax Expenditure The tax burden on mobile home occupants ($36 per year) is small compared with the tax burden on homeowners. The reported figure is an estimate of the difference between the amount of property taxes that would be paid on mobile homes if they were not exempt and the amount collected from the mobile home tax.	$67,500,000
Out-of-State Coaches Exempts out-of-state coaches when accompanied by an out-of-state auto for an accumulated period of up to 90 days during any 12-month period if the occupants are tourists and not engaged in business in Michigan.	n.a.

Real Estate Property Transfer Tax

Enacted in 1966, the county real estate property transfer tax is a tax on the transfer of an interest in real property. The tax is levied at a rate of 55 cents per $500 (0.11 percent), or fraction thereof, on the fair market value of the property being transferred. The treasurer of the county in which the transfer takes place collects the tax, and the revenue goes to the county general fund. The estimated statewide revenue yield was approximately $33.1 million in 2013 (see Exhibit 20).

The School Finance Reform Package of 1994 created a state real estate property transfer tax in addition to the county tax. The rate is $3.75 per $500 (0.75 percent), or fraction thereof, on the fair market value of the property being transferred. The tax is collected by the county treasurer and forwarded to the state. Revenue is deposited into the School Aid Fund. The state real estate transfer tax is projected to yield $287.7 million in FY 2017.

Although several exemptions from the state and county transfer tax are permitted, they are designed to define which real estate transfers are subject to the tax. The act does not define real estate transfers explicitly, but by exclusion. Exempt transfers include transfers involving federal, state and local units of governments, certain conveyances between spouses, instruments used to straighten boundary lines when no money is paid, and land contracts in which the title passes to the grantee only when the contract has been paid. Public Act 203 of 2000 added churches and church property to the list of exempt transfers. Transfers of less than $100 are also exempt. There are no estimates regarding these tax expenditures due to an absence of data.

Accommodations Tax

Under Public Act 263 of 1974, owners of businesses providing rooms to transient guests are subject to the accommodations tax which is collected by the county treasurer. Housing and nursing homes are excluded from the tax. Only counties with a population of less than 600,000 that have a city with a population of at least 40,000 may levy the tax. Counties currently imposing the tax include: Calhoun, Genesee, Ingham, Kalamazoo, Kent, Muskegon, Saginaw, Washtenaw, and Wexford. The tax is levied on the amount transient guests pay for lodging. The maximum rate is 5 percent and is determined by the county. Revenues (less administrative costs) are dedicated to convention facilities and the promotion of conventions and tourism. The tax yielded approximately $19.8 million in 2013 (see Exhibit 20).

City Income Tax

A city income tax is levied by adoption of a city ordinance subject to voter approval. Income earned and received by city residents, income earned in the city by nonresidents, and corporate income earned in the city are subject to city income taxes. In CY 2013, city income taxes totaled $463.8 million (see Exhibit 22). Currently, 22 cities levy a city income tax. While rates vary, most cities levy a 1.0 percent tax on residents and corporations and a 0.5 percent tax on nonresidents. Revenue collections go to the general fund of the taxing city, and most revenue comes from city residents.

	FY 2017 Estimate
Federal Deductions Tax expenditures for city income taxes are similar to those for state and federal income taxes. However, most city income taxes are based on gross income from salaries, bonuses, wages, commissions, interest, and dividends rather than on federal AGI.	n.a.
Net Profits of Financial Institutions Exempts net profits of financial institutions and insurance companies from the city income tax. No statewide estimate is available.	n.a.

Exhibit 20
Miscellaneous Local Taxes Kept by Counties, 2013

County	Accommodations	Mobile Home (County Share)	Real Estate Prop. Trans.
ALCONA	$0	$135	$43,471
ALGER *	0	168	21,494
ALLEGAN	0	29,436	453,342
ALPENA	0	714	56,167
ANTRIM	0	259	160,220
ARENAC	0	2,055	36,792
BARAGA	0	0	16,183
BARRY	0	4,233	198,876
BAY *	0	13,780	185,739
BENZIE	0	409	99,043
BERRIEN *	0	16,247	583,193
BRANCH	0	4,402	120,442
CALHOUN	1,266,480	15,523	N/A
CASS	0	3,509	176,691
CHARLEVOIX	0	2,429	194,190
CHEBOYGAN	0	1,135	108,373
CHIPPEWA	0	2,146	72,419
CLARE	0	1,654	60,574
CLINTON	0	10,135	350,900
CRAWFORD	0	0	37,106
DELTA	0	4,182	78,040
DICKINSON	0	2,412	46,140
EATON	0	8,871	261,536
EMMET	0	2,431	270,042
GENESEE *	1,190,274	57,305	685,551
GLADWIN	0	1,901	75,676
GOGEBIC	0	9	30,051
GRAND TRAVERSE	0	12,398	533,703
GRATIOT	0	3,720	84,874
HILLSDALE	0	2,281	118,334
HOUGHTON	0	216	64,443
HURON	0	2,468	123,992
INGHAM	122,456	808	14,150
IONIA	0	5,119	121,079
IOSCO	0	687	73,285
IRON	0	295	37,240
ISABELLA *	0	4,328	123,098
JACKSON	0	22,062	322,488
KALAMAZOO	2,332,566	19,363	879,570
KALKASKA	0	359	51,302
KENT *	6,597,840	48,995	2,116,711
KEWEENAW	0	0	10,999

Exhibit 20 (Continued)

County	Accommodations	Mobile Home (County Share)	Real Estate Prop. Trans.
LAKE	$0	$0	$37,913
LAPEER *	0	11,507	226,346
LEELANAU	0	632	268,589
LENAWEE	0	10,915	280,668
LIVINGSTON	0	20,678	902,085
LUCE	0	0	12,754
MACKINAC	0	65	56,687
MACOMB	0	68,961	3,151,812
MANISTEE *	0	588	76,230
MARQUETTE	0	3,275	227,747
MASON	0	3,168	102,077
MECOSTA	0	2,472	97,753
MENOMINEE *	0	854	47,809
MIDLAND	0	6,024	286,222
MISSAUKEE	0	45	32,163
MONROE	0	32,541	416,260
MONTCALM	0	3,815	1,065,904
MONTMORENCY *	0	73	29,559
MUSKEGON *	914,573	18,686	398,847
NEWAYGO	0	4,353	106,408
OAKLAND	0	88,949	7,055,279
OCEANA	0	2,681	97,396
OGEMAW *	0	457	38,328
ONTONAGON *	0	0	13,830
OSCEOLA	0	482	50,263
OSCODA	0	0	24,174
OTSEGO	0	1,556	81,266
OTTAWA	0	31,482	1,165,702
PRESQUE ISLE *	0	354	32,736
ROSCOMMON	0	1,464	97,397
SAGINAW	2,681,804	10,508	323,725
SAINT CLAIR	0	84,992	479,913
SAINT JOSEPH	0	5,510	140,133
SANILAC *	0	6,294	126,464
SCHOOLCRAFT	0	24	20,228
SHIAWASSEE	0	10,362	122,530
TUSCOLA	0	3,732	99,593
VAN BUREN	0	6,100	299,793
WASHTENAW	4,683,363	26,908	1,787,622
WAYNE	0	76,019	4,062,968
WEXFORD	0	2,191	103,787
TOTAL	$19,789,357	$857,285	$33,144,479

* Figures carried forward from a previous year.

	FY 2017 Estimate
Nonresident Reduced Rate Nonresidents' income is taxed at half the rate paid by residents.	$238,853,000
Pensions, Annuities, and Retirement Plans Exempts proceeds of pensions, annuities, and retirement plans from the city income tax. Although no statewide estimate is available, this tax expenditure is likely to be substantial.	n.a.
Personal Exemption Exempts a certain amount of income for each person claimed on the federal form. The exemption amounts for the various cities are listed in Exhibit 22. While most cities record the number of personal exemptions provided, some do not. In these cases, personal exemptions are estimated based on the number of tax returns multiplied by a weighted average number of exemptions.	$10,200,000
Supplemental Unemployment Benefits Exempts supplemental unemployment benefits from the city income tax. A statewide estimate is not available.	n.a.

City Utility Users' Tax

The uniform city utility users' tax is based on the privilege of consuming public telephone, electric, steam, or gas services in a city of one million or more. Currently, Detroit is the only city in Michigan eligible to levy the tax. The maximum rate is 5 percent, which is the current rate in Detroit. Revenues are earmarked for increased law enforcement. Collections totaled $36.0 million in 2013.

Exhibit 21
Estimated Tax Expenditures From
City Income Tax Personal Exemptions, 2013

City	Resident Quantity	Resident Amount	Nonresident and Partial-Year Resident Quantity	Nonresident and Partial-Year Resident Amount
Albion	3,268	$19,608	3,281	$11,380
Battle Creek	30,901	231,758	40,435	151,631
Big Rapids	2,849	17,094	13,424	40,272
Detroit	172,652	2,486,189	247,900	1,784,880
Flint	37,682	226,092	62,765	188,295
Grand Rapids	117,587	1,058,283	157,724	709,758
Grayling	799	23,970	3,861	57,915
Hamtramck	13,796	82,776	15,302	45,906
Highland Park	11,591	139,092	5,279	31,674
Hudson	1,762	17,620	1,251	6,255
Ionia	4,387	30,709	13,047	45,665
Jackson	16,395	98,370	32,782	98,346
Lansing	75,693	454,158	99,892	299,676
Lapeer	6,715	40,290	17,490	52,470
Muskegon	12,107	72,642	28,331	84,993
Muskegon Heights	1,427	8,562	4,005	12,015
Pontiac	17,733	106,398	48,713	146,139
Port Huron	17,542	105,252	21,713	65,139
Portland	3,050	30,500	2,120	10,600
Saginaw	21,803	245,284	39,281	220,956
Springfield	3,436	25,770	6,020	22,575
Walker	20,285	121,710	33,837	101,511
TOTAL	593,460	$5,642,126	898,453	$4,188,050

Exhibit 22
City Tax Rates and Exemption Allowances, 2013

	City Income Tax Rate				
City	Resident	Non-Resident	Corporation	Personal Exemption	Collections (000s)
Albion	1.00%	0.50%	1.00%	$600	$953
Battle Creek	1.00%	0.50%	1.00%	750	15,953
Big Rapids	1.00%	0.50%	1.00%	600	2,121
Detroit	2.40%	1.20%	2.00%	600	252,951
Flint	1.00%	0.50%	1.00%	600	13,404
Grand Rapids	1.50%	0.75%	1.50%	600	77,297
Grayling	1.00%	0.50%	1.00%	3,000	444
Hamtramck	1.00%	0.50%	1.00%	600	1,871
Highland Park	2.00%	1.00%	2.00%	600	2,908
Hudson	1.00%	0.50%	1.00%	1,000	395
Ionia	1.00%	0.50%	1.00%	700	2,415
Jackson	1.00%	0.50%	1.00%	600	7,857
Lansing	1.00%	0.50%	1.00%	600	34,124
Lapeer	1.00%	0.50%	1.00%	600	2,658
Muskegon	1.00%	0.50%	1.00%	600	7,667
Muskegon Heights	1.00%	0.50%	1.00%	600	970
Pontiac	1.00%	0.50%	1.00%	600	9,598
Port Huron	1.00%	0.50%	1.00%	600	6,671
Portland	1.00%	0.50%	1.00%	1,000	644
Saginaw	1.50%	0.75%	1.50%	750	12,406
Springfield	1.00%	0.50%	1.00%	750	812
Walker	1.00%	0.50%	1.00%	600	9,653
TOTAL					$463,772