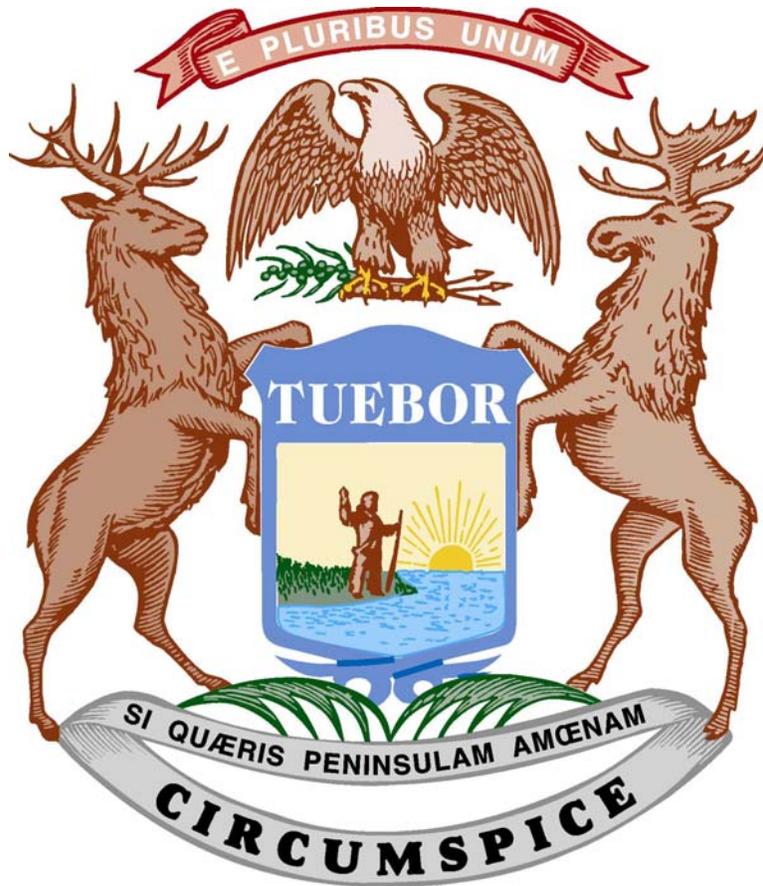
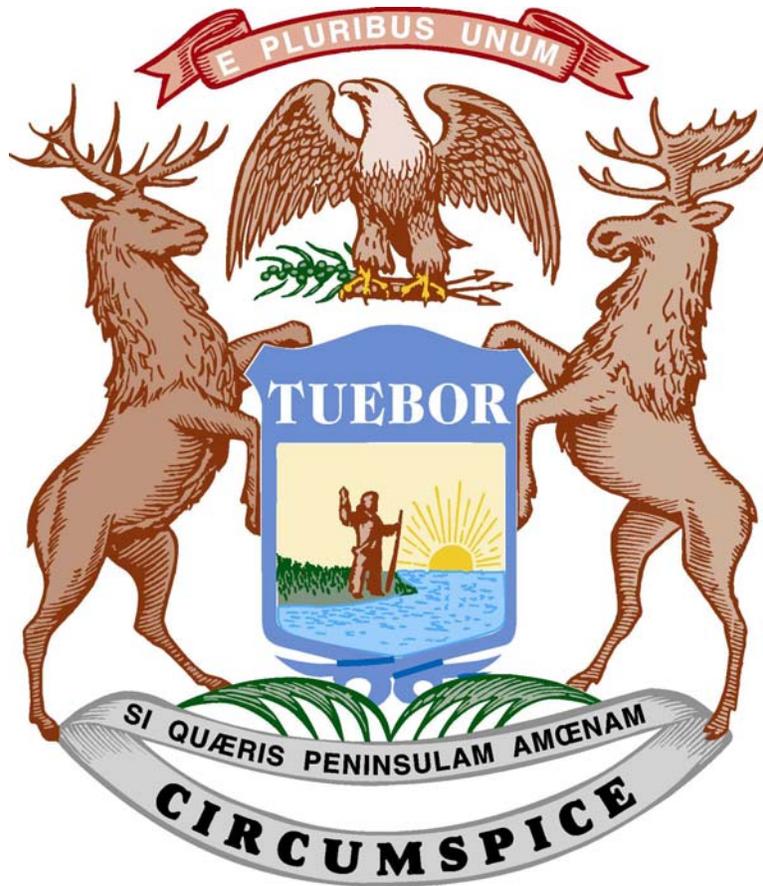


**MICHIGAN'S
INDIVIDUAL INCOME TAX
2004**



**Michigan Department of Treasury
Bureau of Tax and Economic Policy
Tax Analysis Division
July 2006**

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This report was prepared by Denise T. Heidt under the direction of Howard Heideman, Director of Tax Analysis Division, Bureau of Tax and Economic Policy. Scott Darragh and Eric Krupka of Tax Analysis Division provided assistance. Diane Burton of Tax Analysis Division provided editorial and secretarial assistance.

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I. EXECUTIVE SUMMARY

Returns and Revenue

For tax year 2004, Michigan's personal income tax generated \$5.3 billion in state revenues after all credits and refunds were paid.

Net revenue increased \$69.5 million (1.3 percent) from 2003 levels, reflecting a taxable income increase of \$4.9 billion (3.2 percent) from 2003 to 2004, a 1.25% rate cut (from 4.0% to 3.95%), and a 4.2% increase in property tax credits.

About 4.4 million returns were filed for the 2004 tax year, or 20,300 more filers (0.4 percent) than the previous year.

Although the personal income tax was levied at a nominal flat rate of 3.95 percent in 2004, the effective tax rate varied from negative 19.9 percent for filers with an AGI under \$2,000 to positive 3.2 percent for taxpayers with an AGI between \$120,001 and \$400,000. The overall effective tax rate was 2.2 percent. The negative effective rates for lower incomes arise because some taxpayers receive net payments from the state, due principally to the refundable credits for property taxes and home heating expenses.

Interstate Comparisons

For fiscal year 2004, Michigan's income tax revenue is below the national average, both as a percentage of personal income and on a per capita basis. Michigan ranks 36th highest and 33rd highest, respectively. Compared to the average for the 41 states with a general income tax, Michigan's income tax revenue is 30 percent below average on a per capita basis, and 29 percent below average as a percent of personal income.

Property Tax Credit

About 1.4 million Michigan homeowners, renters, and farmers received \$777.1 million in property tax credits, including farmland preservation credits, for 2004. The average property tax credit was \$547. Excluding farmland preservation credits, the average property tax credit for tax year 2004 was \$529. The total amount of property tax credits, including farmland preservation credits, increased by over \$29.6 million (4.2 percent) with 5,700 more taxpayers benefiting compared to tax year 2003.

Senior citizens received about \$304 million in homestead property tax credits, an increase of almost \$14 million from tax year 2003. For about 418,200 senior citizens receiving homestead property tax credits, the average credit was \$728.

Home Heating Credit

Home heating credits totaled \$69 million for tax year 2004 with about 388,400 households qualifying for an average credit of \$179. Home heating credits increased \$7.2 million from 2003 while approximately 31,600 more taxpayers claimed the credit.

Adoption Credit

In tax year 2004, \$1.5 million in adoption credit was claimed by 1,200 taxpayers, resulting average credit of \$1,240 per taxpayer. This credit became effective in tax year 2001, allowing taxpayers to offset qualified expenses for single or multiple adoptions, but it is limited to a maximum of \$1,200 per adopted child.

City Income Tax Credit

In 2004, city income tax credits were claimed by 912,500 taxpayers amounting to \$33.7 million in total credits. This was a decrease of \$422,700 from the prior year, with 9,800 fewer taxpayers claiming the credit.

Public Contribution Credit

Michigan taxpayers claimed \$25.4 million in credits for contributions to Michigan colleges, libraries, museums, and public broadcasting stations for tax year 2004. This was an increase of \$349,100 over tax year 2003, with 2,600 more taxpayers claiming this credit.

Community Foundation Credit

For tax year 2004, about 38,300 taxpayers claimed \$3.0 million in community foundation credits. This figure represents an increase of about \$61,300 over tax year 2003, with 500 fewer taxpayers claiming the credit.

Homeless Shelter/Food Bank Credit

About 224,300 taxpayers claimed homeless shelter/food bank credits totaling \$17.0 million for tax year 2004. Compared with tax year 2003, this represented an increase of \$900,800 with an additional 10,300 taxpayers claiming a credit.

College Tuition Credit

For tax year 2004, 95,600 taxpayers claimed \$12.6 million in tuition credits. Compared with tax year 2003, this was an increase of \$9.6 million with 69,200 more taxpayers claiming a credit.

Historic Preservation Credit

For tax year 2004, about 1,100 taxpayers claimed \$531,700 in historic preservation credits. Compared with tax year 2003, this was an increase of \$17,000 with 370 more taxpayers claiming a credit.

Use Tax Payments

Starting in tax year 1999, taxpayers were asked to remit use tax payments along with their personal income tax returns. In 2004, 86,800 taxpayers paid \$4.0 million in use tax, higher than the 79,700 taxpayers who made \$3.3 million in payments on their 2003 return.

Tax Law Changes

Public Act (PA) 199 of 2004 allowed active duty military service personnel serving in a combat zone an automatic extension to file and to pay any Michigan income tax liability due if the taxpayer was eligible for an automatic extension to file a federal return due to service in a combat zone.

PA 313 of 2004 created a nonrefundable credit equal to 50 percent of the fair market value of certain automobile donations to qualified charitable organizations. The credit is limited to a maximum of \$50 (single filers) or \$100 (married, filing jointly).

PAs 363 and 364 of 2004 created the Military Family Relief Fund, which will assist families of Michigan residents serving in the armed forces who meet certain criteria of need established in the Acts. Contributions from a checkoff box on the Michigan income tax return (tax years 2004 through 2007) will be directed to the fund.

PA 160 of 2005 reinstated the Children's Trust fund checkoff on the Income Tax form, starting tax year 2005. Contributions to the fund are subject to a minimum of \$5 dollars, and will increase taxpayers' income tax liability or decrease their available refund.

Public Act 249 of 2005 allowed taxpayers to designate a minimum of \$2, effective tax year 2006, via a new checkoff box on the Michigan income tax return to fund the newly created Children of Veterans Tuition Program.

II. INTRODUCTION

This report summarizes information regarding the Michigan individual income tax for tax year 2004. It is based on returns filed and processed in calendar year 2005.

Section III reports the history of the Michigan individual income tax. Section IV presents an overview of the number of taxpayers, revenue collections, refunds, and effective tax rates. Section V details the major income tax credits, while Section VI discusses the designated contributions listed on the personal income tax form. Section VII compares Michigan's personal income tax to the income taxes levied by other states. Section VIII lists the geographic pattern of revenue and credits by county.

The Michigan income tax builds on the federal income tax, specifically federal adjusted gross income (AGI). As such, changes in federal law that alter the calculation of AGI will generally have an impact on the Michigan income tax base and revenues. Section IX summarizes the significant changes in federal income tax law in 2004 and 2005 and how those changes affect Michigan's income tax base. Section X summarizes the Michigan Public Acts (PA) in 2004 and 2005 that amended the Michigan Income Tax Act.

Section XI contains tables and charts presenting detailed data on returns, exemptions, credits, revenue, and effective tax rates.

Section XII contains a summary of significant changes in federal income tax law since the landmark Tax Reform Act of 1986 through changes in 2003, the Michigan personal income tax legislative history through 2003, and a table with chronological changes to the Michigan income tax requirements and limits since 1967.

III. HISTORY OF THE MICHIGAN INDIVIDUAL INCOME TAX¹

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

Michigan suffered from budget deficits in the early 1980s due to an economic recession. In response, the state income tax rate was raised to 5.6 percent between April 1 and September 30, 1982. In 1983, the income tax rate was increased to 6.35 percent. In 1984, the income tax rate was lowered to 5.85 percent and to 5.33 percent in 1985. In 1986, the rate was lowered back to 4.6 percent. The rate was lowered to 4.4 percent on May 1, 1994, following the passage of the property tax reform package known as Proposal A. For the 1995 tax year only, the Headlee Amendment Refund reduced the income tax liability of all Michigan taxpayers by 2.0 percent. Effective January 1, 2000, the income tax rate declined to 4.2 percent, and it declined by 0.1 percentage point on January 2002, January 2003, and July 2004, bringing the rate to 3.9 percent thereafter. (For a complete list of average Michigan Individual Income tax rates since 1968, see Exhibit 36 on page 58.)

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

In 2004, a \$3,100 per person personal exemption was allowed, while an extra \$2,000 exemption was provided for senior citizens, filers with certain disabilities, and filers receiving at least 50 percent of their AGI from unemployment compensation. As in 2003, the child exemption was \$600 per child aged 18 years and under, while the (claimed as) dependent exemption remained at

¹ For a complete Michigan personal income tax legislative history through 2003, see Appendix A, p. 66.

\$1,500. Exhibit 1 summarizes the changes in the Michigan individual income average annual tax rate and allowed exemptions since 1996.

Exhibit 1 Michigan Individual Income Tax Exemption Allowances

Tax Year	Average Rate	Personal Exemption	Claimed as Dependent Exemption	Special Exemptions			Child Exemptions		
				Senior	Blind or Disabled **	Deaf **	Unemployment Compensation	Age 6 and Under	Age 7 to 18 *
1996	4.40%	2,400	1,000	\$900	\$900	\$900	\$900	n.a.	n.a.
1997	4.40%	2,500	1,000	900	900	900	900	n.a.	n.a.
1998	4.40%	2,800	1,000	900	900	900	900	\$600	\$300
1999	4.40%	2,800	1,000	900	900	900	900	600	300
2000	4.20%	2,900	1,500	1,800	1,800	1,800	1,800	600	600
2001	4.20%	2,900	1,500	1,900	1,900	1,900	1,900	600	600
2002	4.10%	3,000	1,500	1,900	1,900	1,900	1,900	600	600
2003	4.00%	3,100	1,500	1,900	1,900	1,900	1,900	600	600
2004	3.95% ***	3,100	1,500	2,000	2,000	2,000	2,000	600	600
2005	3.90%	3,200	1,500	2,000	2,000	2,000	2,000	600	600
2006	3.90%	3,300	1,500	2,100	2,100	2,100	2,100	600	600

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

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

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

The Michigan individual income tax is a flat rate tax. The Michigan Constitution prohibits graduated income tax rates. Proposals to allow graduated rates were defeated by voters in 1968, 1972, and 1976. However, a degree of progressivity is achieved with exemptions and credits, such as the homestead property tax and home heating credits. These provisions help to make the tax less burdensome on low income taxpayers. Except in 1994, when property tax reductions enacted as a part of school finance reform led to reduced property tax credits, both refundable and nonrefundable credits paid and claimed have steadily increased over the years as a result of the increase in the number of credits available as well as the eligibility expansion for existing credits. Exhibit 2 provides information on the total amount of refundable and nonrefundable credits paid since 1991. For tax year 2004, credits were provided for: property taxes, home heating expenses, qualified adoption expenses, city income taxes, taxes paid to another state, tuition paid to qualified Michigan colleges, qualified expenses made to rehabilitate historic resources, and contributions to community foundations, qualified homeless shelters, food banks or food kitchens, Michigan public colleges, universities, libraries, museums, and public broadcasting stations. (See Chapter V, on page 18, for more information on credits available in tax year 2004.) A total of \$848.2 million was paid in refundable credits, and \$129.0 million was paid in nonrefundable credits in tax year 2004.

charges) of all taxable items purchased from the out-of-state² retailer who does not collect Michigan tax.

Starting in tax year 1999, Michigan taxpayers were able to remit use tax payments while filing their income tax return, instead of filing separate numerous use tax forms. This alternative simplifies the tax compliance process for the taxpayer. In tax year 2004, 86,800 taxpayers remitted \$4.0 million in use tax. Exhibit 4 provides information on the amount of use tax reported on income tax returns since 1999.

Exhibit 3
Earmarking of Income Tax Revenue

<u>Tax Years</u>	<u>Average Tax Rate</u>	<u>Earmarking Percentages</u>	
		<u>SAF</u>	<u>GF/GP</u>
1994	4.47%	14.00 %	86.00 %
1995	4.40%	14.00	86.00
1996 - 1999	4.40%	23.00	77.00
2000 - 2001	4.20%	24.10	75.90
2002	4.10%	24.68	75.32
2003	4.00%	25.30	74.70
2004	3.95%	25.62	74.38
2005 - 2006	3.90%	25.95	74.05

Exhibit 4
Use Tax Liability Reported on Income Tax Returns

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

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

²An out-of-state business that does not have a store, warehouse, or employees in Michigan does not have to register and collect Michigan use tax. However, many out-of-state businesses voluntarily collect use tax for their customers.

IV. INCIDENCE OF THE INDIVIDUAL INCOME TAX

For tax year 2004, about 4.4 million MI-1040 returns were filed, 20,300 more than in 2003. (See Exhibit 5 below.) An additional 206,300 “credit-only” returns were filed for 2004. These “credit-only” returns refer to returns from taxpayers who did not file a MI-1040 form, but who did claim a refundable tax credit, such as a property tax credit, or a home heating credit by filing the appropriate forms. Of those “credit-only” returns, 50,600 claimed only a home heating credit, 39,500 claimed only a property tax credit, and 58,100 claimed both refundable credits in tax year 2004.

The personal income tax generated \$5.3 billion in net revenue for tax year 2004, which is total revenue after all credits and refunds are paid. Income tax revenues increased \$69.5 million (1.3%) from 2003, reflecting a taxable income increase of \$4.9 billion (3.2%) from 2003 to 2004, and a reduction in the tax rate from 4.0 percent to 3.95 percent.

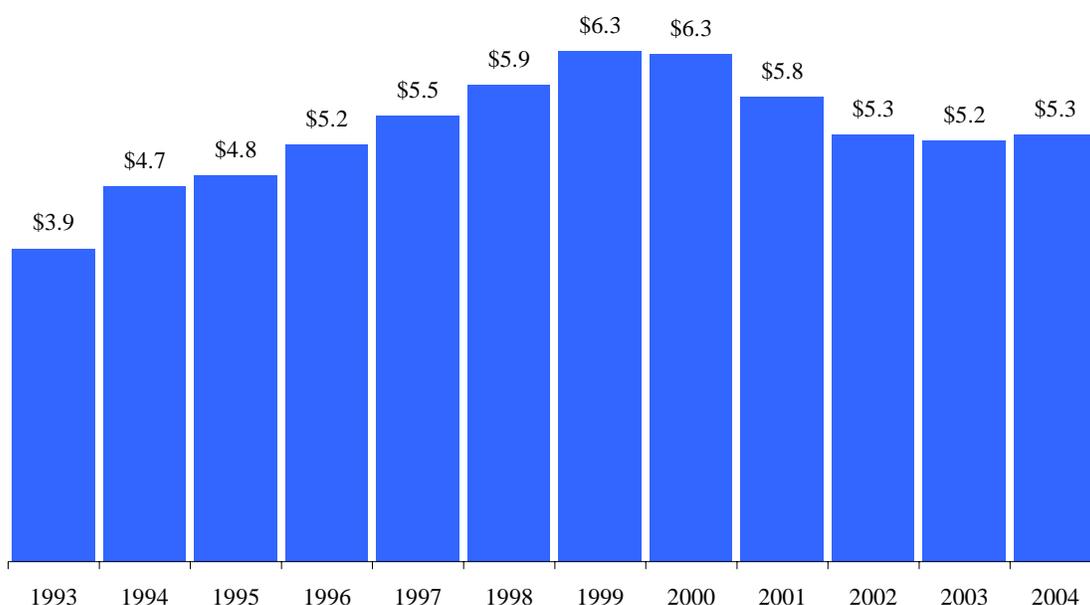
Exhibit 5
Fifteen-Year History of Income Tax Rates and Revenue

<u>Year</u>	<u>Number of 1040s Filed</u>	<u>Adjusted Gross Income</u>	<u>Average AGI</u>	<u>Nominal Rate</u>	<u>Average Effective Rate</u>	<u>Revenue</u>
1990	4,022,300	127,897,387,600	31,797	4.60%	2.85%	3,647,260,200
1991	4,011,600	131,533,587,500	32,788	4.60%	2.74%	3,607,799,000
1992	3,984,600	134,802,283,400	33,831	4.60%	2.77%	3,730,007,100
1993	4,034,000	141,599,188,400	35,101	4.60%	2.75%	3,888,847,900
1994	4,123,200	153,895,394,200	37,324	4.47%	3.03%	4,668,579,100
1995	4,214,300	167,307,933,535	39,700	4.40%	2.87%	4,794,937,300
1996	4,260,200	180,087,338,060	42,272	4.40%	2.88%	5,177,919,400
1997	4,308,575	190,806,002,405	44,285	4.40%	2.90%	5,540,653,500
1998	4,350,006	205,229,640,000	47,179	4.40%	2.88%	5,919,624,100
1999	4,414,720	222,092,788,315	50,307	4.40%	2.86%	6,343,222,500
2000	4,511,561	235,714,626,207	52,247	4.20%	2.68%	6,313,315,900
2001	4,456,031	222,960,889,578	50,036	4.20%	2.59%	5,774,007,800
2002	4,405,687	213,455,154,939	48,450	4.10%	2.49%	5,309,790,100
2003	4,369,995	223,070,894,889	51,046	4.00%	2.35%	5,232,779,200
2004	4,390,300	241,419,608,339 ³	54,989	3.95%	2.20%	5,301,966,200

³The AGI above is reduced by returns reporting a negative AGI totaling a negative \$2.6 billion. AGI data for these returns were not available prior to 1997. The data for negative AGI returns are included throughout this report unless otherwise noted.

The number of income tax returns and tax revenues both generally increase when the economy expands and decrease during a recession, such as in 1991 and 2002. Changes in AGI reflect both economic growth and changes in the definition of federal AGI. For example, ending the 60 percent deduction for capital gains and including all unemployment benefits increased AGI beginning in 1987. Exhibit 6 below provides a graphical representation of Michigan individual income tax annual collections since 1993.

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

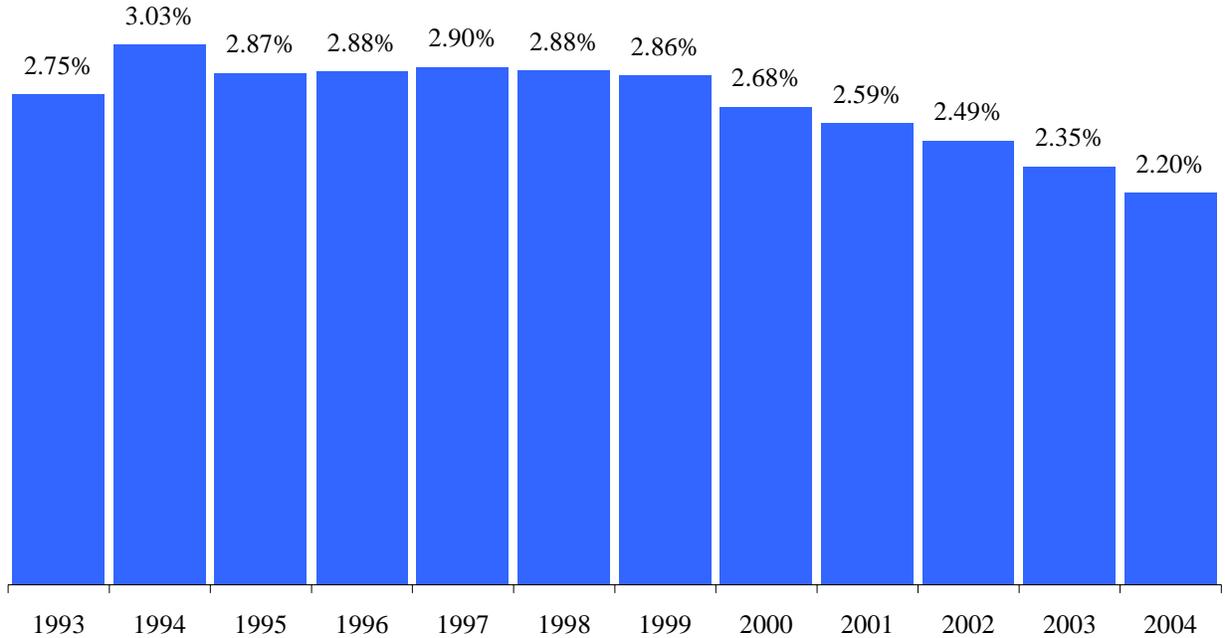


Source: Tax Analysis Division, Bureau of Tax and Economic Policy, Michigan Department of Treasury.

Even though the nominal Michigan personal income tax is levied at a flat rate (3.95 percent in 2004), exemptions and credits help to lessen the relative burden on taxpayers with lower AGIs. As a result, the average effective tax rate is considerably lower than the nominal flat rate. As shown in Exhibit 7, the average effective tax rate in 2004 decreased to 2.20 percent, compared to an average of 2.88 percent calculated for the 1995-1999 period, when the tax rate was 4.4 percent. Over the 1991-2004 period, the highest average effective rate was 3.03 percent in 1994, and the lowest average was 2.20 percent in 2004. The high average in 1994 resulted from the dramatic decline in homestead property tax credits, since property taxes across the state fell as a result of Proposal A⁴. The low average rate in 2004 results from a combination of a lower tax rate, and increased and expanded credits and deductions.

⁴ For more information on the impact of Proposal A, see Office of Revenue and Tax Analysis, *Proposal A: A Retrospective*, December 2003, at www.michigan.gov/treasury.

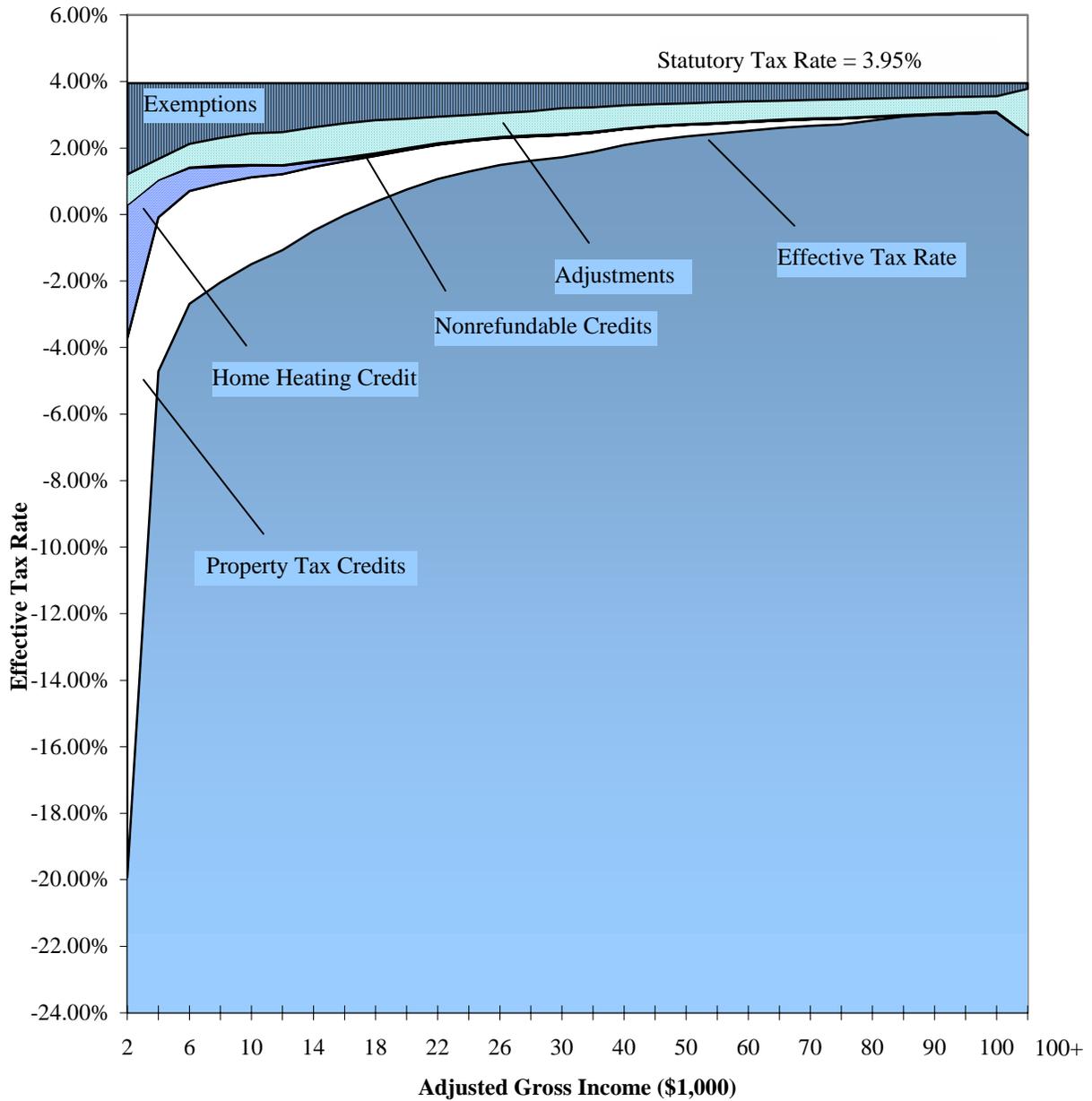
Exhibit 7
Individual Income Tax
Effective Tax Rate



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

As shown in Exhibits 8, 21 and 22 (see pages 12, 38 and 39, respectively), the effective tax rate in 2004 varied from negative 19.9 percent for taxpayers in the \$1 - \$2,000 AGI group, to positive 3.2 percent for taxpayers with an AGI between \$120,001 and \$400,000. The effective rate for taxpayers with an AGI above \$1,000,000 was 1.0 percent, lower than the peak of 3.2 percent. The reason for this lower rate is because the above \$1,000,000 AGI group includes a large number of nonresidents with relatively low Michigan income compared to their total AGI, affording them large subtractions for income not taxable in Michigan, and consequently lower taxable income and effective rate. Resident taxpayers included in that AGI group are also more likely than resident taxpayers in other AGI groups to have part of their income from business activities outside of Michigan, resulting in their Michigan tax base being lower than their AGI. Overall, the effective tax rate was 2.2 percent rather than the nominal rate of 3.95 percent. Taxpayers with AGIs of less than \$14,000 on average received net payments from the state, mostly due to the refundable credits for property taxes and home heating expenses. The effective rates in Exhibits 21 and 22 were calculated before the deduction of the farmland credit, because the distribution of these credits by AGI is not available. In 2004, farmland credits totaled \$30.0 million. Subtracting these credits reduces the effective rate by a marginal amount.

**Exhibit 8
Effective Income Tax Rates, 2004**



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

Exhibit 8 reveals the influence of the various exemptions and credits on the effective tax rate and illustrates the data in Exhibit 23 (see page 40). Exhibit 23 details the effects of the personal exemption, various adjustments, and credits on the distribution of the Michigan income tax burden. As a percentage of income, the \$3,100 personal exemption and property tax credit benefit lower income taxpayers the most, while reducing the effective tax rate for most

taxpayers. The personal exemption, property tax credit, and home heating credit make Michigan's income tax more progressive, since these provisions decline as a percentage of AGI as income increases. The nonrefundable credits, which include the city income tax, college tuition, and college contribution credits, have a more proportional effect on income.

Michigan taxpayers claimed almost 8.8 million personal exemptions for 2004. Since the total exemption amount for some taxpayers is greater than their income, not all exemptions were used at lower income levels. In the lowest income groupings, the exemptions and child deductions offset all income. As noted in Exhibit 21 (see page 38), there were an estimated 7.6 million effective personal exemptions, i.e., exemptions that actually offset income. The effective exemptions for 2004 were calculated assuming all personal exemptions, special exemptions, and all child deductions were equally likely to offset taxable income.

Michigan taxpayers claimed over 1 million special exemptions for tax year 2004. About 86.3 percent of the special exemptions were claimed by senior citizens. Michigan families also claimed 2.5 million deductions for children age 18 and under. Exhibits 24 and 25 (see pages 42 through 44) present distributions of all the exemptions claimed for tax year 2004 by income group. The number of special exemptions or child deductions that actually offset taxable income for each income group can be estimated by dividing the number of effective exemptions listed for that income group in Exhibit 21 (see page 38) by the number of claimed exemptions, and then multiplying that quotient by the number of exemptions/deductions in Exhibit 25 (see page 44). For example, the number of effective deductions for children age 18 and under in the \$30,001 to \$35,000 income group would be estimated by dividing 388,229 by 444,835 and then multiplying the result (0.8727) by 119,990. The result is an estimate of 104,715 effective deductions.

Married taxpayers filing jointly reported 69.8 percent of AGI and paid 73.9 percent of the Michigan income tax. Married couples tend to be older and earn higher wages, due to greater accumulated human capital. Human capital includes formal education plus skills acquired through work experience and on-the-job training. Couples also have an additional potential worker. The Michigan income tax does not have a "marriage penalty" or "marriage bonus" as potentially exists with the federal income tax. Exhibit 9 summarizes the distribution of Michigan returns and net tax liability by filing status. Note that the total tax liability does not include refundable income tax credits claimed by individuals not required to file a Michigan income tax return.

Exhibit 9
2004 Income Tax Return Distribution by Filing Status

<u>Filing Status</u>	<u>Number of Returns</u>	<u>Adjusted Gross Income</u>	<u>Total Tax Liability</u>
Single	2,483,000	\$69,173,086,795	\$1,353,352,898
Married filing jointly	1,840,608	168,497,013,538	4,026,484,879
Married filing separately	59,712	3,553,862,949	67,228,187
Status not reported	6,980	195,645,058	4,402,115
Totals	4,390,300	\$241,419,608,339	\$5,451,468,079

The Michigan income tax is paid almost exclusively by Michigan residents. Non- or part-year residents pay less than 3.0 percent of the income tax. Exhibit 10 below summarizes the distribution of Michigan returns and net tax liability by residency. While nonresidents report \$33.2 billion in AGI, they claim subtractions totaling \$27.2 billion, mostly for income not taxable in Michigan.

Exhibit 10
2004 Income Tax Returns Distribution by Residency

<u>Residency</u>	<u>Number of Returns</u>	<u>Adjusted Gross Income</u>	<u>Total Tax Liability</u>
Resident	4,228,453	\$203,315,811,277	\$5,288,987,494
Part-year resident	86,724	4,913,516,447	77,384,567
Nonresident	75,123	33,190,280,615	85,096,018
Totals	4,390,300	\$241,419,608,339	\$5,451,468,079

Exhibit 11 presents estimates of the growth of Michigan personal income from 2003 to 2004 prepared by the U.S. Bureau of Economic Analysis. While personal income grew 1.8 percent overall, the strongest growth was in adjustment for residence and proprietor's income (6.7 percent, each), and dividends, interest and rent income (4.9 percent). Other labor income declined by 10.0 percent in 2004.

Exhibit 11
Growth in Michigan Income
2003 – 2004
(thousands)

		<u>2003</u>	<u>2004</u>	<u>Percentage</u> <u>Change</u>
Labor Earnings				
Wage and salary disbursements		\$176,652,882	\$180,245,440	2.0%
Other labor income		36,005,970	32,416,476	-10.0%
Proprietors' income		<u>25,608,423</u>	<u>27,319,301</u>	6.7%
Total labor earnings	(A)	\$238,267,275	\$239,981,217	0.7%
Adjustments				
Personal contributions for social insurance		-\$13,896,328	-\$14,239,278	2.5%
Adjustment for residence		<u>1,201,763</u>	<u>1,282,071</u>	6.7%
Total adjustments	(B)	-\$12,694,565	-\$12,957,207	2.1%
Net Michigan labor earnings	(C)=(A)-(B)	\$225,572,710	\$227,024,010	0.6%
Dividends, interest, and rent	(D)	\$45,883,365	\$48,154,226	4.9%
Transfer payments	(E)	<u>47,034,752</u>	<u>48,955,718</u>	4.1%
Michigan Personal Income	(C)+(D)+(E)	\$318,490,827	\$324,133,954	1.8%

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

The Michigan tax data overstate the aggregate effective tax rate, since taxpayers who itemize deductions on their federal returns may deduct their state income tax payments. Federal data for tax year 2004 (the latest year data was available at the time of the publishing this report) show that 36.7 percent of Michigan taxpayers itemized deductions on their federal income tax returns.⁵ With federal deductibility, taxpayers offset part of their state income tax with a lower federal tax liability. For example, taxpayers in the 28 percent federal income tax bracket who itemized would have up to 28 percent of their state income tax offset by lower federal income tax liability. Federal deductibility provides greater benefits to taxpayers with higher incomes, since higher income people are both more likely to itemize their deductions and face higher marginal tax rates. For 2004, 92.0 percent of Michigan taxpayers reporting an AGI of \$100,000 or more itemized their deductions, while 18.3 percent of taxpayers with an AGI up to \$50,000 itemized. While providing relief for some taxpayers, federal deductibility reduces the progressivity of the Michigan income tax.

⁵Information on itemized deductions was obtained from the Internal Revenue Service, Individual Tax Statistics on State Income (July 2006 Michigan, Individual Income and Tax Data, by State and Size of Adjusted Gross Income). Tax year 2004: Historical Table 2 (SOI Bulletin).

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

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

A simple calculation will clarify the concept of elasticity. In Exhibit 5 (see page 9), net income tax revenues increased by 7.16 percent from 1998 to 1999 while total AGI increased by 8.22 percent over the same period. This resulted in an elasticity estimate of 0.871 (7.16 divided by 8.22). This means that a 10 percent increase/decrease in income will, on average, increase/decrease tax revenues by 8.71 percent. However, this method of calculating income elasticity is not suitable when changes in other important variables that also affect tax revenues are also present. For example, the Michigan individual income tax rate changed in the 2000-2005 period. Likewise, exemption amounts also increased over the same period. If we were to calculate income elasticity using 1999 and 2000 data, the reported changes of net income tax revenues (-0.47 percent) and of AGI (6.13 percent) would result in a calculated elasticity of -0.077. This estimate suggests that a 10 percent increase/decrease in income will result, on average, in tax revenues declining/increasing 0.7 percent. The problem with this estimate is that the drop in tax revenue due to the decrease in the tax rate and to the increase in exemptions cannot be accounted for using the simple calculation method. On the other hand, if we were using 2000 and 2001 data, the average method would result in a calculated income elasticity of 1.58 (net income tax revenue change of -8.54 percent, divided by an AGI change of -5.41 percent). The result suggests that a 10 percent increase/decrease in income will result, on average, in tax revenues increasing/decreasing 15.8 percent. However, the strong responsiveness of tax revenues to income suggested by the elasticity estimate is mainly attributable to the fact that the simple calculation method does not properly account for the large drop in capital gains, which was concentrated among taxpayers with high marginal rates. Thus, another method of estimating elasticity is recommended.

Regression analysis provides a more thorough method of estimating the income elasticity of net income tax revenues. It allows the investigator to isolate the effect of changes in income on tax revenues by controlling other variables that influence tax collections, such as changes in the personal exemption or tax rate. Regression analysis of Michigan income tax collections from the fourth quarter of 1978 through the fourth quarter of 2004 results in an estimated elasticity of 0.926. This suggests that a 10 percent increase/decrease in income will result, on average, in tax revenues increasing/decreasing 9.26 percent. This estimate is based on net quarterly income tax

collections and quarterly personal income as reported by the Bureau of Economic Analysis (BEA), the latter added to annual capital gains realizations estimates from the Congressional Budget Office (CBO). Although the Michigan income tax is based on federal AGI, quarterly personal income is the best available proxy given that AGI is not available on a quarterly basis.⁶

⁶ BEA's personal income figure does not include capital gains. Using personal income with this omission will produce a flawed elasticity estimate, because while tax revenues are fully included, the absolute value of the growth rate of income will be understated. Capital gains tend to be more volatile than other income sources (e.g., wages, interest, and pensions) so their exclusion will make the growth of the personal income variable lower than the growth AGI in good times and higher in bad times. In order to remedy this situation, the CBO's estimate of capital gains realizations was added to the personal income data.

V. INCOME TAX CREDITS

For tax year 2004, Michigan's personal income tax offered 11 different credits to taxpayers: four refundable credits (homestead property tax, farmland preservation property tax, home heating credit, and the adoption credit), and seven nonrefundable credits (city income tax credit, college contribution credit, community foundation credit, homeless shelter/food bank credit, college tuition and fees credit, other state income tax credit, and the Michigan historic preservation credit). The credits convert the flat rate Michigan income tax into a more progressive tax structure.

REFUNDABLE CREDITS

Homestead Property Tax Credit

Michigan's property tax credit is designed to provide property tax relief through the income tax. When property taxes exceed specific income thresholds, the credit provides relief to taxpayers. In tax year 2004, taxpayers with household income less than \$82,650 may claim a property tax credit, and the computed credit is reduced by 10 percent for every \$1,000 that household income exceeds \$73,650.

Most homeowners and renters receive credits equal to 60 percent of the amount by which homestead property taxes (or 20 percent of rent for renters) are greater than 3.5 percent of income. Senior citizens, paraplegic, hemiplegic, quadriplegic, totally and permanently disabled, deaf, or blind filers receive a credit for 100 percent of their property taxes above the following percentages of income:⁷

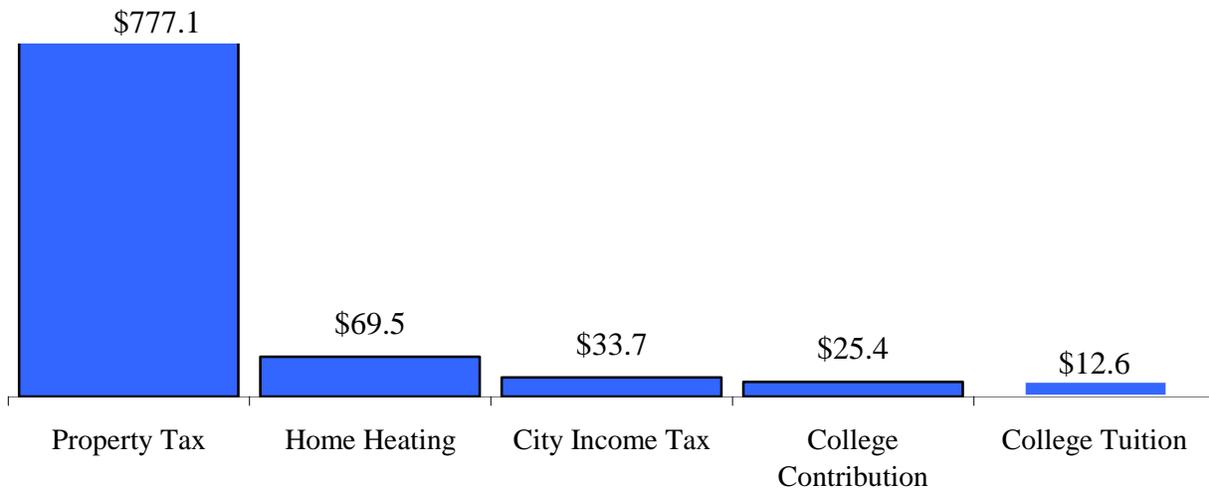
<u>Income</u>	<u>Percent Not Refundable</u>
\$ 0 - \$3,000	0.0%
\$3,001 - \$4,000	1.0%
\$4,001 - \$5,000	2.0%
\$5,001 - \$6,000	3.0%
Over \$6,000	3.5%

About 1.4 million Michigan taxpayers received \$747.1 million of homestead property tax credits and \$30.0 million in farmland preservation property tax credits in tax year 2004. Michigan's property tax credit program is one of the largest property tax relief programs in the country. The

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

\$777.1 million in total 2004 property tax credits represented an increase of \$29.6 million (4.2 percent) from the prior year, while 5,700 additional taxpayers received assistance. Senior citizens received \$304.4 million of the credits, a \$13.8 million increase from 2003. Exhibit 12 illustrates the amount of money paid to taxpayers for property tax credits compared to other credits.

Exhibit 12
2004 Individual Income Tax Credits
(millions of dollars)



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

The average 2004 homestead property tax credit was \$529.03 (excluding the farmland credit), a \$17.52 increase from the tax year 2003 average. Senior citizens' credits averaged \$727.78, a \$24.53 increase from 2003 (see Exhibit 26 on page 45). Exhibit 13, on page 20, provides a summary of the number of credits received by taxpayers, according to AGI levels.

Exhibits 13 and 23 (on pages 20 and 40) confirm that the homestead property tax credit is a progressive element in the state income tax structure. Credits as a fraction of AGI decline continuously as incomes rise. While accounting for only 4.4 percent of total AGI, taxpayers with incomes between \$10,001 and \$20,000 received 22.7 percent of the total homestead credits. On the other hand, taxpayers with AGIs over \$50,000 accounted for 76.6 percent of total 2004 Michigan AGI, but received only 13.9 percent of total homestead credits. Exhibits 27 through 30 (see pages 46 through 50) provide the distribution of property tax credits by income groups.

Exhibit 13
2004 Homestead Property Tax Credits
(excludes farmland credit)

<u>AGI Range</u>	<u>Number of Credits Allowed</u>	<u>Dollar Amount of Credit</u>	<u>Average Credit</u>
Under \$10,000	374,787	\$227,590,174	\$607.25
\$10,001 - \$20,000	318,907	169,490,715	531.47
\$20,001 - \$50,000	512,235	246,284,517	480.80
Over \$50,000	206,413	103,811,452	502.93
Total	1,412,342	\$747,176,858	\$529.03

The farmland preservation program, originally PA 116 of 1974 which was replaced by PA 451 of 1994 (part 361 of chapter 1, article III of the Natural Resources and Environmental Protection Act), provides additional property tax relief for farmers. Under the farmland program, farmers may receive additional property tax relief by entering into an agreement with the state not to convert the farmland to other uses for at least seven years. The program benefited over 8,100 farms in 2004, providing credits of \$30.0 million for an average credit of \$3,677.17. Including the farmland preservation credit, the average property tax credit was \$547.09 in tax year 2004. For 6,900 farmers claiming both a farmland credit and homestead property tax credit, the combined credits averaged over 86.6 percent of total property taxes paid; property taxes totaled \$35.1 million, farmland credits totaled \$23.1 million, and homestead credits totaled \$7.4 million.

PA 269 of 1982 provided a special tax credit for senior citizens with high rent burdens. This additional credit is the amount by which rent paid exceeds 40 percent of household income. For 2004, 10,600 senior citizens claimed an additional \$3.5 million using this alternate calculation. These amounts represent a decrease of \$65,900 from 2003 with 176 less people receiving the additional credit. The amount of this credit is included in the senior citizens' homestead property tax credit statistics, but shown separately in Exhibit 26 (see page 45).

Home Heating Credit

The home heating credit program, designed to help low-income taxpayers with the cost of heating their homes, is financed almost exclusively with federal funds. The credit is based both on the number of exemptions for which the household is eligible and on the household income level. Senior citizens as well as individuals who are disabled, deaf, blind, or have received unemployment compensation greater than 50 percent of their AGI are entitled to extra exemptions.

Home heating credits totaled \$69.5 million for tax year 2004 with 388,400 households qualifying. This represented a \$7.2 million increase over the previous year, with 31,600

additional households receiving assistance. Prior to 1991, recipients of Aid to Families with Dependent Children or General Assistance were not eligible for this credit, but were provided comparable benefits from other state and local programs. Senior citizens received \$11.4 million of the \$69.5 million in home heating credits claimed for tax year 2004 (see Exhibit 14). Exhibit 31 (see page 51) provides information on the distribution of the home heating credit by household income.

**Exhibit 14
2004 Home Heating Credits**

	Number of Credits <u>Allowed</u>	Dollar Amount of Credit	Average Credit
Senior Citizens	78,720	\$11,858,476	\$150.64
General	278,233	52,224,800	187.70
Disabled	30,967	5,373,740	173.53
Veteran	465	65,668	141.22
Total	388,385	\$69,522,684	\$179.00

About 58,700 taxpayers used the alternative calculation based on energy consumption claiming credits worth \$21.5 million. The average credit under the standard calculation was \$143.72 compared to \$365.89 under the alternative calculation.

Adoption Credit

Effective with tax year 2001, the adoption credit is available to persons who claimed the federal adoption expenses credit under Section 23 of the Internal Revenue Code for the same tax year. The credit equals the amount of qualified expenses that exceed the amount of the federal adoption credit or \$1,200 per child, whichever is less. Qualified adoption expenses refer to those expenses eligible for the federal credit. In 2004, 1,200 taxpayers claimed total credits of \$1.5 million, resulting in an average credit of \$1,239.01 per taxpayer.

NON-REFUNDABLE CREDITS

City Income Tax Credit

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

City Income Tax

Under \$100
 \$101 - \$150
 Over \$150

Credit

20 Percent
 \$20.00 + 10 percent of excess over \$100
 \$25.00 + 5 percent of excess over \$150

In 2004, 22 cities in Michigan levied an income tax (see Exhibit 15).

Exhibit 15
Michigan Cities that Levy an Income Tax

<u>County</u>	<u>City</u>	<u>Year Adopted</u>	<u>Tax Year 2004 Rates</u>		<u>Tax Year 2005 Rates</u>	
			<u>Residents</u>	<u>Non-residents</u>	<u>Residents</u>	<u>Non-residents</u>
Calhoun	Albion	1972	1%	0.5%	1%	0.5%
Calhoun	Battle Creek	1967	1	0.5	1	0.5
Calhoun	Springfield	1989	1	0.5	1	0.5
Crawford	Grayling	1972	1	0.5	1	0.5
Genesee	Flint	1965	1	0.5	1	0.5
Ingham	Lansing	1968	1	0.5	1	0.5
Ionia	Ionia	1994	1	0.5	1	0.5
Ionia	Portland	1969	1	0.5	1	0.5
Jackson	Jackson	1970	1	0.5	1	0.5
Kent	Grand Rapids	1967	1.3	0.65	1.3	0.65
Kent	Walker	1988	1	0.5	1	0.5
Lapeer	Lapeer	1967	1	0.5	1	0.5
Lenawee	Hudson	1971	1	0.5	1	0.5
Mecosta	Big Rapids	1970	1	0.5	1	0.5
Muskegon	Muskegon	1993	1	0.5	1	0.5
Muskegon	Muskegon Heights	1990	1	0.5	1	0.5
Oakland	Pontiac	1968	1	0.5	1	0.5
Saginaw	Saginaw	1965	1.5	0.75	1.5	0.75
St. Clair	Port Huron	1969	1	0.5	1	0.5
Wayne	Detroit	1962	2.5	1.25	2.5	1.25
Wayne	Hamtramck	1962	1	0.5	1	0.5
Wayne	Highland Park	1966	2	1	2	1

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

City income tax credits amounted to \$33.7 million for tax year 2004 (see Exhibit 27 on page 46), a \$422,700 decrease from 2003, while the number of claimants decreased by 9,800. Exhibit 16 below lists the number of city income tax credits, total credits received, and the average city income tax credit for taxpayers at different levels of AGI.

Exhibit 16
2004 City Income Tax Credits

<u>Adjusted Gross Income</u>	<u>Number of Credits Allowed</u>	<u>Dollar Amount of Credit</u>	<u>Average Credit</u>
Under \$10,000	116,728	\$1,368,588	\$11.72
\$10,001 - \$20,000	131,237	2,918,683	22.24
\$20,001 - \$50,000	297,855	10,457,102	35.11
Over \$50,000	<u>366,692</u>	<u>18,953,193</u>	<u>51.69</u>
Totals	912,512	\$33,697,565	\$36.93

Public Contribution Credit

Taxpayers may claim partial credits for contributions to Michigan colleges and universities, public libraries, museums, and public broadcasting stations. The credit is equal to 50 percent of the amount contributed up to a maximum credit of \$200 for a joint return (\$100 on a single return). For 2004, 291,700 taxpayers received \$25.4 million in credits (see Exhibit 26 on page 45). Credits increased by about \$349,100 from the prior year, when 289,100 taxpayers received \$25.1 million in credits.

Community Foundation Credit

The community foundation credit, implemented in tax year 1989, is a partial credit for donations to certified community foundations. The credit is equal to 50 percent of the donation up to a maximum of \$200 for a joint return (\$100 on a single return). For tax year 2004, 38,300 taxpayers claimed \$3.0 million in community foundation credits. This was a decrease of about 500 taxpayers claiming the credit, but an additional \$61,300 in credits than in 2003. (See Exhibit 26 on page 45.)

Homeless Shelter/Food Bank Credit

The homeless shelter/food bank credit provides a partial credit for cash donations to a qualifying homeless shelter, food bank, or food kitchen whose primary purpose is to provide accommodations or food to indigent persons. The credit is equal to 50 percent of the donation up to a maximum of \$200 for a joint return (\$100 on a single return). For tax year 2004, 224,300 taxpayers claimed \$17.0 million in food bank credits. This represented an increase of 10,300 taxpayers and \$900,800 more in credits claimed over the previous tax year. (See Exhibit 26 on page 45.)

College Tuition and Fees Credit

Created by Public Act 7 of 1996, the college tuition and fees credit allows resident taxpayers with AGIs of less than \$200,000 to claim a credit equal to a percentage of tuition and fee payments made on behalf of the taxpayer or any other student to a qualified Michigan college or university. To qualify, the school must have certified that tuition and fees will not increase by more than the rate of inflation. The amount of the credit is the lesser of 8 percent of the tuition and fees paid or \$375 for each student for tax year 2004. The credit cannot be claimed for more than 4 years for any one student. For tax year 2004, 95,600 taxpayers claimed the credit, 69,200 more than in 2003. The \$12.6 million in credits for 2004 represented a \$9.6 million increase from tax year 2003. In order to qualify for tax year 2004, institutions had to limit tuition and fee increases for the 2004-2005 academic year to 2.3 percent over the 2003-2004 academic year. Three private colleges, two public universities, and 26 community colleges qualified for tax year 2004. (See Exhibit 26 on page 45.)

Historic Preservation Credit

The Michigan historic preservation credit provides tax incentives for homeowners, commercial property owners and businesses to rehabilitate historic commercial and residential resources located in the State of Michigan. The credit was created by Public Acts 534 and 535 of 1999, and is equal to 25 percent of the qualified expenditures. In tax year 2004, about 1,100 taxpayers claimed a total of \$531,700 in historic preservation credits. (See Exhibit 26 on page 45.)

Credit for Income Paid to Another State

In tax year 2004, 46,300 taxpayers received a total of \$36.8 million credit for income tax paid to another state, resulting in an average credit of \$794.88. This credit is designed so that taxpayers are not taxed twice (in two states) for the same income. In tax year 2003, 43,300 taxpayers claimed a total of \$32.9 million for this credit. (See Exhibit 26 on page 45.)

VI. DESIGNATED CONTRIBUTIONS

For tax year 2004, Michigan taxpayers could make two separate contributions on their tax returns: the Military Family Relief Fund and the State Campaign Fund. Contributions to the Military Family Relief Fund either reduce taxpayers' refund or increase their liability, while contributions to the State Campaign Fund result in a designated portion of the taxpayers' tax liability to be deposited in the campaign fund.

Prior to tax year 2000, taxpayers could donate a portion of their income tax refund or increase their liability to support two other funds: the Children's Trust Fund (CTF) and the Non-Game Wildlife Fund. The CTF was created by Public Act 211 of 1982. Contributions to the fund were returned to local communities and dedicated to the prevention of child abuse. The Michigan Non-Game Wildlife Fund was created by Public Act 189 of 1983. Contributions were used for research and management of non-game fish and wildlife. Public Act 291 of 2000 appropriated amounts to fully fund both the Children's Trust and Non-Game Wildlife Funds, eliminating the need to continue to solicit contributions on the income tax form.

Military Family Relief Fund

Tax year 2004 was the first year taxpayers were able to contribute to the Military Family Relief Fund. The fund benefits qualifying families of military members in either the Michigan National Guard who are serving in the U.S. Armed Forces or those reserve forces called to active duty by the federal government. Over \$1.2 million was contributed by 53,500 taxpayers in 2004 to the Military Family Relief Fund.

State Campaign Fund

For the 2004 tax year, taxpayers were able to designate \$3.00 of their tax liability for the State Campaign Fund. Revenues from this fund are disbursed only to gubernatorial candidates, regardless of political party, who agree to limit campaign spending and meet the campaign fund requirements. For 2004, 467,500 taxpayers contributed \$1.4 million to the State Campaign Fund (see Exhibit 17 below). On average, there was one designation for every 9 returns.

Exhibit 17
Returns Designating Contributions

Tax Year	Number of 1040's Filed	Children's Trust Fund Donations		Non-Game Wildlife Fund Donations		State Campaign Fund Donations		Military Family Relief Fund Donations	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
1982	3,310,400	199,644	\$669,090	--	--	1,042,300	\$2,084,600	--	--
1983	3,335,800	197,350	\$537,023	79,717	\$267,863	952,400	\$1,904,800	--	--
1984	3,450,900	229,634	\$695,974	102,583	\$495,507	899,000	\$1,798,000	--	--
1985	3,517,000	182,941	\$1,016,388	97,835	\$500,376	918,500	\$1,837,000	--	--
1986	3,729,300	200,813	\$1,185,188	115,915	\$666,049	887,800	\$1,775,600	--	--
1987	3,763,900	155,618	\$926,909	89,195	\$500,337	787,600	\$1,575,200	--	--
1988	3,880,300	115,088	\$718,176	83,269	\$520,127	779,000	\$1,558,000	--	--
1989	3,977,900	122,107	\$857,614	87,296	\$566,270	767,300	\$1,534,600	--	--
1990	4,022,300	138,294	\$959,428	106,224	\$668,379	741,900	\$1,483,800	--	--
1991	4,011,600	119,468	\$858,263	93,517	\$598,454	653,000	\$1,306,000	--	--
1992	3,984,600	86,430	\$923,018	68,188	\$627,145	593,000	\$1,186,000	--	--
1993	4,034,000	72,458	\$807,617	61,616	\$603,468	491,333	\$1,474,000	--	--
1994	4,123,200	63,375	\$697,414	58,056	\$576,111	473,600	\$1,420,800	--	--
1995	4,214,300	62,971	\$779,471	53,153	\$586,999	437,200	\$1,311,600	--	--
1996	4,260,200	57,251	\$650,323	51,289	\$587,699	459,400	\$1,378,200	--	--
1997	4,308,575	54,639	\$629,652	49,037	\$576,840	469,000	\$1,407,000	--	--
1998	4,350,006	70,496	\$859,000	49,600	\$559,500	429,632	\$1,288,896	--	--
1999	4,414,720	78,242	\$938,300	48,900	\$534,400	393,111	\$1,179,333	--	--
2000	4,511,561	--	--	--	--	496,840	\$1,490,520	--	--
2001	4,456,031	--	--	--	--	534,955	\$1,604,865	--	--
2002	4,405,687	--	--	--	--	506,120	\$1,518,360	--	--
2003	4,369,995	--	--	--	--	492,625	\$1,477,875	--	--
2004	4,390,300	--	--	--	--	467,503	\$1,402,509	53,541	\$1,233,661

Notes:

- . The Children's Trust Fund was started under PA 211 of 1982.
- . The Non-Game Wildlife Fund was started under PA 189 of 1983.
- . The State Campaign Fund checkoff was increased from \$2 to \$3 in 1993.

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

VII. INTERSTATE COMPARISONS

In 2004, Michigan along with five other states (Colorado, Illinois, Indiana, Massachusetts, and Pennsylvania) had a flat rate income tax. Seven states (Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming) had no state personal income tax. Two states (New Hampshire and Tennessee) taxed only dividend and interest income, and one other state (Rhode Island) taxed a certain percentage of the taxpayer's federal income tax liability. The remaining 34 states had income taxes with graduated rates. A state-by-state comparison of the income tax burden per person and tax revenue as a percent of personal income is shown in Exhibit 18 (see page 28). Exhibits 19 and 20 (see page 29) compare Michigan's income tax to that of other states in the Great Lakes region.

In fiscal year 2004, Michigan ranked 36th highest in state income taxes as a percent of personal income with Oregon ranking first. Michigan's income tax as a percent of personal income was 1.82 percent, 0.27 of a percentage point below the U.S. average, and 0.76 of a percentage point below the average of the 41 states with a general income tax. Since 1999, when Michigan's income tax as a percent of personal income equaled 2.70 percent, this was the fourth annual decline of Michigan individual income taxes as a percent of personal income. The above calculations use estimates of quarterly state personal income, released by the U.S. Bureau of Economic Analysis on March 28, 2006, and compiled by the Tax Analysis Division for each state's fiscal year. Because personal income does not include capital gains but tax revenues include the tax on realized gains, and capital gains are not uniformly distributed among states, and the calculated ratios are skewed.

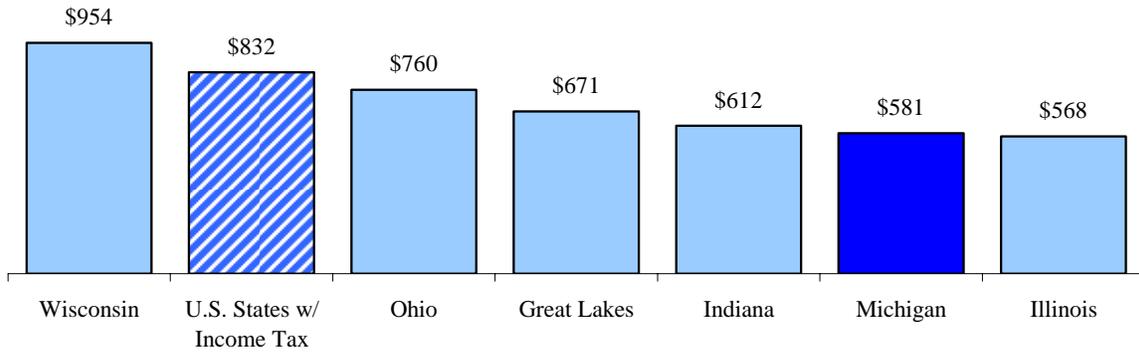
Michigan ranked 33rd highest in income taxes per person, and Massachusetts ranked first. In fiscal year 2004, the average collections of \$581 per person in Michigan were still considerably lower than the average of \$750 in fiscal year 1999, when the tax rate was 4.4 percent. National average income tax collections per person were \$668, and for the 41 states with an income tax, average income tax collections per person were \$832. (For Michigan income tax rates from 1968 to present, see Exhibit 36 on page 58.) Over the FY 1994 - 2004 period, the income tax burden in Michigan has been declining relative to that in other states. In fiscal year 1994, Michigan ranked 11th highest in per capita income taxes and 14th highest in income taxes as a percent of personal income. For fiscal year 2004, Michigan ranked 33rd and 36th, respectively.

Exhibit 18
State Individual Income Taxes for FY 2004
Per Person and Percentage of Personal Income

<u>State</u>	<u>Per Person Individual Income Taxes</u>	<u>Rank</u>	<u>Income Taxes as a Percent of Personal Income</u>	<u>Rank</u>
Alabama	\$496	37	1.82%	37
Alaska	No Tax	N/A	No Tax	N/A
Arizona	403	39	1.47%	40
Arkansas	613	29	2.46%	20
California	1,016	6	2.98%	8
Colorado	742	18	2.12%	30
Connecticut	1,235	3	2.82%	11
Delaware	941	10	2.73%	12
Florida	No Tax	N/A	No Tax	N/A
Georgia	766	16	2.66%	14
Hawaii	926	11	2.97%	9
Idaho	651	27	2.53%	16
Illinois	568	35	1.66%	38
Indiana	612	30	2.08%	33
Iowa	663	24	2.23%	27
Kansas	701	20	2.32%	24
Kentucky	681	23	2.57%	15
Louisiana	486	38	1.84%	34
Maine	882	12	3.03%	7
Maryland	949	9	2.48%	19
Massachusetts	1,378	1	3.37%	3
Michigan	581	33	1.82%	36
Minnesota	1,120	5	3.20%	4
Mississippi	366	40	1.54%	39
Missouri	646	28	2.18%	29
Montana	653	26	2.45%	21
Nebraska	711	19	2.26%	25
Nevada	No Tax	N/A	No Tax	N/A
New Hampshire	42	42	0.12%	42
New Jersey	852	14	2.11%	31
New Mexico	529	36	2.09%	32
New York	1,278	2	3.51%	2
North Carolina	879	13	3.11%	5
North Dakota	336	41	1.16%	41
Ohio	760	17	2.50%	18
Oklahoma	658	25	2.43%	22
Oregon	1,189	4	4.01%	1
Pennsylvania	591	31	1.83%	35
Rhode Island	833	15	2.51%	17
South Carolina	581	34	2.21%	28
South Dakota	No Tax	N/A	No Tax	N/A
Tennessee	24	43	0.08%	43
Texas	No Tax	N/A	No Tax	N/A
Utah	699	21	2.73%	13
Vermont	692	22	2.24%	26
Virginia	992	7	2.86%	10
Washington	No Tax	N/A	No Tax	N/A
West Virginia	589	32	2.35%	23
Wisconsin	954	8	3.06%	6
Wyoming	No Tax	N/A	No Tax	N/A
U.S. Average	\$668		2.09%	
U.S. Average for States With a General Income Tax	\$832		2.58%	

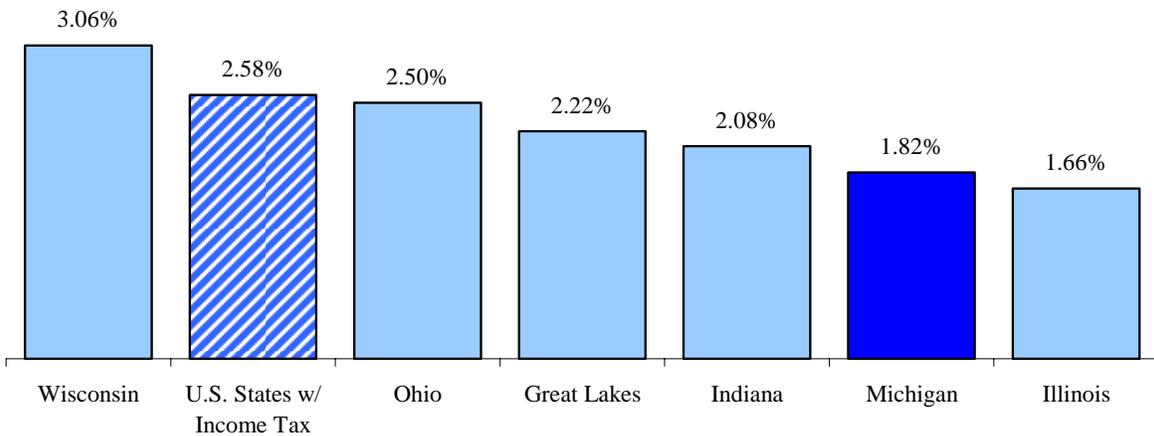
Sources: Census Bureau and Bureau of Economic Analysis, U.S. Department of Commerce.

Exhibit 19
State Income Taxes Per Person
Great Lakes Region – FY 2004



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

Exhibit 20
State Income Taxes
Percentage of Personal Income
Great Lakes Region – FY 2004



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

VIII. GEOGRAPHIC PATTERN OF TAX AND CREDITS

Exhibit 32 (see pages 52 and 53) reports the distribution of income tax collections and property tax and home heating credits. Since farms receive special treatment for the homestead property tax credit and the separate farmland credit, rural counties benefit substantially from these programs.

Exhibit 33 (see pages 54 and 55) provides a ranking by county of average AGI, average income tax before and after credits, credits as a percentage of income tax before credits, ratio of property tax credits to returns filed, and average property tax credit. A summary of Exhibit 33 is provided below.

Exhibits 34 and 35 (see pages 56 and 57) compare the average AGI and property tax credit for each Michigan county.

County-level statistics are compiled using the zip code provided on each tax return. Adjustments were made to the zip code database in 1999 to more accurately identify the county of residence. While the change is relatively small in magnitude, the reader should exercise caution when comparing the information in this report to similar statistics contained in reports from prior years.

Personal Income Tax County Data Summary

	<u>State Average</u>	<u>Highest County</u>	<u>Lowest County</u>
Average AGI	\$54,989	\$72,180 Oakland	\$28,366 Lake
Average Income Tax Before Credits	\$1,515	\$2,318 Oakland	\$621 Montmorency
Average Income Tax After Credits	\$1,208	\$2,059 Oakland	\$416 Huron
Income Tax Credits as a Percent of Tax Before Credits	20.3%	51.6% Huron	8.2% Midland
Ratio of Property Tax Credits to 1040s Filed	32.4%	42.4% Wayne	12.0% Keweenaw
Average Property Tax Credit	\$547	\$1,203 Huron	\$257 Schoolcraft

Note: Property tax credits include farmland preservation credits.

IX. FEDERAL INCOME TAX INTERACTION

The starting point for calculating the Michigan income tax is federal AGI. Thus, Michigan income tax revenues can be influenced by changes in federal tax law that modify the calculation of AGI. For example, a change in federal tax law requiring self-employed individuals and rental property owners to depreciate their assets over a longer time period would expand the Michigan tax base and increase tax revenues. Conversely, a change in federal tax law increasing the amount a taxpayer can contribute each year to a tax-deferred retirement account would reduce the Michigan tax base, thus lowering revenues.

The Michigan income tax base increased due to significant changes in federal tax law contained in the Tax Reform Act of 1986 (TRA-86). Almost all of the changes to federal law during the 1990s caused AGI to become narrower, thus reducing the Michigan tax base. The changes in the 1990s pale, however, in comparison to the scope of the expansions brought about by TRA-86. Changes observed since 2000 in the federal tax law have been numerous and significant. While they continued the 1990s trend to narrow the AGI (like increases in deduction limits, and temporarily generous depreciation allowances), the most significant federal tax changes have provided sizable federal tax relief mainly via targeted new credits and lower tax rates (and brackets). Those mechanisms, however, have no direct effect on the calculation of the federal AGI, and therefore, the Michigan income tax base.

Changes in AGI at the federal level can be offset or reinforced at the state level. Expansions in the tax base can be offset with tax cuts. In response to TRA-86, the Michigan personal exemption was increased from \$1,500 in 1986 to \$1,600 in 1987, \$1,800 in 1988, \$2,000 in 1989, and \$2,100 in 1990. In 2004, the Michigan personal exemption was \$3,100. The Michigan special exemptions for senior citizens, blind, disabled persons, and those taxpayers with 50 percent or more of their AGI attributable to unemployment compensation were also created in 1987. In 2004, the Michigan special exemptions were \$2,000.

Summary of Federal Tax Law Changes

Significant federal tax law changes affecting Michigan's tax base are discussed below. The changes are grouped based on when they first became effective. For changes prior to 2004, see Appendix A on page 60.

2004

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MPDIMA-03) allowed eligible taxpayers to make tax-free contributions to a Health Savings Account (HSA). Employer contributions made to an HSA on behalf of the taxpayer (including contributions made through a cafeteria plan) are also excluded from gross income and wages for income and employment tax purposes to the extent that the contribution would be deductible if made by the employee. The maximum aggregate annual deductible contribution is the lesser of 100 percent of

the annual deductible under the high-deductible plan, or the maximum deductible permitted under an Archer MSA high-deductible health plan, as adjusted for inflation. For 2004, the maximum contribution is \$2,600 (self-only plan), or \$5,150 (family coverage), where contributions to an Archer MSA reduce the annual contribution limit for HSAs. Taxpayers who have attained age 55 are allowed “catch-up” contributions, greater than the otherwise applicable limits by the following amounts: \$500 in 2004, \$600 in 2005, \$700 in 2006, \$800 in 2007, \$900 in 2008, and \$1,000 in 2009 and subsequent years. The Act also allows distributions from an HSA for qualified medical expenses of the individual, spouse, or dependents to be tax-free. As a result, the impact of HSAs in the Michigan personal income tax are two fold, since both contributions to, and distributions from HSAs are not included in the taxpayer’s AGI.

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

The Working Families Tax Relief Act (WFTRA-04) instituted a new uniform definition of child to be used throughout the Tax Code and an expansion of the definition of earned income to include combat pay for purposes of the refundable child tax credit and earned income credit. The Act also provided for the extension of two sets of expiring provisions: four accelerated tax cuts from the EGTRRA-01 and the JGTRRA-03 scheduled to expire on 12/31/2004; and a package of regularly expiring tax provisions that, for the most part, had expired on 12/31/2003. Of the extensions provided by the Act, two provisions affected the federal AGI calculation: the teacher’s classroom expense deduction, and the availability of Archer medical savings accounts, both of which were extended through tax year 2005.

The American Jobs Creation Act (AJC-04) dramatically changed S corporation rules, and provided one of the most significant international tax reforms since the TRA-86. The Act also enacted sanctions against taxpayers and tax professionals entering into abusive tax shelter transactions; provided tax breaks for farmers; changed the tax treatment of deferred compensation; instituted new energy and fuel tax incentives; and provided a host of tax cuts and revenue raising provisions. From all those changes, major provisions likely to have a direct impact on the Michigan individual income tax via federal AGI calculation in 2004 were:

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

2005

Two provisions of the AJCA-04 that also affect the calculation of the federal AGI became effective in 2005: the new above-the-line deduction for domestic production activities; and the new limitations on non-qualified deferred compensation plans.

The new above-the-line deduction for manufacturers replaced the Extraterritorial Income Exclusion (ETI)⁸. The new deduction will be completely phased-in by 2010, starting at a 3 percent rate in 2005 and 2006, increasing to 6 percent in 2007 through 2009, and reaching 9 percent in 2010. It allows, under certain limitations, deduction from taxable income of a percentage of net income attributable to qualified domestic production activity. The deduction is limited to 50 percent of the W-2 wages paid by the taxpayer during the tax year, and corporations, individuals, S corporations, partnerships, estates, trusts, and cooperatives can take advantage of it.

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

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

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

Devastation resulting from hurricanes Katrina, Rita and Wilma led to two new acts being enacted in 2005. The first act signed was the Katrina Emergency Tax Relief Act of 2005 (KETRA-05), which provided tax relief for victims of the disaster, and individuals and businesses helping in the recovery. The second act enacted was the Gulf Opportunity Zone Act of 2005 (GOZA-05), which generally expanded provisions enacted under the KETRA-05, while also providing regional, targeted relief for taxpayers according to their location⁹. In total, residents and owners of property in five states (Alabama, Florida, Louisiana, Mississippi, and Texas) are potentially affected by the two acts. For Michigan taxpayers who own property in the affected states, provisions likely to impact their Michigan income tax calculation are:

- the suspension of limitation on personal casualty losses related to hurricanes Katrina, Rita, and Wilma (under current law, those losses are deductible only to the extent they exceed 10 percent of the taxpayers' AGI, and \$100 limit);
- the extension from 2 to 5 years the replacement period for nonrecognition of gain for property in the Hurricane Katrina disaster area compulsorily or involuntarily converted, as a result of the hurricane;
- the provision that allows taxpayers who received a qualified distribution from a retirement plan (401(k), 403(b), or IRA) in order to purchase a home (first-time buyer) in the disaster area but were not able to do so on account of the hurricane, may re contribute to such plans, where the amount re contributed is treated as a rollover;
- Special additional 50 percent first-year depreciation allowance for qualified Gulf Opportunity (GO) zone property;
- For qualified GO zone property placed in service during the taxable year, increased expensing for small businesses by the lesser of \$100,000 or the cost of eligible, qualified property, and increased phase-out threshold investment amount by the lesser of \$600,000 or the cost of eligible, qualified property; and
- Special 5-year NOL carryback to the aggregate amount of the following deductions: qualified GO zone casualty losses, depreciation deductions with respect to qualified GO zone property for the taxable year the property is placed in service, and deductions for certain repair expenses resulting from Hurricane Katrina.

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

X. MICHIGAN PUBLIC ACTS – INCOME TAX

For changes prior to 2004, see Appendix A on page 66.

2004

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

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

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

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

Public Act 387 amended the Michigan Education Savings Program (MESP) Act to allow trusts and estates to establish MESP accounts and to allow an account owner to transfer ownership of an MESP account under certain circumstances. The Act also removes certain documentation requirements for withdrawals.

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

2005

Public Act 160 amended the Income Tax Act, reinstating the Children's Trust Fund checkoff on the Income Tax form, starting tax year 2005. Contributions to the Fund are subject to a minimum of \$5 dollars, and will increase the taxpayer's income tax liability or decrease their available refund.

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

Public Act 234 amended the Income Tax Act to allow taxpayers who had been issued tax voucher certificates due to investment in the Michigan Early Stage Venture Investment Fund (PA 102 of 2005) to use them to pay an income tax liability for a tax year beginning on or after January 2009. Under the new law, the amount of the tax voucher that could be used to pay a liability in any tax year cannot exceed the lesser of: 1) the amount of the tax voucher stated in the voucher certificate; 2) the amount authorized to be used in the tax year under the terms of the certificate; or 3) the taxpayer's liability for the tax year in which the voucher was to be used. If an amount of a voucher certificate exceeded the amount the taxpayer could use in a tax year, the excess can be used to pay any future liability.

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

XI. EXHIBITS 21 THROUGH 36

Exhibit 21
Effective Rate of the Michigan Individual Income Tax, 2004

Adjusted Gross Income Group	Number of Returns Filed⁽¹⁾	Adjusted Gross Income	Effective Personal Exemptions⁽²⁾	Claimed Exemptions	Subtractions Minus Additions	Total Credits⁽³⁾	Effective Tax	Effective Tax as a % of Income
Less than \$1 ⁽⁴⁾	262,239	(\$2,575,326,369)		79,706	(\$1,527,016,546)	\$98,532,435	(\$96,153,396)	
\$ 1 - 2,000	158,488	168,790,648	23,025	110,979	39,150,857	34,134,117	(33,637,909)	-19.9%
2,001 - 4,000	184,937	554,703,774	66,931	138,606	86,322,110	31,980,036	(26,148,765)	-4.7%
4,001 - 6,000	177,766	887,329,776	93,590	166,322	150,781,379	36,711,377	(23,835,277)	-2.7%
6,001 - 8,000	171,135	1,199,183,892	122,119	197,734	242,392,870	42,543,138	(24,514,163)	-2.0%
8,001 - 10,000	159,071	1,430,434,130	136,706	211,494	332,433,993	43,259,214	(21,406,225)	-1.5%
10,001 - 12,000	157,407	1,729,757,245	166,032	242,495	420,974,144	44,708,064	(18,496,162)	-1.1%
12,001 - 14,000	146,887	1,908,300,708	167,137	234,396	471,045,612	40,769,154	(9,331,524)	-0.5%
14,001 - 16,000	140,323	2,104,048,839	169,218	233,087	529,610,463	37,201,612	(383,774)	0.0%
16,001 - 18,000	132,183	2,246,408,763	169,046	226,919	543,197,901	33,646,872	8,582,141	0.4%
18,001 - 20,000	124,745	2,368,891,562	173,562	222,017	511,620,833	30,282,763	17,781,141	0.8%
20,001 - 22,000	117,455	2,465,321,335	174,381	213,684	474,487,217	27,225,975	26,390,638	1.1%
22,001 - 24,000	110,864	2,549,457,957	172,663	205,121	456,656,389	25,106,415	33,052,088	1.3%
24,001 - 26,000	106,921	2,672,446,290	171,199	200,529	460,507,894	23,397,860	39,867,644	1.5%
26,001 - 28,000	102,730	2,773,169,300	168,385	195,061	481,073,486	22,079,592	44,869,413	1.6%
28,001 - 30,000	99,740	2,892,352,660	156,224	191,157	547,366,960	21,079,684	49,783,418	1.7%
30,001 - 35,000	227,617	7,388,513,253	388,229	444,835	1,319,604,350	46,435,524	139,543,425	1.9%
35,001 - 40,000	200,065	7,490,968,215	365,561	407,152	1,249,673,815	39,987,540	156,315,043	2.1%
40,001 - 45,000	179,537	7,621,493,574	355,341	387,792	1,181,212,228	35,202,992	170,685,157	2.2%
45,001 - 50,000	162,822	7,728,701,065	345,387	371,183	1,156,981,723	31,202,531	181,438,467	2.3%
Over 50,000	1,473,670	185,814,661,722	4,064,919	4,108,693	47,986,188,740	177,679,040	4,718,905,450	2.5%
Totals	4,596,602	\$241,419,608,339	7,649,657	8,788,962	\$57,114,266,418	\$923,165,933	\$5,333,306,830	2.2%

⁽¹⁾Includes 206,302 credit-only returns.

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

⁽³⁾Does not include Farmland Preservation Credits or Adoption Tax Credit.

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

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

Exhibit 22
Breakdown of Upper Income Filers
Individual Income Tax, 2004

<u>Adjusted Gross Income Group</u>	<u>Number of Returns Filed</u>	<u>Adjusted Gross Income</u>	<u>Effective Personal Exemptions⁽¹⁾</u>	<u>Claimed Exemptions</u>	<u>Subtractions Minus Additions</u>	<u>Total Credits⁽²⁾</u>	<u>Effective Tax</u>	<u>Effective Tax as a % of Income</u>
\$50,001 - 55,000	149,141	\$7,825,905,569	331,031	354,982	\$1,170,545,757	\$27,673,717	\$190,310,401	2.4%
55,001 - 60,000	140,362	8,067,372,491	324,840	348,480	1,165,200,762	25,271,819	203,430,050	2.5%
60,001 - 65,000	131,337	8,203,921,592	321,053	338,287	1,118,274,116	23,122,050	213,432,569	2.6%
65,001 - 70,000	119,851	8,084,947,658	303,991	318,920	1,072,270,257	20,877,418	215,123,209	2.7%
70,001 - 75,000	108,448	7,857,628,675	281,933	296,250	1,044,882,641	18,131,845	212,950,750	2.7%
75,001 - 80,000	96,438	7,468,444,815	258,504	270,664	948,531,880	11,653,929	211,088,504	2.8%
80,001 - 85,000	85,931	7,084,774,740	235,289	246,269	853,321,516	5,764,773	208,763,271	2.9%
85,001 - 90,000	77,244	6,756,129,320	216,390	225,358	784,802,209	4,054,290	202,840,537	3.0%
90,001 - 95,000	67,557	6,244,854,032	192,587	200,204	703,020,988	3,704,016	189,424,597	3.0%
95,001 - 100,000	58,115	5,662,628,179	167,169	173,361	617,319,318	3,429,654	173,502,378	3.1%
100,001 - 110,000	91,936	9,630,686,184	267,748	276,739	1,022,969,977	5,758,350	298,466,412	3.1%
110,001 - 120,000	69,216	7,941,810,012	202,886	209,486	826,799,351	4,727,087	249,223,054	3.1%
120,001 - 130,000	50,555	6,303,600,330	147,626	153,280	663,500,427	3,743,328	199,329,858	3.2%
130,001 - 140,000	38,703	5,216,339,915	114,703	118,465	544,489,674	3,001,170	166,214,766	3.2%
140,001 - 150,000	29,468	4,266,307,206	86,707	90,806	454,251,309	2,446,095	136,539,723	3.2%
150,001 - 160,000	21,802	3,372,418,141	63,673	66,655	377,368,176	1,852,403	107,918,147	3.2%
160,001 - 170,000	17,559	2,892,650,104	51,086	53,710	329,781,853	1,637,499	92,738,343	3.2%
170,001 - 180,000	13,909	2,430,790,318	40,508	42,750	277,971,292	1,364,995	78,220,323	3.2%
180,001 - 190,000	11,180	2,066,616,466	31,039	34,421	244,044,482	1,166,337	66,654,493	3.2%
190,001 - 200,000	9,253	1,803,176,558	27,056	28,619	211,267,870	1,001,522	58,238,294	3.2%
200,001 - 300,000	43,286	10,356,381,479	109,536	133,900	1,370,043,243	5,382,671	334,755,122	3.2%
300,001 - 400,000	15,203	5,220,332,449	39,530	46,803	762,137,069	2,672,884	168,048,621	3.2%
400,001 - 500,000	7,583	3,375,689,075	18,643	23,311	584,703,604	1,434,063	106,266,747	3.1%
500,001 - 750,000	8,334	5,025,260,108	12,520	25,015	1,043,894,837	2,063,616	153,483,884	3.1%
750,001 - 1,000,000	3,425	2,946,722,458	5,089	9,869	831,914,357	1,059,359	81,774,346	2.8%
Over \$1,000,000	7,834	39,709,273,848	213,781	22,089	28,962,881,775	3,051	394,848,152	1.0%
Totals for AGI over \$50,000	1,473,670	\$185,814,661,722	4,064,919	4,108,693	\$47,986,188,740	\$182,997,939	\$4,713,586,551	2.5%

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

⁽²⁾Does not include Farmland Preservation Credits.

Exhibit 23
Tax Base Deductions as a Percentage of AGI
Individual Income Tax, 2004

<u>Adjusted Gross Income Group</u>	<u>Total Effective Exemptions</u>	<u>Subtractions Minus Additions</u>	<u>Nonrefundable Credits⁽¹⁾</u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>
Less than \$1					
\$ 1 - 2,000	69.4%	23.2%	0.0%	410.2%	101.8%
2,001 - 4,000	57.8%	15.6%	0.1%	117.1%	28.7%
4,001 - 6,000	46.3%	17.0%	1.2%	85.9%	17.6%
6,001 - 8,000	41.7%	20.2%	1.6%	75.6%	12.6%
8,001 - 10,000	38.1%	23.2%	1.5%	66.3%	8.8%
10,001 - 12,000	37.3%	24.3%	1.1%	57.8%	6.5%
12,001 - 14,000	33.6%	24.7%	1.6%	48.7%	3.8%
14,001 - 16,000	30.5%	25.2%	1.6%	41.0%	2.2%
16,001 - 18,000	28.2%	24.2%	1.6%	35.1%	1.2%
18,001 - 20,000	27.0%	21.6%	1.6%	30.0%	0.8%
20,001 - 22,000	25.7%	19.2%	1.6%	25.9%	0.4%
22,001 - 24,000	24.3%	17.9%	1.6%	23.1%	0.3%
24,001 - 26,000	22.8%	17.2%	1.6%	20.4%	0.1%
26,001 - 28,000	21.5%	17.3%	1.5%	18.5%	0.1%
28,001 - 30,000	19.0%	18.9%	1.5%	16.9%	0.1%
30,001 - 35,000	18.4%	17.9%	1.4%	14.5%	0.0%
35,001 - 40,000	17.0%	16.7%	1.3%	12.2%	0.0%
40,001 - 45,000	16.1%	15.5%	1.3%	10.3%	0.0%
45,001 - 50,000	15.4%	15.0%	1.3%	8.9%	0.0%
50,001 - 55,000	14.5%	15.0%	1.3%	7.6%	0.0%
55,001 - 60,000	13.8%	14.4%	1.3%	6.6%	0.0%
60,001 - 65,000	13.4%	13.6%	1.3%	5.8%	0.0%
65,001 - 70,000	12.8%	13.3%	1.4%	5.2%	0.0%
70,001 - 75,000	12.2%	13.3%	1.4%	4.4%	0.0%
75,001 - 80,000	11.8%	12.7%	1.4%	2.6%	0.0%

Exhibit 23 (cont.)

<u>Adjusted Gross Income Group</u>	<u>Total Effective Exemptions</u>	<u>Subtractions Minus Additions</u>	<u>Nonrefundable Credits⁽¹⁾</u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>
80,001 - 85,000	11.3%	12.0%	1.4%	0.6%	0.0%
85,001 - 90,000	10.9%	11.6%	1.4%	0.1%	0.0%
90,001 - 95,000	10.4%	11.3%	1.5%	0.0%	0.0%
95,001 - 100,000	10.0%	10.9%	1.5%	0.0%	0.0%
100,001 - 110,000	9.4%	10.6%	1.5%	0.0%	0.0%
110,001 - 120,000	8.6%	10.4%	1.5%	0.0%	0.0%
120,001 - 130,000	7.9%	10.5%	1.5%	0.0%	0.0%
130,001 - 140,000	7.4%	10.4%	1.4%	0.0%	0.0%
140,001 - 150,000	6.9%	10.6%	1.4%	0.0%	0.0%
150,001 - 160,000	6.4%	11.2%	1.4%	0.0%	0.0%
160,001 - 170,000	6.0%	11.4%	1.4%	0.0%	0.0%
170,001 - 180,000	5.7%	11.4%	1.4%	0.0%	0.0%
180,001 - 190,000	5.1%	11.8%	1.4%	0.0%	0.0%
190,001 - 200,000	5.1%	11.7%	1.4%	0.0%	0.0%
200,001 - 300,000	3.6%	13.2%	1.3%	0.0%	0.0%
300,001 - 400,000	2.6%	14.6%	1.3%	0.0%	0.0%
400,001 - 500,000	1.9%	17.3%	1.1%	0.0%	0.0%
500,001 - 750,000	0.9%	20.8%	1.0%	0.0%	0.0%
750,001 - 1,000,000	0.6%	28.2%	0.9%	0.0%	0.0%
Over \$1,000,000	1.9%	72.9%	0.0%	0.0%	0.0%
Overall Percent	10.7%	23.7%	1.1%	7.8%	0.7%

⁽¹⁾Nonrefundable credits, home heating credits, and property tax credits are divided by the tax rate (3.95%) to determine the equivalent income tax deduction. Nonrefundable credits for 2004 are: the city income tax credit, the public contribution credit, the homeless shelter/food bank contribution credit, the community foundation credit, the other state tax credit, the tuition tax credit, and the Michigan historic preservation credit.

Exhibit 24
Distribution of Personal Exemptions
Claimed on 2004 Individual Income Tax Returns⁽¹⁾

Adjusted Gross Income Group	Exemptions Claimed							Total Returns	Total Exemptions⁽²⁾
	Zero	One	Two	Three	Four	Five	Six or More		
Zero Income	7,714	29,569	12,297	2,521	2,075	1,047	635	55,858	79,706
\$ 1 - 2,000	78,077	59,778	14,179	4,009	1,493	525	317	158,378	110,979
2,001 - 4,000	90,316	65,997	18,135	6,997	2,255	777	349	184,826	138,606
4,001 - 6,000	67,697	74,131	22,308	9,061	3,005	987	491	177,680	166,322
6,001 - 8,000	44,318	81,074	28,671	11,479	3,692	1,233	564	171,031	197,734
8,001 - 10,000	29,614	79,063	29,432	13,827	4,615	1,657	763	158,971	211,494
10,001 - 12,000	19,568	77,419	32,384	17,750	6,482	2,441	1,275	157,319	242,495
12,001 - 14,000	12,991	74,422	34,028	15,481	6,265	2,375	1,220	146,782	234,396
14,001 - 16,000	8,286	71,578	35,694	14,687	6,313	2,385	1,269	140,212	233,087
16,001 - 18,000	5,317	66,805	35,860	14,067	6,291	2,537	1,192	132,069	226,919
18,001 - 20,000	3,481	61,729	34,884	14,102	6,547	2,609	1,283	124,635	222,017
20,001 - 22,000	2,308	57,879	32,827	13,684	6,696	2,706	1,255	117,355	213,684
22,001 - 24,000	1,603	54,764	30,460	13,029	6,834	2,787	1,297	110,774	205,121
24,001 - 26,000	1,127	52,848	29,097	12,574	6,974	2,818	1,397	106,835	200,529
26,001 - 28,000	827	50,409	28,232	11,775	7,013	2,970	1,423	102,649	195,061
28,001 - 30,000	598	48,395	27,947	11,305	7,002	2,966	1,445	99,658	191,157
30,001 - 35,000	873	108,532	64,979	24,767	17,120	7,418	3,782	227,471	444,835
35,001 - 40,000	546	89,273	59,346	22,377	17,114	7,701	3,585	199,942	407,152
40,001 - 45,000	347	72,791	54,181	21,697	18,384	8,113	3,921	179,434	387,792
45,001 - 50,000	304	58,550	50,858	21,067	19,687	8,384	3,864	162,714	371,183
50,001 - 55,000	205	47,242	48,659	20,770	20,020	8,600	3,576	149,072	354,982
55,001 - 60,000	139	38,538	47,547	20,823	21,019	8,657	3,574	140,297	348,480
60,001 - 65,000	152	31,388	45,538	20,195	21,659	8,861	3,471	131,264	338,287
65,001 - 70,000	136	24,246	43,057	19,160	21,465	8,424	3,300	119,788	318,920
70,001 - 75,000	91	18,791	39,834	18,049	20,535	8,119	2,987	108,406	296,250
75,001 - 80,000	89	14,220	35,409	16,844	19,498	7,632	2,706	96,398	270,664

Exhibit 24 (cont.)

Adjusted Gross Income Group	Exemptions Claimed							Total Returns	Total Exemptions⁽²⁾
	<u>Zero</u>	<u>One</u>	<u>Two</u>	<u>Three</u>	<u>Four</u>	<u>Five</u>	<u>Six or More</u>		
80,001 - 85,000	83	11,157	31,485	15,190	18,285	7,220	2,476	85,896	246,269
85,001 - 90,000	67	8,893	27,989	14,062	17,248	6,716	2,247	77,222	225,358
90,001 - 95,000	57	7,033	24,326	12,436	15,511	6,015	2,156	67,534	200,204
95,001 - 100,000	47	5,552	20,963	10,849	13,602	5,337	1,749	58,099	173,361
100,001 - 110,000	92	7,673	33,863	17,015	21,747	8,684	2,841	91,915	276,739
110,001 - 120,000	73	5,134	25,782	12,830	16,823	6,471	2,093	69,206	209,486
120,001 - 130,000	75	3,536	19,020	9,293	12,315	4,806	1,505	50,550	153,280
130,001 - 140,000	63	2,536	14,323	7,241	9,451	3,923	1,163	38,700	118,465
140,001 - 150,000	43	1,917	10,784	5,449	7,340	2,962	972	29,467	90,806
150,001 - 160,000	27	1,507	8,143	3,910	5,333	2,187	695	21,802	66,655
160,001 - 170,000	35	1,210	6,478	3,194	4,326	1,777	539	17,559	53,710
170,001 - 180,000	35	984	5,080	2,475	3,373	1,519	442	13,908	42,750
180,001 - 190,000	24	813	4,118	1,864	2,826	1,131	403	11,179	34,421
190,001 - 200,000	16	678	3,331	1,596	2,311	1,000	321	9,253	28,619
200,001 - 300,000	86	3,656	15,624	6,713	10,588	4,907	1,710	43,284	133,900
300,001 - 400,000	60	1,368	5,622	2,163	3,540	1,804	646	15,203	46,803
400,001 - 500,000	47	693	2,823	1,029	1,729	929	332	7,582	23,311
500,001 - 750,000	40	839	3,316	1,057	1,760	957	364	8,333	25,015
750,001 - 1,000,000	19	412	1,457	400	648	336	153	3,425	9,869
Over \$1,000,000	<u>75</u>	<u>1,105</u>	<u>3,283</u>	<u>949</u>	<u>1,277</u>	<u>776</u>	<u>369</u>	<u>7,834</u>	<u>22,089</u>
Totals	377,788	1,576,127	1,203,653	521,812	450,086	184,186	74,117	4,387,769	8,788,962

⁽¹⁾Values in this table are based on 4,387,769 MI-1040 tax returns on file.

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

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

Exhibit 25
Distribution of Special Exemptions and Child Deductions
Claimed on 2004 Individual Income Tax Returns⁽¹⁾

Adjusted Gross Income Group	Age Exemptions	Deaf/ Blind/Disabled Exemptions	Unemployed Exemptions	Child 18 and Under Exemptions	Claimed as Dependent Exemptions
Zero Income	21,148	5,647	1,257	13,450	8,050
\$ 1 - 2,000	33,753	8,154	1,932	18,231	81,105
2,001 - 4,000	29,655	5,553	2,755	30,501	93,563
4,001 - 6,000	33,825	5,607	3,111	39,247	70,279
6,001 - 8,000	39,728	5,812	3,177	49,452	46,743
8,001 - 10,000	44,015	5,773	2,975	56,249	31,946
10,001 - 12,000	49,332	5,699	2,484	71,020	21,994
12,001 - 14,000	48,338	5,125	2,162	64,583	15,254
14,001 - 16,000	47,863	4,902	1,841	61,976	10,556
16,001 - 18,000	44,826	4,174	1,419	59,893	7,366
18,001 - 20,000	38,648	3,984	834	60,129	5,360
20,001 - 22,000	32,132	3,634	375	59,239	3,999
22,001 - 24,000	27,106	3,416	247	58,073	3,222
24,001 - 26,000	24,308	3,079	180	56,684	2,717
26,001 - 28,000	22,416	2,832	102	54,993	2,279
28,001 - 30,000	20,904	2,568	88	52,361	2,049
30,001 - 35,000	44,953	5,767	148	119,990	4,185
35,001 - 40,000	36,823	5,043	53	109,036	3,246
40,001 - 45,000	30,209	4,300	30	108,203	2,621
45,001 - 50,000	26,370	3,522	23	106,015	2,035
50,001 - 55,000	23,950	3,398	23	102,151	1,709
55,001 - 60,000	21,863	3,213	20	101,003	1,415
60,001 - 65,000	19,749	3,004	13	99,641	1,213
65,001 - 70,000	18,498	2,670	12	94,155	979
70,001 - 75,000	17,412	2,325	10	87,358	768
75,001 - 80,000	15,027	1,952	8	80,432	677
80,001 - 85,000	13,084	1,634	6	73,332	561
85,001 - 90,000	10,908	1,417	8	66,576	437
90,001 - 95,000	9,494	1,219	10	59,482	363
95,001 - 100,000	8,107	951	1	51,601	326
Over \$100,000	74,018	5,551	20	392,057	1,866
Totals	928,462	121,925	25,324	2,457,113	428,883

⁽¹⁾Values in this table are based on 4,387,769 MI-1040 tax returns on file.

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

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

	2001			2002			2003			2004		
	Number	Amount	Average	Number	Amount	Average	Number	Amount	Average	Number	Amount	Average
Property Tax Credits												
General	815.0	\$307,264.6	\$377.03	898.8	\$370,010.1	\$411.68	928.7	\$397,200.9	\$427.70	983.4	\$441,451.7	\$448.90
Senior Citizen ⁽¹⁾												
Total	381.8	245,680.5	643.45	409.9	283,828.7	692.40	413.1	290,546.3	703.25	418.2	304,368.7	727.78
Low Income Rent	10.3	3,584.2	347.98	10.7	3,673.9	341.94	10.8	3,593.4	332.29	10.6	3,527.5	331.60
Veteran	11.4	1,407.1	123.37	10.3	1,286.4	124.73	10.0	1,221.9	122.26	9.3	1,183.0	126.69
Blind	1.6	202.9	123.93	1.5	185.4	120.50	1.3	159.5	118.55	1.4	170.4	123.93
Disabled	44.1	23,115.3	523.91	49.5	27,271.5	551.32	53.0	30,141.4	568.85	0.0	2.9	587.00
Farmland	9.5	30,264.3	3,170.69	9.2	31,572.0	3,416.89	8.6	28,227.2	3,273.09	8.1	29,965.3	3,677.17
Total Property Tax Credits	1,263.5	\$607,934.6	\$481.15	1,379.3	\$714,154.2	\$517.78	1,414.8	\$747,497.1	\$528.34	1,420.5	\$777,142.1	\$547.09
Home Heating Credit	315.2	\$61,606.6	\$195.44	335.9	\$68,865.5	\$205.03	356.8	\$62,360.7	\$174.80	388.4	\$69,522.7	\$179.00
Prescription Drug Credit	27.4	\$14,052.6	\$511.97	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Adoption Credit	1.0	\$1,195.60	\$1,182.32	1.1	\$1,366.1	\$1,266.07	1.3	\$1,190.2	\$932.79	1.2	\$1,509.1	\$1,239.01
City Income Tax Credit	996.4	\$36,951.5	\$37.08	929.8	\$34,387.1	\$36.98	922.3	\$34,120.2	\$36.99	912.5	\$33,697.6	\$36.93
Public Contribution Credit	285.7	\$24,721.3	\$86.53	279.4	\$24,477.0	\$87.60	289.1	\$25,050.7	\$86.65	291.7	\$25,399.7	\$87.07
Credit for Income Tax Paid to												
Another State	42.2	\$31,309.2	\$742.47	40.5	\$30,782.1	\$760.54	43.3	\$32,850.1	\$757.98	46.3	\$36,789.5	\$794.88
Community Foundation Credit	26.9	\$2,546.8	\$94.58	27.7	\$2,646.4	\$95.69	38.8	\$2,935.1	\$75.67	38.3	\$2,996.4	\$78.21
Homeless/Food Bank Credit	192.8	\$14,815.1	\$76.84	198.3	\$15,422.0	\$77.78	214.0	\$16,089.2	\$75.18	224.3	\$16,990.1	\$75.75
College Tuition Credit	74.6	\$8,111.2	\$108.76	51.5	\$5,143.6	\$99.91	26.4	\$2,990.5	\$113.44	95.6	\$12,581.6	\$131.66
Historic Preservation Credit ⁽²⁾	0.1	\$279.3	\$2,428.66	0.2	\$814.3	\$4,995.47	0.7	\$514.7	\$698.34	1.1	\$531.7	\$482.01

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

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

Exhibit 27
Distribution of Credits
Individual Income Tax, 2004⁽¹⁾

Adjusted Gross Income Group	Number of MI-1040s Filed	% of Total MI-1040s Filed ⁽²⁾	General Property Tax Credit ⁽²⁾			City Income Tax Credit			College Contribution Credit		
			Number Claiming Credit	% of Property Tax Credits Filed	\$ Amount of Credit	Number Claiming Credit	AGI Group of MI-1040s Filed	% of Credit	Number Claiming Credit	AGI Group of MI-1040s Filed	% of Credit
Less than \$1	55,858	1.3%	15,593	1.6%	\$12,405,769	1,857	0.2%	\$44,831	1,045	0.4%	\$82,958
\$ 1 - 2,000	158,378	3.6%	15,617	1.6%	7,561,854	9,939	1.1%	50,147	1,318	0.5%	44,700
2,001 - 4,000	184,826	4.2%	22,766	2.4%	9,598,161	23,425	2.6%	177,711	2,231	0.8%	81,577
4,001 - 6,000	177,680	4.0%	29,900	3.1%	12,752,898	26,779	2.9%	291,987	2,602	0.9%	113,512
6,001 - 8,000	171,031	3.9%	38,307	4.0%	16,938,840	27,730	3.0%	371,703	2,890	1.0%	143,606
8,001 - 10,000	158,971	3.6%	40,436	4.2%	18,428,821	26,995	3.0%	432,182	3,019	1.0%	155,912
10,001 - 12,000	157,319	3.6%	45,273	4.7%	20,957,839	27,449	3.0%	495,450	3,353	1.1%	186,079
12,001 - 14,000	146,782	3.3%	43,260	4.5%	19,741,326	26,545	2.9%	539,882	3,416	1.2%	197,553
14,001 - 16,000	140,212	3.2%	41,918	4.3%	18,721,515	26,046	2.9%	582,289	3,588	1.2%	214,589
16,001 - 18,000	132,069	3.0%	40,817	4.2%	17,664,136	25,796	2.8%	625,378	3,638	1.2%	222,596
18,001 - 20,000	124,635	2.8%	40,495	4.2%	17,173,533	25,388	2.8%	675,401	3,768	1.3%	237,332
20,001 - 22,000	117,355	2.7%	39,358	4.1%	16,546,110	25,230	2.8%	710,971	3,740	1.3%	238,172
22,001 - 24,000	110,774	2.5%	37,880	3.9%	15,817,934	24,780	2.7%	738,021	3,775	1.3%	244,481
24,001 - 26,000	106,835	2.4%	36,659	3.8%	15,160,459	24,336	2.7%	760,701	4,013	1.4%	255,044
26,001 - 28,000	102,649	2.3%	35,029	3.6%	14,412,069	23,491	2.6%	799,693	4,069	1.4%	273,639
28,001 - 30,000	99,658	2.3%	33,328	3.5%	14,005,068	22,589	2.5%	760,482	4,175	1.4%	283,313
30,001 - 35,000	227,471	5.2%	74,167	7.7%	31,377,732	51,164	5.6%	1,805,473	10,595	3.6%	726,726
35,001 - 40,000	199,942	4.6%	62,260	6.4%	27,367,363	45,479	5.0%	1,665,409	10,903	3.7%	773,349
40,001 - 45,000	179,434	4.1%	53,032	5.5%	24,232,911	42,287	4.6%	1,648,314	11,182	3.8%	800,024
45,001 - 50,000	162,714	3.7%	44,713	4.6%	21,177,463	38,489	4.2%	1,567,663	11,358	3.9%	840,366
50,001 - 55,000	149,072	3.4%	37,792	3.9%	18,406,212	35,745	3.9%	1,486,835	11,433	3.9%	867,738
55,001 - 60,000	140,297	3.2%	32,926	3.4%	16,485,611	34,413	3.8%	1,487,558	11,645	4.0%	908,054
60,001 - 65,000	131,264	3.0%	29,134	3.0%	15,035,525	32,828	3.6%	1,430,686	11,443	3.9%	916,396
65,001 - 70,000	119,788	2.7%	25,357	2.6%	13,358,868	30,015	3.3%	1,351,227	11,182	3.8%	920,662
70,001 - 75,000	108,406	2.5%	21,403	2.2%	11,250,559	27,207	3.0%	1,240,474	11,050	3.8%	939,710
75,001 - 80,000	96,398	2.2%	17,714	1.8%	6,433,998	24,369	2.7%	1,128,408	10,691	3.7%	912,502
80,001 - 85,000	85,896	2.0%	9,161	0.9%	1,505,261	22,192	2.4%	1,044,004	10,050	3.4%	888,372
85,001 - 90,000	77,222	1.8%	506	0.1%	161,896	19,937	2.2%	946,814	9,818	3.4%	879,122

Exhibit 27 (cont.)

Adjusted Gross Income <u>Group</u>	Number of MI-1040s <u>Filed</u>	% of Total MI-1040s <u>Filed</u> ⁽²⁾	General Property Tax Credit ⁽²⁾			City Income Tax Credit			College Contribution Credit		
			Number Claiming <u>Credit</u>	% of Property Tax Credits <u>Filed</u>	\$ Amount <u>of Credit</u>	Number Claiming <u>Credit</u>	AGI Group % of MI-1040s <u>Filed</u>	\$ Amount <u>of Credit</u>	Number Claiming <u>Credit</u>	AGI Group % of MI-1040s <u>Filed</u>	\$ Amount <u>of Credit</u>
			90,001 - 95,000	67,534	1.5%	134	0.0%	62,545	17,635	1.9%	860,938
95,001 - 100,000	58,099	1.3%	95	0.0%	41,125	15,175	1.7%	777,364	8,364	2.9%	778,821
100,001 - 110,000	91,915	2.1%	109	0.0%	66,152	24,464	2.7%	1,275,389	14,288	4.9%	1,378,861
110,001 - 120,000	69,206	1.6%	68	0.0%	40,930	18,322	2.0%	1,019,417	11,883	4.1%	1,175,887
120,001 - 130,000	50,550	1.2%	41	0.0%	19,700	13,330	1.5%	758,469	9,620	3.3%	985,064
130,001 - 140,000	38,700	0.9%	33	0.0%	20,347	10,038	1.1%	593,868	7,731	2.7%	823,454
140,001 - 150,000	29,467	0.7%	25	0.0%	18,952	7,430	0.8%	453,682	6,330	2.2%	682,260
150,001 - 160,000	21,802	0.5%	15	0.0%	11,194	5,274	0.6%	329,818	4,996	1.7%	560,614
160,001 - 170,000	17,559	0.4%	13	0.0%	8,915	4,219	0.5%	277,250	4,221	1.4%	482,271
170,001 - 180,000	13,908	0.3%	12	0.0%	6,220	3,161	0.3%	213,046	3,539	1.2%	414,422
180,001 - 190,000	11,179	0.3%	10	0.0%	8,950	2,520	0.3%	175,237	2,910	1.0%	348,022
190,001 - 200,000	9,253	0.2%	6	0.0%	1,513	1,940	0.2%	140,425	2,411	0.8%	290,607
200,001 - 300,000	43,284	1.0%	27	0.0%	21,557	8,994	1.0%	753,780	12,293	4.2%	1,576,223
300,001 - 400,000	15,203	0.3%	7	0.0%	6,468	3,145	0.3%	341,208	4,688	1.6%	643,946
400,001 - 500,000	7,582	0.2%	5	0.0%	5,116	1,493	0.2%	196,006	2,364	0.8%	333,772
500,001 - 750,000	8,333	0.2%	1	0.0%	1,200	1,501	0.2%	239,704	2,524	0.9%	368,313
750,001 - 1,000,000	3,425	0.1%	0	0.0%	0	510	0.1%	103,074	896	0.3%	134,127
Over \$1,000,000	<u>7,834</u>	<u>0.2%</u>	<u>2</u>	<u>0.0%</u>	<u>2,400</u>	<u>826</u>	<u>0.1%</u>	<u>328,086</u>	<u>1,511</u>	<u>0.5%</u>	<u>233,448</u>
Totals	4,387,769	16.6%	965,404	1.1%	\$435,023,015	912,477	20.0%	\$33,696,454	291,665	44.4%	\$25,395,489

⁽¹⁾Values in this table are based on 4,367,651 MI-1040 tax returns on file.

⁽²⁾ 18,007 general property tax credits totaling \$6,428,734 were claimed on MI-1040CR returns that were filed without an MI-1040.

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

Exhibit 28
Distribution of Property Tax Credits Claimed
Individual Income Tax, 2004 ⁽¹⁾

Adjusted Gross Income Group	General			Senior Citizens ⁽²⁾			Veterans			Disabled ⁽³⁾		
	Number of Credits	% of Total Credits	\$ Amount of Credit	Number of Credits	% of Total Credits	\$ Amount of Credit	Number of Credits	% of Total Credits	\$ Amount of Credit	Number of Credits	% of Total Credits	\$ Amount of Credit
	<u>Allowed</u>	<u>Allowed</u>	<u>of Credit</u>	<u>Allowed</u>	<u>Allowed</u>	<u>of Credit</u>	<u>Allowed</u>	<u>Allowed</u>	<u>of Credit</u>	<u>Allowed</u>	<u>Allowed</u>	<u>of Credit</u>
Zero Income ⁽⁴⁾	27,212	2.8%	\$16,996,984	78,238	18.7%	\$54,011,991	1,162	12.4%	\$167,310	137	9.9%	\$ 20,238
\$ 1 - 2,000	15,903	1.6%	7,612,537	24,899	6.0%	19,702,193	197	2.1%	29,901	37	2.7%	4,941
2,001 - 4,000	23,055	2.3%	9,647,705	20,515	4.9%	15,989,637	153	1.6%	22,888	22	1.6%	2,055
4,001 - 6,000	30,181	3.1%	12,805,343	22,436	5.4%	17,281,438	166	1.8%	24,659	28	2.0%	3,379
6,001 - 8,000	38,597	3.9%	17,000,200	25,019	6.0%	18,777,300	224	2.4%	29,936	42	3.0%	5,202
8,001 - 10,000	40,710	4.1%	18,498,592	25,548	6.1%	18,916,088	241	2.6%	31,258	65	4.7%	8,399
10,001 - 12,000	45,550	4.6%	21,029,870	25,451	6.1%	18,430,493	286	3.1%	36,070	56	4.1%	6,666
12,001 - 14,000	43,525	4.4%	19,795,213	23,393	5.6%	16,839,999	323	3.5%	44,903	61	4.4%	10,269
14,001 - 16,000	42,195	4.3%	18,790,306	21,356	5.1%	15,223,680	330	3.5%	44,326	78	5.7%	10,825
16,001 - 18,000	41,089	4.2%	17,728,028	18,623	4.5%	13,372,876	296	3.2%	36,233	53	3.8%	7,549
18,001 - 20,000	40,775	4.1%	17,240,203	15,128	3.6%	10,801,250	281	3.0%	35,259	58	4.2%	6,697
20,001 - 22,000	39,611	4.0%	16,610,122	12,058	2.9%	8,612,311	247	2.6%	34,117	52	3.8%	5,764
22,001 - 24,000	38,099	3.9%	15,879,933	10,132	2.4%	7,315,357	248	2.7%	32,348	45	3.3%	4,994
24,001 - 26,000	36,874	3.7%	15,217,385	8,889	2.1%	6,308,699	228	2.4%	30,364	51	3.7%	5,378
26,001 - 28,000	35,233	3.6%	14,468,803	8,064	1.9%	5,810,637	237	2.5%	28,496	33	2.4%	3,665
28,001 - 30,000	33,500	3.4%	14,052,388	7,322	1.8%	5,260,273	218	2.3%	27,060	31	2.2%	3,548
30,001 - 35,000	74,559	7.6%	31,493,402	14,860	3.6%	10,745,747	513	5.5%	64,050	72	5.2%	9,802
35,001 - 40,000	62,602	6.4%	27,473,887	11,452	2.7%	8,443,253	546	5.8%	66,433	71	5.1%	8,351
40,001 - 45,000	53,321	5.4%	24,334,202	9,142	2.2%	6,732,405	520	5.6%	64,770	63	4.6%	7,800
45,001 - 50,000	44,962	4.6%	21,265,888	7,837	1.9%	5,793,092	483	5.2%	62,798	60	4.3%	6,995
50,001 - 55,000	37,997	3.9%	18,488,505	6,602	1.6%	4,992,703	461	4.9%	58,940	38	2.8%	5,863
55,001 - 60,000	33,133	3.4%	16,569,587	5,693	1.4%	4,358,346	455	4.9%	52,519	58	4.2%	7,807
60,001 - 65,000	29,311	3.0%	15,099,966	4,662	1.1%	3,654,865	452	4.8%	54,119	43	3.1%	5,051
65,001 - 70,000	25,500	2.6%	13,417,815	3,969	0.9%	3,069,941	374	4.0%	43,476	46	3.3%	5,891
70,001 - 75,000	21,517	2.2%	11,299,541	3,467	0.8%	2,455,508	347	3.7%	38,001	40	2.9%	4,026
75,001 - 80,000	17,816	1.8%	6,475,094	2,514	0.6%	1,106,178	231	2.5%	16,833	27	2.0%	1,781
80,001 - 85,000	9,226	0.9%	1,530,539	713	0.2%	215,325	95	1.0%	3,676	13	0.9%	404
85,001 - 90,000	549	0.1%	182,284	108	0.0%	48,952	11	0.1%	617	-	0.0%	-
90,001 - 95,000	182	0.0%	84,479	34	0.0%	23,783	1	0.0%	218	-	0.0%	-
95,001 - 100,000	131	0.0%	55,983	23	0.0%	18,048	2	0.0%	246	-	0.0%	-
Over 100,000	496	0.1%	306,965	66	0.0%	56,365	10	0.1%	1,212	-	0.0%	-
Totals	983,411	100.0%	\$441,451,749	418,213	100.0%	\$304,368,733	9,338	100.0%	\$ 1,183,036	1,380	100.0%	\$ 173,340

⁽¹⁾Values in this table are based on a sample of the 4,596,602 MI-1040 and MI-1040CR returns.

⁽²⁾Includes Senior Citizen Low Income Rent Credits.

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

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

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

Exhibit 29
Distribution of Senior Citizen Property Tax Credits by Household Income
Individual Income Tax, 2004

<u>Household Income</u>	<u>Number of Returns</u>	<u>Property Tax Paid</u>	<u>Property Tax Credit</u>	<u>Property Tax Paid After Credit</u>
\$1,000 and below	1,768	\$4,874,913	\$1,833,753	\$3,041,160
1,001 - 2,000	414	610,255	346,772	263,483
2,001 - 3,000	663	885,167	568,095	317,072
3,001 - 4,000	1,048	1,210,515	848,187	362,328
4,001 - 5,000	1,800	2,032,224	1,405,428	626,796
5,001 - 6,000	3,073	3,272,646	2,300,471	972,175
6,001 - 7,000	7,456	6,998,531	5,366,405	1,632,126
7,001 - 8,000	8,963	8,648,386	5,834,089	2,814,297
8,001 - 9,000	8,810	9,746,910	6,158,944	3,587,966
9,001 - 10,000	10,076	11,376,368	7,072,492	4,303,876
10,001 - 11,000	11,585	13,704,395	8,251,659	5,452,736
11,001 - 12,000	11,110	13,960,351	8,064,343	5,896,008
12,001 - 13,000	11,249	14,919,180	8,331,938	6,587,242
13,001 - 14,000	11,197	15,544,863	8,439,567	7,105,296
14,001 - 15,000	11,572	16,545,881	8,693,357	7,852,524
15,001 - 16,000	11,762	17,081,320	8,782,365	8,298,955
16,001 - 17,000	11,991	17,949,800	8,955,685	8,994,115
17,001 - 18,000	12,225	18,824,300	9,138,939	9,685,361
18,001 - 19,000	11,939	18,942,968	8,951,832	9,991,136
19,001 - 20,000	12,092	19,480,341	8,970,363	10,509,978
20,001 - 21,000	11,756	19,612,966	8,688,249	10,924,717
21,001 - 22,000	11,752	19,931,301	8,727,410	11,203,891
22,001 - 23,000	10,942	18,862,310	7,984,047	10,878,263
23,001 - 24,000	10,757	19,062,901	7,935,865	11,127,036
24,001 - 25,000	10,373	18,484,182	7,533,978	10,950,204
25,001 - 26,000	10,261	18,841,142	7,497,422	11,343,720
26,001 - 27,000	9,649	18,291,678	7,085,190	11,206,488
27,001 - 28,000	9,527	18,378,554	6,962,329	11,416,225
28,001 - 29,000	9,145	17,914,643	6,599,417	11,315,226
29,001 - 30,000	8,687	17,294,550	6,301,243	10,993,307
30,001 - 35,000	38,761	81,698,767	27,629,462	54,069,305
35,001 - 40,000	30,741	70,987,772	21,928,263	49,059,509
40,001 - 45,000	23,531	59,231,631	16,759,926	42,471,705
45,001 - 50,000	17,659	48,171,998	12,829,838	35,342,160
50,001 - 60,000	22,558	69,468,252	16,667,145	52,801,107
60,001 - 70,000	12,664	45,588,444	9,866,624	35,721,820
70,001 - 80,000	7,411	30,263,171	4,853,990	25,409,181
Over 80,000	<u>1,246</u>	<u>5,495,222</u>	<u>203,651</u>	<u>5,291,571</u>
Totals	418,213	\$814,188,802	\$304,368,733	\$509,820,069

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

Exhibit 30
Distribution of General Property Tax Credits by Household Income
Individual Income Tax, 2004

<u>Household</u>	<u>Number of Returns</u>	<u>Property Tax Paid</u>	<u>Property Tax Credit</u>	<u>Property Tax Paid After Credit</u>
1,000 and below	19,312	\$33,490,250	\$13,072,102	\$20,418,148
1,001 - 2,000	4,491	5,111,352	2,404,545	2,706,807
2,001 - 3,000	6,449	6,568,424	3,071,291	3,497,133
3,001 - 4,000	8,545	8,348,595	3,748,853	4,599,742
4,001 - 5,000	11,035	11,002,409	4,806,143	6,196,266
5,001 - 6,000	13,535	13,047,142	5,599,056	7,448,086
6,001 - 7,000	18,431	18,160,019	7,662,660	10,497,359
7,001 - 8,000	20,386	21,383,646	8,867,153	12,516,493
8,001 - 9,000	20,135	22,101,471	8,871,048	13,230,423
9,001 - 10,000	21,564	24,828,791	9,840,137	14,988,654
10,001 - 11,000	23,327	27,672,002	10,657,259	17,014,743
11,001 - 12,000	23,219	28,405,621	10,619,760	17,785,861
12,001 - 13,000	23,112	28,840,322	10,565,052	18,275,270
13,001 - 14,000	23,464	30,099,903	10,635,774	19,464,129
14,001 - 15,000	22,926	30,055,747	10,375,068	19,680,679
15,001 - 16,000	22,663	30,405,500	10,166,377	20,239,123
16,001 - 17,000	22,293	29,853,508	9,724,725	20,128,783
17,001 - 18,000	22,076	30,363,151	9,627,166	20,735,985
18,001 - 19,000	22,074	30,922,696	9,443,141	21,479,555
19,001 - 20,000	21,687	31,548,068	9,232,408	22,315,660
20,001 - 21,000	21,288	31,311,254	9,001,708	22,309,546
21,001 - 22,000	20,782	31,401,942	8,820,374	22,581,568
22,001 - 23,000	20,237	31,383,124	8,473,223	22,909,901
23,001 - 24,000	20,233	31,874,147	8,439,978	23,434,169
24,001 - 25,000	19,821	32,049,591	8,305,343	23,744,248
25,001 - 26,000	19,346	31,825,162	7,997,951	23,827,211
26,001 - 27,000	18,859	31,583,509	7,826,556	23,756,953
27,001 - 28,000	18,278	31,466,582	7,584,744	23,881,838
28,001 - 29,000	17,769	31,565,900	7,475,391	24,090,509
29,001 - 30,000	17,263	31,274,652	7,200,724	24,073,928
30,001 - 35,000	78,335	150,876,686	33,186,505	117,690,181
35,001 - 40,000	65,297	139,890,333	28,656,755	111,233,578
40,001 - 45,000	55,259	131,420,394	25,229,663	106,190,731
45,001 - 50,000	46,051	119,735,566	21,888,251	97,847,315
50,001 - 60,000	72,338	211,147,574	35,759,232	175,388,342
60,001 - 70,000	54,730	183,389,188	28,744,339	154,644,849
70,001 - 80,000	39,278	147,604,833	17,038,062	130,566,771
Over 80,000	<u>7,523</u>	<u>30,295,249</u>	<u>833,232</u>	<u>29,462,017</u>
Totals	983,411	\$1,892,304,304	\$441,451,749	\$1,450,852,555

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

Exhibit 31
Distribution of Home Heating Credits by Household Income
Individual Income Tax, 2004

<u>Household Income</u>	<u>Senior Citizens</u>		<u>General</u>		<u>Disabled⁽¹⁾</u>		<u>Veterans</u>	
	<u>Number of Returns</u>	<u>Home Heating Credit</u>	<u>Number of Returns</u>	<u>Home Heating Credit</u>	<u>Number of Returns</u>	<u>Home Heating Credit</u>	<u>Number of Returns</u>	<u>Home Heating Credit</u>
\$ 1,000 and below	1,077	\$563,754	14,436	\$5,872,495	379	\$154,255	8	\$2,411
1,001 - 2,000	262	108,391	5,286	1,707,078	126	46,087	0	0
2,001 - 3,000	440	168,619	7,118	2,100,251	169	58,760	2	1,071
3,001 - 4,000	760	255,296	9,275	2,511,233	287	90,739	3	592
4,001 - 5,000	1,378	419,320	11,813	2,982,406	488	131,938	7	2,027
5,001 - 6,000	2,574	682,378	14,713	3,445,773	946	231,871	10	2,372
6,001 - 7,000	6,758	1,484,337	26,428	5,399,292	8,384	1,473,179	40	9,285
7,001 - 8,000	7,960	1,567,506	25,543	4,783,118	4,052	707,878	37	5,642
8,001 - 9,000	7,518	1,327,259	21,672	3,748,707	2,474	416,290	32	5,541
9,001 - 10,000	8,412	1,241,449	22,313	3,515,892	2,473	376,691	51	6,576
10,001 - 11,000	9,215	1,194,560	19,898	3,361,056	2,577	423,012	45	6,693
11,001 - 12,000	8,116	799,528	17,214	2,736,352	1,883	273,063	27	3,440
12,001 - 13,000	7,580	582,745	15,827	2,218,361	1,584	210,343	32	3,174
13,001 - 14,000	5,130	357,495	13,782	1,780,161	1,185	172,288	28	2,276
14,001 - 15,000	1,956	280,882	10,011	1,409,167	710	123,593	19	3,099
15,001 - 16,000	1,924	233,257	9,275	1,094,771	658	109,395	17	1,971
16,001 - 17,000	1,802	185,621	8,564	825,592	607	81,753	19	2,189
17,001 - 18,000	1,531	140,976	5,346	653,942	412	66,267	15	1,556
18,001 - 19,000	1,416	99,651	4,460	525,379	361	60,382	16	1,441
19,001 - 20,000	1,366	68,346	3,985	384,036	270	37,669	17	976
Over 20,000	1,545	97,106	11,274	1,169,738	942	128,287	40	3,336
Totals	78,720	\$11,858,476	278,233	\$52,224,800	30,967	\$5,373,740	465	\$65,668
Average Credit		\$150.64		\$187.70		\$173.53		\$141.22

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

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

Exhibit 32
2004 Income Tax Collections by County

<u>County</u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>	<u>Tax After Credits</u>	<u>Percent of Total Tax</u>
ALCONA	\$429,504	\$140,355	\$2,697,794	0.1%
ALGER	280,549	85,666	2,870,448	0.1%
ALLEGAN	6,131,881	599,000	45,466,996	0.9%
ALPENA	1,414,309	342,987	10,966,264	0.2%
ANTRIM	1,525,664	212,165	8,805,350	0.2%
ARENAC	1,036,749	223,683	4,080,586	0.1%
BARAGA	202,512	69,246	2,074,409	0.0%
BARRY	2,611,442	254,993	24,607,251	0.5%
BAY	7,653,057	879,029	45,585,357	0.9%
BENZIE	790,720	145,222	5,817,650	0.1%
BERRIEN	8,318,280	1,475,665	73,370,420	1.4%
BRANCH	2,594,207	336,712	15,393,697	0.3%
CALHOUN	9,291,989	1,140,695	55,405,710	1.0%
CASS	2,433,889	309,804	16,362,051	0.3%
CHARLEVOIX	1,764,856	215,257	13,237,457	0.2%
CHEBOYGAN	938,750	305,606	7,949,798	0.1%
CHIPPEWA	1,504,692	328,788	9,393,850	0.2%
CLARE	988,799	459,720	9,085,288	0.2%
CLINTON	4,170,297	249,291	29,761,722	0.6%
CRAWFORD	345,814	130,447	3,636,491	0.1%
DELTA	1,480,825	413,170	15,559,932	0.3%
DICKINSON	1,280,840	210,720	11,853,136	0.2%
EATON	8,903,857	503,721	57,779,385	1.1%
EMMET	2,152,393	258,913	18,125,398	0.3%
GENESEE	23,586,253	3,606,593	207,714,404	3.9%
GLADWIN	1,184,368	304,821	7,705,641	0.1%
GOGEBIC	441,220	211,697	4,812,941	0.1%
GRAND TRAVERSE	6,546,310	437,732	47,243,678	0.9%
GRATIOT	2,956,304	415,174	14,653,449	0.3%
HILLSDALE	2,436,907	470,848	17,054,336	0.3%
HOUGHTON	833,016	348,678	10,965,747	0.2%
HURON	7,509,662	473,434	6,872,253	0.1%
INGHAM	24,330,296	1,685,067	129,141,365	2.4%
IONIA	3,132,000	391,787	25,434,926	0.5%
IOSCO	1,090,731	342,052	7,297,705	0.1%
IRON	398,218	159,262	3,672,828	0.1%
ISABELLA	3,730,737	422,260	37,562,520	0.7%
JACKSON	7,839,456	1,102,303	70,793,238	1.3%
KALAMAZOO	15,789,715	1,324,116	128,830,035	2.4%
KALKASKA	644,257	184,878	5,621,112	0.1%
KENT	38,548,785	3,133,997	340,866,736	6.4%
KEWEENAW	40,536	22,182	607,318	0.0%
LAKE	359,380	205,199	1,730,429	0.0%
LAPEER	4,166,499	421,664	46,395,535	0.9%

Exhibit 32 (cont.)

<u>County</u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>	<u>Tax After Credits</u>	<u>Percent of Total Tax</u>
LEELANAU	\$1,300,941	\$95,798	\$8,538,410	0.2%
LENAWEE	7,948,970	513,770	42,902,629	0.8%
LIVINGSTON	8,093,137	303,023	89,869,904	1.7%
LUCE	102,286	74,149	1,809,719	0.0%
MACKINAC	561,780	119,532	3,347,010	0.1%
MACOMB	87,625,345	3,534,925	450,133,268	8.5%
MANISTEE	1,261,600	245,571	8,026,391	0.2%
MARQUETTE	1,770,560	444,710	26,313,748	0.5%
MASON	1,815,235	289,549	9,682,194	0.2%
MECOSTA	1,523,191	367,758	12,222,238	0.2%
MENOMINEE	781,597	272,695	9,140,164	0.2%
MIDLAND	3,651,765	486,552	55,595,360	1.0%
MISSAUKEE	890,773	167,646	3,311,377	0.1%
MONROE	8,006,512	619,896	75,007,112	1.4%
MONTCALM	3,328,561	616,738	22,863,057	0.4%
MONTMORENCY	312,371	139,192	2,512,301	0.0%
MUSKEGON	9,359,486	1,466,175	63,999,626	1.2%
NEWAYGO	2,234,785	424,918	14,373,976	0.3%
OAKLAND	116,808,143	3,740,719	1,058,416,530	20.0%
OCEANA	1,477,774	298,280	8,353,911	0.2%
OGEMAW	934,343	313,595	6,353,724	0.1%
ONTONAGON	157,686	92,458	2,301,859	0.0%
OSCEOLA	1,057,113	329,929	8,220,340	0.2%
OSCODA	152,978	95,081	1,894,436	0.0%
OTSEGO	793,885	150,531	9,693,759	0.2%
OTTAWA	15,517,808	849,520	149,791,693	2.8%
PRESQUE ISLE	557,026	205,674	4,292,337	0.1%
ROSCOMMON	1,188,868	335,780	7,105,351	0.1%
SAGINAW	10,973,502	1,949,313	84,596,689	1.6%
ST. CLAIR	11,601,117	1,104,638	84,190,986	1.6%
ST. JOSEPH	3,086,563	411,863	24,478,197	0.5%
SANILAC	4,132,133	569,667	13,567,182	0.3%
SCHOOLCRAFT	187,206	121,326	2,727,788	0.1%
SHIAWASSEE	4,494,368	542,607	34,188,478	0.6%
TUSCOLA	6,002,748	535,168	19,936,016	0.4%
VAN BUREN	5,202,330	706,065	32,214,603	0.6%
WASHTENAW	32,028,294	1,167,767	234,841,514	4.4%
WAYNE (excludes Detroit)	112,113,120	4,751,399	536,297,247	10.1%
WEXFORD	1,744,740	359,122	11,849,399	0.2%
OUTSIDE OF MICHIGAN	12,863,309	904,801	207,278,195	3.9%
DETROIT	<u>79,687,659</u>	<u>14,850,185</u>	<u>256,373,982</u>	<u>4.8%</u>
	\$777,142,133	\$69,522,684	\$5,303,475,336	100.0%

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

Exhibit 33 2004 Income Tax Data by County

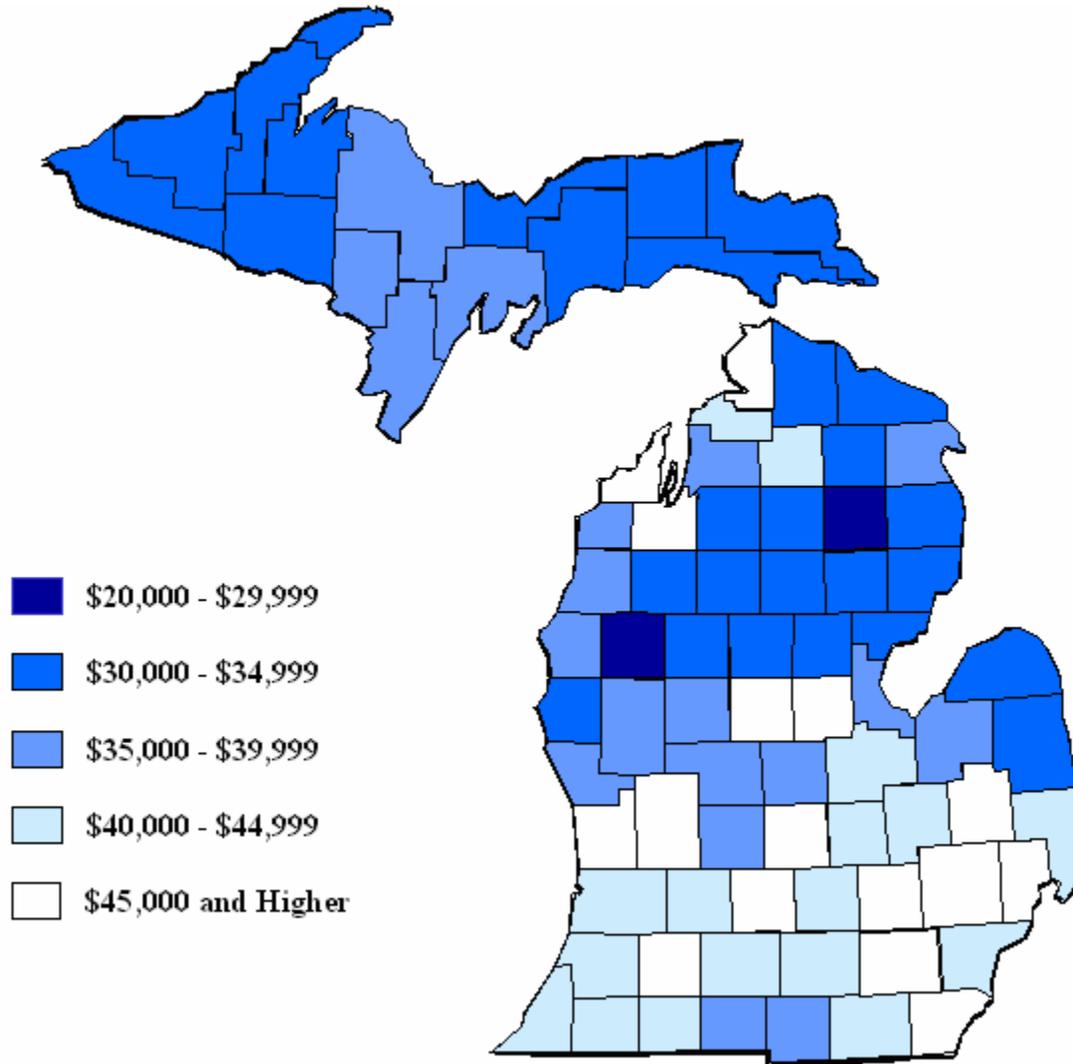
County	2004	2004		Income Tax		Average		Average		Credits as a		Ratio of Property		Average		
	AGI	Average	Rank	Before	Rank	Income Tax	Rank	Income Tax	Rank	% of Tax	Rank	to 1040s Filed	Rank	Property Tax	Rank	
	(Millions)	AGI	Rank	Credits	Rank	Before	Credits	Rank	After	Credits	Rank	Before	Credits	Rank	Credit ⁽¹⁾	Rank
ALCONA	\$155.2	\$32,850	70	\$3,303,191	75	\$699	81	\$571	80	18.3%	16	23.1%	65	\$393	58	
ALGER	132.3	34,653	54	3,303,373	74	865	59	752	55	13.1%	59	21.8%	70	338	71	
ALLEGAN	1,755.1	42,440	24	52,703,464	23	1,274	21	1,099	19	13.7%	53	28.2%	31	526	18	
ALPENA	484.4	35,552	50	12,920,625	48	948	51	805	50	15.1%	39	27.1%	42	384	59	
ANTRIM	416.9	39,748	34	10,689,659	53	1,019	44	840	45	17.6%	20	28.0%	33	520	20	
ARENAC	211.5	31,971	77	5,385,931	68	814	68	617	77	24.2%	4	28.7%	28	547	15	
BARAGA	98.5	33,677	62	2,384,172	79	815	67	709	66	13.0%	61	18.5%	78	374	63	
BARRY	937.1	44,943	17	27,812,231	32	1,334	13	1,180	12	11.5%	70	25.8%	47	486	35	
BAY	1,939.9	39,385	37	54,645,219	21	1,109	33	926	37	16.6%	28	31.8%	12	489	33	
BENZIE	267.7	37,278	41	6,842,916	65	953	50	810	48	15.0%	41	25.9%	46	425	48	
BERRIEN	2,943.6	41,705	26	84,860,043	14	1,202	26	1,040	23	13.5%	55	27.8%	35	423	51	
BRANCH	667.3	37,161	42	18,901,403	38	1,053	39	857	43	18.6%	15	26.8%	43	539	16	
CALHOUN	2,348.4	40,731	29	66,949,151	18	1,161	28	961	34	17.2%	23	32.8%	10	492	31	
CASS	722.4	40,985	28	19,840,835	37	1,126	32	928	36	17.5%	21	23.5%	62	588	10	
CHARLEVOIX	544.1	42,704	22	15,370,536	43	1,206	25	1,039	24	13.9%	52	28.7%	27	482	36	
CHEBOYGAN	367.5	33,666	63	9,336,044	60	855	61	728	62	14.8%	42	23.5%	61	365	66	
CHIPPEWA	501.9	33,579	65	11,605,050	51	776	75	628	74	19.1%	10	34.4%	6	292	81	
CLARE	429.1	32,160	74	10,643,827	54	798	74	681	70	14.6%	44	21.1%	72	351	69	
CLINTON	1,166.4	48,337	11	34,577,696	28	1,433	10	1,233	9	13.9%	50	29.7%	22	582	12	
CRAWFORD	170.3	34,285	57	4,196,809	72	845	62	732	61	13.4%	57	20.9%	73	333	74	
DELTA	646.5	37,827	39	17,654,570	41	1,033	40	910	39	11.9%	69	24.0%	59	361	67	
DICKINSON	482.4	39,495	36	13,484,790	47	1,104	34	971	30	12.1%	67	25.0%	51	420	52	
EATON	2,351.6	45,304	16	68,341,566	17	1,317	18	1,113	18	15.5%	36	33.0%	9	520	19	
EMMET	720.4	45,640	14	20,901,677	35	1,324	14	1,148	14	13.3%	58	29.2%	23	467	40	
GENESEE	8,363.7	43,723	21	238,831,080	6	1,249	22	1,086	20	13.0%	60	29.0%	24	425	49	
GLADWIN	383.1	34,551	55	9,283,501	61	837	64	695	68	17.0%	26	27.1%	40	394	57	
GOGEBIC	213.8	32,264	72	5,527,435	67	834	65	726	63	12.9%	62	21.3%	71	312	78	
GRAND TRAVERSE	1,896.8	45,593	15	54,903,741	20	1,320	17	1,136	15	14.0%	49	31.6%	14	498	27	
GRATIOT	636.3	36,343	48	17,899,623	40	1,022	43	837	46	18.1%	17	25.1%	49	673	4	
HILLSDALE	718.7	36,397	47	20,360,652	36	1,031	41	864	42	16.2%	29	24.3%	54	507	24	
HOUGHTON	473.0	33,877	61	12,447,636	49	891	58	785	51	11.9%	68	17.2%	79	347	70	
HURON	548.8	33,216	68	14,197,290	45	859	60	416	83	51.6%	1	37.8%	4	1,203	1	
INGHAM	5,372.8	44,671	18	159,138,011	8	1,323	15	1,074	22	18.8%	12	38.2%	3	530	17	
IONIA	1,012.5	39,552	35	29,365,629	29	1,147	30	994	28	13.4%	56	24.1%	57	509	23	
IOSCO	391.1	32,133	75	8,818,396	62	724	79	600	79	17.2%	22	24.5%	52	366	65	
IRON	169.3	31,950	78	4,277,951	71	807	71	693	69	14.1%	48	22.5%	66	334	73	
ISABELLA	1,477.3	48,443	9	42,217,537	25	1,384	12	1,232	10	11.0%	75	25.1%	50	488	34	
JACKSON	2,758.4	42,160	25	81,193,981	15	1,241	24	1,082	21	12.8%	63	27.1%	41	442	44	
KALAMAZOO	4,862.3	48,171	12	147,639,164	9	1,463	9	1,276	7	12.7%	64	33.8%	8	463	42	
KALKASKA	250.2	34,040	59	6,558,678	66	892	57	765	53	14.3%	46	23.5%	63	374	62	
KENT	12,954.1	50,887	6	385,036,105	4	1,513	6	1,339	6	11.5%	71	32.5%	11	466	41	
KEWEENAW	28.5	33,396	67	680,203	83	798	73	713	65	10.7%	77	12.0%	83	397	56	
LAKE	102.3	28,366	83	2,334,815	80	647	82	480	82	25.9%	2	30.0%	21	332	75	
LAPEER	1,736.5	47,337	13	51,701,746	24	1,409	11	1,265	8	10.3%	79	23.2%	64	490	32	

Exhibit 33 (cont.)

County	2004	2004	Income Tax		Average		Average		Credits as a		Ratio of Property		Average			
	AGI	Average	Before	Rank	Income Tax	Rank	Income Tax	Rank	% of Tax	Rank	Tax Credits	Rank	Property Tax	Rank		
	(Millions)	AGI	Credits	Rank	Before	Credits	After	Rank	Before	Rank	to 1040s Filed	Rank	Credit ⁽¹⁾	Rank		
LEELANAU	\$387.2	\$50,491	7	7	\$10,128,757	57	\$1,321	16	\$1,113	17	15.7%	35	28.9%	26	\$587	11
LENAWEE	1,818.8	42,663	23	23	52,956,474	22	1,242	23	1,006	26	19.0%	11	30.4%	20	614	7
LIVINGSTON	3,133.2	60,902	3	10	99,228,465	10	1,929	3	1,747	2	9.4%	81	27.9%	34	564	14
LUCE	82.6	33,463	66	82	2,020,181	82	818.55	66	733	60	10.4%	78	16.0%	82	259	82
MACKINAC	178.8	33,005	69	73	4,159,433	73	768	77	618	76	19.5%	9	31.7%	13	327	76
MACOMB	18,098.4	48,337	10	3	549,293,901	3	1,467	8	1,202	11	18.1%	19	38.5%	2	608	8
MANISTEE	378.0	35,141	51	58	9,691,257	58	901	55	746	56	17.2%	24	28.4%	29	412	53
MARQUETTE	1,059.8	38,997	38	30	28,931,765	30	1,065	38	968	33	9.0%	82	20.4%	75	319	77
MASON	442.8	35,107	52	50	11,892,923	50	943	52	768	52	18.6%	14	30.4%	19	473	39
MECOSTA	547.5	36,659	44	44	14,415,268	44	965	48	818	47	15.2%	38	24.1%	56	424	50
MENOMINEE	386.4	36,668	43	55	10,294,717	55	977	47	867	41	11.2%	72	20.7%	74	359	68
MIDLAND	2,017.0	57,445	4	19	60,537,109	19	1,724	4	1,583	4	8.2%	83	24.0%	58	433	46
MISSAUKEE	168.3	31,610	80	70	4,329,348	70	813	69	622	75	23.5%	6	27.5%	38	608	9
MONROE	3,162.1	49,543	8	13	93,746,180	13	1,469	7	1,175	13	20.0%	8	24.2%	55	518	21
MONTCALM	942.2	35,941	49	33	26,997,792	33	1,030	42	872	40	15.3%	37	25.2%	48	504	25
MONTMORENCY	147.9	30,628	81	77	2,998,423	77	621	83	520	81	16.2%	30	19.3%	77	336	72
MUSKEGON	2,650.8	37,737	40	16	76,285,557	16	1,086	37	911	38	16.1%	33	31.0%	16	429	47
NEWAYGO	619.3	36,539	45	42	17,240,106	42	1,017	45	848	44	16.6%	27	27.5%	39	479	37
OAKLAND	37,097.6	72,180	1	1	1,191,154,938	1	2,318	1	2,059	1	11.1%	73	34.1%	7	667	5
OCEANA	385.0	34,129	58	56	10,195,353	56	904	54	741	58	18.1%	18	26.3%	45	498	28
OGEMAW	307.3	32,219	73	64	7,658,889	64	803	72	666	71	17.0%	25	24.5%	53	400	55
ONTONAGON	101.5	31,841	79	78	2,580,162	78	809	70	722	64	10.8%	76	16.5%	80	300	80
OSCEOLA	362.9	33,590	64	59	9,679,501	59	896	56	761	54	15.1%	40	22.3%	67	438	45
OSCODA	88.9	29,755	82	81	2,162,905	81	724	80	634	73	12.4%	65	16.4%	81	312	79
OTSEGO	402.0	40,723	30	52	10,767,253	52	1,091	36	982	29	10.0%	80	22.0%	69	366	64
OTTAWA	5,615.7	51,431	5	7	168,565,717	7	1,544	5	1,372	5	11.1%	74	28.2%	30	503	26
PRESQUE ISLE	212.1	32,058	76	69	5,117,889	69	774	76	649	72	16.1%	32	22.0%	68	382	60
ROSCOMMON	385.5	32,716	71	63	8,732,684	63	741	78	603	78	18.6%	13	26.8%	44	377	61
SAGINAW	3,542.8	40,587	32	11	99,223,201	11	1,137	31	969	32	14.7%	43	27.7%	37	455	43
ST. CLAIR	3,320.6	44,032	20	12	98,431,521	12	1,305	19	1,116	16	14.5%	45	31.2%	15	493	30
ST. JOSEPH	1,074.8	41,092	27	31	28,558,794	31	1,092	35	936	35	14.3%	47	23.9%	60	493	29
SANILAC	658.8	33,975	60	39	18,145,957	39	936	53	700	67	25.2%	3	30.6%	17	695	3
SCHOOLCRAFT	127.3	34,436	56	76	3,103,542	76	839	63	738	59	12.1%	66	19.7%	76	257	83
SHIAWASSEE	1,378.8	40,615	31	26	39,613,757	26	1,167	27	1,007	25	13.7%	54	27.8%	36	477	38
TUSCOLA	978.7	36,435	46	34	26,272,986	34	978	46	742	57	24.1%	5	28.1%	32	795	2
VAN BUREN	1,341.4	40,398	33	27	38,432,459	27	1,157	29	970	31	16.2%	31	30.6%	18	512	22
WASHTENAW	8,675.3	62,829	2	5	272,749,558	5	1,975	2	1,701	3	13.9%	51	35.6%	5	651	6
WAYNE (including Detroit)	35,023.6	44,076	19	2	1,030,197,370	2	1,296	20	998	27	23.1%	7	42.4%	1	569	13
WEXFORD	511.5	34,881	53	46	14,077,139	46	960	49	808	49	15.8%	34	28.9%	25	412	54
OUTSIDE OF MICHIGAN	38,796.6	214,476			226,835,578		1,254		1,146		8.6%		12.3%		576	
DETROIT	13,001.7	36,405			366,780,876		1,027		718		30.1%		45.4%		491	
TOTALS	\$241,419.6	\$54,989			6,652,452,052		\$1,515		\$1,208		20.3%		32.4%		547	

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

Exhibit 34
Average Adjusted Gross Income by County
2004



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

Exhibit 36
Average Annual Individual Income Tax Rates

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

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

XII. APPENDIX A

FEDERAL TAX LAW CHANGES (from 1987 through 2003)

1987

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

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

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

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

1994

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

1995

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

1996

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

1997

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

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

1998

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

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

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

New legislation effective in 1998 also increased the deductibility of contributions to traditional IRAs. The income limits for making deductible contributions when the taxpayer participates in an employer-sponsored retirement plan were increased. These limits will continue to increase each year up to \$50,000 for singles and \$80,000 for married couples for tax years beginning after 2006. Full deductions were also allowed for taxpayers with AGIs below \$150,000 whose spouses participate in an employer-sponsored retirement plan. Taxpayers who do not participate themselves nor have a spouse participating in an employer-sponsored retirement plan have been allowed a full IRA deduction since the inception of these arrangements.

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

2001

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

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

2002

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

The maximum annual contribution limits to IRAs (both traditional and Roth) increased from \$2,000 to \$3,000 in 2002 through 2004, \$4,000 in 2005 through 2007, up to \$5,000 in 2008, when the limit is adjusted for inflation for tax years thereafter. Individuals who are age 50 or older are also allowed to make additional “catch-up contributions” to an IRA. The dollar limit on annual elective deferrals under 401(k), 403(b) annuities and 408(k) salary reduction simplified employee pension (SEP) plans increased to \$11,000 in 2002, with \$1,000 annual increments until the limits reach \$15,000 in 2006 (limit indexed for inflation in \$500 increments for tax years thereafter).

The maximum annual contribution for education IRAs (a.k.a. Coverdell education savings account) also increased, from \$500 to \$2,000 per beneficiary in tax year 2002.

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

The Act also enacted a deduction of up to \$3,000 for qualified higher education expenses in tax year 2002. It increased to \$4,000 in 2005 and is repealed after tax year 2006.

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

- the additional 30 percent first-year depreciation deduction for eligible property;
- the extension of qualified medical savings accounts (Archer MSAs), scheduled to expire in 2002, through 2003;
- extension for two years both deductions for qualified clean-fuel vehicles (deduction is now available for vehicles placed in service in 2002 and 2003, begins to phase down in 2004, and is unavailable after 2006) and for qualified clean-fuel vehicle refueling property (deduction available for property placed in service prior to 2007, instead of 2005); and
- a new, above-the-line deduction for qualified expenses incurred by educators for classroom materials. (Up to \$250 in qualified out-of-pocket classroom expenses, and/or nonreimbursed expenditures for certain books, supplies and equipment related to classroom instruction qualify for the deduction.)

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

2003

The Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA-03) accelerated many of the federal individual income tax reductions provided in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA-01), increased temporarily the alternative minimum tax exemption amount, reduced temporarily tax rates on dividends and capital gains and increased temporarily incentives designed to speed up investment. From those changes, only the incentives designed to speed up investment should have an impact on the calculation of the

federal AGI, and therefore, the Michigan personal income tax. Those incentives comprised an additional 50 percent first-year "bonus" depreciation for eligible property (in lieu of the 30 percent additional deduction provided under the Job Creation and Worker Assistance Act of 2002 (JCWA-02)), with combined extension of acquisition deadline for property eligible to the 30 percent additional depreciation deduction from September 11, 2004 to January 1, 2005, and increased expensing limits for small businesses. Prior to the JGTRRA-03, in lieu of depreciation, small businesses could elect to deduct up to \$25,000 of the cost of qualifying property placed in service during the taxable year, where the expense amount was reduced by the amount by which the taxpayer's cost of qualifying property exceeded \$200,000. The Act increased the maximum deduction amount to \$100,000 for tax years beginning in 2003, 2004, and 2005, and raises the phase-out threshold from \$200,000 to \$400,000. Both the deduction and phase-out threshold are indexed annually for inflation for 2004 and 2005.

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

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

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

Other provisions in the MFTRA-03 likely to have a small impact on the Michigan personal income tax include:

- Clarification that dependent care assistance programs for military personnel are excludable benefits, therefore not included in a taxpayer's income. The exclusion is effective for tax years after 2002;
- Extension of the same tax benefits enjoyed by victims of terrorism under the Victims of Terrorism Act of 2001 to astronauts who lose their lives in the line of duty (death benefits are allowed to be excluded from income); and
- Exclusion from service members' taxable income of payments received under the Department of Defense Homeowners Assistance Program to offset the adverse effects on housing values of military base realignments or closures. The excludable amount is limited to the reduction in the fair market value of the property, and is effective for payments made after November 11, 2003.

MICHIGAN PERSONAL INCOME TAX LEGISLATIVE HISTORY¹⁰

1967

Public Act 281 instituted the Michigan Income Tax (both on personal and corporate income), and repealed the business activities and bank share taxes. As originally enacted, the Act provided for a distribution of 17 percent of net collections to local units on a per capita basis with one-half of the total amount being distributed to counties and one-half of the total amount being distributed to cities, villages, and townships, and the following provisions:

- For personal income tax:
 - Federal adjusted gross income (AGI), with several adjustments, as the base for the personal income tax
 - Tax rate of 2.6 percent
 - Personal exemption of \$1,200
 - A sliding scale credit for city income taxes with a maximum credit of \$10,000
 - A credit for property taxes paid and a renter's credit that allowed renters to impute their property tax liability
 - Credit for income taxes paid to other states
- For corporate income tax:
 - Tax rate of 5.6 percent
 - Tax rate of 7.0 on profits of financial institutions

The personal income tax became effective October 1, 1967. The income taxes on corporations and financial institutions became effective January 1, 1968.

1968

Public Act 132 made technical changes regarding the distribution of income tax proceeds.

Public Act 315 provided that if national banking associations are determined by judicial action to be exempt from the tax, then state banks would also be exempt.

1969

Public Act 332 made technical, clarifying, and administrative changes.

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

1970

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

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

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

1971

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

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

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

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

1972

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

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

1973

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

1974

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

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

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

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

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

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

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

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

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

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

1975

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

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

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

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

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

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

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

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

1976

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

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

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

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

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

1977

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

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

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

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

1978

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

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

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

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

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

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

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

1979

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

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

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

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

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

1980

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

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

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

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

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

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

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

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

1981

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

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

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

1982

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

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

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

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

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

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

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

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

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

1983

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

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

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

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

1984

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

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

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

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

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

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

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

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

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

1985

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

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

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

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

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

1986

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

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

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

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

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

1987

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

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

1988

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

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

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

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

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

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

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

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

1989

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

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

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

1990

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

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

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

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

1991

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

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

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

1992

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

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

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

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

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

1993

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

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

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

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

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

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

1994

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

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

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

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

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

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

1995

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

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

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

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

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

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

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

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

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

1996

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

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

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

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

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

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

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

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

1997

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

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

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

1998

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

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

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

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

1999

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

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

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

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

2000

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

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

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

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

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

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

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

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

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

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

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

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

2001

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

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

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

2002

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

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

Public Act 614 allowed resident tribal members from certain Michigan federally recognized Indian tribes to deduct all non-business income earned or received in the tax year (to the extent included in AGI). Only resident tribal members from a Michigan federally recognized Indian tribes who signed agreements¹¹ with the Michigan Department of Treasury are allowed to take the deduction, and it only applies to income received during the period in which an agreement is effective.

2003

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

Public Acts 22 and 45 through 52 closed tax loopholes related to income earned or received in Michigan by nonresidents. Among other things, the Acts expand withholding requirements, clarify the application of the income tax to flow-through entities, permit flow-through entities to file composite tax returns covering a group of nonresident members of the flow-through entity, and clarify the definition of business income.

Public Acts 28 and 29 included certain special assessments levied throughout a township, except in a village located in the township, in total property taxes for the calculation of

¹¹ Public Act 616 of 2002 allowed the Michigan Department of Treasury to enter into agreements with federally recognized Indian tribes. The agreement would specify whether, and to what extent, Michigan's tax laws apply to each tribe, the tribe members, and other individuals and businesses conducting business with a tribe or its members. At the same time, tribes would promote the enforcement of Michigan tax laws on businesses conducted by them involving non-resident tribal members and non-tribal members. As of April 2003, 7 of the 12 Michigan federally recognized tribes have signed the agreement.

homestead property tax credits. Previously, only special assessments levied throughout the township, including the village, were allowed to be included in total property taxes.

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

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

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

MICHIGAN INCOME TAX REQUIREMENTS (1967 – 2005)

	<u>MCL</u> <u>Section</u>	<u>Form</u>	<u>TY</u> <u>1967</u>	<u>TY</u> <u>1968</u>	<u>TY</u> <u>1969</u>	<u>TY</u> <u>1970</u>	<u>TY</u> <u>1971</u>	<u>TY</u> <u>1972</u>	<u>TY</u> <u>1973</u>	<u>TY</u> <u>1974</u>	<u>TY</u> <u>1975</u>	<u>TY</u> <u>1976</u>	<u>TY</u> <u>1977</u>
<u>General MI-IIT Information:</u>													
. IRC compliance (*)	206.12(3)		1954 IRC	1954 IRC	1954 IRC	1969 IRC	1970 IRC	1976 IRC	1976 IRC				
. Exemption from MI - IIT:	206.201		Exempt from Federal IIT										
. Revenue Distribution:	(1)												
. To Local Units:	206.481		17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	12.1%	12.1%	12.1%	12.1%
. To School Aid Fund:	206.51(2)		No										
. Filing Requirement:	(2)	206.315	MI-1040	GI	GI	GI	AGI						
. (Gross income (GI) or			Single Return	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,500	\$1,500	\$1,500
. AGI above threshold)			Joint Return	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$3,000	\$3,000	\$3,000
. Reciprocity States			IN, WI	IN, WI, KY	IN, WI, KY	IN, WI, KY	IN, WI, KY, IL	IN, WI, KY, IL, OH					
. Liability Threshold for Estimated Pmt	(3)	206.301	MI-1040	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
. Use Tax Return in MI-1040 Booklet			MI-1040	n.a.									
. Tax Rate	206.51(1), 51(b)-51(e)	MI-1040	2.60%	2.60%	2.60%	2.60%	3.14%	3.90%	3.90%	3.90%	4.37%	4.60%	4.60%

Exemptions Amounts:

. Personal Exemption:	206.30(2)	MI-1040	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,500	\$1,500	\$1,500	\$1,500
. Special Exemptions:	(4)	206.30(3)	MI-1040	No	Yes	Yes	Yes	Yes						
. Para/Hemi/Quadriplegic (**)(***)	206.30(3)		n.a.	\$1,500	\$1,500	\$1,500	\$1,500							
. Disabled	206.30(3)		n.a.											
. Blind (***)	206.30(3)		n.a.											
. Deaf (***)	206.30(3)		n.a.											
. Senior	206.30(3)		n.a.											
. Unemployed	206.30(3)		n.a.											
. Claimed as Dependent	206.30(4)		n.a.											
. Child . Age 6 and Under	206.30d(2)		n.a.											
. . Age 7 to 12			n.a.											

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

		MCL Section	Form	TY 1978	TY 1979	TY 1980	TY 1981	TY 1982	TY 1983	TY 1984	TY 1985	TY 1986	TY 1987	TY 1988
<u>General MI-IIT Information:</u>														
. IRC compliance (*)		206.12(3)		1976 IRC	1976 IRC	1979 IRC	1979 IRC	1982 IRC	1982 IRC	1984 IRC	1984 IRC	1984 IRC	1987 IRC	1987 IRC
. Exemption from MI - IIT:		206.201		Exempt from Federal IIT										
. Revenue Distribution:	(1)													
. To Local Units:		206.481		12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	6.9%	6.9%
. To School Aid Fund:		206.51(2)		No										
. Filing Requirement:	(2)	206.315	MI-1040	AGI										
(Gross income (GI) or AGI above threshold)			Single Return	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,600	\$1,800
			Joint Return	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,200	\$3,600
. Reciprocity States				IN, WI, KY, IL, OH	IN, WI, KY, IL, OH, MN									
. Liability Threshold for Estimated Pmt	(3)	206.301	MI-1040	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$500	\$500
. Use Tax Return in MI-1040 Booklet			MI-1040	n.a.	n.a.	n.a.	n.a.	n.a.	Yes	Yes	No	No	Yes	Yes
. Tax Rate		206.51(1), 51(b)-51(e)	MI-1040	4.60%	4.60%	4.60%	4.60%	5.10%	6.35%	5.85%	5.33%	4.60%	4.60%	4.60%

Exemptions Amounts:

. Personal Exemption:		206.30(2)	MI-1040	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,600	\$1,800
. Special Exemptions:	(4)	206.30(3)	MI-1040	Yes										
. Para/Hemi/Quadriplegic (**)(***)		206.30(3)		\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,400	\$1,200
. Disabled		206.30(3)		n.a.	\$1,400	\$1,200								
. Blind (***)		206.30(3)		n.a.	\$1,400	\$1,200								
. Deaf (****)		206.30(3)		n.a.	\$1,500	\$1,500	\$1,400	\$1,200						
. Senior		206.30(3)		n.a.	\$1,400	\$1,200								
. Unemployed		206.30(3)		n.a.	\$1,400	\$1,200								
. Claimed as Dependent		206.30(4)		n.a.	\$500									
. Child . Age 6 and Under		206.30d(2)		n.a.										
. . Age 7 to 12				n.a.										

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

	<u>MCL Section</u>	<u>Form</u>	<u>TY 1989</u>	<u>TY 1990</u>	<u>TY 1991</u>	<u>TY 1992</u>	<u>TY 1993</u>	<u>TY 1994</u>	<u>TY 1995</u>	<u>TY 1996</u>	<u>TY 1997</u>	<u>TY 1998</u>	<u>TY 1999</u>
<u>General MI-IIT Information:</u>													
. IRC compliance (*)	206.12(3)		1987 IRC	1996 IRC	1996 IRC	1996 IRC	1996 IRC						
. Exemption from MI - IIT:	206.201		Exempt from Federal IIT										
. Revenue Distribution:	(1)												
. To Local Units:	206.481		6.9%	6.9%	6.9%	6.9%	6.9%	7.21%/7.3%	7.21%/7.3%	No	No	No	No
. To School Aid Fund:	206.51(2)		No	No	No	No	No	14.4%	14.4%	23.0%	23.0%	23.0%	23.0%
. Filing Requirement:	(2)	206.315	MI-1040	AGI									
(Gross income (GI) or			Single Return	\$2,000	\$2,100	\$2,100	\$2,100	\$2,100	\$2,100	\$2,400	\$2,400	\$2,500	\$2,800
AGI above threshold)			Joint Return	\$4,000	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,800	\$4,800	\$5,000	\$5,600
. Reciprocity States			IN, WI, KY, IL, OH, MN										
. Liability Threshold for Estimated Pmt	(3)	206.301	MI-1040	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
. Use Tax Return in MI-1040 Booklet			MI-1040	Yes	Yes, line in MI-1040								
. Tax Rate	206.51(1), 51(b)-51(e)	MI-1040	4.60%	4.60%	4.60%	4.60%	4.60%	4.47%	4.40%	4.40%	4.40%	4.40%	4.40%

Exemptions Amounts:

. Personal Exemption:	206.30(2)	MI-1040	\$2,000	\$2,100	\$2,100	\$2,100	\$2,100	\$2,100	\$2,100	\$2,400	\$2,400	\$2,500	\$2,800	\$2,800
. Special Exemptions:	(4)	206.30(3)	MI-1040	Yes										
. Para/Hemi/Quadriplegic (**)(***)	206.30(3)		\$1,000	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900
. Disabled	206.30(3)		\$1,000	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900
. Blind (***)	206.30(3)		\$1,000	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900
. Deaf (****)	206.30(3)		\$1,000	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900
. Senior	206.30(3)		\$1,000	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900
. Unemployed	206.30(3)		\$1,000	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900
. Claimed as Dependent	206.30(4)		\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
. Child	206.30d(2)		n.a.	\$600	\$600									
. Age 6 and Under			n.a.	\$300	\$300									
. Age 7 to 12			n.a.											

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

	<u>MCL</u>	<u>Form</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>
	<u>Section</u>		<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>General MI-IIT Information:</u>								
. IRC compliance (*)	206.12(3)		1996 IRC					
. Exemption from MI - IIT:	206.201		Exempt from Federal IIT	When Federal IIT Exempt	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT
. Revenue Distribution:	(1)							
. To Local Units:	206.481		No	No	No	No	No	No
. To School Aid Fund:	206.51(2)		Formula	Formula	Formula	Formula	Formula	Formula
. Filing Requirement:	(2)	206.315	MI-1040	AGI	AGI	AGI	AGI	AGI
(Gross income (GI) or			Single Return	\$2,900	\$2,900	\$3,000	\$3,100	\$3,100
AGI above threshold)			Joint Return	\$5,800	\$5,800	\$6,000	\$6,200	\$6,200
. Reciprocity States			IN, WI, KY, IL, OH, MN					
. Liability Threshold for Estimated Pmt	(3)	206.301	MI-1040	\$500	\$500	\$500	\$500	\$500
. Use Tax Return in MI-1040 Booklet			MI-1040	Yes, line in MI- 1040				
. Tax Rate	206.51(1), 51(b)-51(e)	MI-1040	4.20%	4.20%	4.10%	4.00%	3.95%	3.90%

Exemptions Amounts:

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

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

		<u>MCL</u>	<u>Form</u>	<u>TY</u>										
		<u>Section</u>		<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
<u>Check-Offs:</u>														
. State Campaign Fund	(5)	169.261(2)	MI-1040	No	Yes	Yes	Yes							
			Single Return	n.a.	\$2	\$2	\$2							
			Joint Return	n.a.	\$4	\$4	\$4							
. Children of Veterans														
Tuition Grant	(6)	206.437	MI-1040	No										
. Military Family Relief Fund	(6)	206.438	MI-1040	No										
. Nongame Wildlife Trust Fund	(6)	206.439	MI-1040	No										
. Children's Trust Fund	(6)	206.440	MI-1040	No										
<hr/>														
<u>Taxbase Adjustments Limits</u>			MI-1040											
. Maximum Private	203.30(1)(f)(iv) and (v)			No	Yes	Yes	Yes	Yes						
Pension Deduction (*****)	(7)		Single Return	n.a.	\$7,500	\$7,500	\$7,500	\$7,500						
			Joint Return	n.a.	\$10,000	\$10,000	\$10,000	\$10,000						
. Political Contribution	206.30(1)(j)			No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
			Single Return	n.a.	n.a.	n.a.	n.a.	n.a.	\$50	\$50	\$50	\$50	\$50	\$50
			Joint Return	n.a.	n.a.	n.a.	n.a.	n.a.	\$50	\$50	\$50	\$50	\$50	\$50
. Maximum Senior Interest,	206.30(1)(r)			No										
Dividends, and Capital Gains			Single Return	n.a.										
Deduction (*****)	(8)		Joint Return	n.a.										
. Maximum MESP Contribution	206.30(1)(W)(i)			No										
			Single Return	n.a.										
			Joint Return	n.a.										
. Taxable Wage Base for FICA				\$6,600	\$7,800	\$7,800	\$7,800	\$7,800	\$9,000	\$10,800	\$13,200	\$14,100	\$15,300	\$16,500
. Salary Elective Deferrals														
. 401(k)				\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
. 403(b), or 457				n.a.										
. 50 and over				n.a.										
. IRA Contribution Limit				No										
. General				n.a.										
. 50 and over				n.a.										

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

		MCL Section	Form	TY 1978	TY 1979	TY 1980	TY 1981	TY 1982	TY 1983	TY 1984	TY 1985	TY 1986	TY 1987	TY 1988
Check-Offs:														
. State Campaign Fund	(5)	169.261(2)	MI-1040	Yes										
			Single Return	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2
			Joint Return	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4
. Children of Veterans Tuition Grant	(6)	206.437	MI-1040	No										
. Military Family Relief Fund	(6)	206.438	MI-1040	No										
. Nongame Wildlife Trust Fund	(6)	206.439	MI-1040	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
. Children's Trust Fund	(6)	206.440	MI-1040	No	No	No	No	Yes						
<hr/>														
Taxbase Adjustments Limits			MI-1040											
. Maximum Private Pension Deduction (*****)	203.30(1)(f)(iv) and (v) (7)			Yes										
			Single Return	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
			Joint Return	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
. Political Contribution	206.30(1)(j)			Yes										
			Single Return	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
			Joint Return	\$50	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
. Maximum Senior Interest, Dividends, and Capital Gains Deduction (*****)	206.30(1)(r) (8)			No										
			Single Return	n.a.										
			Joint Return	n.a.										
. Maximum MESP Contribution	206.30(1)(W)(i)			No										
			Single Return	n.a.										
			Joint Return	n.a.										
. Taxable Wage Base for FICA				\$17,700	\$22,900	\$25,900	\$29,700	\$32,400	\$35,700	\$37,800	\$39,600	\$42,000	\$43,800	\$45,000
. Salary Elective Deferrals														
. 401(k)				\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$7,000
. 403(b), or 457				n.a.										
. 50 and over				n.a.										
. IRA Contribution Limit				No										
. General				n.a.										
. 50 and over				n.a.										

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

		<u>MCL</u>	<u>Form</u>	<u>TY</u>										
		<u>Section</u>		<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Check-Offs:														
. State Campaign Fund	(5)	169.261(2)	MI-1040	Yes										
			Single Return	\$2	\$2	\$2	\$2	\$3	\$3	\$3	\$3	\$3	\$3	\$3
			Joint Return	\$4	\$4	\$4	\$4	\$6	\$6	\$6	\$6	\$6	\$6	\$6
. Children of Veterans Tuition Grant	(6)	206.437	MI-1040	No										
. Military Family Relief Fund	(6)	206.438	MI-1040	No										
. Nongame Wildlife Trust Fund	(6)	206.439	MI-1040	Yes										
. Children's Trust Fund	(6)	206.440	MI-1040	Yes										
<hr/>														
Taxbase Adjustments Limits			MI-1040											
. Maximum Private Pension Deduction (*****)	203.30(1)(f)(iv) and (v) (7)			Yes										
			Single Return	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$13,125	\$30,945	\$31,920	\$32,880	\$33,630	\$34,170
			Joint Return	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$22,500	\$61,890	\$63,840	\$65,760	\$67,260	\$68,340
. Political Contribution	206.30(1)(j)			Yes										
			Single Return	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
			Joint Return	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
. Maximum Senior Interest, Dividends, and Capital Gains Deduction (*****)	206.30(1)(r) (8)			No	No	No	No	No	Yes	Yes (****)	Yes (****)	Yes	Yes	Yes
			Single Return	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,000	\$1,032	\$1,064	\$3,500	\$7,500	\$7,620
			Joint Return	n.a.	n.a.	n.a.	n.a.	n.a.	\$2,000	\$2,064	\$2,128	\$7,000	\$15,000	\$15,240
. Maximum MESP Contribution	206.30(1)(W)(i)			No										
			Single Return	n.a.										
			Joint Return	n.a.										
. Taxable Wage Base for FICA				\$48,000	\$51,300	\$53,400	\$55,500	\$57,600	\$60,600	\$61,200	\$62,700	\$65,400	\$68,400	\$72,600
. Salary Elective Deferrals														
. 401(k)				\$7,627	\$7,979	\$8,475	\$8,728	\$8,994	\$9,240	\$9,240	\$9,500	\$9,500	\$10,000	\$10,000
. 403(b), or 457				n.a.	\$7,500	\$8,000	\$8,000							
. 50 and over				n.a.										
. IRA Contribution Limit				No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
. General				n.a.	n.a.	n.a.	n.a.	n.a.	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
. 50 and over				n.a.										

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

		<u>MCL</u>	<u>Form</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>
		<u>Section</u>		<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>Check-Offs:</u>									
. State Campaign Fund	(5)	169.261(2)	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes
			Single Return	\$3	\$3	\$3	\$3	\$3	\$3
			Joint Return	\$6	\$6	\$6	\$6	\$6	\$6
. Children of Veterans Tuition Grant	(6)	206.437	MI-1040	No	No	No	No	No	No
. Military Family Relief Fund	(6)	206.438	MI-1040	No	No	No	No	Yes	Yes
. Nongame Wildlife Trust Fund	(6)	206.439	MI-1040	No	No	No	No	No	No
. Children's Trust Fund	(6)	206.440	MI-1040	No	No	No	No	No	Yes
<hr/>									
<u>Taxbase Adjustments Limits</u>			MI-1040						
. Maximum Private Pension Deduction (*****)	203.30(1)(f)(iv) and (v) (7)			Yes	Yes	Yes	Yes	Yes	Yes
			Single Return	\$34,920	\$36,090	\$37,110	\$37,710	\$38,550	\$39,570
			Joint Return	\$69,840	\$72,180	\$74,220	\$75,420	\$77,100	\$79,140
. Political Contribution	206.30(1)(j)			Yes	Yes	Yes	Yes	Yes	Yes
			Single Return	\$50	\$50	\$50	\$50	\$50	\$50
			Joint Return	\$100	\$100	\$100	\$100	\$100	\$100
. Maximum Senior Interest, Dividends, and Capital Gains Deduction (*****)	206.30(1)(r) (8)			Yes	Yes	Yes	Yes	Yes	Yes
			Single Return	\$7,785	\$8,048	\$8,273	\$8,408	\$8,595	\$8,828
			Joint Return	\$15,570	\$16,095	\$16,545	\$16,815	\$17,190	\$17,655
. Maximum MESP Contribution	206.30(1)(W)(i)			Yes	Yes	Yes	Yes	Yes	Yes
			Single Return	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
			Joint Return	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
. Taxable Wage Base for FICA				\$76,200	\$80,400	\$84,900	\$87,000	\$87,900	\$90,000
. Salary Elective Deferrals									
. 401(k)				\$10,500	\$10,500	\$11,000	\$12,000	\$13,000	\$14,000
. 403(b), or 457				\$8,000	\$8,500	\$11,000	\$12,000	\$13,000	\$14,000
. 50 and over				n.a.	n.a.	\$12,000	\$14,000	\$16,000	\$18,000
. IRA Contribution Limit				Yes	Yes	Yes	Yes	Yes	Yes
. General				\$2,000	\$2,000	\$3,000	\$3,000	\$3,000	\$4,000
. 50 and over				n.a.	n.a.	\$3,500	\$3,500	\$3,500	\$4,500

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

		<u>MCL</u>		<u>TY</u>										
		<u>Section</u>	<u>Form</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
<u>NonRefundable Credits</u>														
. Headlee Amendment Refund	(9)	206.252	MI-1040	No										
. Taxes Paid to Another State Cr.	(10)	206.255(1)	MI-1040	No	Yes									
. Nonresident Cr. for Reciprocal State Income Tax Exemption	(11)	206.256	MI-1040	No	Yes									
. City Income Taxes Cr.	(12)	206.257	MI-1040	No	Yes									
. Public Contribution Cr.	(13)	206.26	MI-1040	No	Yes (a)									
. Community Foundation Cr.	(13)	206.261	MI-1040	No										
. Homeless Shelter/Foodbank Cr	(13)	206.261	MI-1040	No										
. Renewable/Solar Energy Cr.	(14)	206.262	CR-6	No										
. Agricultural Products Gleaned Cr.		206.263	CR-8	No										
. Medical Care Savings Acct. Cr	(15)	206.264	MI-1040	No										
. MI Historic Preservation Cr.	(16)	206.266	Form 3581	No										
. Credit for SBT Paid		206.269	MI-1040	No	Yes	Yes								
. Automobile Donated Cr.	(17)	206.269	MI-1040	No										
. College Tuition Cr.	(18)	206.274	Schedule CT	No										
<u>Refundable Credits</u>														
. Inventory Tax Cr. or Franchise Fee Cr.	(19)	206.258(1) 206.258(1)	MI-1040	No No	No No	No No	No No	No No	No No	Yes Yes	Yes Yes	Yes Yes	No No	No No
. Sec. 1341 of IRC Cr.		206.265	MI-1040	No										
. Adoption Cr.	(20)	206.267, 268	MI-1040	No										
. Prescription Drug Cr.	(21)	206.273	MI-1040	No										
. Cr. for Sales Tax Paid on Food and Prescription Drugs	(22)	206.523	MI-1040	No	Yes	No	No	No						

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

		<u>MCL</u>	<u>Form</u>	<u>TY</u>										
		<u>Section</u>		<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
<u>NonRefundable Credits</u>														
. Headlee Amendment Refund	(9)	206.252	MI-1040	No										
. Taxes Paid to Another State Cr.	(10)	206.255(1)	MI-1040	Yes										
. Nonresident Cr. for Reciprocal State Income Tax Exemption	(11)	206.256	MI-1040	Yes										
. City Income Taxes Cr.	(12)	206.257	MI-1040	Yes										
. Public Contribution Cr.	(13)	206.26	MI-1040	Yes (a)	Yes (a')									
. Community Foundation Cr.	(13)	206.261	MI-1040	No										
. Homeless Shelter/Foodbank Cr	(13)	206.261	MI-1040	No										
. Renewable/Solar Energy Cr.	(14)	206.262	CR-6	No	Yes									
. Agricultural Products Gleaned Cr.		206.263	CR-8	No	No	No	No	Yes						
. Medical Care Savings Acct. Cr	(15)	206.264	MI-1040	No										
. MI Historic Preservation Cr.	(16)	206.266	Form 3581	No										
. Credit for SBT Paid		206.269	MI-1040	No										
. Automobile Donated Cr.	(17)	206.269	MI-1040	No										
. College Tuition Cr.	(18)	206.274	Schedule CT	No										
<u>Refundable Credits</u>														
. Inventory Tax Cr. or Franchise Fee Cr.	(19)	206.258(1) 206.258(1)	MI-1040	No No										
. Sec. 1341 of IRC Cr.		206.265	MI-1040	No										
. Adoption Cr.	(20)	206.267, 268	MI-1040	No										
. Prescription Drug Cr.	(21)	206.273	MI-1040	No										
. Cr. for Sales Tax Paid on Food and Prescription Drugs	(22)	206.523	MI-1040	No										

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

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

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

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

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

Refundable Credits (cont.)	MCL Section	Form	TY 1967	TY 1968	TY 1969	TY 1970	TY 1971	TY 1972	TY 1973	TY 1974	TY 1975	TY 1976	TY 1977
. Homestead Property Tax Cr. (23)	206.520, 522	CR	No	Yes (b)	Yes (b)	Yes (b)	Yes (b")	Yes (b")	Yes (b")	Yes (b")	Yes (b")	Yes (b")	Yes (b")
. Eligible Property Tax Paid Percent													
. Homeowners	206.520(1)		n.a.	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
. Renters	206.520(2)												
. Ad Valorem Taxes			n.a.	20.0%	17.0%	17.0%	17%	17%	17%	17%	17%	17%	17%
. Service Charges			n.a.	n.a.	n.a.	10%	10%	10%	10%	n.a.	n.a.	share	share
. Nursing Home Patient			n.a.	n.a.	30%	30%	30%						
. Homeowner Veterans Cr. Requirements:		CR-2											
. Taxable Value Allowance	206.506		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$2,500 to \$4,500				
. Household Income Limit	206.506		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
. Homeowner Blind Cr. Requirements:													
. Taxable Value Allowance													
. Taxpayer only blind	206.522(1)(e)(i), (ii)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
. Taxpayer and Spouse blind	206.522(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$3,500	\$7,000	\$7,000	\$7,000	\$7,000
. Household Income Limit	206.520(8)		n.a.	n.a.	n.a.	n.a.	n.a.						
. Total HPTC Limit	206.520(16)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$500	\$500	\$500	\$1,200	\$1,200
. Cr. Availability/Calculation													
. General:	206.522(1)(a)		n.a.	Yes (b)	Yes (b)	Yes (b')	Yes (b")	Yes (b")	Yes (c)				
. Special Credits:													
. Seniors													
. General	206.522(1)(b)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes (d)				
. Low Income Renters	206.520(9), (10)		n.a.	n.a.	n.a.	n.a.	n.a.						
. 1973 Homestead Exempt	206.522(5)		n.a.	Yes (f)	Yes (f)	Yes (f)	Yes (f)						
. Para/hemi/quadruplegic	206.522(1)(b)		n.a.	Yes (d)	Yes (d)	Yes (d)	Yes (d)						
. Disabled	206.522(1)(b), (c)		n.a.	Yes (g)	Yes (g)	Yes (g)	Yes (g)						
. Deaf	206.522(1)(b)		n.a.	n.a.	n.a.	n.a.	n.a.						
. Veterans	206.522(1)(d)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes (h)				
. Blind	206.522(1)(e)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes (i)				
. Farmland Preservation Credit (24)	554.710(1)	CR-5	No	No	No	Yes (j)	Yes (j)						

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

Refundable Credits (cont.)	<u>MCL</u> <u>Section</u>	<u>Form</u>	<u>TY</u> <u>1978</u>	<u>TY</u> <u>1979</u>	<u>TY</u> <u>1980</u>	<u>TY</u> <u>1981</u>	<u>TY</u> <u>1982</u>	<u>TY</u> <u>1983</u>	<u>TY</u> <u>1984</u>	<u>TY</u> <u>1985</u>	<u>TY</u> <u>1986</u>	<u>TY</u> <u>1987</u>	<u>TY</u> <u>1988</u>
. <u>Homestead Property Tax Cr.</u>	(23) 206.520, 522	CR	Yes (b"")										
. Eligible Property Tax Paid Percent													
. Homeowners	206.520(1)		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
. Renters	206.520(2)												
. Ad Valorem Taxes			17%	17%	17%	17%	17%	17%	17%	17%	17%	17%	17%
. Service Charges			share	share	10%	10%	10%	10%	10%	10%	10%	10%	10%
. Nursing Home Patient			share										
. Homeowner Veterans Cr. Requirements:													
. Taxable Value Allowance	206.506	CR-2	\$2,500 to \$4,500										
. Household Income Limit	206.506		\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
. Homeowner Blind Cr. Requirements:													
. Taxable Value Allowance													
. Taxpayer only blind	206.522(1)(e)(i), (ii)		\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
. Taxpayer and Spouse blind	206.522(3)		\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
. Household Income Limit	206.520(8)		n.a.	n.a.	n.a.	n.a.	\$74,000	\$77,500	\$79,950	\$82,650	\$82,650	\$82,650	\$82,650
. Total HPTC Limit	206.520(16)		\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
. Cr. Availability/Calculation													
. General:	206.522(1)(a)		Yes (c)										
. Special Credits:													
. Seniors													
. General	206.522(1)(b)		Yes (d)										
. Low Income Renters	206.520(9), (10)		n.a.	n.a.	n.a.	n.a.	Yes (e)						
. 1973 Homestead Exempt	206.522(5)		Yes (f)										
. Para/hemi/quadruplegic	206.522(1)(b)		Yes (d)										
. Disabled	206.522(1)(b), (c)		Yes (g)										
. Deaf	206.522(1)(b)		n.a.										
. Veterans	206.522(1)(d)		Yes (h)										
. Blind	206.522(1)(e)		Yes (i)										
. Farmland Preservation Credit	(24) 554.710(1)	CR-5	Yes (j)										

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

Refundable Credits (cont.)	MCL Section	Form	TY 1989	TY 1990	TY 1991	TY 1992	TY 1993	TY 1994	TY 1995	TY 1996	TY 1997	TY 1998	TY 1999
. <u>Homestead Property Tax Cr.</u>	(23) 206.520, 522	CR	Yes (b"")										
. Eligible Property Tax Paid Percent													
. Homeowners	206.520(1)		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
. Renters	206.520(2)												
. Ad Valorem Taxes			17%	17%	17%	17%	17%	20%	20%	20%	20%	20%	20%
. Service Charges			10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
. Nursing Home Patient			share										
. Homeowner Veterans Cr. Requirements:		CR-2											
. Taxable Value Allowance	206.506		\$2,500 to \$4,500										
. Household Income Limit	206.506		\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
. Homeowner Blind Cr. Requirements:													
. Taxable Value Allowance													
. Taxpayer only blind	206.522(1)(e)(i), (ii)		\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
. Taxpayer and Spouse blind	206.522(3)		\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
. Household Income Limit	206.520(8)		\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650
. Total HPTC Limit	206.520(16)		\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
. Cr. Availability/Calculation													
. General:	206.522(1)(a)		Yes (c)										
. Special Credits:													
. Seniors													
. General	206.522(1)(b)		Yes (d)										
. Low Income Renters	206.520(9), (10)		Yes (e)										
. 1973 Homestead Exempt	206.522(5)		Yes (f)										
. Para/hemi/quadruplegic	206.522(1)(b)		Yes (d)										
. Disabled	206.522(1)(b), (c)		Yes (g)										
. Deaf	206.522(1)(b)		n.a.										
. Veterans	206.522(1)(d)		Yes (h)										
. Blind	206.522(1)(e)		Yes (i)										
. Farmland Preservation Credit	(24) 554.710(1)	CR-5	Yes (j)										

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

Refundable Credits (cont.)	MCL Section	Form	TY 2000	TY 2001	TY 2002	TY 2003	TY 2004	TY 2005
. <u>Homestead Property Tax Cr.</u>	(23) 206.520, 522	CR	Yes (b''')					
. Eligible Property Tax Paid Percent								
. Homeowners	206.520(1)		100%	100%	100%	100%	100%	100%
. Renters	206.520(2)							
. Ad Valorem Taxes			20%	20%	20%	20%	20%	20%
. Service Charges			10%	10%	10%	10%	10%	10%
. Nursing Home Patient			share	share	share	share	share	share
. Homeowner Veterans Cr. Requirements:		CR-2						
. Taxable Value Allowance	206.506		\$2,500 to \$4,500					
. Household Income Limit	206.506		\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
. Homeowner Blind Cr. Requirements:								
. Taxable Value Allowance								
. Taxpayer only blind	206.522(1)(e)(i), (ii)		\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
. Taxpayer and Spouse blind	206.522(3)		\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
. Household Income Limit	206.520(8)		\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650
. Total HPTC Limit	206.520(16)		\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
. Cr. Availability/Calculation								
. General:	206.522(1)(a)		Yes (c)					
. Special Credits:								
. Seniors								
. General	206.522(1)(b)		Yes (d)					
. Low Income Renters	206.520(9), (10)		Yes (e)					
. 1973 Homestead Exempt	206.522(5)		Yes (f)					
. Para/hemi/quadruplegic	206.522(1)(b)		Yes (d)					
. Disabled	206.522(1)(b), (c)		Yes (d)					
. Deaf	206.522(1)(b)		Yes (d)					
. Veterans	206.522(1)(d)		Yes (h)					
. Blind	206.522(1)(e)		Yes (i) or (d)					
. Farmland Preservation Credit	(24) 554.710(1)	CR-5	Yes (j)	Yes (j')				

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

Refundable Credits (cont.)	Section	Form	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
. <u>Home Heating Credit</u>	(25) 206.527a(1)	CR-7	Yes	Yes	Yes	Yes							
. Federal Poverty Income Limit	206.527a(1)(b)		n.a.	110%	110%	110%	110%						
. General Credit	206.527a(1)(c)(i)		Yes (k)	Yes (k')	Yes (k')	Yes (k')	Yes (k')						
. Maximum Credit:	206.527a(1)(a)												
. 0 or 1 Exemption			\$200	\$200	\$226	\$233	\$254	\$272	\$272	\$272	\$272	\$272	\$272
. 2 Exemptions			\$240	\$240	\$271	\$279	\$305	\$326	\$326	\$326	\$326	\$326	\$326
. 3 Exemptions			\$280	\$280	\$316	\$325	\$355	\$379	\$379	\$379	\$379	\$379	\$379
. 4 Exemptions			\$310	\$310	\$350	\$361	\$394	\$421	\$421	\$421	\$425	\$433	\$450
. 5 Exemptions			\$340	\$340	\$383	\$394	\$430	\$460	\$460	\$480	\$497	\$506	\$525
. 6 Exemptions			\$370	\$370	\$417	\$430	\$470	\$502	\$502	\$550	\$570	\$579	\$601
. more than 6 exemp.			\$370	\$370	\$417	\$430	\$470	\$502	\$502	+\$70/exemp.	+\$73/exemp.	+\$74/exemp.	+\$76/exemp.
. Maximum Income Limit Requirement:													
. 0 or 1 Exemption			n.a.	\$5,714	\$6,457	\$6,657	\$7,257	\$7,771	\$7,771	\$7,771	\$7,771	\$7,771	\$7,771
. 2 Exemptions			n.a.	\$6,857	\$7,742	\$7,971	\$8,714	\$9,314	\$9,314	\$9,314	\$9,314	\$9,314	\$9,314
. 3 Exemptions			n.a.	\$8,000	\$9,028	\$9,286	\$10,143	\$10,829	\$10,829	\$10,829	\$10,829	\$10,829	\$10,829
. 4 Exemptions			n.a.	\$8,857	\$10,000	\$10,314	\$11,257	\$12,029	\$12,029	\$12,029	\$12,142	\$12,371	\$12,857
. 5 Exemptions			n.a.	\$9,714	\$10,943	\$11,257	\$12,286	\$13,143	\$13,143	\$13,714	\$14,200	\$14,457	\$15,000
. 6 Exemptions			n.a.	\$10,571	\$11,914	\$12,286	\$13,429	\$14,343	\$14,343	\$15,714	\$16,285	\$16,543	\$17,171
. more than 6 exemp.			n.a.	\$10,571	\$11,914	\$12,286	\$13,429	\$14,343	\$14,343	+\$2,000/exemp.	+\$2,086/exemp.	+\$2,114/exemp.	+\$2,171/exemp.
. Alternative Credit	206.527a(1)(c)(ii)		No	No	No	No	No	No	Yes (l)	Yes (l)	Yes (l)	Yes (l')	Yes (l')
. Heating Fuel Cost Limit	206.527a(1)(d)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,200	\$1,184	\$1,211	\$1,207	\$1,190
. Maximum Income:													
. 0 or 1 Exemptions			n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$6,263	\$6,463	\$6,569	\$6,778	\$7,060
. 2 Exemptions			n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$8,428	\$8,698	\$8,840	\$9,122	\$9,501
. 3 or more			n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$9,231	\$9,108	\$9,315	\$9,285	\$9,501
. Credit Proration (%)	206.527a(18)		n.a.	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

Refundable Credits (cont.)	MCL Section	Form	TY 1989	TY 1990	TY 1991	TY 1992	TY 1993	TY 1994	TY 1995	TY 1996	TY 1997	TY 1998	TY 1999
. <u>Home Heating Credit</u>	(25) 206.527a(1)	CR-7	Yes										
. Federal Poverty Income Limit	206.527a(1)(b)		110%	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%
. General Credit	206.527a(1)(c)(i)		Yes (k')	Yes (k')	Yes (k'')								
. Maximum Credit:	206.527a(1)(a)												
. 0 or 1 Exemption			\$272	\$272	\$272	\$272	\$272	\$285	\$289	\$299	\$305	\$312	\$319
. 2 Exemptions			\$326	\$326	\$343	\$355	\$365	\$380	\$388	\$400	\$410	\$420	\$428
. 3 Exemptions			\$389	\$408	\$430	\$447	\$459	\$476	\$486	\$501	\$515	\$528	\$536
. 4 Exemptions			\$467	\$490	\$517	\$539	\$554	\$571	\$585	\$602	\$619	\$635	\$645
. 5 Exemptions			\$546	\$573	\$604	\$630	\$649	\$667	\$683	\$703	\$724	\$743	\$754
. 6 Exemptions			\$624	\$655	\$691	\$722	\$743	\$762	\$782	\$804	\$829	\$851	\$862
. more than 6 exemp.			+\$79/exemp.	+\$83/exemp.	+\$88/exemp.	+\$92/exemp.	+\$95/exemp.	+\$96/exemp.	+\$99/exemp.	+\$101/exemp.	+\$105/exemp.	+\$108/exemp.	+\$109/exemp.
. Maximum Income Limit Requirement:													
. 0 or 1 Exemption			\$7,771	\$7,771	\$8,144	\$7,771	\$7,771	\$8,143	\$8,257	\$8,543	\$8,714	\$8,914	\$9,114
. 2 Exemptions			\$9,314	\$9,314	\$10,962	\$10,143	\$10,429	\$10,857	\$11,086	\$11,429	\$11,714	\$12,000	\$12,229
. 3 Exemptions			\$11,114	\$11,657	\$12,286	\$12,771	\$13,114	\$13,600	\$13,886	\$14,314	\$14,714	\$15,086	\$15,314
. 4 Exemptions			\$13,343	\$14,000	\$14,771	\$15,400	\$15,829	\$16,314	\$16,714	\$17,200	\$17,686	\$18,143	\$18,429
. 5 Exemptions			\$15,600	\$16,371	\$17,257	\$18,000	\$18,543	\$19,057	\$19,514	\$20,086	\$20,686	\$21,229	\$21,543
. 6 Exemptions			\$17,829	\$18,714	\$19,743	\$20,629	\$21,229	\$21,771	\$22,343	\$22,971	\$23,686	\$24,314	\$24,629
. more than 6 exemp.			+\$2,257/exemp.	+\$2,371/exemp.	+\$2,514/exemp.	+\$2,629/exemp.	+\$2,714/exemp.	+\$2,743/exemp.	+\$2,829/exemp.	+\$2,886/exemp.	+\$3,000/exemp.	+\$3,086/exemp.	+\$3,114/exemp.
. Alternative Credit	206.527a(1)(c)(ii)		Yes (l''')										
. Heating Fuel Cost Limit	206.527a(1)(d)		\$1,234	\$1,264	\$1,246	\$1,289	\$1,312	\$1,312	\$1,300	\$1,335	\$1,403	\$1,404	\$1,416
. Maximum Income:													
. 0 or 1 Exemptions			\$7,420	\$7,790	\$8,144	\$8,313	\$8,523	\$8,789	\$9,068	\$9,303	\$9,558	\$9,774	\$10,011
. 2 Exemptions			\$9,986	\$10,485	\$10,962	\$11,190	\$11,473	\$11,831	\$11,818	\$12,136	\$12,755	\$12,764	\$12,873
. 3 or more			\$11,218	\$11,491	\$11,327	\$11,718	\$11,927	\$11,927	\$11,818	\$12,136	\$12,755	\$12,764	\$12,873
. Credit Proration (%)	206.527a(18)		100%	100%	100%	100%	100%	100%	62%	70%	74%	82%	90%

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

Refundable Credits (cont.)	MCL Section	Form	TY 2000	TY 2001	TY 2002	TY 2003	TY 2004	TY 2005
. <u>Home Heating Credit</u>	(25) 206.527a(1)	CR-7	Yes	Yes	Yes	Yes	Yes	Yes
. Federal Poverty Income Limit	206.527a(1)(b)		110%	110%	110%	110%	110%	110%
. General Credit	206.527a(1)(c)(i)		Yes (k")					
. Maximum Credit:	206.527a(1)(a)							
. 0 or 1 Exemption			\$323	\$332	\$342	\$347	\$359	\$369
. 2 Exemptions			\$435	\$448	\$461	\$468	\$482	\$495
. 3 Exemptions			\$547	\$565	\$579	\$589	\$604	\$620
. 4 Exemptions			\$658	\$681	\$698	\$709	\$727	\$746
. 5 Exemptions			\$770	\$797	\$816	\$830	\$849	\$871
. 6 Exemptions			\$882	\$914	\$935	\$951	\$972	\$997
. more than 6 exemp.			+\$112/exemp.	+\$116/exemp.	+\$119/exemp.	+\$121/exemp.	+\$122/exemp.	+\$126/exemp.
. Maximum Income Limit Requirement:								
. 0 or 1 Exemption			\$9,229	\$9,486	\$9,771	\$9,914	\$10,257	\$10,529
. 2 Exemptions			\$12,429	\$12,800	\$13,171	\$13,371	\$13,771	\$14,129
. 3 Exemptions			\$15,629	\$16,143	\$16,543	\$16,829	\$17,257	\$17,700
. 4 Exemptions			\$18,800	\$19,457	\$19,943	\$20,257	\$20,771	\$21,300
. 5 Exemptions			\$22,000	\$22,771	\$23,314	\$23,714	\$24,257	\$24,871
. 6 Exemptions			\$25,200	\$26,114	\$26,714	\$27,171	\$27,771	\$28,471
. more than 6 exemp.			+\$3,200/exemp.	+\$3,322/exemp.	+\$3,388/exemp.	+\$3,498/exemp.	+\$3,498/exemp.	+\$3,586/exemp.
. Alternative Credit	206.527a(1)(c)(ii)		Yes (l")					
. Heating Fuel Cost Limit	206.527a(1)(d)		\$1,453	\$1,493	\$1,578	\$1,687	\$1,843	\$2,028
. Maximum Income:								
. 0 or 1 Exemptions			\$10,350	\$10,703	\$10,922	\$11,211	\$11,360	\$11,635
. 2 Exemptions			\$13,209	\$13,573	\$14,345	\$15,088	\$15,287	\$15,658
. 3 or more			\$13,209	\$13,573	\$14,345	\$15,340	\$16,757	\$18,433
. Credit Proration (%)	206.527a(18)		100%	100%	100%	80%	76%	76%

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

Notes:

General Information:

- .(*) Starting tax year 1970, per taxpayer preference, the IRC effective in tax year may be used instead.
 - .(**) Unlike exemption for paraplegic and quadriplegic, special exemption for hemiplegics starts in TY 1977.
 - .(***) Starting TY 1987, taxpayers who are blind, or quadriplegic, hemiplegic, or paraplegic are considered to be disabled.
 - .(****) Starting TY 2000, taxpayers who are deaf are considered disabled.
 - .(*****) Limits adjusted by percentage increase of the US CPI for the immediately preceding calendar year.
- (1) Revenue distribution for local units was based on percent from net collections through TY 1986, and from gross collections thereafter. Revenue distribution for Revenue Sharing is based on percent from gross collections. Starting TY 2001, School Aid Fund share calculated by formula: 1.012% divided by IIT tax rate.
 - (2) Filing requirement applies to any person whose gross income or federal AGI is in excess of the personal exemptions and additional (special) exemptions allowed. Filing threshold listed do not take into account special exemptions allowed.
 - (3) Taxpayers with liability after credits and tax withheld above threshold must make estimated payments. Threshold equaled to \$100 until TY 1986, and \$500 thereafter.
 - (4) Except for claimed as a dependent exemption (which applies only to the taxpayer), special exemptions applied to taxpayer or spouse only through TY 1999; and to taxpayers, spouse, or dependents of taxpayer, thereafter.
 - (5) Contributions to the fund does not increase liability.
 - (6) Contributions to those funds increase/reduce taxpayers' liability/refund.

Taxbase Adjustments Limits:

- (7) Until TY 1988, the maximum private pension deduction amount applied to the total of private, federal, and other states public retirement system pension and retirement benefits. Starting TY 1989, retirement and pension benefits from federal public system no longer were subjected to the limit. Starting TY 1994, the maximum also applies to benefits paid to seniors from a retirement annuity policy which are paid for life. Starting TY 1994, the maximum private pension deduction amount must be reduced by 25% of the total public (federal and MI) and federal military retirement benefits deduction claimed.
- (8) From TY 1994 through TY 1996, seniors were allowed deduction only from interest and dividends income, and this exemption could only be taken if taxpayer did not take a deduction for retirement and pension benefits. Starting TY 1997, senior deduction also includes capital gains income, where the senior maximum interest, dividend, and capital gain deduction amount shall be reduced by the total amount of retirement/pension benefit deduction claimed.

Non Refundable Credits:

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

.(12) City Income Tax Credit Calculation:

For TY 1968 and 1969:

If City Income Tax is:	Credit
. <=\$100	20% of city income taxes
. >\$100, <=\$150	\$20 + 15% of excess over \$100
. >\$150, <=\$200	\$27.5 + 10% of excess over \$150
. > \$200	min {\$32.50 + 5% of excess over \$200, \$10,000}

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

. For TY 1971 - 1985:

If City Income Tax is:	Credit
. <=\$100	20% of city income taxes
. >\$100, <=\$150	\$20 + 10% of excess over \$100
. >\$150, <=\$200	\$25 + 5% of excess over \$150
. > \$200	min {\$27.5 + 5% of excess over \$200, \$10,000}

. Starting TY 1986:

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

.(13) Contribution Credit Calculation:

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

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

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

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

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

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

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

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

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

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

Refundable Credits:

- .(19) Inventory tax credit equaled a percent (25% in TY 1973, 32% in TY 1974, 39% in TY 1975) of qualified personal property taxes on inventory deductible on the federal return. Franchise Fee Credit equaled to 20% of qualified franchise fees paid.
- .(20) Adoption Credit equals to min {qualified adoption expenses per child, \$1,200 per child}.
Credit is limited to eligible filers who claimed the federal adoption credit.
- .(21) Prescription Drug credit was limited to seniors with household income up to 150% of federal poverty standard.
Credit equaled to min {\$600, qualified expenses over 5% of taxpayer's household income}.
- .(22) Credit for Sales Tax Paid on Food and Prescription Drugs was inversely proportioned to household income, as follows:

Household Income	Credit per Person
<=\$5,000	\$10
>\$5,000, <=\$7,000	\$9
>\$7,000, <=\$9,000	\$8
>\$9,000, <=\$11,000	\$7
>\$11,000, <=\$15,000	\$6
>\$15,000	\$0

- .(23) Property Tax Credit eligibility requirements and calculations:
 - (b). In TY 1968 and 1969, credit was non-refundable, applicable also to non-homestead property tax paid by the taxpayer, and its percent was inversely proportioned to the total eligible ad valorem taxes paid by the taxpayers as follows:

Eligible Property Taxes (PPT) Amount:	Credit
. <=\$100	20% of property taxes
. >\$100, <=\$150	\$20 + 15% of excess over \$100
. >\$150, <=\$200	\$27.50 + 10% of excess over \$150
. >\$200, <=\$10,000	\$32.50 + 5% of excess over \$200
. >\$10,000	4% of property taxes
 - (b'). In TY 1970, credit was non-refundable and applicable only to homestead property taxes paid. Credit equaled to min {12% of eligible property taxes paid, \$15}.
 - (b''). In TY 1971 and 1972, credit was non-refundable, and applicable also to non-homestead property taxes paid. Credit calculated as follows:

Property Taxes (PPT) Amount:	Credit
. <=\$100	20% of property taxes
. >\$100, <=\$150	\$20 + 10% of excess over \$100
. >\$150, <=\$200	\$25 + 5% of excess over \$150
. >\$200, <=\$10,000	\$27.50 + 5% of excess over \$200
. >\$10,000	4% of property taxes
 - (b'''). Starting TY 1973, credit became refundable, based only on homestead property taxes paid and was calculated based on taxpayer's household income.
For mobile home owners, property taxes include the \$3.00 / month specific tax plus statutorily allowed percentage of rent.
 - (c). General Credit (for homeowners or renters) equals to 60% of property tax amount paid in excess of 3.5% of household income.

- (d). Credit for homeowners or renters who are: Seniors (General Credit); Para/Quadriplegic (starting TY 1974); Hemiplegic (starting TY 1984); Blind (starting TY 2000), or Deaf (starting TY 2000).

Credit equaled to 100% of eligible property tax paid in excess of taxpayer's household income as follows:

Household Income	% Not Refundable
<=\$3,000	0.0%
>\$3,000, <=\$4,000	1.0%
>\$4,000, <=\$5,000	2.0%
>\$5,000, <=\$6,000	3.0%
>\$6,000	3.5%

- (e). Senior Low Income Renter Credit equals to the amount of rent paid in excess of 50% (in 1982), 45% (in 1983), or 40% (thereafter) of taxpayer's household income, for seniors whose rent expenses are higher than 40% of their household income.
- (f). Seniors who received a 1973 homestead exemption of \$2,500, and with household income up to \$6,000 may claim a PPT credit equals to eligible PPT paid multiplied by min {percentage that \$2,500 bears to the homestead taxable value, 100% }.
- (g). Disabled (homeowners or renters) PPT Credit equals to 60% of credit as computed under senior general PPT credit.
- (h). Veteran homeowners may claim a credit equals to eligible homestead property taxes paid multiplied by min.{percent of taxable value allowance (former State equalized value allowance) bears to the homestead taxable value (former State equalized value), 100% }. Veteran renters (starting TY 1978) may claim a credit equal to eligible homestead property taxes paid multiplied by min.{percent of eligible rent by the property tax rate on the property, 100% }.
- (i). Homeowner Blind taxpayers may claim a credit equals to eligible property tax paid multiplied by min {percentage that the taxable value allowance (former State equalized value allowance) bears to the homestead taxable value (former State equalized value), 100% }, for TY 1973 through 1999. Renters who are blind may claim a credit as disabled.

.(24) Farmland Preservation Credit:

- (j). Until TY 2000, credit equaled amount of eligible property tax on eligible restricted farming land and structures that exceeded 7% of taxpayer household income.
- (j'). Starting TY 2001, (y) credit equals amount of eligible property tax on eligible restricted farming land and structures that exceeds 3.5% of taxpayer household income.

.(25) Home Heating Credit:

General Credit:

- (k). In TY 1978, credit equaled to table amount reduced by 3.5% of claimant's household income for filers with liquid assets up to \$30,000.
- (k'). From TY 1979 through TY 1990, credit equals to table amount reduced by 3.5% of claimant's household income, where taxpayers with household income above table ceiling are not eligible for credit.
- (k''). Starting TY 1991, credit equals to table amount reduced by 3.5% of claimant's household income, the result multiplied by 50% (if heating costs included in rent) or 100% (otherwise).

Alternate Credit:

- (l). From TY 1984 - TY 1986, credit equaled to total heating fuel cost amount reduced by 13 percent of claimant household income, the result multiplied by 50 percent.
- (l'). From TY 1987 - TY 1988, credit equaled to total heating fuel cost amount reduced by 13 percent of claimant household income, the result multiplied by 70 percent.
- (l''). From TY 1989, credit equals to total heating fuel cost amount reduced by 11 percent of claimant's household income, the result multiplied by 70 percent.