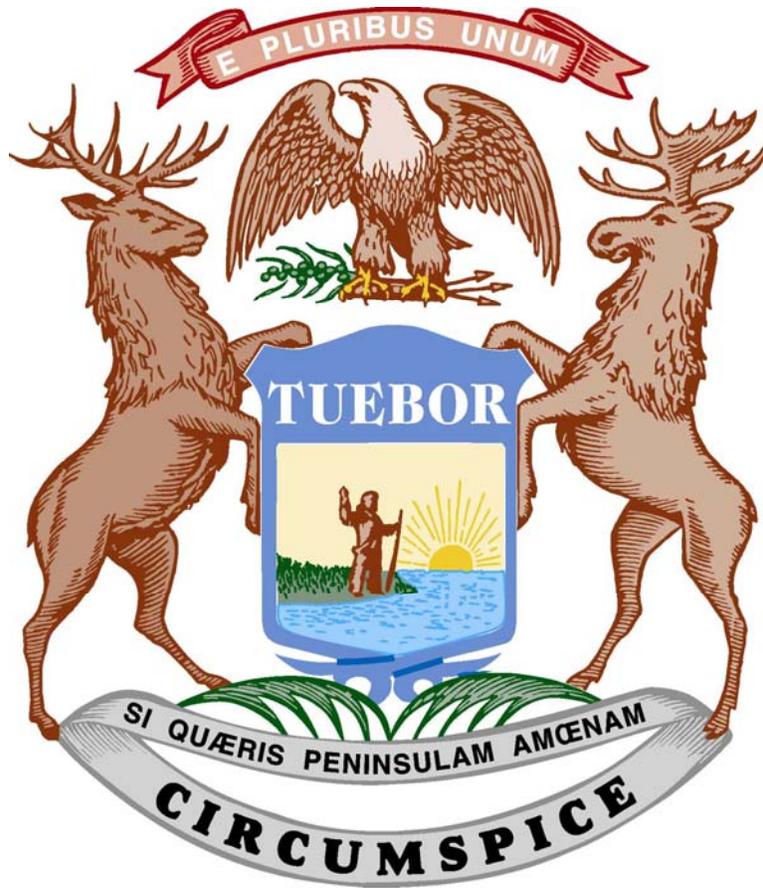
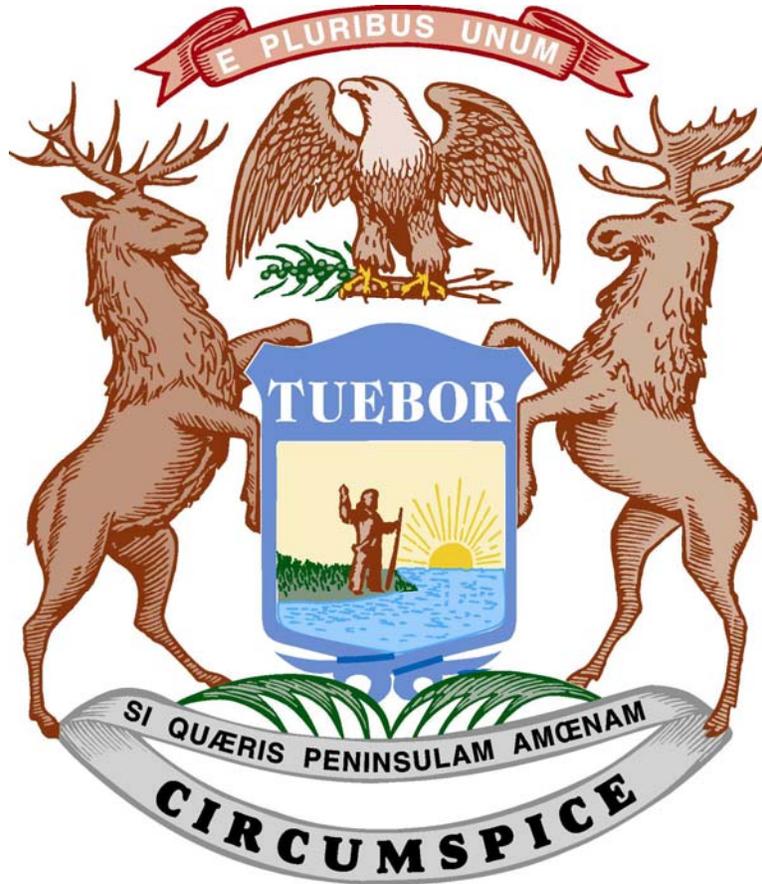


**MICHIGAN'S  
INDIVIDUAL INCOME TAX  
2008**



**Michigan Department of Treasury  
Office of Revenue and Tax Analysis  
Tax Analysis Division  
July 2010**

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Tax Analysis Division  
July 2010

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## I. EXECUTIVE SUMMARY

### **Returns and Revenue**

For tax year 2008, Michigan's personal income tax generated \$5.8 billion in state revenues after all credits and refunds were paid. Of the \$5.8 billion net revenue, taxpayers with income over \$50,000 paid \$5.5 billion, or 95 percent.

Net revenue decreased \$46.3 million (-0.8 percent) from 2007 levels, reflecting the reduction in taxable income of \$9.4 billion (-5.4 percent) from 2007 to 2008 and the increase of \$223.6 million (22.5 percent) in refundable credits from 2007 levels, completely offsetting the impact of the increased 4.35 percent tax rate for the full tax year.

About 4.5 million returns were filed for the 2008 tax year, or 79,200 fewer filers (-1.7 percent) than the previous year.

Although the personal income tax was levied at a nominal flat rate of 4.35 percent in 2008, the effective tax rate varied from negative 26.91 percent for filers with an AGI under \$2,000 to positive 3.43 percent for taxpayers with an AGI between \$190,001 and \$400,000. Including the impact of all refundable and nonrefundable credits, the overall effective tax rate was 2.24 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, and the Michigan Earned Income Tax Credit (EITC).

### **Interstate Comparisons**

For fiscal year 2008, Michigan's income tax revenue was eighth lowest in the nation as a percentage of personal income, and the seventh lowest on a per capita basis, among the 41 states with a general income tax. Compared to the average for those 41 states, Michigan's income tax revenue was 37.4 percent below average on a per capita basis, and 28.2 percent below average as a percent of personal income.

### **Property Tax Credit**

About 1.6 million Michigan homeowners, renters, and farmers received \$966.6 million in property tax credits, including farmland preservation credits, for 2008. The average property tax credit was \$600. Excluding farmland preservation credits, the average property tax credit for tax year 2008 was \$581. The total amount of property tax credits, including farmland preservation credits, increased by \$37.1 million (4.0 percent) with 30,400 more taxpayers benefiting compared to tax year 2007.

Senior citizens received about \$349.2 million in homestead property tax credits, an increase of \$27.6 million from tax year 2007. For about 453,200 senior citizens receiving homestead property tax credits, the average credit was \$770.

### **Home Heating Credit**

Home heating credits, including supplemental credit payments, totaled \$106.0 million for tax year 2008 with about 450,100 households qualifying for an average credit of \$236. Excluding supplemental credit payments, home heating credits increased \$19.7 million from 2007 while approximately 5,500 more taxpayers claimed the credit.

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

Over 711,000 taxpayers claimed about \$145.2 million in Michigan EITC in 2008, resulting in an average credit of \$204.18 per taxpayer. In 2008, the first year the Michigan credit became effective, the state credit was 10 percent of the federal credit. For subsequent years, the Michigan credit is increased to 20 percent of the federal credit.

### **Adoption Credit**

In tax year 2008, \$760,000 in adoption credit was claimed by 600 taxpayers, resulting in an average credit of \$1,241 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.

### **Stillbirth Credit**

About 200 taxpayers claimed a total of \$39,200 in stillbirth credits for tax year 2008. The credit became effective in tax year 2006, and it allows taxpayers who received a Certificate of Stillbirth from the Department of Community Health to claim a credit equal to 4.5 percent of a single personal exemption amount for the tax year, rounded up to the nearest \$10 increment. In 2008, the credit amount was \$160 per certificate.

### **City Income Tax Credit**

In 2008, city income tax credits were claimed by 823,600 taxpayers amounting to \$31.1 million in total credits. This was an decrease of \$1.3 million from the prior year, with 30,000 fewer taxpayers claiming the credit.

### **Public Contribution Credit**

About 273,300 Michigan taxpayers claimed \$24.7 million in credits for contributions to Michigan colleges, libraries, museums, and public broadcasting stations for tax year 2008. This was a decrease of \$241,000 from tax year 2007, with 1,600 fewer taxpayers claiming this credit.

### **Community Foundation Credit**

For tax year 2008, about 35,200 taxpayers claimed \$3.3 million in community foundation credits. This figure represents a decrease of about \$59,600 from tax year 2007, with 400 fewer taxpayers claiming the credit.

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

About 234,100 taxpayers claimed homeless shelter/food bank credits totaling \$19.0 million for tax year 2008. Compared with tax year 2007, this represented an increase of \$970,200 with 9,100 more taxpayers claiming a credit.

### **College Tuition Credit**

For tax year 2008, 83,000 taxpayers claimed \$12.1 million in tuition credits. Compared with tax year 2007, this was an increase of \$2.6 million with 19,500 additional taxpayers claiming a credit.

### **Historic Preservation Credit**

For tax year 2008, about 300 taxpayers claimed \$1.3 million in historic preservation credits. Compared with tax year 2007, this was an increase of \$761,000 with 40 more taxpayers claiming a credit.

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

For tax year 2008, 49,700 taxpayers received a total of \$44.4 million credit for income tax paid to another state, resulting in an average credit of \$893. This represented an increase of \$1.7 million with 300 more taxpayers claiming a credit.

### **Vehicle Donation Credit**

About 2,200 taxpayers claimed vehicle donation credits totaling \$126,300 for tax year 2008, resulting in an average credit of \$56 per taxpayer. The vehicle donation credit equals 50 percent of the fair market value of certain automobile donations to qualified charitable organizations, up to \$50 for single return or \$100 for a joint return, and it became effective in TY 2005.

### **Use Tax Payments**

Starting in tax year 1999, taxpayers were asked to remit use tax payments along with their personal income tax returns. In 2008, 103,600 taxpayers paid \$4.1 million in use tax. Compared to 2007, this was a decrease of \$29,300, with 1,200 fewer taxpayers filing the use tax.

### **Tax Law Changes in 2009**

Public Act (PA) 134 allowed taxpayers to deduct from their tax base the amount of charitable contributions made to the Advance Tuition Payment Fund created under the Michigan Education Trust Act. The income tax deductions are effective for the 2010 tax year and each subsequent tax year.

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

## II. INTRODUCTION

This report summarizes information regarding the Michigan individual income tax for tax year 2008. It is based on returns filed and processed in calendar year 2009.

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 2008 and 2009 and how those changes affect Michigan's income tax base. Section X summarizes the Michigan Public Acts (PA) in 2008 and 2009 that amended the Michigan Income Tax Act.

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

Section XII contains a summary of significant changes in federal income tax law since 2001 through changes in 2007, the Michigan personal income tax legislative history through 2007, and a table with chronological changes to the Michigan income tax requirements and limits since 1967.

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

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

In response to the early 1980s economic recession that plagued Michigan with budget deficits, the state income tax rate was raised to 5.6 percent between April 1 and September 30, 1982, further increasing to 6.35 percent in 1983. As the Michigan economy improved, the income tax rate was rolled back to 5.85 percent in 1984, 5.33 percent in 1985, and 4.6 percent in 1986. On May 1, 1994, the rate was lowered to 4.4 percent, following the passage of the property tax reform package known as Proposal A. For the 1995 tax year only, the Headlee Amendment Refund reduced the income tax liability of all Michigan taxpayers by 2.0 percent. New legislation passed in 1999 reduced the income tax rate to 4.2 percent effective January 1, 2000, and further reduced the rate by 0.1 percentage point on January 2002, January 2003, and July 2004, bringing the rate to 3.9 percent, where it remained through September 2007. As the pace of the Michigan economy slowed considerably in the mid 2000s, renewed budgetary pressures led to new legislation that increased the income tax rate to 4.35 percent effective October 1, 2007. The new law also provided for a gradual reduction of the rate (0.1 percentage point) on each October 1 beginning in 2011, until the rate reaches 3.95 percent, and finally drops to 3.9 percent on October 1, 2015. (See Exhibit 42 on page 65 for a complete list of average Michigan Individual Income tax rates since 1968.)

The starting point of the Michigan individual income tax is the federal AGI. Therefore, changes in federal tax law can affect Michigan income tax collections. The broad changes in AGI affected by the Tax Reform Act of 1986 significantly increased the Michigan income tax base. In response, the personal exemption was gradually increased from \$1,500 in 1986 to \$2,100 in 1990, a 40 percent overall increase. PA 2 of 1995 increased the personal exemption to \$2,400 for tax years 1995 and 1996, and to \$2,500 in 1997. PA 3 of 1995 indexed the exemption to inflation, where inflation adjustments would be rounded to the nearest \$100 after tax year 1997. Starting in tax year 1998, the personal exemption increased by an additional \$200 under PA 86 of 1997. 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 94.

For 2008, the following exemptions were available for taxpayers: \$3,500 personal exemption, \$2,200 special exemption for senior citizens, filers with certain disabilities, or filers receiving at least 50 percent of their AGI from unemployment compensation, additional \$250 exemption for

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<sup>1</sup> For a complete Michigan personal income tax legislative history through 2007, see Appendix A, p. 73.

disabled veterans, \$600 exemption for child aged 18 years and under, and \$1,500 exemption for taxpayers claimed as depended by another taxpayer. Exhibit 1 depicts the Michigan individual income average annual tax rate and allowed exemptions since 2000.

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

<u>Tax Year</u>	<u>Average Rate</u>	<u>Personal Exemption</u>	<u>Claimed as Dependent Exemption</u>	<u>Special Exemptions</u>				<u>Child Age 18 and Under Exemption</u>
				<u>Senior</u>	<u>Blind, Deaf, or Disabled *</u>	<u>Unemployment Compensation</u>	<u>Disabled Veteran</u>	
2000	4.20%	2,900	1,500	1,800	1,800	1,800	n.a.	600
2001	4.20%	2,900	1,500	1,900	1,900	1,900	n.a.	600
2002	4.10%	3,000	1,500	1,900	1,900	1,900	n.a.	600
2003	4.00%	3,100	1,500	1,900	1,900	1,900	n.a.	600
2004	3.95% **	3,100	1,500	2,000	2,000	2,000	n.a.	600
2005	3.90%	3,200	1,500	2,000	2,000	2,000	n.a.	600
2006	3.90%	3,300	1,500	2,100	2,100	2,100	n.a.	600
2007	4.01% ***	3,400	1,500	2,200	2,200	2,200	n.a.	600
2008	4.35%	3,500	1,500	2,200	2,200	2,200	\$250	600
2009	4.35%	3,600	1,500	2,300	2,300	2,300	\$300	600
2010	4.35%	3,600	1,500	2,300	2,300	2,300	\$300	600

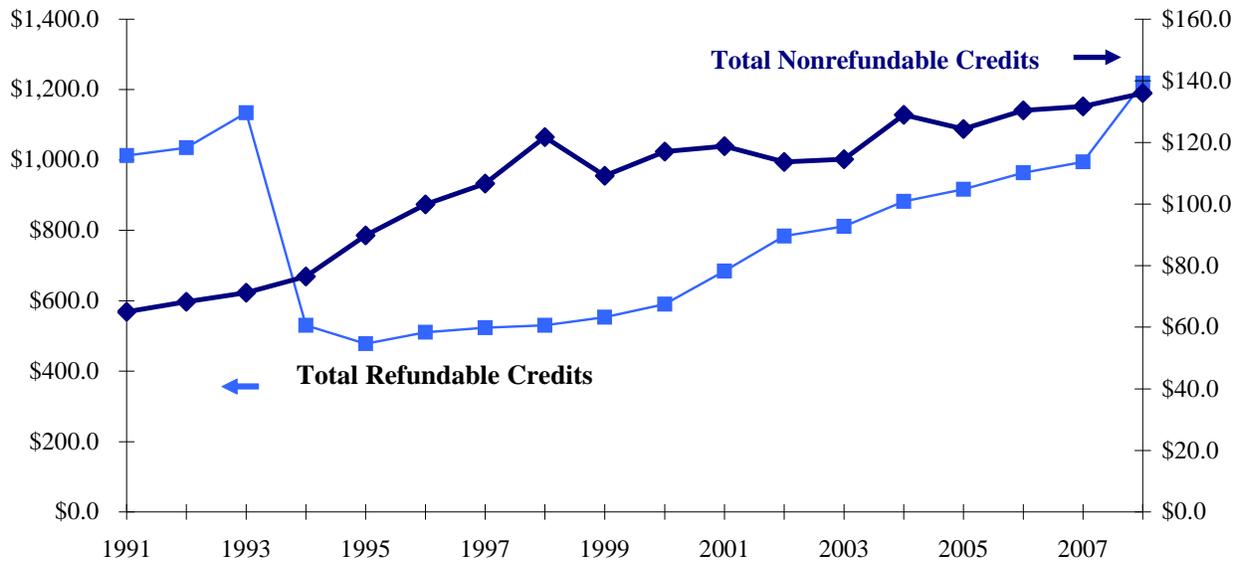
\* Starting tax year 2000, blind exemptions were combined with the blind, or disabled exemptions.

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

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

The Michigan individual income tax is a flat rate tax. The Michigan Constitution prohibits graduated income tax rates. Proposals to allow graduated rates were defeated by voters in 1968, 1972, and 1976. However, a degree of progressivity is achieved with exemptions and credits, such as the homestead property tax and home heating credits, and the Michigan EITC. 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 and the expansion of existing credits. Exhibit 2 provides information on the total amount of refundable and nonrefundable credits paid since 1991. For tax year 2008, a total of \$1,218.6 million was paid in refundable credits, and an additional \$136.0 million was paid in nonrefundable credits. For a complete list of credits available in tax year 2008 see Chapter V on page 23.

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



A portion of income tax revenues is earmarked to the School Aid Fund (SAF) with the remainder distributed as General Fund/General Purpose (GF/GP) revenues. Beginning in fiscal year 1994-95, 14 percent of gross income tax collections was statutorily allocated to the SAF with the remainder of net income tax revenue allocated to GF/GP. For fiscal year 1996-97, the SAF allocated percentage increased to 23 percent, where it remained until tax year 1999. For tax years 2000 and after, the percentage of gross income tax collections earmarked to the SAF changed to equal 1.012 percent divided by the income tax rate. The inverse relationship between the income tax rate and the percent allocated to the SAF has resulted on a steady increase of the earmarking percentage for tax years 2000 through 2007, from 24.1 to 25.95 percent, and a recent decline on that percentage to 25.24 percent in 2007, and 23.26 percent for tax years 2008 and 2009. Exhibit 3, on page 9, summarizes the income tax revenue earmarking to the SAF and GF/GP since 1995.

**USE TAX PAYMENTS**

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

Starting in tax year 1999, Michigan taxpayers were able to remit use tax payments while filing their income tax return, instead of filing separate numerous use tax forms. This alternative simplifies the tax compliance process for the taxpayer. In tax year 2008, 103,600 taxpayers remitted \$4.1 million in use tax (see Exhibit 4 below).

**Exhibit 3  
Earmarking of Income Tax Revenue**

<b>Tax Years</b>	<b>Average Tax Rate</b>	<b>Earmarking Percentages</b>	
		<b>SAF</b>	<b>GF/GP</b>
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
2007	4.01%	25.24	74.76
2008 - 2009	4.35%	23.26	76.74

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

<b>Tax Year</b>	<b>Number Of Returns</b>	<b>Use Tax Amount</b>	<b>Average Per Return</b>
1999	64,650	\$2,895,475	\$44.79
2000	79,627	2,976,223	37.38
2001	72,913	2,877,459	39.46
2002	70,619	2,872,252	40.67
2003	79,684	3,302,217	41.44
2004	86,774	4,041,439	46.57
2005	82,691	3,409,451	41.23
2006	81,360	3,346,874	41.14
2007	104,836	4,086,157	38.98
2008	103,637	4,056,857	39.14

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

## IV. INCIDENCE OF THE INDIVIDUAL INCOME TAX

For tax year 2008, about 4.5 million MI-1040 returns were filed, 79,200 fewer than for 2007 (see Exhibit 5 below). An additional 186,700 “credit-only” returns were filed for 2008. 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, 48,900 claimed only a home heating credit, 30,100 claimed only a property tax credit, and 53,900 claimed both refundable credits.

The personal income tax generated \$5.8 billion in net revenue for tax year 2008, which is total revenue after all credits and refunds are paid. Income tax revenues decreased \$46.3 million (-0.8%) from 2007, with a decline in taxable income and an increase in refundable credits offsetting the higher tax rate (4.35 percent instead of 4.01 percent).

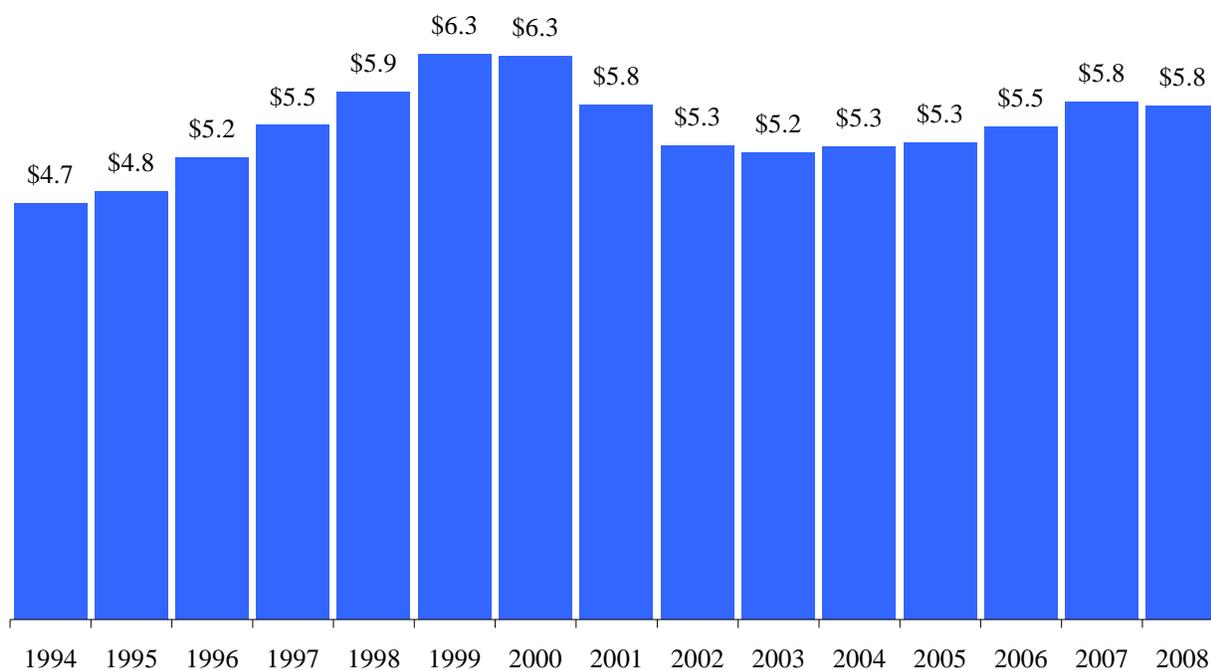
**Exhibit 5**  
**Fifteen-Year History of Income Tax Rates and Revenue**

<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>
1994	4,123,200	153,895,394,200	37,324	4.47%	3.03%	4,668,579,100
1995	4,214,300	167,307,933,535	39,700	4.40%	2.87%	4,794,937,300
1996	4,260,200	180,087,338,060	42,272	4.40%	2.88%	5,177,919,400
1997	4,308,575	190,806,002,405	44,285	4.40%	2.90%	5,540,653,500
1998	4,350,006	205,229,640,000	47,179	4.40%	2.88%	5,919,624,100
1999	4,414,720	222,092,788,315	50,307	4.40%	2.86%	6,343,222,500
2000	4,511,561	235,714,626,207	52,247	4.20%	2.68%	6,313,315,900
2001	4,456,031	222,960,889,578	50,036	4.20%	2.59%	5,774,007,800
2002	4,405,687	213,455,154,939	48,450	4.10%	2.49%	5,309,790,100
2003	4,369,995	223,070,894,889	51,046	4.00%	2.35%	5,232,779,200
2004	4,390,300	241,419,608,339	54,989	3.95%	2.20%	5,301,966,200
2005	4,424,662	260,604,722,102	58,898	3.90%	2.05%	5,341,831,700
2006	4,487,257	272,454,940,745	60,717	3.90%	2.03%	5,521,426,800
2007	4,560,672	292,321,301,678	64,096	4.01%	1.99%	5,803,415,000
2008	4,481,511	257,476,490,543 <sup>2</sup>	57,453	4.35%	2.24%	5,757,103,800

<sup>2</sup>The AGI above is reduced by returns reporting a negative AGI totaling a negative \$7.7 billion. AGI data for these returns were not available prior to 1997. The data for negative AGI returns are included throughout this report unless otherwise noted.

The number of income tax returns and tax revenues both generally increase when the economy expands and decrease during a recession. Changes in AGI reflect both economic growth and changes in the definition of federal AGI. For example, ending the 60 percent deduction for capital gains and including all unemployment benefits increased AGI beginning in 1987. Exhibit 6 below provides a graphical representation of Michigan individual income tax annual collections since 1994.

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

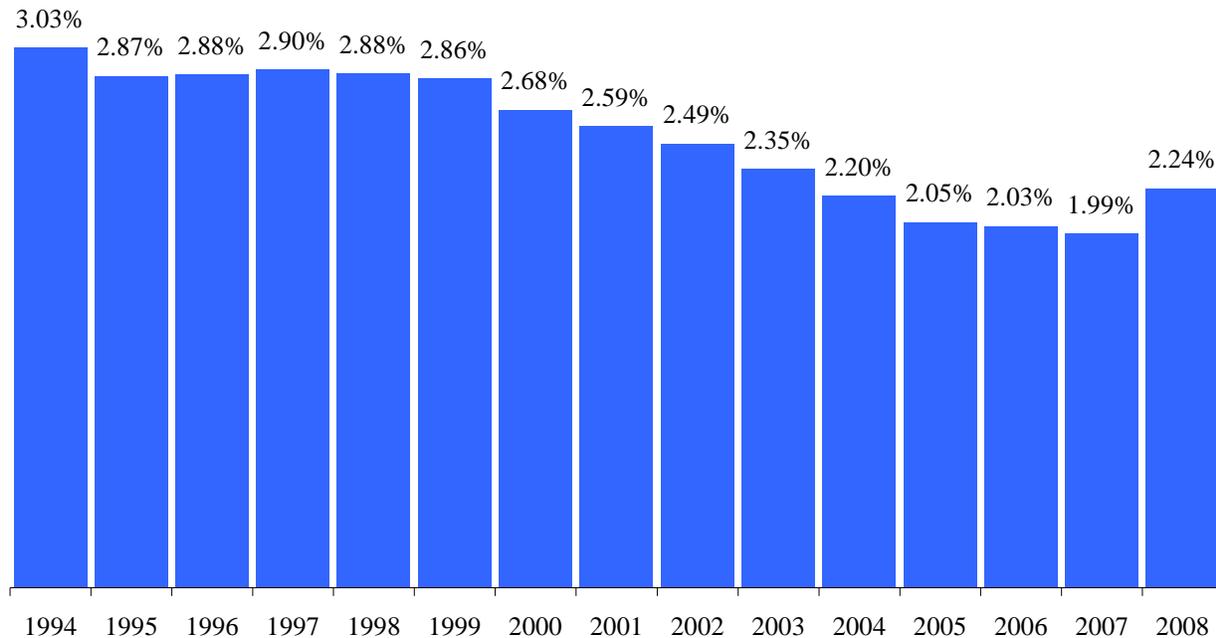


Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Even though the nominal Michigan personal income tax is levied at a flat rate (4.35 percent starting October 2008), exemptions and credits help to lessen the relative burden on taxpayers with lower AGIs. As a result, the average effective tax rate is considerably lower than the nominal flat rate. As shown in Exhibit 7, the average effective tax rate for 2008 was 2.24 percent, higher than the average of 2.18 percent over the 2002-2007 period, when the income tax rate was being reduced annually, but lower than the calculated average of 2.88 percent for the 1995-1999 period, when the tax rate was kept at 4.4 percent. Over the 1994-2008 period, the highest average effective rate was 3.03 percent for 1994, and the lowest average was 1.99 percent for 2007. The high average in 1994 resulted from the dramatic decline in homestead property tax credits, since

property taxes across the state fell as a result of Proposal A<sup>3</sup>. The low average rate in 2007 resulted from a combination of increased of exemptions due to inflation indexing, and the expansion of refundable credits.

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



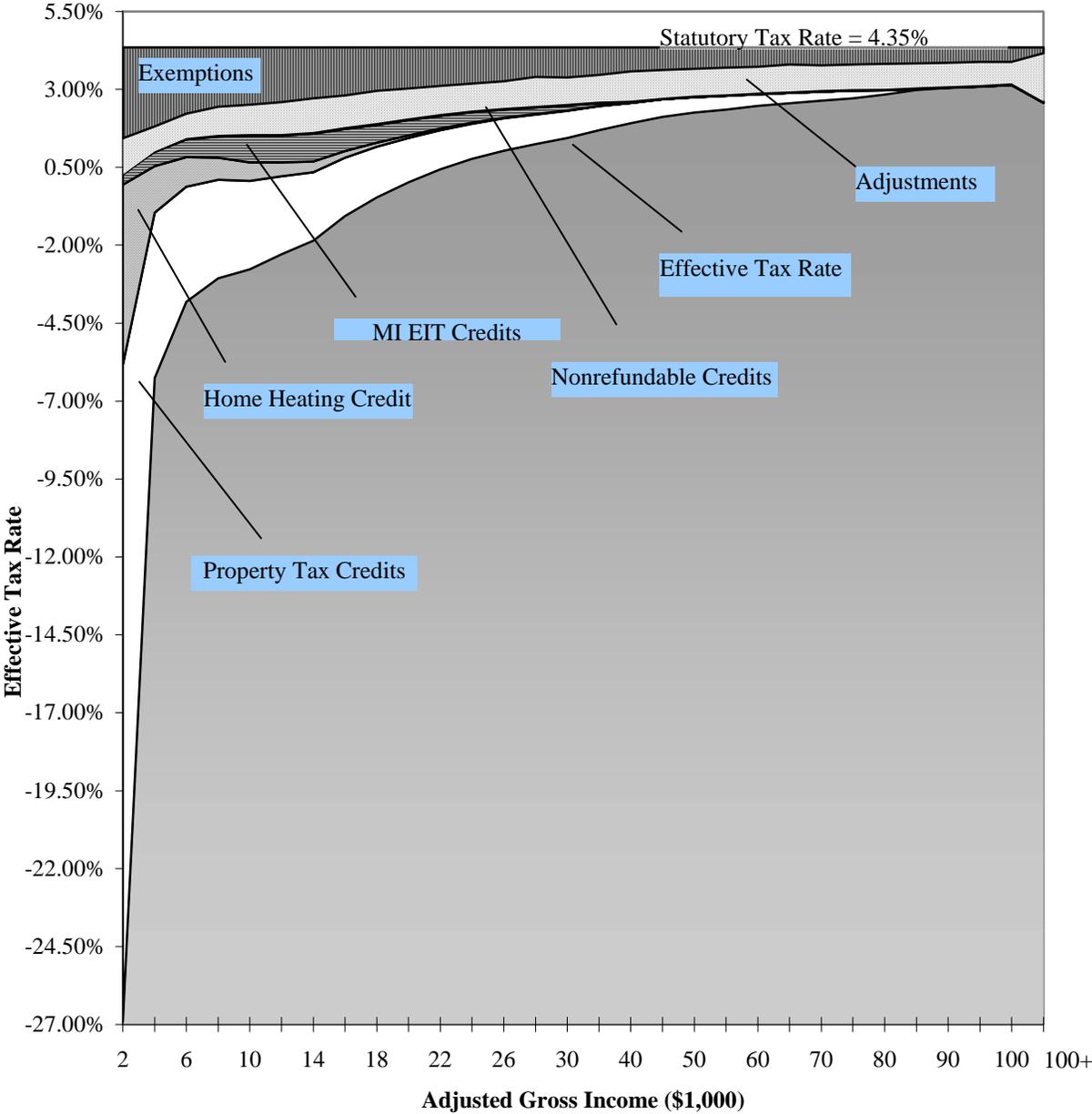
Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

As shown in Exhibits 8, 27 and 28 (see pages 13, 45 and 46, respectively), the effective tax rate in 2008 varied from negative 26.91 percent for taxpayers in the \$1 - \$2,000 AGI group, to positive 3.43 percent for taxpayers with an AGI between \$190,001 and \$400,000. Taxpayers with AGIs of less than \$18,000 on average received net payments from the state, mostly due to the refundable credits for property taxes, home heating expenses, and the Michigan ETIC. The effective rate for taxpayers with an AGI above \$1,000,000 was 0.95 percent, lower than the peak of 3.43 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

<sup>3</sup> For more information on the impact of Proposal A, see Office of Revenue and Tax Analysis, *Proposal A: A Retrospective*, December 2002, at [http://www.michigan.gov/treasury/0,1607,7-121-44402\\_44404---,00.html](http://www.michigan.gov/treasury/0,1607,7-121-44402_44404---,00.html).

business activities outside of Michigan, resulting in their Michigan tax base being lower than their AGI. Overall, the effective tax rate was 2.25 percent rather than the nominal rate of 4.35 percent. The effective rates in Exhibits 27 and 28 were calculated before taking into account the farmland credit, because the distribution of these credits by AGI is not available. In 2008, farmland credits totaled \$35.9 million. Subtracting these credits reduces the overall effective rate to 2.24 percent.

**Exhibit 8**  
**Effective Income Tax Rates, 2008**



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

Exhibit 8 reveals the influence of the various exemptions and credits on the effective tax rate and illustrates the data in Exhibit 27 (see page 45). Exhibit 27 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 \$3,500 personal exemption and the property tax credit benefit lower income taxpayers the most, while reducing the effective tax rate for most taxpayers. The personal exemption, property tax credit, home heating credit, and the Michigan EITC make Michigan's income tax more progressive, since these provisions decline as a percentage of AGI as income increases. The nonrefundable credits, which include the city income tax, college tuition, and college contribution credits, have a more proportional effect on income.

The Michigan tax data overstate the aggregate effective tax rate, since taxpayers who itemize deductions on their federal returns may deduct their state income tax payments. Federal data for tax year 2008 show that 34.2 percent of Michigan taxpayers itemized deductions on their federal income tax returns.<sup>4</sup> With federal deductibility, taxpayers offset part of their state income tax with a lower federal tax liability. For example, taxpayers in the 28 percent federal income tax bracket who itemized would have up to 28 percent of their state income tax offset by lower federal income tax liability. Federal deductibility provides greater benefits to taxpayers with higher incomes, since higher income people are both more likely to itemize their deductions and face higher marginal tax rates. For 2008, 88.8 percent of Michigan taxpayers reporting an AGI of \$100,000 or more itemized their deductions, while 15.8 percent of taxpayers with an AGI up to \$50,000 itemized. While providing relief for some taxpayers, federal deductibility reduces the progressivity of the Michigan income tax.

Michigan taxpayers claimed about 8.9 million personal exemptions for 2008. 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 27 (see page 45), there were an estimated 7.3 million effective personal exemptions, i.e., exemptions that actually offset income. The effective exemptions for 2008 were calculated assuming all personal exemptions, special exemptions, and all child deductions were equally likely to offset taxable income.

Michigan taxpayers claimed over 1.3 million special exemptions for tax year 2008. About 82.3 percent of the special exemptions were claimed by senior citizens. Michigan families claimed 2.4 million deductions for children age 18 and under. Exhibits 30 and 31 (see pages 49 through 51) present distributions of all the exemptions claimed for tax year 2008 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 27 (see page 45) by the number of claimed exemptions, and then multiplying that quotient by the number of exemptions/deductions in Exhibit 31 (see page 51). 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 365,021 by 429,241 and then multiplying the result (0.8504) by 116,149. The result is an estimate of 98,773 effective deductions.

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<sup>4</sup>Data on itemized deductions was obtained from the Internal Revenue Service, Statistics of Income Division, Individual Master File System, May 2010.

The Michigan income tax is paid almost exclusively by Michigan residents. Non- or part-year residents pay about 3.2 percent of the income tax. Exhibit 9 below summarizes the distribution of Michigan returns and net tax liability by residency. While nonresidents report \$34.8 billion in AGI, they claim subtractions totaling \$31.8 billion, mostly for income not taxable in Michigan.

**Exhibit 9**  
**2008 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	4,292,212	\$217,117,507,757	\$5,762,203,685
Part-year resident	95,464	5,538,308,105	86,860,511
Nonresident	93,835	34,820,674,681	106,193,947
Totals	4,481,511	\$257,476,490,543	\$5,955,258,142

Married taxpayers filing jointly reported 69.2 percent of AGI and paid 74.0 percent of the Michigan income tax. Married couples tend to be older and earn higher wages, due to greater accumulated human capital. Human capital includes formal education plus skills acquired through work experience and on-the-job training. Couples also have an additional potential worker. The Michigan income tax does not have a “marriage penalty” or “marriage bonus” as potentially exists with the federal income tax. Exhibit 10 depicts the distribution of Michigan returns and net tax liability by filing status. Note that the total tax liability does not include refundable credits claimed by individuals not required to file a Michigan income tax return.

**Exhibit 10**  
**2008 Income Tax Returns Distribution by Filing Status**

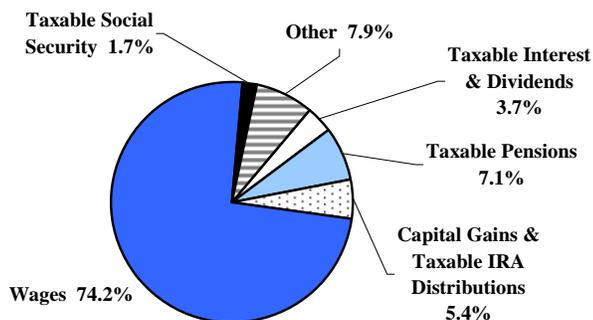
<u>Filing Status</u>	<u>Number of Returns</u>	<u>Adjusted Gross Income</u>	<u>Total Tax Liability</u>
Single	2,578,255	\$75,346,251,157	\$1,466,414,152
Married filing jointly	1,832,764	178,230,356,512	4,404,734,041
Married filing separately	64,110	3,700,158,782	79,793,439
Status not reported	6,382	199,724,091	4,316,510
Totals	4,481,511	\$257,476,490,543	\$5,955,258,142

Incomes from different sources receive dissimilar treatment under the federal and the Michigan income tax system. This disparity results in filers with similar AGI facing significantly different tax burdens. The next five exhibits provide a more detailed picture of the composition of the Michigan income tax base, and how it varies across age groups.

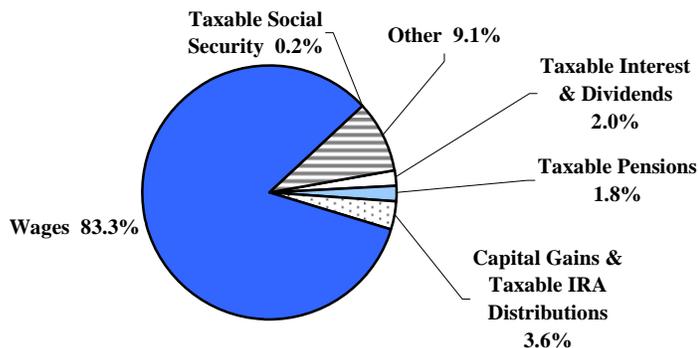
As discussed before, the starting point for the Michigan individual income tax is federal AGI, which is federal total income less adjustments. Using tax year 2004 detailed federal data, Exhibit 11<sup>5</sup> below depicts the composition of federal total income by income category (wage income, taxable pensions, interest and dividends, capital gains and Social Security income) for Michigan taxpayers at various age groups. As expected, the composition of taxpayers' total income varies considerably across the age groups. For example, while wage income overall comprises the largest part of income for all taxpayers (74.2 percent, see Exhibit 11), it represents 83.3 percent of total income for taxpayers in age group 45 to 54 years (see Exhibit 11), and only 19.6 percent of total income for taxpayers in age group 65 and older (see Exhibit 11 on page 17).

**Exhibit 11  
2004 Michigan Federal Total Income Categories by Age Group**

**All Taxpayers**

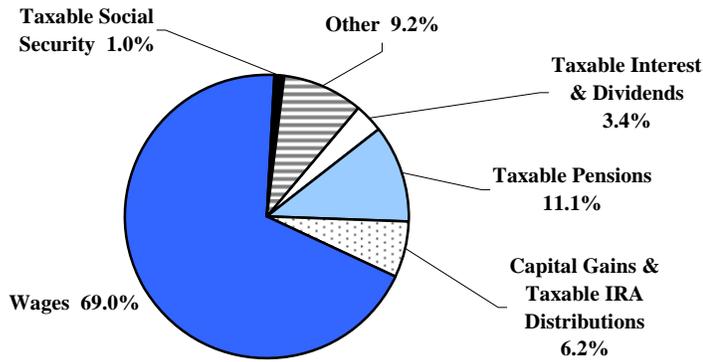


**Taxpayers in Age Group 45 years to 54 years**

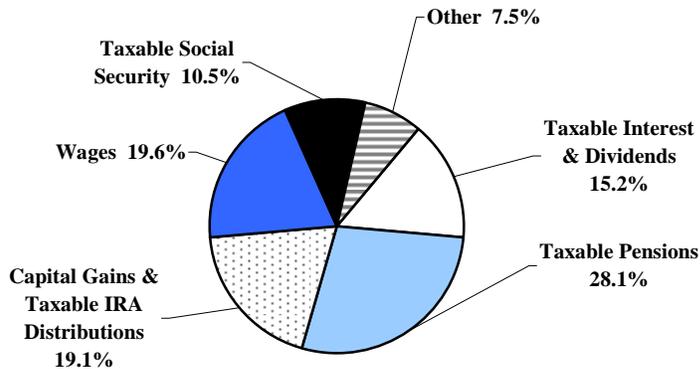


<sup>5</sup> Exhibits 11 and 12 are from Office of Revenue and Tax Analysis, *The Effects of an Aging Population on the Components of Michigan Income*, August 2009 at [http://www.michigan.gov/treasury/0,1607,7-121-44402\\_44404---,00.html](http://www.michigan.gov/treasury/0,1607,7-121-44402_44404---,00.html).

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



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



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

Using the same 2004 detailed federal data, Exhibit 12 on page 18 indicates that federal adjustments to income provided an average reduction of 1.1 percent of taxpayers' total income. However, the reduction of the total income is not uniform across age group. For example, taxpayers in age group under 35 represent about 15.3 percent of the total income for all filers, and adjustments to income reduce their total income by about 0.8 percent. On the other hand, taxpayers in age group 65 or older represent about 14.4 percent of the total income for all filers, and adjustments to income reduce the total income of this group by about 2.0 percent, over 2 times the reduction experienced by the younger group.

**Exhibit 12**  
**2004 Adjusted Gross Income for all Michigan Taxpayers by Age Group**

<u>Age Group</u>	<u>Returns</u>	(A) <u>Total Income</u>	<u>Adjustments</u> <u>to Income</u>	(B) <u>Adjusted Gross</u> <u>Income</u>	Percentage <u>Change</u> <u>(B)/(A)-1</u>
Under 25 Yrs	746,089	\$7,958,194,296	(\$51,657,617)	\$7,906,536,679	-0.6%
25 to 34 Yrs	690,118	\$25,349,274,205	(\$221,238,095)	\$25,128,036,110	-0.9%
35 to 44 Yrs	818,813	\$47,851,141,760	(\$414,199,410)	\$47,436,942,350	-0.9%
45 to 54 Yrs	845,476	\$60,113,039,635	(\$800,377,782)	\$59,312,661,853	-1.3%
55 to 64 Yrs	615,334	\$44,533,268,637	(\$681,395,597)	\$43,851,873,040	-1.5%
65 to 74 Yrs	347,923	\$17,882,927,315	(\$193,082,254)	\$17,689,845,061	-1.1%
75 to 84 Yrs	251,230	\$10,319,286,592	(\$338,351,682)	\$9,980,934,910	-3.3%
85 and Over	102,180	\$3,016,407,356	(\$106,639,979)	\$2,909,767,377	-3.5%
Missing Age	<u>14,310</u>	<u>\$312,948,735</u>	<u>\$482,830,657</u>	<u>\$795,779,392</u>	154.3%
Totals	4,431,473	\$217,336,488,531	(\$2,324,111,759)	\$215,012,376,772	-1.1%

To determine the Michigan income tax base, certain types of income are added back to AGI and some others are subtracted. Principal additions to the Michigan income tax base refer to interest on obligations (bonds) issued by other states, and the federal deduction of self-employment tax. Tax base subtractions include mainly income from U.S. Government bonds, military pay, social security benefits, most pension income, and income attributable to another state.

For 2008, private pension income was exempted up to \$43,440 on a single return, and up to \$86,800 on a joint return. All pension income earned from the State of Michigan, Michigan local governmental units, federal civil service and military retirement pay is exempt from the Michigan income tax. Out-of-state government pensions are not fully exempt but qualify for the private pension deduction. Filers who are 65 or older may also deduct interest, dividend and capital gains income up to the statutory limits. For 2008 this exclusion was for up to \$9,690 for a single filer and up to \$19,380 for a joint filer and it must be reduced by any private pension income deducted by the taxpayer. The favorable treatment of pension income and interest, dividend and capital gains results in filers with similar income facing significantly different tax burden, with younger filers shouldering a heavier tax burden than older filers. Exhibits 13, 14, and 15<sup>6</sup> on pages 19 and 20 provide information by age group on AGI, total additions, and total subtractions.

In 2008, total additions represented about 2.5 percent of total AGI, varying from 0.5 percent for taxpayers in age group under 35, up to 4.1 percent for taxpayers in age group 65 or older (see Exhibit 13 on page 19). The largest single components of total additions were the add back of losses attributable to other states (46.8 percent of total additions), followed by the add back of taxes measured by income that are deducted from AGI for federal income purposes (7.9 percent of total additions, see Exhibit 14 on page 19).

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<sup>6</sup> Data for Exhibits 13, 14 and 15 are from Office of Revenue and Tax Analysis upcoming detailed report on Total Additions and Subtractions to the Michigan Income Tax Base.

**Exhibit 13**  
**2008 Total AGI, Additions and Subtractions by Age Group**  
(millions of dollars)

<u>Age Group</u>	<u>Number of Returns</u>	<u>Total AGI</u>	<u>Total Additions</u>	<u>Additions As a % of AGI</u>	<u>Total Subtractions</u>	<u>Subtractions As a % of AGI</u>
Under 25 Yrs	694,693	\$8,038.8	\$31.2	0.4%	\$509.7	6.3%
25 to 34 Yrs	735,637	\$28,543.6	\$142.4	0.5%	\$1,566.0	5.5%
35 to 44 Yrs	740,497	\$46,875.6	\$485.5	1.0%	\$2,131.7	4.5%
45 to 54 Yrs	825,175	\$59,935.5	\$938.4	1.6%	\$3,774.7	6.3%
55 to 64 Yrs	651,082	\$46,541.3	\$960.7	2.1%	\$10,083.8	21.7%
65 to 74 Yrs	381,645	\$19,600.9	\$868.6	4.4%	\$11,541.6	58.9%
75 to 84 Yrs	250,976	\$9,532.4	\$329.2	3.5%	\$6,442.0	67.6%
85 and Over	107,777	\$3,159.9	\$127.0	4.0%	\$2,012.4	63.7%
Missing Age	94,029	\$35,248.6	\$2,437.4	6.9%	\$38,595.5	109.5%
Totals	4,481,511	\$257,476.5	\$6,320.5	2.5%	\$76,657.4	29.8%

**Exhibit 14**  
**2008 Total Additions Detail by Age Group**  
(millions of dollars)

<u>Age Group</u>	<u>Total Additions</u>	<u>Interest &amp; Dividends</u>	<u>Self Employment Taxes and Other Taxes</u>	<u>Gains from MI 1040D &amp; MI 4797</u>	<u>Losses Attributable to Other States</u>	<u>Net Loss from Fed Column MI 1040D or MI 4797</u>	<u>Other</u>
Under 25 Yrs	\$31.2	\$2.9	\$13.9	\$2.0	\$3.0	\$1.6	\$7.7
25 to 34 Yrs	\$142.4	\$4.4	\$57.2	\$4.6	\$21.0	\$3.0	\$52.2
35 to 44 Yrs	\$485.5	\$14.6	\$110.8	\$34.4	\$102.3	\$12.5	\$210.8
45 to 54 Yrs	\$938.4	\$55.4	\$145.3	\$97.7	\$203.0	\$19.5	\$417.5
55 to 64 Yrs	\$960.7	\$93.1	\$117.9	\$79.4	\$163.0	\$30.3	\$477.0
65 to 74 Yrs	\$868.6	\$90.1	\$38.3	\$112.1	\$213.0	\$20.8	\$394.4
75 to 84 Yrs	\$329.2	\$82.2	\$8.8	\$47.0	\$34.4	\$7.4	\$149.4
85 and Over	\$127.0	\$51.9	\$1.2	\$34.3	\$4.5	\$3.3	\$31.6
Missing Age	\$2,437.4	\$65.5	\$5.0	\$1.9	\$2,215.2	\$0.6	\$149.3
Total	\$6,320.5	\$460.1	\$498.4	\$413.5	\$2,959.5	\$98.9	\$1,890.1
% of Total Additions	100.0%	7.3%	7.9%	6.5%	46.8%	1.6%	29.9%

Total subtractions represented about 29.8 percent of total AGI, with taxpayers under 35 years old eligible for an average AGI reduction of 5.7 percent, and taxpayers 65 or older eligible for an average reduction of 61.9 percent of their AGI (see Exhibit 15 on page 20). The largest components of total subtractions were income attributable to other states (56.5 percent of total

subtractions) and retirement or pension benefits exemption (27.3 percent of total subtractions, see Exhibit 15).

**Exhibit 15**  
**2008 Total Subtractions Detail by Age Group**  
**(million of dollars)**

<u>Age Group</u>	<u>Total Subtractions</u>	<u>Income from US Gov't Bonds</u>	<u>Military Pay</u>	<u>Gains from MI 1040D and MI 4797</u>	<u>Income Attributable to Other States</u>	<u>Retirement/Pension Incl. in MI-1040</u>	<u>Dividend/Interest/Capital Gain Exemption</u>
Under 25 Yrs	\$509.7	\$12.1	\$130.3	\$6.5	\$304.9	\$7.1	\$0.0
25 to 34 Yrs	\$1,566.0	\$8.7	\$145.7	\$7.5	\$1,186.1	\$34.1	\$0.1
35 to 44 Yrs	\$2,131.7	\$13.1	\$108.4	\$53.6	\$1,341.0	\$133.9	\$0.2
45 to 54 Yrs	\$3,774.7	\$41.0	\$53.5	\$140.1	\$1,439.6	\$1,234.2	\$1.8
55 to 64 Yrs	\$10,083.8	\$73.1	\$18.0	\$139.8	\$1,173.3	\$7,172.3	\$20.9
65 to 74 Yrs	\$11,541.6	\$75.9	\$2.7	\$198.2	\$555.8	\$7,001.6	\$449.7
75 to 84 Yrs	\$6,442.0	\$106.3	\$1.2	\$82.8	\$197.7	\$4,155.2	\$347.9
85 and Over	\$2,012.4	\$81.3	\$0.5	\$61.2	\$41.5	\$1,129.7	\$250.8
Missing Age	<u>\$38,595.5</u>	<u>\$52.2</u>	<u>\$154.5</u>	<u>\$7.2</u>	<u>\$37,039.6</u>	<u>\$66.2</u>	<u>\$17.0</u>
Totals	\$76,657.4	\$463.7	\$614.7	\$697.0	\$43,279.5	\$20,934.4	\$1,088.4
% of Total Subtractions	100.0%	0.6%	0.8%	0.9%	56.5%	27.3%	1.4%

<u>Age Group</u>	<u>Social Security Benefits</u>	<u>Income from Renaissance Zones</u>	<u>State and Local IIT Refunds</u>	<u>MESP Subtraction</u>	<u>MET Subtraction</u>	<u>Miscellaneous Subtraction</u>
Under 25 Yrs	\$1.0	\$3.4	\$2.8	\$0.5	\$0.4	\$40.6
25 to 34 Yrs	\$8.6	\$20.0	\$51.1	\$10.1	\$2.7	\$91.4
35 to 44 Yrs	\$48.7	\$15.8	\$119.9	\$59.5	\$19.5	\$218.1
45 to 54 Yrs	\$169.8	\$21.5	\$147.1	\$54.0	\$20.4	\$451.8
55 to 64 Yrs	\$944.7	\$14.5	\$118.0	\$14.7	\$4.5	\$389.9
65 to 74 Yrs	\$2,858.6	\$5.3	\$52.1	\$9.9	\$2.8	\$329.0
75 to 84 Yrs	\$1,389.7	\$1.9	\$20.7	\$4.3	\$1.8	\$132.7
85 and Over	\$409.6	\$0.8	\$7.1	\$0.8	\$0.3	\$28.6
Missing Age	<u>\$49.7</u>	<u>\$0.7</u>	<u>\$10.0</u>	<u>\$0.6</u>	<u>\$0.0</u>	<u>\$1,197.7</u>
Totals	\$5,880.3	\$83.8	\$529.0	\$154.4	\$52.3	\$2,879.9
% of Total Subtractions	7.7%	0.1%	0.7%	0.2%	0.1%	3.8%

Exhibit 16 presents estimates of the growth of Michigan personal income from 2007 to 2008 prepared by the U.S. Bureau of Economic Analysis. While personal income grew 1.8 percent overall, the strongest growth was in transfer payments (9.8 percent). Wage and salary disbursements decreased 0.5 percent in 2008.

**Exhibit 16**  
**Growth in Michigan Income from 2007 to 2008**  
**(thousands)**

		<u>2007</u>	<u>2008</u>	<u>Percentage</u> <u>Change</u>
<b>Labor Earnings</b>				
Wage and salary disbursements		\$187,179,084	\$186,196,789	-0.5%
Other labor income		27,981,588	28,285,086	1.1%
Proprietors' income		<u>27,281,243</u>	<u>27,521,750</u>	0.9%
Total labor earnings	(A)	\$242,441,915	\$242,003,625	-0.2%
<b>Adjustments</b>				
Personal contributions for social insurance		-\$15,621,713	-\$15,806,452	1.2%
Adjustment for residence		<u>1,522,175</u>	<u>1,561,550</u>	2.6%
Total adjustments	(B)	-\$14,099,538	-\$14,244,902	1.0%
Net Michigan labor earnings	(C)=(A)-(B)	\$228,342,377	\$227,758,723	-0.3%
Dividends, interest, and rent	(D)	\$55,239,684	\$55,956,200	1.3%
Transfer payments	(E)	<u>60,003,025</u>	<u>65,897,255</u>	9.8%
Michigan Personal Income	(C)+(D)+(E)	\$343,585,086	\$349,612,178	1.8%

Source: Bureau of Economic Analysis, U.S. Department of Commerce, October 16, 2009 update.

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

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

increases proportionally as income increases. With increasing marginal tax rates, tax liability increases faster than income as income begins to be taxed at progressively higher rates.

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

Regression analysis provides a more thorough method of estimating the income elasticity of net income tax revenues. It allows the investigator to isolate the effect of changes in income on tax revenues by controlling other variables that influence tax collections, such as changes in the personal exemption or tax rate. Regression analysis of Michigan income tax collections from the fourth quarter of 1978 through the fourth quarter of 2009 results in an estimated elasticity of 0.956, suggesting that a 10 percent increase in income will increase tax revenue by, on average, 9.56 percent. This estimate is based on net quarterly income tax collections and quarterly personal income as reported by the Bureau of Economic Analysis (BEA), the latter added by annual capital gains realizations estimates from the Congressional Budget Office (CBO).<sup>7</sup>

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<sup>7</sup> The Michigan income tax is based on federal AGI. However, quarterly AGI data are not available. Therefore, quarterly personal income is used as proxy for AGI. BEA's personal income figure does not include capital gains. This omission understates the absolute value of the income growth rate. Capital gains tend to be more volatile than other income sources (e.g., wages, interest, and pensions) so their exclusion will make the growth of the personal income variable lower than the growth in AGI in good times and higher in bad times. In order to remedy this situation, the CBO's estimate of capital gains realizations was added to the personal income data.

## V. INCOME TAX CREDITS

For tax year 2008, Michigan's personal income tax offered 14 different credits to taxpayers: six refundable credits (homestead property tax, farmland preservation property tax, home heating credit, Michigan earned income tax (EITC), adoption credit and the stillbirth credit), and eight nonrefundable credits (city income tax credit, college contribution credit, community foundation credit, homeless shelter/food bank credit, college tuition and fees credit, other state income tax credit, Michigan historic preservation credit, and vehicle donation credit). The credits convert the flat rate Michigan income tax into a more progressive tax structure.

### REFUNDABLE CREDITS

#### Homestead Property Tax Credit

Michigan's property tax credit is designed to provide property tax relief through the income tax. When property taxes exceed specific income thresholds, the credit provides relief to taxpayers. For tax year 2008, taxpayers with household income less than \$82,650 may claim a property tax credit, and the computed credit is reduced by 10 percent for every \$1,000 that household income exceeds \$73,650.

Most homeowners and renters receive credits equal to 60 percent of the amount by which homestead property taxes (or 20 percent of rent for renters) are greater than 3.5 percent of income. Senior citizens, paraplegic, hemiplegic, quadriplegic, totally and permanently disabled, deaf, or blind filers receive a credit for 100 percent of their property taxes above the following percentages of income:<sup>8</sup>

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

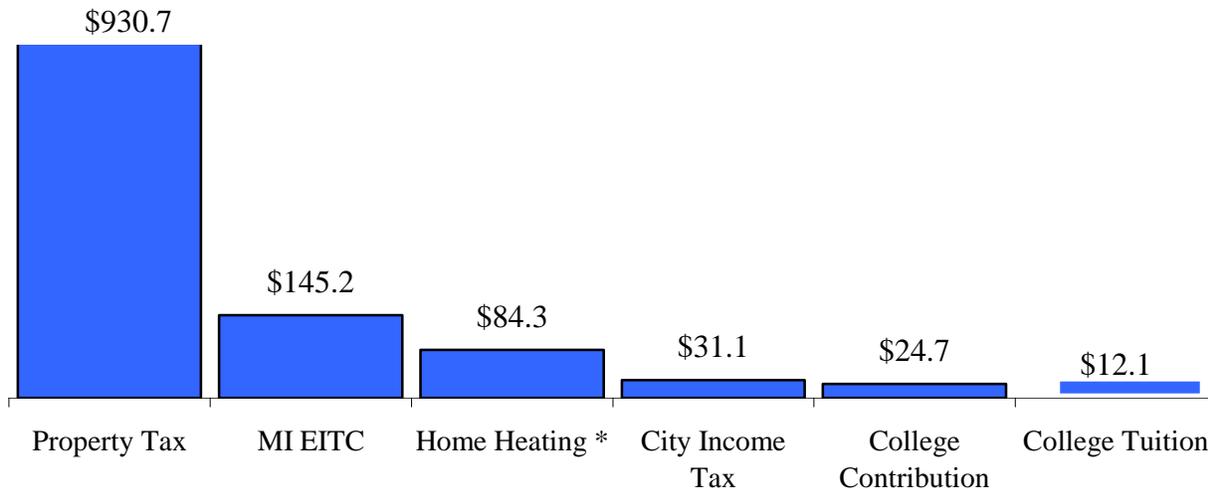
About 1.6 million Michigan taxpayers received \$930.7 million of homestead property tax credits and \$35.9 million in farmland preservation property tax credits for tax year 2008. Michigan's property tax credit program is one of the largest property tax relief programs in the country. The

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<sup>8</sup>PA 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.

\$930.7 million in total 2008 property tax credits represented an increase of \$35.0 million (3.9 percent) from the prior year, and 30,400 additional taxpayers received assistance. Senior citizens received \$349.2 million of the credits, a \$21.7 million increase from 2007. Exhibit 17 illustrates the amount of money paid to taxpayers for property tax credits compared to other credits.

**Exhibit 17**  
**2008 Individual Income Tax Credits**  
**(millions of dollars)**



Note:

\* Excludes \$21.7 million in supplemental home heating credit.

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

The average 2008 homestead property tax credit was \$580.66 (excluding the farmland credit), a \$11.02 increase from the tax year 2007 average. Senior citizens' credits averaged \$770.39, a \$21.63 increase from 2007 (see Exhibit 32 on page 52). Exhibit 18, on page 25, provides a summary of the number of credits received by taxpayers, according to AGI levels.

Exhibits 18 and 29 (on pages 25 and 47) 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 4.1 percent of total AGI, taxpayers with incomes between \$10,001 and \$20,000 received 21.5 percent of the total homestead credits. On the other hand, taxpayers with AGIs over \$50,000 accounted for 80.8 percent of total 2008 Michigan AGI, but received only 15.7 percent of total homestead credits. Exhibits 34 through 36 (see pages 55 through 57) provide the distribution of property tax credits by income group.

**Exhibit 18**  
**2008 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	399,702	\$263,438,852	\$659.09
\$10,001 - \$20,000	341,425	200,554,163	587.40
\$20,001 - \$50,000	585,407	320,428,771	547.36
Over \$50,000	<u>276,221</u>	<u>146,235,319</u>	<u>529.41</u>
Total	1,602,755	\$930,657,105	\$580.66

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 8,000 farms in 2008, providing credits of \$35.9 million for an average credit of \$4,518.86. Including the farmland preservation credit, the average property tax credit was \$600.10 in tax year 2008. For 6,300 farmers claiming both a farmland credit and homestead property tax credit, the combined credits averaged about 87.1 percent of total property taxes paid. Those taxpayers paid \$35.4 million in property taxes, receiving \$24.2 million in farmland credits, and \$6.7 million in homestead property tax credits.

PA 269 of 1982 provided a special tax credit for senior citizens with high rent burdens equal to the amount of rent paid that exceeds 40 percent of household income. For 2008, 9,600 senior citizens claimed an additional \$3.0 million using this alternate homestead property tax credit calculation, representing an increase of about \$21,600 from 2007 with about 180 more 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 32 (see page 52).

Qualified blind, or veteran filers are also eligible for special alternate homestead property tax credit calculation, and may claim the largest of the standard or alternate credits. For these qualified filers, the alternate credit equals to the property tax amount paid times the ratio of the specific statutorily allowable taxable value with respect to the filer's homestead taxable value. Statistics for these alternate credits amount are shown separately in Exhibit 32 (see page 52).

**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. In tax year 2008, Michigan residents who received a regular home heating credit also received a supplemental credit payment. The supplemental credit payment amount equaled \$50 for households who reported a direct heating obligation on their original home heating credit application, or \$25 for households who reported an indirect heating obligation (included in their rent) on their original application.

Excluding the supplemental payments, home heating credits for tax year 2008 totaled \$84.3 million, with 450,100 households qualifying. This represented a \$19.7 million increase from the previous year, with 5,500 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 \$14.3 million of the \$84.3 million in regular home heating credits claimed for tax year 2008 (see Exhibit 19). Exhibit 37 (see page 58) provides information on the distribution of the home heating credit by household income.

**Exhibit 19**  
**2008 Home Heating Credits**

	<b>Number of Credits Allowed</b>	<b>Dollar Amount of Credits</b>		
		<b>Regular Credit</b>	<b>Supplemental Credit</b>	<b>Total Credit</b>
Senior Citizen	82,481	\$14,309,453	\$4,002,850	\$18,312,303
General	324,997	62,246,445	15,693,450	77,939,895
Disabled	42,159	7,637,962	2,028,600	9,634,269
Veteran	449	77,770	21,725	131,788
Totals	450,086	\$84,271,630	\$21,746,625	\$106,018,255

	<b>Average Credit</b>		
	<b>Regular Credit</b>	<b>Supplemental Credit</b>	<b>Total Credit</b>
Senior Citizen	\$173.49	\$48.53	\$222.02
General	\$191.53	\$48.29	\$239.82
Disabled	\$181.17	\$48.12	\$228.52
Veteran	\$173.21	\$48.39	\$293.51
Total	\$187.23	\$48.32	\$235.55

About 96,200 taxpayers used the alternative calculation based on energy consumption claiming credits worth \$42.6 million (including supplemental payments). The average credit under the standard calculation was \$174.14 compared to \$442.90 under the alternative calculation.

### **Michigan Earned Income Tax Credit**

Starting in tax year 2008, eligible taxpayers were able to claim the Michigan EITC against their income tax. The Michigan credit follows the same requirements of the federal earned income tax credit, and is calculated as a percentage of the total federal credit for which the taxpayer is eligible in a given tax year. The federal credit was established in 1975 to offset the impact of the Social Security tax on low-income, working families. In 2008, the first year the Michigan credit became effective, the state credit was 10 percent of the federal credit. For subsequent years, the Michigan credit is increased to 20 percent of the federal credit.

Over 711,000 taxpayers claimed about \$145.2 million in Michigan EITC in 2008, resulting in an average credit of \$204.18 per taxpayer. Exhibit 20 below provides information on the distribution of credit recipients by AGI.<sup>9</sup>

**Exhibit 20**  
**2008 Michigan Earned Income Tax Credits**

<u>AGI Range</u>	<u>Number of Credits Allowed</u>	<u>Dollar Amount of Credit</u>	<u>Average Credit</u>
Under \$10,000	234,682	\$28,603,210	\$121.88
\$10,001 - \$15,000	146,674	40,547,248	\$276.44
\$15,001 - \$20,000	92,854	32,575,659	\$350.83
\$20,001 - \$25,000	80,484	22,182,313	\$275.61
\$25,001 - \$30,000	70,243	13,288,613	\$189.18
\$30,001 - \$40,000	81,097	7,798,570	\$96.16
Over \$40,000	5,111	209,428	\$40.98
Total	711,145	\$145,205,041	\$204.18

### **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

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<sup>9</sup>For Additional information on the characteristics of claimants of the Michigan EITC, see Office of Revenue and Tax Analysis, *Michigan Earned Income Tax Credit, Tax Year 2008*, March 2010, at [http://www.michigan.gov/treasury/0,1607,7-121-44402\\_44404---,00.html](http://www.michigan.gov/treasury/0,1607,7-121-44402_44404---,00.html).

credit or \$1,200 per child, whichever is less. Qualified adoption expenses refer to those expenses eligible for the federal credit. For 2008, about 600 taxpayers claimed total credits of \$760,000, resulting in an average credit of \$1,241.37 per taxpayer.

**Stillbirth Credit**

Under PA 319 of 2008, taxpayers receiving a Certificate of Stillbirth from the Department of Community Health may take a credit equal to 4.5 percent of a single personal exemption amount for the tax year, rounded up to the nearest \$10 increment. The new credit became effective in tax year 2006, and equaled \$150 in its first year. The credit increased to \$160 in tax year 2008, where about 200 taxpayers claimed \$39,200 in stillbirth credits (see Exhibit 32 on page 52).

**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, as follows:

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

In tax year 2008, \$31.1 million in city income tax credits were claimed (see Exhibit 22 below and Exhibit 33 on pages 53 and 54). That represented a \$1.3 million decrease from 2007 credit amount, with 30,000 fewer taxpayers claiming the credit. Exhibit 22 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. In 2008, 22 cities in Michigan levied an income tax (see Exhibit 22).

**Exhibit 21  
2008 City Income Tax Credits**

<b><u>Adjusted Gross Income</u></b>	<b><u>Number of Credits Allowed</u></b>	<b><u>Dollar Amount of Credit</u></b>	<b><u>Average Credit</u></b>
Under \$10,000	93,386	\$1,167,978	\$12.51
\$10,001 - \$20,000	121,640	2,729,574	22.44
\$20,001 - \$50,000	254,652	8,773,571	34.45
Over \$50,000	353,934	18,386,823	51.95
Totals	823,612	\$31,057,945	\$37.71

**Exhibit 22**  
**Michigan Cities that Levy an Income Tax**

<u>County</u>	<u>City</u>	<u>Year</u> <u>Adopted</u>	<u>TY 2004 - 2008 Rates</u>	
			<u>Residents</u>	<u>Non-residents</u>
Calhoun	Albion	1972	1%	0.5%
Calhoun	Battle Creek	1967	1	0.5
Calhoun	Springfield	1989	1	0.5
Crawford	Grayling	1972	1	0.5
Genesee	Flint	1965	1	0.5
Ingham	Lansing	1968	1	0.5
Ionia	Ionia	1994	1	0.5
Ionia	Portland	1969	1	0.5
Jackson	Jackson	1970	1	0.5
Kent	Grand Rapids	1967	1.3	0.65
Kent	Walker	1988	1	0.5
Lapeer	Lapeer	1967	1	0.5
Lenawee	Hudson	1971	1	0.5
Mecosta	Big Rapids	1970	1	0.5
Muskegon	Muskegon	1993	1	0.5
Muskegon	Muskegon Heights	1990	1	0.5
Oakland	Pontiac	1968	1	0.5
Saginaw	Saginaw	1965	1.5	0.75
St. Clair	Port Huron	1969	1	0.5
Wayne	Detroit	1962	2.5	1.25
Wayne	Hamtramck	1962	1	0.5
Wayne	Highland Park	1966	2	1

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

**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 2008, 273,300 taxpayers received \$24.7 million in credits (see Exhibit 32 on page 52). Credits decreased by about \$241,000 from the prior year, when 274,900 taxpayers received \$24.9 million in credits.

**Community Foundation Credit**

The community foundation credit, implemented in tax year 1989, is a partial credit for donations to certified community foundations. The credit is equal to 50 percent of the donation up to a maximum credit of \$200 for a joint return (\$100 on a single return). For tax year 2008, 35,200 taxpayers claimed \$3.3 million in community foundation credits. This was a decrease of about 400 taxpayers claiming about \$59,600 fewer credits than in 2007 (see Exhibit 32 on page 52).

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

The homeless shelter/food bank credit provides a partial credit for cash donations to a qualifying homeless shelter, food bank, or food kitchen whose primary purpose is to provide accommodations or food to indigent persons. The credit is equal to 50 percent of the donation up to a maximum credit of \$200 for a joint return (\$100 on a single return). For tax year 2008, 234,100 taxpayers claimed \$19.0 million in food bank credits. This represented an increase of 9,100 taxpayers and \$970,200 more credits claimed from the previous tax year (see Exhibit 32 on page 52).

### **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 2008. The credit cannot be claimed for more than 4 years for any one student. For tax year 2008, 83,000 taxpayers claimed the credit, 19,600 more than in 2007. The \$12.1 million in credits for 2008 represented a \$2.6 million increase from tax year 2007 (see Exhibit 32 on page 52). In order to qualify for tax year 2008, institutions had to limit tuition and fee increases for the 2008-2009 academic year to 2.8 percent over the 2007-2008 academic year. Ten private colleges, two private universities, and eleven community colleges qualified for tax year 2008.

### **Historic Preservation Credit**

The Michigan historic preservation credit provides tax incentives for homeowners, commercial property owners and businesses to rehabilitate historic commercial and residential resources located in the State of Michigan. The credit was created by Public Acts 534 and 535 of 1999, and is equal to 25 percent of the qualified expenditures. For tax year 2008, about 300 taxpayers claimed a total of \$1.3 million in historic preservation credits (see Exhibit 32 on page 52).

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

For tax year 2008, 49,700 taxpayers received a total of \$44.4 million credit for income tax paid to another state, resulting in an average credit of \$893.11. This credit is designed so that taxpayers are not taxed twice (in two states) for the same income. For tax year 2007, 49,400 taxpayers claimed a total of \$42.7 million for this credit (see Exhibit 32 on page 52).

### **Credit for Vehicle Donation**

The vehicle donation credit was created by Public Act 313 of 2004. It provides a nonrefundable credit equal to 50 percent of the fair market value of certain automobile donations to qualified charitable organizations. The credit is limited to a maximum of \$50 for single filers or \$100 for joint filers, and the donated automobile must be transferred by the charity to an individual for employment purposes. For tax year 2008, 2,200 taxpayers received a total of \$126,300 in vehicle donation credit, resulting in an average credit of \$56.31 (see Exhibit 32 on page 52).

## **VI. DESIGNATED CONTRIBUTIONS**

For tax year 2008, Michigan taxpayers could make 9 separate contributions on their tax returns: the State Campaign Fund, the Children's Trust Fund, the Military Family Relief Fund, the Children of Veterans Tuition Grant Program, the Amanda's Fund to Breast Cancer Prevention and Treatment, the Animal Welfare Fund, the Michigan Housing and Community Development Fund, the Prostate Cancer Research Fund, and the Michigan Law Enforcement Officers Memorial Monument Fund. Unlike contributions to the State Campaign Fund that result in a designated portion of the taxpayers' tax liability to be deposited in the campaign fund, contributions to all other funds either reduce taxpayers' refund or increase their tax liability.

### **State Campaign Fund**

For the 2008 tax year, taxpayers were able to designate \$3 of their tax liability for the State Campaign Fund. Revenues from this fund are disbursed only to gubernatorial candidates, regardless of political party, who agree to limit campaign spending and meet the campaign fund requirements. For 2008, 366,900 taxpayers contributed \$1.1 million to the State Campaign Fund (see Exhibit 23 on pages 33 and 34). On average, there was one designation for every 12 returns.

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

The Children's Trust Fund was first created by PA 211 of 1982. Contributions to the fund were dedicated to the prevention of child abuse. PA 291 of 2000 appropriated amounts to also fully fund both the Non-Game Wildlife Fund<sup>10</sup>, and the CTF. However, PA 160 of 2005 reinstated the CTF checkoff on the income tax form. For tax year 2008, 35,400 taxpayers contributed a total of \$318,900 (subject to a minimum of \$5 dollars) to the fund (see Exhibit 23 on pages 33 and 34).

### **Military Family Relief Fund**

The Military Family Relief Fund benefits qualifying families of military members in either the Michigan National Guard who are serving in the U.S. Armed Forces or those reserve forces called to active duty by the federal government. About \$415,600 was contributed by 46,000 taxpayers for 2008 to the Military Family Relief Fund (see Exhibit 23 on pages 33 and 34).

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

Starting tax year 2007, taxpayers may designate a minimum of \$2 to fund the Children of Veterans Tuition Grant Program. The Program provides undergraduate tuition assistance to

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<sup>10</sup> Prior to tax year 2000, taxpayers could donate a portion of their income tax refund or increase their liability to support the Non-Game Wildlife Fund. The Michigan Non-Game Wildlife Fund was created by PA 189 of 1983. Contributions were used for research and management of non-game fish and wildlife.

eligible Michigan veteran children older than 16 and less than 26 years of age who have been a Michigan resident for the 12 months prior to grant application. About \$242,300 was contributed by 34,500 taxpayers to fund this program for tax year 2008 (see Exhibit 23).

### **Other Funds**

Starting tax year 2008, taxpayers were allowed to designate a minimum of \$5 to either of the following 5 new funds: the Amanda’s Fund to Breast Cancer Prevention and Treatment, the Animal Welfare Fund, the Michigan Housing and Community Development Fund, the Prostate Cancer Research Fund, or the Michigan Law Enforcement Officers Memorial Monument Fund. Legislation that instituted these funds also established that contribution designations that fail to raise \$100,000 in any tax year for 2 consecutive tax years may cease to be included in the Michigan income tax form. For tax year 2008, only the Animal Welfare Fund met the \$100,000 minimum total contribution amount requirement (see Exhibit 23).

### **Exhibit 23 Returns Designating Contributions 1982 – 2008**

<b>Tax Year</b>	<b>Number of 1040's Filed</b>	<b>State Campaign Fund</b>		<b>Children's Trust Fund</b>		<b>Military Family Relief Fund</b>		<b>Children of Veterans Tuition Grant Program</b>	
		<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>
1982	3,310,400	1,042,300	\$2,084,600	199,644	\$669,090	--	--	--	--
1983	3,335,800	952,400	1,904,800	197,350	537,023	--	--	--	--
1984	3,450,900	899,000	1,798,000	229,634	695,974	--	--	--	--
1985	3,517,000	918,500	1,837,000	182,941	1,016,388	--	--	--	--
1986	3,729,300	887,800	1,775,600	200,813	1,185,188	--	--	--	--
1987	3,763,900	787,600	1,575,200	155,618	926,909	--	--	--	--
1988	3,880,300	779,000	1,558,000	115,088	718,176	--	--	--	--
1989	3,977,900	767,300	1,534,600	122,107	857,614	--	--	--	--
1990	4,022,300	741,900	1,483,800	138,294	959,428	--	--	--	--
1991	4,011,600	653,000	1,306,000	119,468	858,263	--	--	--	--
1992	3,984,600	593,000	1,186,000	86,430	923,018	--	--	--	--
1993	4,034,000	491,333	1,474,000	72,458	807,617	--	--	--	--
1994	4,123,200	473,600	1,420,800	63,375	697,414	--	--	--	--
1995	4,214,300	437,200	1,311,600	62,971	779,471	--	--	--	--
1996	4,260,200	459,400	1,378,200	57,251	650,323	--	--	--	--
1997	4,308,575	469,000	1,407,000	54,639	629,652	--	--	--	--
1998	4,350,006	429,632	1,288,896	70,496	859,000	--	--	--	--
1999	4,414,720	393,111	1,179,333	78,242	938,300	--	--	--	--
2000	4,511,561	496,840	1,490,520	--	--	--	--	--	--
2001	4,456,031	534,955	1,604,865	--	--	--	--	--	--
2002	4,405,687	506,120	1,518,360	--	--	--	--	--	--
2003	4,369,995	492,625	1,477,875	--	--	--	--	--	--
2004	4,390,300	467,503	1,402,509	--	--	53,541	\$1,233,661	--	--
2005	4,424,662	425,526	1,276,578	28,613	\$390,695	34,484	549,167	--	--
2006	4,487,257	406,646	1,219,938	28,587	325,337	36,603	553,021	22,970	\$212,110
2007	4,560,672	399,482	1,198,446	35,043	333,912	46,849	473,501	34,226	252,582
2008	4,481,511	366,911	1,100,733	35,448	318,945	46,019	415,611	34,524	242,270

**Notes:**

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

**Exhibit 23 (cont.)**

	<b>TY 2008</b>	
	<b><u>Number</u></b>	<b><u>Amount</u></b>
Amanda's Fund for Breast Cancer Prevention and Treatment	9,626	\$76,783
Animal Welfare Fund	15,429	142,358
Michigan Housing and Community Development Fund	4,352	35,474
Prostate Cancer Research Fund	7,171	55,646
MI Law Enforcement Officers Memorial Monument Fund	7,517	62,655

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

## VII. INTERSTATE COMPARISONS

In 2008, 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 24 (see page 36). Exhibits 25 and 26 (see page 37) compare Michigan's income tax to that of other states in the Great Lakes region.

For fiscal year 2008, Michigan ranked eighth lowest in state income taxes as a percent of personal income among the 41 states with a general income tax, with New York ranking highest. Michigan's income tax as a percent of personal income was 2.06 percent, 0.25 of a percentage point below the U.S. average, and 0.81 of a percentage point below the average of the 41 states with a general income tax. This is an increase from the results in 2007, when Michigan's income tax as a percent of personal income was 1.88 percent. The above calculations use estimates of quarterly state personal income, released by the U.S. Bureau of Economic Analysis on March 25, 2010, and compiled by the Office of Revenue and Tax Analysis for each state's fiscal year. Because personal income does not include capital gains but tax revenues include the tax on realized gains, and capital gains are not uniformly distributed among states, the calculated ratios are skewed.

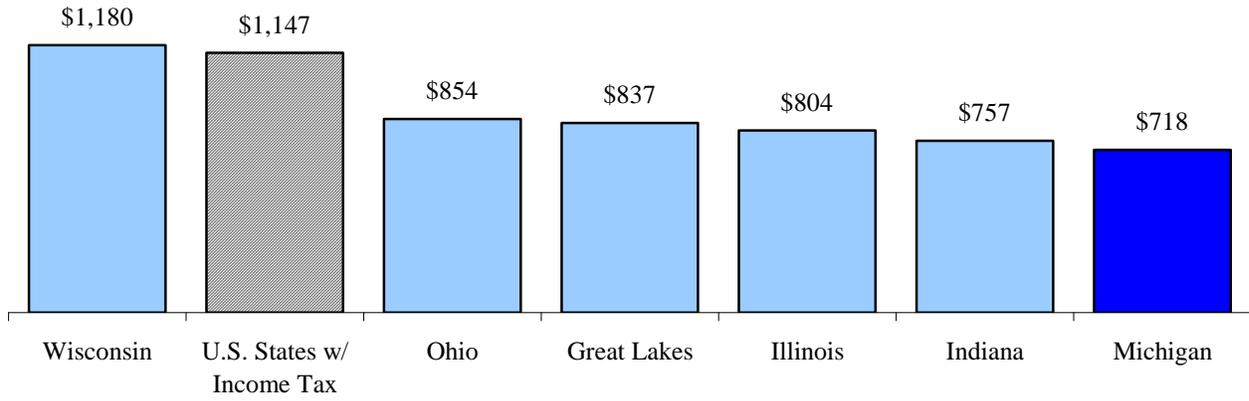
Michigan ranked seventh lowest in income taxes per person among the 41 states with a general income tax, and Connecticut ranked highest. In fiscal year 2008, the average collections of \$718 per person in Michigan were still lower than the average of \$750 in fiscal year 1999, when the tax rate was 4.4 percent. National average income tax collections per person were \$914, and for the 41 states with an income tax, average income tax collections per person were \$1,147. (For Michigan income tax rates from 1968 to present, see Exhibit 42 on page 65.) The income tax burden in Michigan has been declining relative to that in other states over the FY 1994-2008 period. In fiscal year 1994, Michigan ranked 11<sup>th</sup> highest in per capita income taxes and 14<sup>th</sup> highest in income taxes as a percent of personal income. For fiscal year 2008, Michigan ranked 35<sup>th</sup> and 34<sup>th</sup> highest in each category, respectively.

**Exhibit 24**  
**State Individual Income Taxes for FY 2008**  
**Per Person and Percentage of Personal Income**

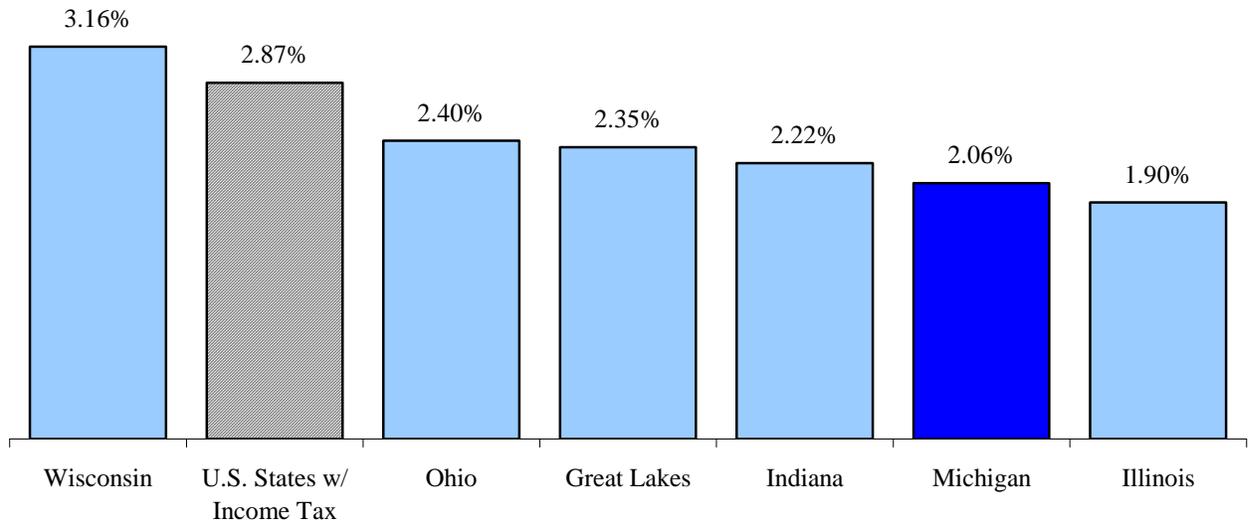
<u>State</u>	<u>Per Person Individual Income Taxes</u>	<u>Rank</u>	<u>Income Taxes as a Percent of Personal Income</u>	<u>Rank</u>
Alabama	\$658	37	1.96%	36
Alaska	No Tax	N/A	No Tax	N/A
Arizona	524	40	1.53%	40
Arkansas	818	29	2.55%	24
California	1,524	4	3.49%	6
Colorado	1,027	17	2.41%	28
Connecticut	1,998	1	3.57%	4
Delaware	1,149	13	2.88%	13
Florida	No Tax	N/A	No Tax	N/A
Georgia	912	23	2.64%	18
Hawaii	1,200	10	2.88%	12
Idaho	942	22	2.87%	14
Illinois	804	31	1.90%	37
Indiana	757	33	2.22%	31
Iowa	951	20	2.59%	21
Kansas	1,053	15	2.76%	16
Kentucky	812	30	2.58%	23
Louisiana	712	36	2.00%	35
Maine	1,097	14	3.07%	9
Maryland	1,226	9	2.58%	22
Massachusetts	1,910	2	3.80%	2
Michigan	718	35	2.06%	34
Minnesota	1,487	5	3.52%	5
Mississippi	528	39	1.75%	39
Missouri	859	25	2.41%	27
Montana	899	24	2.62%	19
Nebraska	969	19	2.50%	26
Nevada	No Tax	N/A	No Tax	N/A
New Hampshire	89	42	0.21%	42
New Jersey	1,455	6	2.86%	15
New Mexico	611	38	1.86%	38
New York	1,878	3	3.91%	1
North Carolina	1,189	11	3.41%	7
North Dakota	495	41	1.28%	41
Ohio	854	26	2.40%	29
Oklahoma	765	32	2.18%	32
Oregon	1,313	7	3.65%	3
Pennsylvania	828	28	2.11%	33
Rhode Island	1,036	16	2.54%	25
South Carolina	742	34	2.31%	30
South Dakota	No Tax	N/A	No Tax	N/A
Tennessee	47	43	0.13%	43
Texas	No Tax	N/A	No Tax	N/A
Utah	951	21	2.99%	10
Vermont	1,003	18	2.62%	20
Virginia	1,298	8	2.98%	11
Washington	No Tax	N/A	No Tax	N/A
West Virginia	837	27	2.71%	17
Wisconsin	1,180	12	3.16%	8
Wyoming	No Tax	N/A	No Tax	N/A
U.S. Average	\$914		2.31%	
U.S. Average for States W/ General Income Tax	\$1,147		2.87%	

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

**Exhibit 25**  
**State Income Taxes Per Person**  
**Great Lakes Region – FY 2008**



**Exhibit 26**  
**State Income Taxes**  
**Percentage of Personal Income**  
**Great Lakes Region – FY 2008**



## VIII. GEOGRAPHIC PATTERN OF TAX AND CREDITS

Exhibit 38 (see pages 59 and 60) reports the distribution of income tax collections, property tax and home heating credits, and the Michigan EITC by county. Since farms receive special treatment for the homestead property tax credit and the separate farmland credit, rural counties benefit substantially from these programs.

Exhibit 39 (see pages 61 and 62) 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 40 and 41 (see pages 63 and 64) 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	\$57,453	\$72,404 Oakland	\$29,905 Lake
Average Income Tax Before Credits	\$1,584	\$2,538 Oakland	\$728 Lake
Average Income Tax After Credits	\$1,285	\$2,223 Oakland	\$437 Lake
Income Tax Credits as a Percent of Tax Before Credits	18.9%	53.5% Huron	9.4% Midland
Ratio of Property Tax Credits to 1040s Filed	35.9%	46.8% Wayne	15.8% Keweenaw
Average Property Tax Credit	\$600	\$1,287 Huron	\$255 Luce

Note: Property tax credits include farmland preservation credits.

## **IX. FEDERAL INCOME TAX INTERACTION**

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

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

Changes in AGI at the federal level can be offset or reinforced at the state level. Expansions in the tax base can be offset with tax cuts. In response to TRA-86, the Michigan personal exemption was increased steadily from \$1,500 in 1986 to \$2,100 for 1990, and the Michigan special exemptions for senior citizens, blind, disabled persons, and those taxpayers with 50 percent or more of their AGI attributable to unemployment compensation were created in 1987. For 2008, the Michigan personal exemption was \$3,500, and Michigan special exemptions were \$2,200.

### **Summary of Federal Tax Law Changes Passed Before 2010**

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 2008, see Appendix A on page 67.

#### **2008**

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

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

For tax years beginning in 2008, the small business expenses deduction and annual investment limit increased from \$125,000 and \$500,000 to \$250,000 and \$800,000, respectively, while the first year additional 50 percent depreciation deduction was extended to include certain property acquired and placed in service in calendar year 2008 through 2010.

The above-the-line deductions of up to \$4,000 for qualified higher education expenses, and up to \$250 for qualified out-of-pocket classroom expenses were reinstated for tax years beginning in 2008 and before 2011.

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

## **2009**

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

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

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

Eligible taxpayers who purchased new vehicles in 2009 are allowed an above-the-line deduction for qualified state and local sales taxes or excise taxes paid on the purchase.

## **2010 and beyond**

Starting tax year beginning in 2010, farming losses as a reduction to income of a taxpayer (other than a C corporation) receiving qualified subsidies will be limited to the greater of \$300,000 or the taxpayer's total net farm income from the prior five taxable years. Losses resulted from disease or drought, or from a fire, storm or other casualty, though, are disregarded for purposes of calculating the limitation.

Eligible businesses are allowed to elect to recognize cancellation of indebtedness income over five years, beginning in 2014, for specified types of business debt repurchased by the business on 2009 or 2010.

## X. MICHIGAN PUBLIC ACTS – INCOME TAX

For changes prior to 2008, see Appendix A on page 73.

### 2008

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

**Public Act 149** amended the Income Tax Act by imposing to the Military Family Relief Fund the same guidelines that govern the checkoffs created by PA 133 of 2007. As a result, new contribution amounts (\$5, \$10 or more) will appear on the tax form. Contribution designation will be moved from the tax form to the Schedule for Voluntary Contributions, beginning with tax year 2010.

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

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

**Public Act 287** amended the Income Tax Act to establish two new credits: 1) a new refundable credit, effective for tax years 2009 through 2011, equal to 10 percent of the amount spent on the purchase and installation of qualified home improvements located on the eligible taxpayer's principal residence that meet Energy Star energy efficiency guidelines, subject to a maximum of \$75 (single, MFS) or \$150 (MFJ) (eligible taxpayers refers to those with AGI up to \$37,500 (single, MFS) or \$75,000 (MFJ)); and 2) a new nonrefundable credit, effective for tax years 2009 through 2011, equal to a percentage of the additional utility charges paid that were imposed so that electric utilities would meet newly enacted renewable energy standards (the credit is restricted to eligible taxpayers with AGI up to \$65,000 (single, MFS), or \$130,000 (MFJ)).

**Public Act 322** amended the Income Tax Act to create a new checkoff on the income tax form, starting in tax year 2009, with the proceeds to go to the Renewable Fuels Fund. Contributions to this fund will be used to promote the production and use of alternative fuels, award grants to improve the production of alternative fuels in Michigan, encourage the development of quality

standards for renewable fuels, provide incentives to retailers who sell renewable fuels, or promote the sale of vehicles that run on renewable fuels.

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

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

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

## **2009**

**Public Act 134** amended the Income Tax Act to allow taxpayers to deduct the amount of a charitable contribution made to the Advance Tuition Payment Fund created under the Michigan Education Trust Act. The income tax deductions are effective for the 2010 tax year and each subsequent tax year.

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

**XI. EXHIBITS 27 THROUGH 42**

**Exhibit 27**  
**Effective Rate of the Michigan Individual Income Tax, 2008**

<u>Adjusted Gross Income Group</u>	<u>Number of Returns Filed<sup>(1)</sup></u>	<u>Adjusted Gross Income</u>	<u>Effective Personal Exemptions<sup>(2)</sup></u>	<u>Claimed Exemptions</u>	<u>Subtractions Minus Additions</u>	<u>Total Credits<sup>(3)</sup></u>	<u>Effective Tax</u>	<u>Effective Tax as a % of Income</u>
Less than \$1 <sup>(4)</sup>	261,921	(\$7,739,812,818)		112,910	(\$2,698,414,763)	\$130,731,531	(\$127,071,685)	
\$ 1 - 2,000	156,380	160,430,280	19,950	118,331	43,085,634	43,594,261	(43,167,463)	-26.91%
2,001 - 4,000	176,092	529,542,126	59,915	135,882	96,470,054	38,539,390	(33,156,920)	-6.26%
4,001 - 6,000	169,889	848,151,611	86,180	159,980	152,737,905	44,591,780	(32,376,939)	-3.82%
6,001 - 8,000	162,788	1,139,081,315	109,157	185,540	237,817,719	52,471,883	(34,930,116)	-3.07%
8,001 - 10,000	160,301	1,440,727,682	139,016	215,747	311,841,144	62,566,167	(39,965,731)	-2.77%
10,001 - 12,000	156,028	1,717,418,005	160,889	237,132	405,022,359	66,287,422	(39,373,658)	-2.29%
12,001 - 14,000	155,776	2,021,718,424	179,631	261,927	502,017,602	70,644,991	(37,582,758)	-1.86%
14,001 - 16,000	147,580	2,213,430,359	187,285	251,901	515,105,981	63,349,354	(23,702,439)	-1.07%
16,001 - 18,000	134,202	2,280,040,627	175,417	233,825	540,337,278	54,441,404	(10,665,152)	-0.47%
18,001 - 20,000	125,379	2,380,821,366	174,902	225,841	523,763,516	48,849,803	524,545	0.02%
20,001 - 22,000	117,955	2,475,741,296	172,467	216,009	514,885,734	43,920,040	10,729,153	0.43%
22,001 - 24,000	110,689	2,545,119,622	167,901	205,707	506,967,269	39,494,353	19,590,153	0.77%
24,001 - 26,000	105,855	2,645,729,141	164,895	198,452	516,960,678	36,505,249	27,204,693	1.03%
26,001 - 28,000	100,203	2,705,182,824	147,339	190,572	578,090,726	33,193,112	33,614,273	1.24%
28,001 - 30,000	97,325	2,822,146,166	157,467	187,189	549,329,050	30,966,679	40,543,895	1.44%
30,001 - 35,000	219,714	7,128,129,284	365,021	429,241	1,404,413,966	65,148,796	120,690,345	1.69%
35,001 - 40,000	197,727	7,409,204,613	334,388	393,287	1,601,827,327	53,701,407	141,603,728	1.91%
40,001 - 45,000	172,886	7,337,931,157	312,086	355,696	1,496,944,796	45,359,881	155,444,156	2.12%
45,001 - 50,000	156,275	7,419,366,708	300,520	336,067	1,462,290,173	40,764,299	167,239,139	2.25%
Over 50,000	<u>1,583,210</u>	<u>207,996,390,755</u>	<u>3,892,092</u>	<u>4,248,809</u>	<u>61,075,386,774</u>	<u>238,250,337</u>	<u>5,498,629,483</u>	2.64%
Totals	4,668,175	\$257,476,490,543	7,306,517	8,900,045	\$70,336,880,922	\$1,303,372,138	\$5,793,820,702	2.25%

<sup>(1)</sup>Includes 186,664 credit-only returns.

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

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

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

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

**Exhibit 28**  
**Breakdown of Upper Income Filers**  
**Individual Income Tax, 2008**

<u>Adjusted Gross</u> <u>Income Group</u>	<u>Number of</u> <u>Returns</u> <u>Filed</u>	<u>Adjusted</u> <u>Gross Income</u>	<u>Effective</u> <u>Personal</u> <u>Exemptions<sup>(1)</sup></u>	<u>Claimed</u> <u>Exemptions</u>	<u>Subtractions</u> <u>Minus</u> <u>Additions</u>	<u>Total</u> <u>Credits<sup>(2)</sup></u>	<u>Effective</u> <u>Tax</u>	<u>Effective</u> <u>Tax as a %</u> <u>of Income</u>
\$50,001 - 55,000	147,102	\$7,718,299,202	296,633	327,897	\$1,514,897,085	\$37,687,900	\$181,805,020	2.36%
55,001 - 60,000	136,100	7,822,060,003	286,491	315,637	1,497,897,807	33,339,517	193,238,440	2.47%
60,001 - 65,000	125,776	7,857,948,277	257,142	302,689	1,557,291,863	29,735,314	200,890,520	2.56%
65,001 - 70,000	117,996	7,960,348,244	271,861	293,221	1,453,243,495	27,049,260	210,117,056	2.64%
70,001 - 75,000	107,766	7,808,852,492	256,443	275,870	1,407,855,927	23,111,940	212,095,968	2.72%
75,001 - 80,000	98,182	7,604,867,945	238,666	257,776	1,397,128,473	14,387,992	215,388,009	2.83%
80,001 - 85,000	88,358	7,285,395,509	221,218	237,553	1,289,016,441	6,261,400	217,317,638	2.98%
85,001 - 90,000	79,749	6,974,328,924	204,507	219,146	1,203,367,491	3,842,949	212,808,350	3.05%
90,001 - 95,000	70,850	6,550,670,030	183,326	198,429	1,110,503,070	3,499,887	202,389,653	3.09%
95,001 - 100,000	63,873	6,224,677,742	172,416	182,629	991,910,947	3,392,093	195,365,689	3.14%
100,001 - 110,000	107,107	11,223,824,002	297,383	313,041	1,723,677,075	6,096,627	357,512,198	3.19%
110,001 - 120,000	81,069	9,303,612,096	226,801	238,509	1,389,846,951	5,082,288	301,341,700	3.24%
120,001 - 130,000	61,024	7,612,884,629	172,113	180,464	1,133,825,480	4,132,048	248,987,849	3.27%
130,001 - 140,000	48,207	6,498,477,393	138,299	144,701	929,356,082	3,575,310	215,638,524	3.32%
140,001 - 150,000	37,782	5,470,790,523	109,073	114,245	774,337,691	3,012,120	183,123,903	3.35%
150,001 - 160,000	29,611	4,579,959,000	83,848	88,884	650,344,264	2,514,104	154,448,837	3.37%
160,001 - 170,000	23,592	3,888,089,456	66,060	71,876	541,024,846	2,248,816	132,345,105	3.40%
170,001 - 180,000	19,232	3,362,448,923	54,965	58,618	476,171,984	1,839,044	114,537,287	3.41%
180,001 - 190,000	15,488	2,862,154,856	44,100	47,332	417,713,512	1,622,153	97,344,713	3.40%
190,001 - 200,000	12,746	2,483,356,189	36,208	38,684	352,363,670	1,508,587	85,132,307	3.43%
200,001 - 300,000	59,656	14,251,151,699	163,100	182,724	2,194,009,740	7,939,753	489,155,792	3.43%
300,001 - 400,000	19,251	6,610,716,561	48,252	59,491	1,122,829,650	3,533,681	227,060,940	3.43%
400,001 - 500,000	9,759	4,339,433,142	21,401	30,318	816,323,193	2,441,545	147,205,686	3.39%
500,001 - 750,000	10,354	6,232,682,296	18,850	32,004	1,458,916,347	2,972,706	201,506,972	3.23%
750,001 - 1,000,000	3,938	3,379,989,720	3,563	12,061	1,008,887,746	1,576,792	100,963,475	2.99%
Over \$1,000,000	8,642	42,089,371,902	19,373	25,010	32,662,645,944	5,846,509	400,907,852	0.95%
Totals for AGI over \$50,000	1,583,210	\$207,996,390,755	3,892,092	4,248,809	\$61,075,386,774	\$238,250,337	\$5,498,629,483	2.64%

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

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

**Exhibit 29**  
**Tax Base Deductions as a Percentage of AGI**  
**Individual Income Tax, 2008**

<b>Adjusted Gross Income Group</b>	<b>Total Effective Exemptions</b>	<b>Subtractions Minus Additions</b>	<b>Nonrefundable Credits<sup>(1)</sup></b>	<b>Property Tax Credits</b>	<b>Home Heating Credits</b>	<b>Michigan Earned Income Tax Credits</b>
Less than \$1						
\$ 1 - 2,000	67.0%	26.9%	-3.1%	484.2%	133.2%	10.4%
2,001 - 4,000	58.4%	18.2%	0.4%	122.0%	34.3%	10.6%
4,001 - 6,000	48.9%	18.0%	1.1%	84.9%	21.9%	12.9%
6,001 - 8,000	43.7%	20.9%	1.3%	72.8%	16.3%	15.5%
8,001 - 10,000	42.3%	21.6%	1.3%	65.3%	13.7%	19.5%
10,001 - 12,000	40.4%	23.6%	1.2%	57.7%	10.2%	19.7%
12,001 - 14,000	37.6%	24.8%	1.3%	50.8%	7.7%	20.5%
14,001 - 16,000	35.6%	23.3%	1.4%	43.3%	4.8%	16.3%
16,001 - 18,000	32.2%	23.7%	1.4%	37.5%	2.9%	13.2%
18,001 - 20,000	30.3%	22.0%	1.3%	32.7%	1.9%	11.2%
20,001 - 22,000	28.5%	20.8%	1.3%	29.0%	1.1%	9.3%
22,001 - 24,000	26.7%	19.9%	1.3%	26.0%	0.7%	7.6%
24,001 - 26,000	25.1%	19.5%	1.3%	23.9%	0.4%	6.1%
26,001 - 28,000	21.9%	21.4%	1.3%	21.9%	0.3%	4.7%
28,001 - 30,000	22.3%	19.5%	1.3%	20.2%	0.2%	3.6%
30,001 - 35,000	20.4%	19.7%	1.2%	17.8%	0.1%	2.0%
35,001 - 40,000	17.8%	21.6%	1.1%	15.0%	0.0%	0.5%
40,001 - 45,000	16.7%	20.4%	1.1%	13.1%	0.0%	0.0%
45,001 - 50,000	15.8%	19.7%	1.1%	11.5%	0.0%	0.0%
50,001 - 55,000	15.0%	19.6%	1.1%	10.1%	0.0%	0.0%
55,001 - 60,000	14.3%	19.1%	1.1%	8.7%	0.0%	0.0%
60,001 - 65,000	12.7%	19.8%	1.1%	7.6%	0.0%	0.0%
65,001 - 70,000	13.3%	18.3%	1.1%	6.7%	0.0%	0.0%
70,001 - 75,000	12.7%	18.0%	1.1%	5.7%	0.0%	0.0%
75,001 - 80,000	12.2%	18.4%	1.1%	3.2%	0.0%	0.0%

**Exhibit 29 (cont.)**

<b>Adjusted Gross Income Group</b>	<b>Total Effective Exemptions</b>	<b>Subtractions Minus Additions</b>	<b>Nonrefundable Credits<sup>(1)</sup></b>	<b>Property Tax Credits</b>	<b>Home Heating Credits</b>	<b>Michigan Earned Income Tax Credits</b>
80,001 - 85,000	11.8%	17.7%	1.1%	0.8%	0.0%	0.0%
85,001 - 90,000	11.3%	17.3%	1.1%	0.1%	0.0%	0.0%
90,001 - 95,000	10.8%	17.0%	1.2%	0.1%	0.0%	0.0%
95,001 - 100,000	10.7%	15.9%	1.2%	0.0%	0.0%	0.0%
100,001 - 110,000	10.2%	15.4%	1.2%	0.0%	0.0%	0.0%
110,001 - 120,000	9.3%	14.9%	1.2%	0.0%	0.0%	0.0%
120,001 - 130,000	8.7%	14.9%	1.2%	0.0%	0.0%	0.0%
130,001 - 140,000	8.2%	14.3%	1.2%	0.0%	0.0%	0.0%
140,001 - 150,000	7.6%	14.2%	1.2%	0.0%	0.0%	0.0%
150,001 - 160,000	7.0%	14.2%	1.2%	0.0%	0.0%	0.0%
160,001 - 170,000	6.5%	13.9%	1.3%	0.0%	0.0%	0.0%
170,001 - 180,000	6.3%	14.2%	1.2%	0.0%	0.0%	0.0%
180,001 - 190,000	5.9%	14.6%	1.3%	0.0%	0.0%	0.0%
190,001 - 200,000	5.6%	14.2%	1.4%	0.0%	0.0%	0.0%
200,001 - 300,000	4.4%	15.4%	1.3%	0.0%	0.0%	0.0%
300,001 - 400,000	2.8%	17.0%	1.2%	0.0%	0.0%	0.0%
400,001 - 500,000	1.9%	18.8%	1.3%	0.0%	0.0%	0.0%
500,001 - 750,000	1.2%	23.4%	1.1%	0.0%	0.0%	0.0%
750,001 - 1,000,000	0.4%	29.8%	1.1%	0.0%	0.0%	0.0%
Over \$1,000,000	0.2%	77.6%	0.3%	0.0%	0.0%	0.0%
Overall Percent	9.3%	27.3%	1.1%	8.3%	0.9%	1.3%

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<sup>(1)</sup>Nonrefundable credits, home heating credits, property tax credits, and earned income tax credits are divided by the tax rate (4.35%) to determine the equivalent income tax deduction. Nonrefundable credits for 2008 are: the city income tax credit, the public contribution credit, the homeless shelter/food bank contribution credit, the community foundation credit, the other state tax credit, the tuition tax credit, the Michigan historic preservation credit, and the vehicle donation credit.

**Exhibit 30**  
**Distribution of Personal Exemptions**  
**Claimed on 2008 Individual Income Tax Returns<sup>(1)</sup>**

<b>Adjusted Gross Income Group</b>	<b>Exemptions Claimed</b>							<b>Total Returns</b>	<b>Total Exemptions<sup>(2)</sup></b>
	<b>Zero</b>	<b>One</b>	<b>Two</b>	<b>Three</b>	<b>Four</b>	<b>Five</b>	<b>Six or More</b>		
Zero Income	7,074	41,875	17,271	3,741	2,950	1,476	870	75,257	112,910
\$ 1 - 2,000	68,105	67,777	14,693	3,505	1,441	562	297	156,380	118,331
2,001 - 4,000	79,995	69,750	17,585	5,761	1,950	739	312	176,092	135,882
4,001 - 6,000	60,821	76,087	21,364	7,580	2,616	993	428	169,889	159,980
6,001 - 8,000	40,852	81,071	26,037	9,699	3,419	1,174	536	162,788	185,540
8,001 - 10,000	27,547	79,583	33,679	12,860	4,368	1,547	717	160,301	215,747
10,001 - 12,000	18,216	78,844	32,807	17,157	5,867	2,112	1,025	156,028	237,132
12,001 - 14,000	11,837	77,300	33,678	21,516	7,322	2,713	1,410	155,776	261,927
14,001 - 16,000	7,518	75,519	35,327	17,970	7,182	2,679	1,385	147,580	251,901
16,001 - 18,000	4,667	69,279	33,969	15,231	7,025	2,701	1,330	134,202	233,825
18,001 - 20,000	2,908	63,790	32,825	14,363	7,037	3,014	1,442	125,379	225,841
20,001 - 22,000	1,964	59,788	31,131	13,615	7,115	2,870	1,472	117,955	216,009
22,001 - 24,000	1,331	55,852	29,389	12,827	6,918	2,840	1,532	110,689	205,707
24,001 - 26,000	960	53,457	28,117	12,041	6,800	2,961	1,519	105,855	198,452
26,001 - 28,000	589	49,860	27,247	11,463	6,459	3,051	1,534	100,203	190,572
28,001 - 30,000	457	47,792	26,922	10,940	6,547	3,062	1,605	97,325	187,189
30,001 - 35,000	699	105,583	62,852	23,844	15,446	7,196	4,094	219,714	429,241
35,001 - 40,000	342	92,205	58,939	20,479	15,039	6,725	3,998	197,727	393,287
40,001 - 45,000	171	75,504	53,516	18,911	14,629	6,587	3,568	172,886	355,696
45,001 - 50,000	108	62,285	50,206	18,343	15,184	6,719	3,430	156,275	336,067
50,001 - 55,000	76	53,092	49,488	18,418	15,995	6,818	3,215	147,102	327,897
55,001 - 60,000	71	43,887	47,651	17,917	16,545	6,843	3,186	136,100	315,637
60,001 - 65,000	46	35,571	45,718	17,797	16,779	6,940	2,925	125,776	302,689
65,001 - 70,000	44	29,057	44,897	17,173	17,010	6,947	2,868	117,996	293,221
70,001 - 75,000	45	23,346	41,783	16,136	17,108	6,659	2,689	107,766	275,870
75,001 - 80,000	29	18,766	38,547	15,418	16,402	6,543	2,477	98,182	257,776

**Exhibit 30 (cont.)**

<b>Adjusted Gross Income Group</b>	<b>Exemptions Claimed</b>							<b>Total Returns</b>	<b>Total Exemptions<sup>(2)</sup></b>
	<b><u>Zero</u></b>	<b><u>One</u></b>	<b><u>Two</u></b>	<b><u>Three</u></b>	<b><u>Four</u></b>	<b><u>Five</u></b>	<b><u>Six or More</u></b>		
80,001 - 85,000	27	14,622	35,310	14,257	15,692	6,189	2,261	88,358	237,553
85,001 - 90,000	22	11,618	31,871	13,354	14,974	5,771	2,139	79,749	219,146
90,001 - 95,000	11	9,132	28,167	12,084	14,271	5,334	1,851	70,850	198,429
95,001 - 100,000	24	7,340	25,088	10,937	13,662	5,050	1,772	63,873	182,629
100,001 - 110,000	28	10,938	40,889	19,183	23,837	9,098	3,134	107,107	313,041
110,001 - 120,000	24	7,536	31,405	14,207	18,583	6,994	2,320	81,069	238,509
120,001 - 130,000	23	5,320	23,895	10,512	14,106	5,391	1,777	61,024	180,464
130,001 - 140,000	15	3,851	18,460	8,446	11,537	4,421	1,477	48,207	144,701
140,001 - 150,000	20	2,803	14,345	6,752	9,148	3,547	1,167	37,782	114,245
150,001 - 160,000	12	2,344	11,348	5,165	7,089	2,789	864	29,611	88,884
160,001 - 170,000	12	1,879	8,737	4,022	5,839	2,310	793	23,592	71,876
170,001 - 180,000	7	1,550	7,072	3,275	4,837	1,843	648	19,232	58,618
180,001 - 190,000	5	1,208	5,703	2,670	3,832	1,555	515	15,488	47,332
190,001 - 200,000	6	1,020	4,779	2,173	3,081	1,273	414	12,746	38,684
200,001 - 300,000	43	4,974	22,139	9,555	14,318	6,427	2,200	59,656	182,724
300,001 - 400,000	38	1,733	7,047	2,810	4,533	2,264	826	19,251	59,491
400,001 - 500,000	18	940	3,518	1,385	2,255	1,167	476	9,759	30,318
500,001 - 750,000	27	1,006	3,817	1,407	2,334	1,267	496	10,354	32,004
750,001 - 1,000,000	9	425	1,470	512	842	484	196	3,938	12,061
Over \$1,000,000	<u>61</u>	<u>1,204</u>	<u>3,418</u>	<u>1,111</u>	<u>1,471</u>	<u>943</u>	<u>434</u>	<u>8,642</u>	<u>25,010</u>
Totals	336,904	1,678,363	1,264,116	518,522	431,394	176,588	75,624	4,481,511	8,900,045

<sup>(1)</sup> Values in this table are based on 4,481,511 MI-1040 tax returns on file.

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

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

**Exhibit 31**  
**Distribution of Special Exemptions and Child Deductions**  
**Claimed on 2008 Individual Income Tax Returns<sup>(1)</sup>**

<u>Adjusted Gross Income Group</u>	<u>Age Exemptions</u>	<u>Deaf/Blind/ Disabled Exemptions</u>	<u>Unemployed Exemptions</u>	<u>Disabled Veteran Exemptions</u>	<u>Child 18 and Under Exemptions</u>	<u>Claimed as Dependent Exemptions</u>	<u>Total</u>
Zero Income	27,971	11,482	1,400	474	19,015	6,416	66,758
\$ 1 - 2,000	36,506	12,604	1,068	423	16,140	68,983	135,724
2,001 - 4,000	30,259	7,436	3,120	338	25,610	80,482	147,245
4,001 - 6,000	32,891	7,118	4,442	359	33,686	61,096	139,592
6,001 - 8,000	37,319	7,408	5,290	380	42,517	40,966	133,880
8,001 - 10,000	40,100	7,315	4,785	394	56,883	27,656	137,133
10,001 - 12,000	44,946	7,103	4,337	418	68,134	18,283	143,221
12,001 - 14,000	45,575	6,816	3,929	389	81,950	11,838	150,497
14,001 - 16,000	45,073	6,068	3,914	457	73,743	7,505	136,760
16,001 - 18,000	42,508	5,282	3,499	449	65,361	4,655	121,754
18,001 - 20,000	36,791	4,977	3,276	411	63,852	2,896	112,203
20,001 - 22,000	32,086	4,637	2,566	387	61,548	1,957	103,181
22,001 - 24,000	28,371	4,197	1,848	371	58,678	1,326	94,791
24,001 - 26,000	26,518	3,811	1,204	311	56,445	958	89,247
26,001 - 28,000	25,126	3,558	691	294	53,707	577	83,953
28,001 - 30,000	23,789	3,330	355	346	52,059	451	80,330
30,001 - 35,000	52,934	7,427	402	791	116,149	679	178,382
35,001 - 40,000	43,964	6,450	187	731	101,956	336	153,624
40,001 - 45,000	37,822	5,664	89	665	91,241	161	135,642
45,001 - 50,000	33,808	4,750	53	613	88,223	102	127,549
50,001 - 55,000	32,010	4,305	31	607	86,225	70	123,248
55,001 - 60,000	29,128	4,029	12	605	85,008	66	118,848
60,001 - 65,000	26,606	3,838	12	532	82,062	43	113,093
65,001 - 70,000	25,420	3,592	5	612	79,278	43	108,950
70,001 - 75,000	23,249	3,269	8	540	75,183	45	102,294
75,001 - 80,000	22,128	2,767	3	469	70,830	21	96,218
80,001 - 85,000	19,666	2,547	2	451	65,714	24	88,404
85,001 - 90,000	17,618	2,082	4	330	60,980	17	81,031
90,001 - 95,000	15,294	1,725	2	341	55,448	16	72,826
95,001 - 100,000	13,298	1,576	1	276	51,510	21	66,682
Over \$100,000	116,179	9,229	14	1,777	472,924	234	600,357
Totals	1,064,953	166,392	46,549	15,541	2,412,059	337,923	4,043,417

<sup>(1)</sup> Values in this table are based on 4,481,511 MI-1040 tax returns on file.

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

**Exhibit 32**  
**Four-Year Comparison of Individual Income Tax Credits**  
 (Number and Amount in Thousands)

	2005			2006			2007			2008		
	Number	Amount	Average									
Property Tax Credits												
General	1,002.3	\$466,036.9	\$464.95	1,022.8	\$495,083.6	\$484.04	1,053.4	\$522,632.5	\$496.14	1,058.5	\$527,589.2	\$498.44
Senior Citizen <sup>(1)</sup>												
Total	416.4	306,092.4	735.10	415.3	308,300.2	742.41	429.5	321,563.9	748.76	453.2	349,153.1	770.39
Low Income Rent	10.0	3,251.3	325.78	9.3	3,017.5	325.02	9.4	2,976.4	315.96	9.6	2,998.0	312.36
Veteran	9.1	1,132.0	124.89	9.0	1,150.5	128.54	9.0	1,207.7	133.84	9.0	1,215.5	135.62
Blind	1.4	171.6	125.45	1.3	168.6	129.58	1.3	178.8	133.47	1.3	182.5	135.59
Disabled	59.6	35,952.5	603.33	68.0	42,392.9	623.17	79.1	50,087.6	633.06	80.8	52,516.7	650.34
Farmland	8.1	30,395.1	3,731.29	8.1	32,560.0	4,021.74	8.0	33,763.8	4,230.52	7.9	35,920.5	4,518.86
Total Property Tax Credits	1,496.9	\$839,780.5	\$561.01	1,524.5	\$879,655.8	\$577.03	1,580.3	\$929,434.3	\$588.13	1,610.7	\$966,577.6	\$600.10
Home Heating Credit Total	392.7	\$75,644.7	\$192.61	406.7	\$82,847.3	\$203.72	444.6	\$64,587.0	\$145.26	450.1	\$106,018.3	\$235.55
HHC regular credit		\$75,644.7	\$192.61		\$82,847.3	\$203.72		\$64,587.0	\$145.26		\$84,271.7	\$187.23
HHC supplemental		n.a.	n.a.		n.a.	n.a.		n.a.	n.a.		\$21,746.7	\$48.32
Adoption Credit	1.0	\$1,283.0	\$1,264.02	0.8	\$1,007.6	\$1,242.45	0.8	\$979.2	\$1,250.53	0.6	\$757.2	\$1,241.37
StillBirth Credit	n.a.	n.a.	n.a.	0.1	\$17.6	\$158.11	0.6	\$39.6	\$70.35	0.2	\$39.2	\$170.43
MI Earned Income Tax Credit	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	711.1	\$145,205.0	\$204.18
City Income Tax Credit	900.0	\$33,345.3	\$37.05	895.2	\$33,485.4	\$37.41	853.6	\$32,430.1	\$37.99	823.6	\$31,057.9	\$37.71
Public Contribution Credit	294.3	\$26,115.2	\$88.73	290.8	\$26,042.7	\$89.56	274.9	\$24,940.9	\$90.74	273.3	\$24,699.6	\$90.37
Credit for Income Tax Paid to Another State	48.7	\$38,567.6	\$791.68	50.8	\$41,771.6	\$822.76	49.4	\$42,671.5	\$864.06	49.7	\$44,386.0	\$893.11
Community Foundation Credit	39.9	\$3,207.7	\$80.49	38.9	\$3,336.8	\$85.73	35.6	\$3,335.2	\$93.70	35.2	\$3,275.6	\$93.03
Homeless/Food Bank Credit	235.9	\$18,161.6	\$76.99	235.0	\$18,414.8	\$78.36	225.0	\$18,062.6	\$80.29	234.1	\$19,032.8	\$81.29
College Tuition Credit	32.4	\$4,224.3	\$130.53	43.7	\$6,658.6	\$152.46	63.5	\$9,526.0	\$150.13	83.0	\$12,087.7	\$145.58
Historic Preservation Credit	0.9	\$581.1	\$664.07	0.5	\$602.1	\$1,108.92	0.2	\$553.6	\$2,241.20	0.3	\$1,314.6	\$4,580.50
Vehicle Donation Credit	1.5	\$111.7	\$74.93	1.4	\$108.3	\$75.87	3.0	\$154.6	\$52.20	2.2	\$126.3	\$56.31

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

**Exhibit 33**  
**Distribution of Credits**  
**Individual Income Tax, 2008<sup>(1)</sup>**

Adjusted Gross Income Group	MI-1040s Filed		General Property Tax Credit <sup>(2)</sup>			City Income Tax Credit			College Contribution Credit		
			Number	% of Property	Credit	Number	AGI Group %	Credit	Number	AGI Group %	Credit
	Number	% of Total <sup>(2)</sup>	Claiming Credit	Tax Credits Filed	Amount	Claiming Credit	of MI-1040s Filed	Amount	Claiming Credit	of MI-1040s Filed	Amount
Less than \$1	75,257	1.7%	20,733	2.0%	\$17,556,043	2,489	0.3%	\$70,235	1,493	0.5%	\$129,857
\$ 1 - 2,000	156,380	3.5%	14,151	1.4%	7,734,837	7,402	0.9%	41,777	877	0.3%	47,277
2,001 - 4,000	176,092	3.9%	19,321	1.8%	9,147,836	17,381	2.1%	137,462	1,627	0.6%	83,840
4,001 - 6,000	169,889	3.8%	25,174	2.4%	11,734,453	20,258	2.5%	224,337	2,047	0.7%	111,173
6,001 - 8,000	162,788	3.6%	31,772	3.0%	15,125,933	22,203	2.7%	316,078	2,220	0.8%	128,789
8,001 - 10,000	160,301	3.6%	40,078	3.8%	19,766,725	23,653	2.9%	378,089	2,496	0.9%	151,891
10,001 - 12,000	156,028	3.5%	43,226	4.1%	21,616,341	24,420	3.0%	452,307	2,646	1.0%	162,092
12,001 - 14,000	155,776	3.5%	48,257	4.6%	24,428,463	25,600	3.1%	535,715	2,956	1.1%	187,236
14,001 - 16,000	147,580	3.3%	46,275	4.4%	23,258,744	25,156	3.1%	564,696	3,044	1.1%	195,534
16,001 - 18,000	134,202	3.0%	42,722	4.1%	21,032,714	23,483	2.9%	575,924	3,099	1.1%	204,001
18,001 - 20,000	125,379	2.8%	41,820	4.0%	20,389,677	22,981	2.8%	600,932	3,061	1.1%	208,801
20,001 - 22,000	117,955	2.6%	40,630	3.9%	19,688,761	22,349	2.7%	622,009	2,958	1.1%	200,595
22,001 - 24,000	110,689	2.5%	39,419	3.8%	18,738,337	21,507	2.6%	642,821	3,146	1.2%	215,177
24,001 - 26,000	105,855	2.4%	38,301	3.7%	18,308,277	21,003	2.6%	650,251	3,255	1.2%	221,352
26,001 - 28,000	100,203	2.2%	35,988	3.4%	17,314,486	20,248	2.5%	663,084	3,297	1.2%	232,357
28,001 - 30,000	97,325	2.2%	35,321	3.4%	16,917,533	19,458	2.4%	651,756	3,441	1.3%	243,634
30,001 - 35,000	219,714	4.9%	78,897	7.5%	38,349,868	43,981	5.3%	1,534,067	8,499	3.1%	606,128
35,001 - 40,000	197,727	4.4%	70,680	6.8%	34,722,467	38,858	4.7%	1,418,068	8,684	3.2%	626,779
40,001 - 45,000	172,886	3.9%	59,856	5.7%	30,346,066	34,940	4.2%	1,313,465	8,718	3.2%	631,896
45,001 - 50,000	156,275	3.5%	52,415	5.0%	27,128,973	32,308	3.9%	1,278,050	9,167	3.4%	687,576
50,001 - 55,000	147,102	3.3%	47,044	4.5%	24,772,414	31,374	3.8%	1,307,468	9,722	3.6%	737,142
55,001 - 60,000	136,100	3.0%	41,074	3.9%	21,605,961	29,658	3.6%	1,252,179	9,781	3.6%	759,308
60,001 - 65,000	125,776	2.8%	35,921	3.4%	19,096,674	27,721	3.4%	1,206,879	9,690	3.5%	765,619
65,001 - 70,000	117,996	2.6%	32,036	3.1%	17,288,543	26,297	3.2%	1,172,956	9,918	3.6%	814,432
70,001 - 75,000	107,766	2.4%	27,610	2.6%	14,774,927	23,820	2.9%	1,087,888	9,580	3.5%	801,408
75,001 - 80,000	98,182	2.2%	23,349	2.2%	8,435,593	21,444	2.6%	973,855	9,571	3.5%	815,564
80,001 - 85,000	88,358	2.0%	12,277	1.2%	2,105,115	19,586	2.4%	894,193	9,332	3.4%	807,414
85,001 - 90,000	79,749	1.8%	762	0.1%	251,111	17,794	2.2%	817,049	9,038	3.3%	796,153

**Exhibit 33 (cont.)**

Adjusted Gross Income Group	MI-1040s Filed		General Property Tax Credit <sup>(2)</sup>			City Income Tax Credit			College Contribution Credit		
	Number	% of Total <sup>(2)</sup>	Number	% of Property	Credit	Number	AGI Group %	Credit	Number	AGI Group %	Credit
			Claiming	Tax Credits		Claiming	of MI-1040s		Claiming	of MI-1040s	
			Credit	Filed	Amount	Credit	Filed	Amount	Credit	Filed	Amount
90,001 - 95,000	70,850	1.6%	201	0.0%	102,023	16,276	2.0%	770,130	8,523	3.1%	777,576
95,001 - 100,000	63,873	1.4%	151	0.0%	90,353	14,880	1.8%	711,236	8,002	2.9%	734,218
100,001 - 110,000	107,107	2.4%	200	0.0%	136,874	25,513	3.1%	1,266,278	14,799	5.4%	1,406,318
110,001 - 120,000	81,069	1.8%	119	0.0%	84,251	19,521	2.4%	1,013,339	12,286	4.5%	1,203,686
120,001 - 130,000	61,024	1.4%	79	0.0%	56,612	14,755	1.8%	786,201	10,027	3.7%	1,011,897
130,001 - 140,000	48,207	1.1%	46	0.0%	35,814	11,530	1.4%	635,223	8,702	3.2%	906,025
140,001 - 150,000	37,782	0.8%	48	0.0%	29,749	9,004	1.1%	522,667	7,231	2.6%	769,657
150,001 - 160,000	29,611	0.7%	31	0.0%	26,511	6,984	0.8%	428,766	5,984	2.2%	654,087
160,001 - 170,000	23,592	0.5%	16	0.0%	12,449	5,393	0.7%	351,922	5,039	1.8%	566,977
170,001 - 180,000	19,232	0.4%	20	0.0%	11,459	4,368	0.5%	288,111	4,151	1.5%	476,253
180,001 - 190,000	15,488	0.3%	21	0.0%	14,077	3,455	0.4%	238,677	3,590	1.3%	424,350
190,001 - 200,000	12,746	0.3%	11	0.0%	10,588	2,845	0.3%	195,721	2,989	1.1%	358,479
200,001 - 300,000	59,656	1.3%	60	0.0%	58,808	12,238	1.5%	1,002,108	15,150	5.5%	1,906,822
300,001 - 400,000	19,251	0.4%	14	0.0%	12,996	3,848	0.5%	414,072	5,327	1.9%	727,339
400,001 - 500,000	9,759	0.2%	3	0.0%	2,041	1,997	0.2%	260,089	2,847	1.0%	403,608
500,001 - 750,000	10,354	0.2%	5	0.0%	5,326	1,930	0.2%	302,437	2,858	1.0%	421,036
750,001 - 1,000,000	3,938	0.1%	3	0.0%	2,528	644	0.1%	134,792	978	0.4%	148,836
Over \$1,000,000	<u>8,642</u>	<u>0.2%</u>	<u>0</u>	<u>0.0%</u>	<u>0</u>	<u>1,059</u>	<u>0.1%</u>	<u>352,587</u>	<u>1,466</u>	<u>0.5%</u>	<u>229,437</u>
Totals	4,481,511	19.0%	1,046,137	1.3%	\$522,329,331	823,612	23.5%	\$31,057,945	273,312	50.6%	\$24,699,626

<sup>(1)</sup> Values in this table are based on 4,481,511 MI-1040 tax returns on file.

<sup>(2)</sup> 12,339 general property tax credits totaling \$5,259,913 were claimed on MI-1040CR returns that were filed without an MI-1040.

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

**Exhibit 34**  
**Distribution of Property Tax Credits Claimed**  
**Individual Income Tax, 2008 <sup>(1)</sup>**

Adjusted Gross Income Group	General			Senior Citizens <sup>(2)</sup>			Veterans			Disabled <sup>(3)</sup>		
	Number of Credits	% of Total Credits	Credit Amount	Number of Credits	% of Total Credits	Credit Amount	Number of Credits	% of Total Credits	Credit Amount	Number of Credits	% of Total Credits	Credit Amount
	<u>Allowed</u>	<u>Allowed</u>	<u>Amount</u>	<u>Allowed</u>	<u>Allowed</u>	<u>Amount</u>	<u>Allowed</u>	<u>Allowed</u>	<u>Amount</u>	<u>Allowed</u>	<u>Allowed</u>	<u>Amount</u>
Zero Income <sup>(4)</sup>	29,909	2.8%	\$21,685,908	67,960	15.0%	\$50,983,889	824	9.2%	\$142,207	32,793	39.9%	\$20,400,571
\$ 1 - 2,000	14,267	1.3%	7,768,268	25,939	5.7%	21,131,726	243	2.7%	40,497	7,272	8.9%	4,849,591
2,001 - 4,000	19,466	1.8%	9,190,112	20,516	4.5%	16,626,508	159	1.8%	22,398	3,415	4.2%	2,262,543
4,001 - 6,000	25,327	2.4%	11,777,159	21,546	4.8%	17,380,132	166	1.9%	24,288	3,231	3.9%	2,151,528
6,001 - 8,000	31,919	3.0%	15,171,407	23,640	5.2%	18,672,742	196	2.2%	31,329	3,265	4.0%	2,181,605
8,001 - 10,000	40,208	3.8%	19,811,862	24,165	5.3%	19,057,787	201	2.2%	29,933	3,075	3.7%	2,044,862
10,001 - 12,000	43,375	4.1%	21,659,303	24,953	5.5%	19,552,468	238	2.7%	33,432	2,800	3.4%	1,877,467
12,001 - 14,000	48,381	4.6%	24,461,779	23,875	5.3%	18,506,754	250	2.8%	33,305	2,456	3.0%	1,636,972
14,001 - 16,000	46,407	4.4%	23,299,594	21,963	4.8%	16,936,817	286	3.2%	43,001	2,118	2.6%	1,435,735
16,001 - 18,000	42,836	4.0%	21,066,491	19,446	4.3%	14,896,087	292	3.3%	38,715	1,873	2.3%	1,212,973
18,001 - 20,000	41,953	4.0%	20,434,106	15,913	3.5%	12,240,108	270	3.0%	35,534	1,740	2.1%	1,153,522
20,001 - 22,000	40,767	3.9%	19,732,537	13,652	3.0%	10,522,273	257	2.9%	35,051	1,485	1.8%	949,118
22,001 - 24,000	39,532	3.7%	18,772,147	11,857	2.6%	9,093,954	246	2.7%	34,689	1,347	1.6%	869,708
24,001 - 26,000	38,374	3.6%	18,333,242	10,952	2.4%	8,388,684	234	2.6%	32,023	1,187	1.4%	768,267
26,001 - 28,000	36,093	3.4%	17,347,047	10,128	2.2%	7,741,354	219	2.4%	31,874	1,077	1.3%	692,709
28,001 - 30,000	35,395	3.3%	16,944,558	9,339	2.1%	7,202,865	202	2.3%	36,012	973	1.2%	621,557
30,001 - 35,000	79,102	7.5%	38,425,452	19,856	4.4%	15,181,951	552	6.2%	76,750	2,179	2.7%	1,429,278
35,001 - 40,000	70,859	6.7%	34,784,647	15,893	3.5%	12,259,453	519	5.8%	63,877	1,874	2.3%	1,178,342
40,001 - 45,000	60,007	5.7%	30,404,617	13,256	2.9%	10,247,404	476	5.3%	60,794	1,609	2.0%	1,040,107
45,001 - 50,000	52,531	5.0%	27,172,644	11,648	2.6%	9,067,046	480	5.4%	69,844	1,250	1.5%	816,896
50,001 - 55,000	47,142	4.5%	24,816,256	10,580	2.3%	8,279,654	489	5.5%	68,179	1,092	1.3%	709,494
55,001 - 60,000	41,157	3.9%	21,645,655	9,183	2.0%	7,160,850	485	5.4%	63,985	960	1.2%	648,926
60,001 - 65,000	35,988	3.4%	19,128,645	7,912	1.7%	6,150,216	444	5.0%	51,565	850	1.0%	559,200
65,001 - 70,000	32,122	3.0%	17,326,615	6,819	1.5%	5,162,006	428	4.8%	50,158	780	1.0%	535,344
70,001 - 75,000	27,679	2.6%	14,806,950	5,689	1.3%	3,976,598	359	4.0%	36,624	652	0.8%	412,524
75,001 - 80,000	23,394	2.2%	8,458,534	4,581	1.0%	2,049,399	297	3.3%	22,593	492	0.6%	188,805
80,001 - 85,000	12,321	1.2%	2,121,957	1,571	0.3%	450,917	133	1.5%	5,176	202	0.2%	45,858
85,001 - 90,000	793	0.1%	266,020	218	0.0%	92,143	6	0.1%	195	24	0.0%	9,616
90,001 - 95,000	236	0.0%	119,893	55	0.0%	34,561	5	0.1%	489	4	0.0%	433
95,001 - 100,000	175	0.0%	104,385	20	0.0%	16,959	n.a.	0.0%	182	n.a.	0.0%	1,742
Over 100,000	761	0.1%	551,454	92	0.0%	89,787	6	0.1%	844	21	0.0%	13,933
Totals	1,058,476	100.0%	\$527,589,244	453,217	100.0%	\$349,153,092	8,963	100.0%	\$1,215,543	82,099	100.0%	\$52,699,226

<sup>(1)</sup>Values in this table are based on a sample of the 4,668,177 MI-1040 and MI-1040CR returns.

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

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

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

**Exhibit 35**  
**Distribution of Senior Citizen Property Tax Credits by Household Income**  
**Individual Income Tax, 2008**

<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	2,503	\$10,537,147	\$2,758,894	\$7,778,253
1,001 - 2,000	408	694,058	356,156	337,902
2,001 - 3,000	517	789,858	443,311	346,547
3,001 - 4,000	772	1,103,705	637,995	465,710
4,001 - 5,000	1,165	1,507,115	945,558	561,557
5,001 - 6,000	1,849	2,426,178	1,486,858	939,320
6,001 - 7,000	2,960	3,687,680	2,268,990	1,418,690
7,001 - 8,000	7,870	8,348,394	5,910,883	2,437,511
8,001 - 9,000	6,970	7,906,076	4,968,536	2,937,540
9,001 - 10,000	7,188	8,777,919	5,332,321	3,445,598
10,001 - 11,000	8,188	10,755,532	6,196,794	4,558,738
11,001 - 12,000	9,809	13,120,508	7,479,780	5,640,728
12,001 - 13,000	9,880	13,619,089	7,496,527	6,122,562
13,001 - 14,000	10,148	14,665,559	7,824,717	6,840,842
14,001 - 15,000	10,165	15,456,748	8,045,374	7,411,374
15,001 - 16,000	10,248	16,134,308	8,104,343	8,029,965
16,001 - 17,000	10,361	16,633,324	8,213,233	8,420,091
17,001 - 18,000	10,652	17,602,176	8,467,090	9,135,086
18,001 - 19,000	10,890	18,434,537	8,579,128	9,855,409
19,001 - 20,000	10,858	18,828,587	8,645,883	10,182,704
20,001 - 21,000	10,806	19,169,893	8,566,279	10,603,614
21,001 - 22,000	10,829	19,840,899	8,495,893	11,345,006
22,001 - 23,000	10,971	20,541,997	8,683,539	11,858,458
23,001 - 24,000	10,745	20,443,794	8,446,259	11,997,535
24,001 - 25,000	10,675	20,985,691	8,454,793	12,530,898
25,001 - 26,000	10,591	20,965,291	8,333,157	12,632,134
26,001 - 27,000	10,197	20,549,291	8,011,700	12,537,591
27,001 - 28,000	9,947	20,252,743	7,740,499	12,512,244
28,001 - 29,000	9,685	20,144,929	7,548,144	12,596,785
29,001 - 30,000	9,634	20,393,695	7,528,158	12,865,537
30,001 - 35,000	43,930	98,985,652	34,263,519	64,722,133
35,001 - 40,000	37,775	91,662,044	29,128,560	62,533,484
40,001 - 45,000	31,411	83,217,924	24,101,787	59,116,137
45,001 - 50,000	26,017	76,094,177	19,755,168	56,339,009
50,001 - 60,000	37,069	116,803,679	28,380,502	88,423,177
60,001 - 70,000	22,625	81,897,415	17,758,259	64,139,156
70,001 - 80,000	14,331	58,095,834	9,382,671	48,713,163
Over 80,000	<u>2,578</u>	<u>11,291,887</u>	<u>411,834</u>	<u>10,880,053</u>
Totals	453,217	\$1,022,365,330	\$349,153,092	\$673,212,238

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

**Exhibit 36**  
**Distribution of General Property Tax Credits by Household Income**  
**Individual Income Tax, 2008**

<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	21,630	\$54,013,271	\$17,161,638	\$36,851,633
1,001 - 2,000	3,868	5,150,654	2,277,055	2,873,599
2,001 - 3,000	5,401	6,388,528	2,834,716	3,553,812
3,001 - 4,000	7,533	8,482,107	3,710,129	4,771,978
4,001 - 5,000	8,989	10,238,604	4,283,882	5,954,722
5,001 - 6,000	10,774	11,953,381	5,061,995	6,891,386
6,001 - 7,000	12,938	14,696,041	6,068,491	8,627,550
7,001 - 8,000	17,325	19,319,527	7,904,659	11,414,868
8,001 - 9,000	18,922	22,574,898	9,112,946	13,461,952
9,001 - 10,000	19,468	24,415,691	9,598,279	14,817,412
10,001 - 11,000	20,457	25,867,672	10,120,264	15,747,408
11,001 - 12,000	22,394	29,200,002	11,190,480	18,009,522
12,001 - 13,000	24,101	32,532,120	12,264,637	20,267,483
13,001 - 14,000	23,735	32,479,743	11,845,609	20,634,134
14,001 - 15,000	24,224	34,037,941	12,209,837	21,828,104
15,001 - 16,000	24,869	36,734,701	12,529,197	24,205,504
16,001 - 17,000	23,655	34,338,766	11,613,335	22,725,431
17,001 - 18,000	23,486	35,108,824	11,568,916	23,539,908
18,001 - 19,000	23,398	36,144,117	11,506,566	24,637,551
19,001 - 20,000	22,841	35,863,417	11,163,630	24,699,787
20,001 - 21,000	22,551	36,059,957	11,024,572	25,035,385
21,001 - 22,000	21,699	35,554,107	10,569,438	24,984,669
22,001 - 23,000	21,397	35,241,687	10,234,253	25,007,434
23,001 - 24,000	21,231	36,059,612	10,107,508	25,952,104
24,001 - 25,000	20,589	35,949,752	9,923,107	26,026,645
25,001 - 26,000	20,202	36,333,611	9,767,860	26,565,751
26,001 - 27,000	19,304	34,958,557	9,257,817	25,700,740
27,001 - 28,000	19,281	35,598,850	9,232,966	26,365,884
28,001 - 29,000	18,783	35,460,789	9,078,456	26,382,333
29,001 - 30,000	18,476	35,694,829	8,931,281	26,763,548
30,001 - 35,000	83,394	172,559,826	40,647,821	131,912,005
35,001 - 40,000	74,224	167,909,142	36,635,922	131,273,220
40,001 - 45,000	62,551	154,339,976	31,754,514	122,585,462
45,001 - 50,000	54,473	146,983,161	28,268,970	118,714,191
50,001 - 60,000	90,031	267,721,587	47,405,727	220,315,860
60,001 - 70,000	68,601	232,123,021	36,966,176	195,156,845
70,001 - 80,000	51,513	194,940,390	22,621,455	172,318,935
Over 80,000	<u>10,168</u>	<u>41,538,856</u>	<u>1,135,140</u>	<u>40,403,716</u>
Totals	1,058,476	\$2,244,567,714	\$527,589,244	\$1,716,978,470

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

**Exhibit 37**  
**Distribution of Home Heating Credits by Household Income**  
**Individual Income Tax, 2008**  
**(Regular and Supplemental Credits)**

Household Income	Senior Citizens				General				Disabled <sup>(1)</sup>				Veterans			
	Count	Home Heating Credit Amount			Count	Home Heating Credit Amount			Count	Home Heating Credit Amount			Count	Home Heating Credit Amount		
		Regular	Spplmntl	Total		Regular	Spplmntl	Total		Regular	Spplmntl	Total		Regular	Spplmntl	Total
Up to \$ 1,000	1,441	\$841,536	\$63,050	\$904,586	15,359	\$6,693,531	\$701,675	\$7,395,206	431	\$215,714	\$19,600	\$234,960	2	\$1,925	\$75	\$2,354
1,001 - 2,000	269	123,071	12,225	135,296	5,351	1,544,618	253,075	1,797,693	116	47,292	5,225	52,517	2	516	100	616
2,001 - 3,000	329	141,137	15,050	156,187	6,803	1,845,231	324,525	2,169,756	168	65,353	7,775	72,934	1	194	50	438
3,001 - 4,000	538	206,526	25,050	231,576	9,441	2,500,827	454,800	2,955,627	295	96,707	14,150	110,857	1	881	50	931
4,001 - 5,000	883	322,931	42,400	365,331	11,003	2,879,115	532,700	3,411,815	484	146,069	23,525	169,594	4	1,248	200	1,448
5,001 - 6,000	1,449	478,111	69,775	547,886	12,659	3,124,456	612,025	3,736,481	729	205,931	34,950	240,504	6	2,242	300	2,919
6,001 - 7,000	2,488	729,318	119,700	849,018	15,232	3,459,048	738,475	4,197,523	1,485	350,968	71,700	421,893	11	3,560	500	4,835
7,001 - 8,000	7,395	1,795,545	357,925	2,153,470	27,426	5,716,765	1,322,225	7,038,990	10,193	1,895,178	492,850	2,385,875	35	9,549	1,700	13,402
8,001 - 9,000	6,279	1,494,755	302,775	1,797,530	25,054	4,891,712	1,211,475	6,103,187	4,602	870,940	221,800	1,090,370	19	4,990	900	8,260
9,001 - 10,000	6,244	1,313,982	301,825	1,615,807	22,696	4,180,946	1,099,525	5,280,471	3,573	667,604	170,775	836,665	26	7,078	1,225	10,017
10,001 - 11,000	7,031	1,297,434	341,775	1,639,209	22,920	3,830,282	1,112,450	4,942,732	3,162	541,930	151,675	690,680	26	4,954	1,275	9,154
11,001 - 12,000	8,211	1,360,268	397,675	1,757,943	21,123	3,738,047	1,022,050	4,760,097	3,196	547,455	153,400	699,783	33	5,634	1,625	8,331
12,001 - 13,000	7,864	1,039,011	383,550	1,422,561	18,980	3,441,800	919,525	4,361,325	2,567	411,483	123,675	532,196	21	3,486	975	7,423
13,001 - 14,000	7,685	848,874	376,150	1,225,024	17,305	2,739,783	839,450	3,579,233	2,220	309,394	107,150	414,921	26	2,836	1,275	5,734
14,001 - 15,000	7,236	638,789	354,725	993,514	17,171	2,410,248	835,075	3,245,323	1,800	236,993	86,650	321,530	27	4,875	1,300	8,288
15,001 - 16,000	3,991	435,155	195,175	630,330	13,658	2,017,178	661,325	2,678,503	1,445	225,966	69,325	293,723	18	2,243	900	4,711
16,001 - 17,000	2,198	330,072	107,000	437,072	10,851	1,588,736	525,350	2,114,086	952	163,674	45,875	208,777	12	2,445	600	3,817
17,001 - 18,000	1,840	224,090	89,625	313,715	10,079	1,245,027	488,975	1,734,002	817	124,059	39,225	162,935	18	2,760	875	3,984
18,001 - 19,000	1,911	193,509	93,750	287,259	9,836	1,046,032	478,750	1,524,782	792	100,659	38,350	137,810	20	2,014	975	4,188
19,001 - 20,000	1,610	147,093	79,100	226,193	6,572	754,948	318,900	1,073,848	577	79,363	27,950	105,985	18	2,230	900	4,458
Over 20,000	<u>5,589</u>	<u>348,246</u>	<u>274,550</u>	<u>622,796</u>	<u>25,478</u>	<u>2,598,115</u>	<u>1,241,100</u>	<u>3,839,215</u>	<u>2,555</u>	<u>335,230</u>	<u>122,975</u>	<u>449,760</u>	<u>123</u>	<u>12,110</u>	<u>5,925</u>	<u>26,480</u>
Totals	82,481	\$14,309,453	\$4,002,850	\$18,312,303	324,997	\$62,246,445	\$15,693,450	\$77,939,895	42,159	\$7,637,962	\$2,028,600	\$9,634,269	449	\$77,770	\$21,725	\$131,788
Average Credit		\$173.49	\$48.53	\$222.02		\$191.53	\$48.29	\$239.82		\$181.17	\$48.12	\$228.52		\$173.21	\$48.39	\$293.51

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

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

**Exhibit 38**  
**2008 Income Tax Collections by County**

<u>County</u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>	<u>MI EITC Credits</u>	<u>Tax After Credits</u>	<u>Percent of Total Tax</u>
ALCONA	\$541,805	\$197,168	\$136,894	\$2,601,407	0.0%
ALGER	330,393	125,644	99,486	3,276,250	0.1%
ALLEGAN	8,166,394	903,960	1,190,844	51,374,349	0.9%
ALPENA	1,789,375	498,666	410,905	12,672,636	0.2%
ANTRIM	1,878,329	324,300	347,350	9,458,641	0.2%
ARENAC	1,213,896	266,788	237,535	4,476,882	0.1%
BARAGA	259,275	104,018	119,856	2,628,315	0.0%
BARRY	3,648,558	415,725	571,094	27,855,178	0.5%
BAY	9,357,578	1,291,533	1,475,954	50,962,276	0.9%
BENZIE	1,104,341	234,393	230,950	6,260,637	0.1%
BERRIEN	10,687,191	2,107,962	2,810,552	89,918,079	1.6%
BRANCH	3,182,331	521,228	673,337	16,283,387	0.3%
CALHOUN	11,344,075	1,324,849	1,859,226	57,034,578	1.0%
CASS	3,029,488	463,159	627,933	18,979,275	0.3%
CHARLEVOIX	2,279,617	353,320	392,789	14,712,476	0.3%
CHEBOYGAN	1,331,757	413,582	421,979	8,612,952	0.1%
CHIPPEWA	1,856,736	470,952	506,411	10,680,465	0.2%
CLARE	1,451,812	726,067	568,560	9,648,095	0.2%
CLINTON	5,434,105	401,645	489,828	36,608,879	0.6%
CRAWFORD	564,555	204,405	194,962	3,591,287	0.1%
DELTA	1,994,514	566,744	472,336	17,628,606	0.3%
DICKINSON	1,572,227	293,997	328,774	14,395,983	0.3%
EATON	11,400,229	785,449	1,240,505	65,768,898	1.1%
EMMET	2,864,631	414,204	445,359	21,496,726	0.4%
GENESEE	33,930,021	5,454,277	8,072,365	197,694,551	3.4%
GLADWIN	1,602,068	460,967	366,702	8,333,533	0.1%
GOGEBIC	569,412	269,483	197,513	5,515,127	0.1%
GRAND TRAVERSE	8,924,705	767,292	1,043,831	57,268,279	1.0%
GRATIOT	3,878,775	617,565	659,368	16,555,243	0.3%
HILLSDALE	3,192,264	692,520	703,439	17,375,068	0.3%
HOUGHTON	1,120,278	493,017	372,227	14,030,221	0.2%
HURON	8,676,422	622,716	447,237	7,914,215	0.1%
INGHAM	30,484,697	2,558,101	3,843,153	150,027,223	2.6%
IONIA	4,162,981	623,335	803,446	27,519,228	0.5%
IOSCO	1,377,701	488,866	429,688	7,445,239	0.1%
IRON	489,669	222,240	144,453	4,100,196	0.1%
ISABELLA	4,955,801	673,430	760,130	43,468,246	0.8%
JACKSON	10,727,775	1,668,250	2,275,154	78,227,898	1.4%
KALAMAZOO	22,136,440	2,175,444	3,030,299	148,439,452	2.6%

**Exhibit 38 (cont.)**

<u>County</u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>	<u>MI EITC Credits</u>	<u>Tax After Credits</u>	<u>Percent of Total Tax</u>
KALKASKA	\$839,233	\$261,746	\$310,210	\$6,879,374	0.1%
KENT	51,131,441	5,241,779	8,375,502	379,731,957	6.6%
KEWEENAW	62,057	35,146	20,343	792,877	0.0%
LAKE	523,701	305,932	167,523	1,570,436	0.0%
LAPEER	5,449,921	735,999	946,099	46,565,213	0.8%
LEELANAU	1,698,960	162,399	146,411	9,919,401	0.2%
LENAWEE	10,059,297	814,936	1,213,935	44,210,694	0.8%
LIVINGSTON	10,350,181	552,578	818,954	97,421,500	1.7%
LUCE	111,035	110,599	89,387	2,115,242	0.0%
MACKINAC	746,182	178,059	155,130	3,462,873	0.1%
MACOMB	111,493,074	6,239,725	9,716,649	472,508,839	8.2%
MANISTEE	1,686,514	358,175	315,419	9,160,726	0.2%
MARQUETTE	2,503,314	627,936	632,309	34,267,812	0.6%
MASON	2,380,611	458,857	443,237	10,874,150	0.2%
MECOSTA	2,193,580	572,131	518,296	13,650,550	0.2%
MENOMINEE	941,281	336,184	296,996	10,837,514	0.2%
MIDLAND	4,626,658	687,916	855,203	68,091,010	1.2%
MISSAUKEE	1,127,754	237,014	199,430	3,586,725	0.1%
MONROE	10,622,462	964,196	1,548,166	82,575,017	1.4%
MONTCALM	4,625,743	1,012,837	1,000,550	23,033,757	0.4%
MONTMORENCY	403,314	205,996	148,882	2,768,723	0.0%
MUSKEGON	13,281,114	2,230,796	3,015,952	69,784,086	1.2%
NEWAYGO	3,139,331	657,985	640,474	15,163,485	0.3%
OAKLAND	130,272,543	6,419,753	9,453,064	1,160,107,827	20.1%
OCEANA	2,042,014	490,847	472,200	8,951,881	0.2%
OGEMAW	1,239,004	442,124	373,804	6,654,422	0.1%
ONTONAGON	216,330	112,991	71,125	2,603,633	0.0%
OSCEOLA	1,460,794	513,111	408,873	8,726,033	0.2%
OSCODA	209,318	136,305	99,992	1,904,232	0.0%
OTSEGO	1,000,840	259,790	334,417	10,146,897	0.2%
OTTAWA	21,898,448	1,385,124	2,525,099	172,017,912	3.0%
PRESQUE ISLE	775,142	305,542	188,528	4,501,476	0.1%
ROSCOMMON	1,628,550	466,785	392,015	6,773,519	0.1%
SAGINAW	13,472,937	2,725,445	3,445,835	80,658,309	1.4%
ST. CLAIR	14,950,012	1,601,899	2,082,152	85,999,191	1.5%
ST. JOSEPH	4,253,218	695,005	959,116	25,610,247	0.4%
SANILAC	4,742,355	757,195	675,871	13,609,577	0.2%
SCHOOLCRAFT	313,058	165,026	119,405	3,133,345	0.1%
SHIAWASSEE	5,877,426	797,254	1,023,377	34,690,932	0.6%
TUSCOLA	7,034,545	766,510	840,074	20,692,045	0.4%
VAN BUREN	6,540,344	1,043,746	1,249,657	38,305,961	0.7%
WASHTENAW	36,784,090	2,055,038	2,907,932	274,773,438	4.8%
WAYNE (excludes Detroit)	129,843,534	7,866,242	12,430,103	547,849,910	9.5%
WEXFORD	2,437,493	575,139	589,266	12,704,879	0.2%
OUTSIDE OF MICHIGAN	21,298,569	1,909,733	5,014,850	289,230,984	5.0%
DETROIT	<u>94,778,017</u>	<u>20,341,562</u>	<u>28,970,805</u>	<u>198,441,660</u>	<u>3.4%</u>
	\$966,577,560	\$106,018,348	\$145,205,041	\$5,757,900,247	100.0%

Note: Home Heating Credit amounts include \$21,746,675 in supplemental credit.

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

**Exhibit 39**  
**2008 Income Tax Data by County**

County	2008	2008	Income Tax		Average		Average		Credits as a		Ratio of Property		Average			
	AGI	Average	AGI	Rank	Before	Rank	Income Tax	Rank	After Credits	Rank	Before Credits	Rank	to 1040s Filed	Rank	Property Tax	
	(Millions)				Credits		Before Credits		After Credits		Before Credits				Credit <sup>(1)</sup>	
ALCONA	\$165.3	\$35,343	75		\$3,511,286	77	\$751	81	\$556	81	25.9%	10	26.1%	69	\$444	56
ALGER	150.5	38,165	56		3,906,859	74	991	66	831	58	16.1%	64	22.9%	76	366	76
ALLEGAN	1,931.0	44,663	27		62,086,607	22	1,436	20	1,188	21	17.3%	56	33.0%	28	572	19
ALPENA	549.2	40,166	41		15,549,919	49	1,137	44	927	43	18.5%	50	30.5%	48	428	60
ANTRIM	465.7	43,314	31		12,208,830	54	1,136	46	880	48	22.5%	25	32.2%	39	543	31
ARENAC	230.3	35,531	74		6,210,128	68	958	69	691	73	27.9%	7	32.8%	33	572	20
BARAGA	120.2	38,085	57		3,127,857	78	991	67	833	57	16.0%	65	20.2%	80	407	65
BARRY	1,038.5	48,193	18		32,798,273	31	1,522	16	1,293	10	15.1%	69	30.6%	45	553	26
BAY	2,134.9	42,841	35		63,681,032	21	1,278	33	1,023	33	20.0%	42	34.8%	20	540	33
BENZIE	302.6	40,079	42		8,013,227	66	1,061	55	829	59	21.9%	34	30.6%	47	479	50
BERRIEN	3,464.8	47,465	19		107,545,852	11	1,473	19	1,232	17	16.4%	61	30.6%	46	479	51
BRANCH	695.9	38,968	50		20,793,817	40	1,164	42	912	45	21.7%	35	30.7%	44	581	17
CALHOUN	2,398.8	45,746	21		73,056,737	19	1,393	23	1,088	27	21.9%	32	37.8%	6	573	18
CASS	791.6	43,930	30		23,746,088	36	1,318	31	1,053	29	20.1%	41	27.5%	61	612	14
CHARLEVOIX	604.8	46,230	20		18,113,453	43	1,385	25	1,125	25	18.8%	48	32.4%	36	537	35
CHEBOYGAN	406.7	37,554	61		10,962,761	60	1,012	60	795	63	21.4%	37	28.9%	55	425	62
CHIPPEWA	570.2	37,669	60		13,996,559	51	925	73	706	70	23.7%	16	36.1%	13	340	81
CLARE	478.4	35,208	76		12,662,948	52	932	71	710	69	23.8%	15	27.3%	64	391	69
CLINTON	1,390.6	54,882	5		43,561,130	27	1,719	6	1,445	6	16.0%	66	33.0%	30	651	10
CRAWFORD	181.3	35,610	73		4,633,157	73	910	74	705	71	22.5%	26	29.7%	51	374	75
DELTA	713.9	40,995	37		20,877,627	39	1,199	39	1,012	35	15.6%	67	27.4%	62	418	63
DICKINSON	550.8	44,145	29		16,738,556	46	1,342	29	1,154	23	14.0%	75	27.4%	63	461	54
EATON	2,625.1	49,216	15		80,429,572	17	1,508	17	1,233	16	18.2%	51	36.3%	12	589	16
EMMET	831.1	49,903	12		25,706,388	35	1,543	14	1,291	11	16.4%	62	33.3%	27	517	42
GENESEE	8,541.8	45,368	24		248,938,067	6	1,322	30	1,050	30	20.6%	40	36.3%	11	496	45
GLADWIN	428.3	38,213	55		10,882,248	61	971	68	743	67	23.4%	19	31.1%	41	459	55
GOGEBIC	245.0	36,781	68		6,629,263	67	995	64	828	60	16.8%	59	23.9%	73	357	77
GRAND TRAVERSE	2,213.0	49,576	14		68,924,652	20	1,544	13	1,283	12	16.9%	58	36.0%	16	556	24
GRATIOT	714.2	40,798	38		21,551,394	38	1,231	37	946	42	23.2%	20	29.7%	50	747	3
HILLSDALE	755.9	38,347	54		22,398,975	37	1,136	45	881	47	22.4%	28	29.7%	49	545	29
HOUGHTON	563.2	38,986	49		16,235,688	48	1,124	48	971	39	13.6%	77	20.4%	79	381	72
HURON	616.8	37,039	64		17,022,588	45	1,022	59	475	82	53.5%	1	40.5%	4	1,287	1
INGHAM	5,994.8	48,821	16		191,417,325	8	1,559	12	1,222	19	21.6%	36	41.0%	3	605	15
IONIA	1,079.6	42,224	36		33,510,339	30	1,311	32	1,076	28	17.9%	54	29.3%	54	555	25
IOSCO	425.1	34,484	79		9,826,116	62	797	80	604	78	24.2%	12	28.6%	57	390	70
IRON	188.1	34,879	77		5,009,477	71	929	72	760	66	18.2%	52	24.2%	72	375	74
ISABELLA	1,673.0	51,769	8		50,497,948	25	1,563	11	1,345	9	13.9%	76	28.4%	59	540	32
JACKSON	3,012.3	45,502	23		94,335,978	15	1,425	21	1,182	22	17.1%	57	32.8%	32	493	47
KALAMAZOO	5,441.4	51,259	10		177,786,861	9	1,675	8	1,398	8	16.5%	60	38.2%	5	546	28
KALKASKA	297.4	39,447	46		8,392,450	65	1,113	50	913	44	18.0%	53	26.7%	67	416	64
KENT	13,586.6	50,720	11		453,366,063	4	1,692	7	1,418	7	16.2%	63	36.6%	9	522	40
KEWEENAW	36.5	39,921	43		917,285	83	1,002	63	867	51	13.6%	78	15.8%	83	428	61
LAKE	107.5	29,905	83		2,617,121	80	728	83	437	83	40.0%	2	36.0%	14	405	66
LAPEER	1,773.8	48,312	17		54,445,549	24	1,483	18	1,268	13	14.5%	73	27.9%	60	533	36

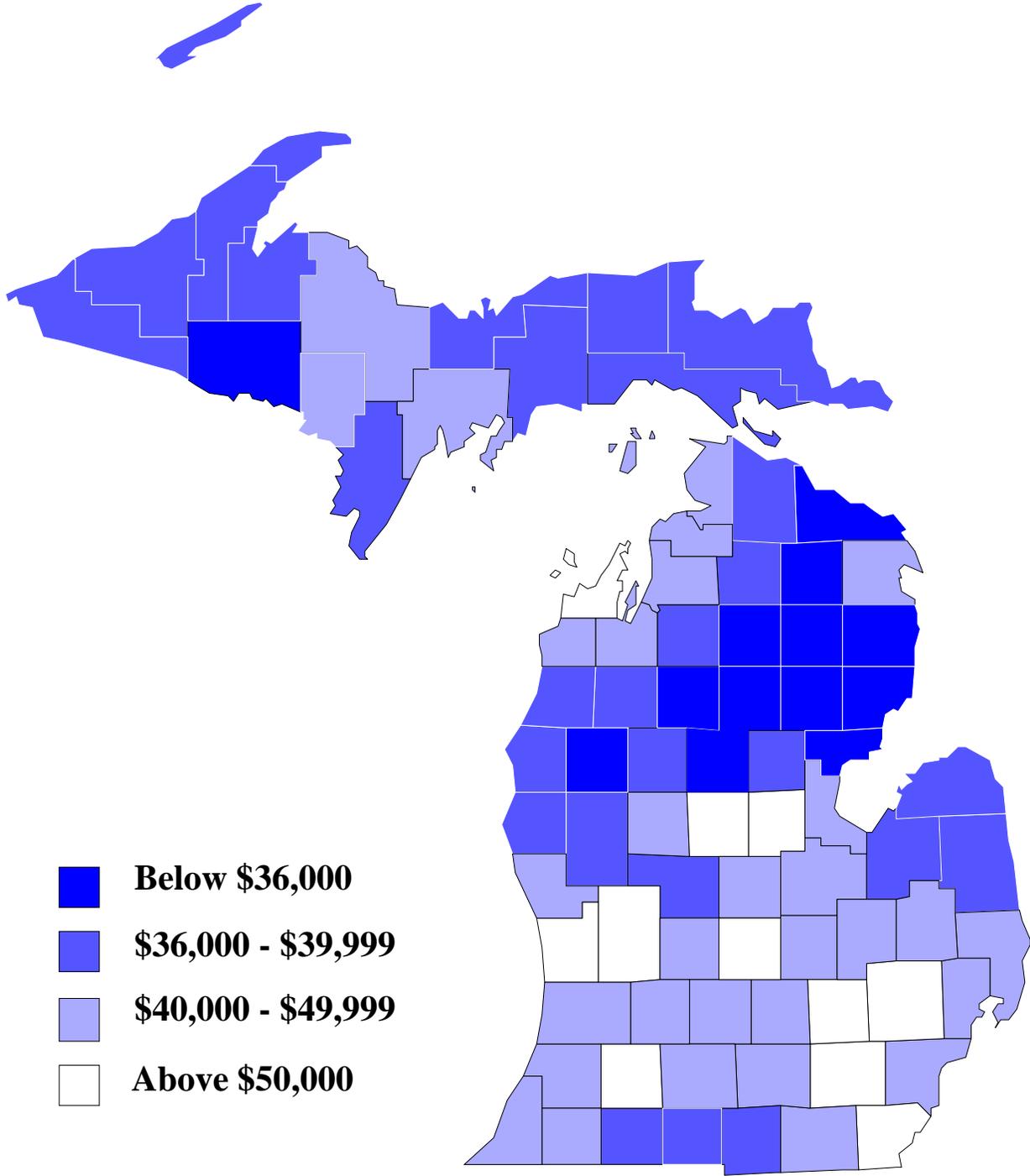
Exhibit 39 (cont.)

County	2008	2008	Income Tax		Average		Average		Credits as a		Ratio of Property		Average		
	AGI (Millions)	Average AGI	Rank	Before Credits	Rank	Before Credits	Rank	After Credits	Rank	Before Credits	Rank	to 1040s Filed	Rank	Credit <sup>(1)</sup>	Rank
LEELANAU	\$429.2	\$53,984	6	\$12,183,618	55	\$1,533	15	\$1,248	15	18.6%	49	33.5%	25	\$638	11
LENAWEE	1,913.3	44,465	28	57,849,158	23	1,344	28	1,027	32	23.6%	17	35.4%	18	660	9
LIVINGSTON	3,341.9	62,284	4	110,386,833	10	2,057	4	1,816	4	11.7%	81	31.1%	42	620	13
LUCE	94.7	38,036	58	2,500,443	81	1,004.60	61	850	52	15.4%	68	17.5%	82	255	83
MACKINAC	195.5	37,278	63	4,718,488	72	900	76	660	75	26.6%	9	36.7%	8	388	71
MACOMB	19,067.3	49,578	13	608,514,348	3	1,582	10	1,229	18	22.4%	29	43.0%	2	673	7
MANISTEE	431.0	39,340	47	11,737,269	58	1,071	54	836	56	22.0%	31	32.7%	34	470	53
MARQUETTE	1,282.7	45,047	25	38,413,371	29	1,349	27	1,203	20	10.8%	82	23.2%	75	379	73
MASON	498.6	38,820	52	14,278,052	50	1,112	51	847	55	23.8%	14	35.5%	17	521	41
MECOSTA	619.3	40,267	40	17,227,946	44	1,120	49	888	46	20.8%	39	28.8%	56	494	46
MENOMINEE	421.2	39,739	45	12,493,130	53	1,179	41	1,023	34	13.3%	79	22.5%	77	394	67
MIDLAND	2,307.1	63,712	3	75,145,002	18	2,075	3	1,880	3	9.4%	83	26.6%	68	480	49
MISSAUKEE	187.6	34,367	80	5,158,994	70	945	70	657	76	30.5%	3	30.8%	43	670	8
MONROE	3,382.0	51,412	9	105,711,369	13	1,607	9	1,255	14	21.9%	33	28.5%	58	567	21
MONTCALM	998.6	37,696	59	29,879,510	33	1,128	47	869	50	22.9%	22	32.9%	31	531	37
MONTMORENCY	165.6	34,208	81	3,556,412	76	735	82	572	80	22.1%	30	23.5%	74	354	78
MUSKEGON	2,924.3	40,466	39	89,992,780	16	1,245	36	966	41	22.5%	27	37.6%	7	488	48
NEWAYGO	671.9	38,923	51	19,829,496	41	1,149	43	878	49	23.5%	18	34.4%	21	529	38
OAKLAND	37,788.5	72,404	1	1,324,772,117	1	2,538	1	2,223	1	12.4%	80	35.3%	19	706	5
OCEANA	431.2	36,809	66	12,021,271	56	1,026	57	764	65	25.5%	11	32.4%	37	539	34
OGEMAW	335.5	34,519	78	8,761,529	64	901	75	685	74	24.0%	13	29.6%	52	430	59
ONTONAGON	113.2	36,897	65	3,045,830	79	993	65	849	53	14.5%	72	20.4%	78	346	80
OSCEOLA	399.6	36,735	69	11,269,341	59	1,036	56	802	62	22.6%	24	26.9%	66	499	44
OSCODA	94.3	31,939	82	2,372,980	82	804	79	645	77	19.8%	44	20.0%	81	354	79
OTSEGO	370.2	36,782	67	11,874,014	57	1,180	40	1,008	36	14.5%	71	25.3%	70	393	68
OTTAWA	6,066.9	52,406	7	200,202,872	7	1,729	5	1,486	5	14.1%	74	33.5%	26	565	22
PRESQUE ISLE	232.8	35,964	71	5,819,056	69	899	77	695	72	22.6%	23	27.2%	65	440	57
ROSCOMMON	415.1	35,716	72	9,362,406	63	806	78	583	79	27.7%	8	32.3%	38	433	58
SAGINAW	3,509.9	42,930	34	101,957,606	14	1,247	35	987	37	20.9%	38	32.6%	35	505	43
ST. CLAIR	3,413.7	45,722	22	106,358,863	12	1,425	22	1,152	24	19.1%	46	36.0%	15	556	23
ST. JOSEPH	1,052.3	39,781	44	31,925,448	32	1,207	38	968	40	19.8%	43	29.5%	53	544	30
SANILAC	689.4	36,061	70	19,553,592	42	1,023	58	712	68	30.4%	4	33.9%	24	731	4
SCHOOLCRAFT	147.3	38,761	53	3,814,035	75	1,004	62	825	61	17.8%	55	25.2%	71	327	82
SHIAWASSEE	1,453.2	43,107	32	42,902,575	28	1,273	34	1,029	31	19.1%	47	33.0%	29	528	39
TUSCOLA	1,040.3	39,299	48	29,072,557	34	1,098	53	782	64	28.8%	6	32.2%	40	826	2
VAN BUREN	1,496.6	42,954	33	47,533,027	26	1,364	26	1,099	26	19.4%	45	34.3%	22	547	27
WASHTENAW	9,485.4	65,612	2	322,123,400	5	2,228	2	1,901	2	14.7%	70	36.4%	10	700	6
WAYNE (including Detroit)	34,496.9	44,990	26	1,063,751,375	2	1,387	24	973	38	29.8%	5	46.8%	1	626	12
WEXFORD	561.8	37,445	62	16,521,076	47	1,101	52	847	54	23.1%	21	34.3%	23	474	52
OUTSIDE OF MICHIGAN	44,464.0	192,453		323,977,606		1,402		1,252		10.7%		14.6%		633	
DETROIT	12,169.9	36,408		355,884,169		1,065		594		44.2%		51.0%		556	
<b>TOTALS</b>	<b>\$257,476.5</b>	<b>\$57,453</b>		<b>7,097,192,840</b>		<b>\$1,584</b>		<b>\$1,285</b>		<b>18.9%</b>		<b>35.9%</b>		<b>600</b>	

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

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

**Exhibit 40**  
**Average Adjusted Gross Income by County**  
**2008**



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



**Exhibit 42**  
**Average Annual Individual Income Tax Rates**

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

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

## **XII. APPENDIX A**

## **FEDERAL TAX LAW CHANGES<sup>11</sup> (from 2001 through 2007)**

### **2001**

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

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

### **2002**

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

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

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

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

- the additional 30 percent first-year depreciation deduction for eligible property;
- the extension of qualified medical savings accounts (Archer MSAs), scheduled to expire in 2002, through 2003;
- extension for two years both deductions for qualified clean-fuel vehicles (deduction is now available for vehicles placed in service in 2002 and 2003, begins to phase down in 2004, and is unavailable after 2007) and for qualified clean-fuel vehicle refueling property (deduction available for property placed in service prior to 2007, instead of 2006); and

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<sup>11</sup> For federal legislative changes from 1987 through 2000, see Office of Revenue and Tax Analysis, *Individual Income Tax 2007*, June 2009, at [http://www.michigan.gov/treasury/0,1607,7-121-44402\\_44404---,00.html](http://www.michigan.gov/treasury/0,1607,7-121-44402_44404---,00.html).

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

## **2003**

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

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

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

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

period before the sale of a residence. The election applies to only one property at a time, and was made permanent in 2008.

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

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

## **2004**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MPDIMA-03) allowed eligible taxpayers to make tax-free contributions to a Health Savings Account (HSA). Employer contributions made to an HSA on behalf of the taxpayer (including contributions made through a cafeteria plan) are also excluded from gross income and wages for income and employment tax purposes to the extent that the contribution would be deductible if made by the employee. The maximum aggregate annual deductible contribution is the lesser of 100 percent of the annual deductible under the high-deductible plan, or the maximum deductible permitted under an Archer MSA high-deductible health plan, as adjusted for inflation. For 2004, the maximum contribution is \$2,600 (self-only plan), or \$5,150 (family coverage), where contributions to an Archer MSA reduce the annual contribution limit for HSAs. Taxpayers who have attained age 55 are allowed "catch-up" contributions, greater than the otherwise applicable limits by the following amounts: \$500 in 2004, \$600 in 2007, \$700 in 2007, \$800 in 2007, \$900 in 2008, and \$1,000 in 2009 and subsequent years. The Act also allows distributions from an HSA for qualified medical expenses of the individual, spouse, or dependents to be tax-free. As a result, the impact of HSAs in the Michigan personal income tax are two fold, since both contributions to, and distributions from HSAs are not included in the taxpayer's AGI.

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

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

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

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

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

## **2005**

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

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

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

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

Michigan taxpayers who own property in the states affected by hurricanes Katrina, Rita and Wilma, may be impacted by the following provisions in the Katrina Emergency Tax Relief Act of 2005 (KETRA-05), and the Gulf Opportunity Zone Act (GOZA-05)<sup>12</sup>:

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

## **2006**

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

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

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

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<sup>12</sup> Hurricane tax relief under the GOZA-05 is distributed based on residency and activity in each designated area: Gulf Opportunity (GO) zone, Hurricane Katrina Disaster area, Rita GO zone, Hurricane Rita disaster area, Wilma GO zone, and Hurricane Wilma Disaster area.

- Extend the expiration of the above-the-line deduction of up to \$4,000 for qualified higher education expenses from TY 2005 through TY 2007.
- Extend the expiration of the above-the-line deduction for qualified out-of-pocket classroom expenses from TY 2005 through TY 2007.
- Extend the expiration of the reduced recovery period for qualified leasehold improvement property and qualified restaurant property, from 39 years to 15 years, for property placed in service by TY 2005, to property placed in service by TY 2007.

## **2007**

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

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

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

Various provisions set to expire were made permanent or extended: permanent higher dollar amount for IRA contributions (\$4,000 starting in 2007, \$5,000 in 2008, inflation adjusted thereafter); permanent higher dollar limits on defined contribution plans (\$44,000 in 2007), elective deferrals (including \$15,000 in 2007 for 401(k) plan deferrals, 457 plan deferrals (\$15,000 in 2007), SIMPLE plan contributions (\$10,000 in 2007) and compensation that may be taken into account under a plan; permanent catch-up contributions for older workers (\$1,000 after 2005 for IRAs, \$2,500 for SIMPLE plans, \$5,000 for 401(k) plans); permanent Roth 401(k) and 403(b)s; and extension of combat pay, which is otherwise excluded from gross income, to be treated as earned income for purposes of calculating the EITC.

## MICHIGAN PERSONAL INCOME TAX LEGISLATIVE HISTORY (1967 – 2007)<sup>13</sup>

### 1967

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

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

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

### 1968

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

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

### 1969

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

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<sup>13</sup> Source for Public Acts from 1967 through 1994 from Michigan House Fiscal Agency, *State of Michigan: The Income Tax*, April 1999, at [www.house.mi.gov/hfa/PDFs/inco\\_tax.pdf](http://www.house.mi.gov/hfa/PDFs/inco_tax.pdf). Source for Public Acts after 1994 from Michigan Department of Treasury, *Michigan's Individual Income Tax Report*, various years.

## **1970**

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

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

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

## **1971**

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

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

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

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

## **1972**

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

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

## **1973**

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

## **1974**

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

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

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

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

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

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

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

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

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

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

## **1975**

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

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

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

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

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

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

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

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

## **1976**

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

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

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

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

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

## **1977**

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

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

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

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

## **1978**

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

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

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

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

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

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

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

## **1979**

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

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

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

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

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

## **1980**

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

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

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

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

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

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

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

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

## **1981**

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

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

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

## **1982**

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

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

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

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

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

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

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

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

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

### **1983**

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

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

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

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

## **1984**

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

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

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

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

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

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

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

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

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

## **1985**

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

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

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

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

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

## **1986**

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

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

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

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

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

## **1987**

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

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

## **1988**

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

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

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

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

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

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

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

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

## **1989**

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

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

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

## **1990**

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

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

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

**PA 344** amended the Income Tax Act to conform with 1990 PA 285 above, specifying that claims for refunds for tax years 1988 and 1987 were payable on or after July 1, 1990; claims for tax year 1986 were payable on or after July 1, 1991; claims for tax year 1985 were payable on or after July 1, 1992; and claims for tax year 1984 were payable on or after July 1, 1993.

## **1991**

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

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

**PA 181** extended the home heating tax credit through 1994; made recipients of public assistance eligible for the credit, required the Department of Treasury to mail an application for the credit

by December 1 of each year to those who are recipients of public assistance during the tax year and to provide a simplified procedure for claiming the credit to recipients of public assistance, and cut in half the amount of the credit available to claimants whose heating costs are included in rent payments.

## **1992**

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

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

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

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

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

## **1993**

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

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

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

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

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

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

## **1994**

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

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

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

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

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

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

## **1995**

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

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

**PA 7** provided that for 1995 and after a resident of Michigan with a household income of \$200,000 or less may claim a credit for 4 percent of tuition and fees paid to a qualified institution of higher learning. The credit cannot exceed \$250 for each student for each tax year. The

qualified institutions must agree by July 1 not to increase tuition in the ensuing academic year by more than the increase in the U.S. Consumer Price Index in the preceding calendar year.

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

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

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

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

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

**PA 291** increased the maximum deduction senior citizens may take for interest, dividends, and capital gains income up to \$7,500 for a single return and \$15,000 for a joint return, beginning with the 1998 tax year (see 1995 PA 230).

## **1996**

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

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

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

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

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

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

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

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

## **1997**

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

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

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

## **1998**

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

**PA 500** amended the City Income Tax Act of 1964 to revise the population threshold necessary for Detroit to levy an income tax at 3 percent for residents and 1.5 percent for nonresidents. The new threshold is 750,000, lower than the previous threshold of 1,000,000. The act will also lower the maximum Detroit income tax rates. The reduction is phased in over a 10-year period beginning on July 1, 1999. When fully implemented in July 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.

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

## **1999**

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

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

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

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

## **2000**

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

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

**PA 42** increased the child deduction to \$600 for children ages 7 through 12 years old and created a \$600 deduction for children ages 13 through 18 for tax years beginning after 1999.

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

**PA 161 and PA 163** created a deduction for contributions to the Michigan Education Savings Program (MESP). Earnings on an account established under MESP and withdrawals from an account that are used to pay higher education expenses would also be deductible to the extent included in AGI. Withdrawals from MESP accounts that are not used for higher education expenses would generally have to be added to AGI. A new deduction was also created for withdrawals from individual retirement accounts used to pay higher education expenses to the extent those withdrawals are included in AGI.

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

**PA 301** increased the special exemption amount to \$1,800 in tax year 2000. The Act combined all disability exemptions so taxpayers can claim one special exemption if they or their spouse are blind, deaf, paraplegic, quadriplegic, hemiplegic, or totally and permanently disabled. The exemption amount will be increased in \$100 increments to reflect increases in the Consumer Price Index. The Act also created new special exemptions for dependents who are either senior citizens or have one of the disabilities described above. The exemption for taxpayers who are eligible to be claimed as a dependent on another taxpayer's return was also increased from \$1,000 to \$1,500 for tax years beginning after 1999.

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

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

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

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

## **2001**

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

**PA 215** clarified, revised definitions, and provided other technical changes regarding penalty provision of tax deferred education savings account. Effective January 2002, the maximum account balance of all the accounts naming one individual as the designated beneficiary cannot exceed \$235,000. Prior to the bill, the total contributions to all accounts that name one individual as the designated beneficiary could not exceed \$125,000.

## **2002**

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

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

**PA 615** allowed resident tribal members from a Michigan federally recognized Indian tribe who signed agreements<sup>14</sup> with the Michigan Department of Treasury to deduct all non-business

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<sup>14</sup> Public Act 616 of 2002 allowed the Michigan Department of Treasury to enter into agreements with federally recognized Indian tribes. The agreements specify whether, and to what extent, Michigan's tax laws apply to each tribe, the tribe members, and other individuals and businesses conducting business with a tribe or its members. In return, tribes would promote

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

## **2003**

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

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

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

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

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

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

## **2004**

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

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

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the enforcement of Michigan tax laws on businesses conducted by them involving non-resident tribal members and non-tribal members. Taxes addressed by the tax agreements include the sales and use tax, the individual income tax, the motor fuels tax, the tobacco tax, and the single business tax.

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

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

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

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

## **2005**

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

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

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

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

## **2006**

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

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

**PA 372** allowed a qualified taxpayer to receive a refundable credit equal to a percentage of the federal earned income tax credit (EITC) the taxpayer is allowed to claim for the tax year. For tax years beginning in 2008, the Michigan EITC credit is equal to 10% of the federal EITC claimed. Thereafter, the Michigan EITC credit increases to 20% of the federal EITC claimed.

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

## **2007**

**PA 94** increased the tax rate to 4.35 percent effective October 1, 2007. It also established that beginning October 1, 2011, and each October 1 thereafter, the income tax rate shall be reduced by 0.1 percentage point annually until the rate is 3.95 percent. On October 1, 2015, the rate declines to 3.9 percent. Effective tax year 2008, a qualified disabled veteran, or the veteran's dependent who files an annual income tax return, but not both, may claim an additional exemption of \$250, adjusted annually according to US consumer price index changes.

**PA 133** established four new checkoffs on the income tax return effective tax year 2008. Taxpayers will be allowed to contribute \$5, \$10, or more to the Prostate Cancer Research Fund; Amanda's Fund (for breast cancer prevention and treatment); the Animal Welfare Fund; and the Michigan Housing and Community Development fund. Taxpayers' contributions to those funds decrease their refunds or increase their tax liability, and Treasury may cease to include a contribution designation on the income tax form if that contribution designation fails to raise \$100,000 in any tax year for 2 consecutive tax years. Moreover, starting on tax year 2010, both the Children of Veteran Tuition Grant Program and the Children's Trust Fund contribution designation will follow the same guidelines regarding contribution amount and availability in the form as prescribed to the newly enacted checkoffs.

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

**MICHIGAN INCOME TAX REQUIREMENTS  
(1967 – 2009)**

<b>General MI-IIT Information:</b>	<b>MCL</b>	<b>Form</b>	<b>TY</b>										
	<b>Section</b>		<b>1967</b>	<b>1968</b>	<b>1969</b>	<b>1970</b>	<b>1971</b>	<b>1972</b>	<b>1973</b>	<b>1974</b>	<b>1975</b>	<b>1976</b>	<b>1977</b>
. 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%
. Filing Requirement:	(2)	206.315	MI-1040	GI	GI	GI	AGI						
(Gross income (GI) or AGI above threshold)			Single Return	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,500	\$1,500	\$1,500
			Joint Return	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$3,000	\$3,000	\$3,000
. Reciprocity States			IN, WI	IN, WI, KY	IN, WI, KY	IN, WI, KY	IN, WI, KY, IL	IN, WI, KY, IL, OH					
. Liability Threshold for Estimated Pmt	(3)	206.301	MI-1040	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
. Tax Rate	206.51(1), 51(b)-51(e)	MI-1040	2.60%	2.60%	2.60%	2.60%	3.14%	3.90%	3.90%	3.90%	4.37%	4.60%	4.60%
<b>Exemptions Amounts:</b>													
. Personal Exemption:	206.30(2)	MI-1040	\$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						
. Para/Hemi/Quadriplegic (**)(***)	206.30(3)		n.a.	\$1,500	\$1,500	\$1,500							

## MICHIGAN INCOME TAX REQUIREMENTS (cont.)

<b>General MI-IIT Information:</b>			<b>MCL Section</b>	<b>Form</b>	<b>TY 1978</b>	<b>TY 1979</b>	<b>TY 1980</b>	<b>TY 1981</b>	<b>TY 1982</b>	<b>TY 1983</b>	<b>TY 1984</b>	<b>TY 1985</b>	<b>TY 1986</b>	<b>TY 1987</b>	<b>TY 1988</b>
. 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%
. Filing Requirement:	(2)	206.315	MI-1040	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI
(Gross income (GI) or AGI above threshold)			Single Return	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,600	\$1,800
			Joint Return	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,200	\$3,600
. Reciprocity States				IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	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	\$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	\$1,500	\$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	\$1,500	\$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										

For notes, see page 114.

## MICHIGAN INCOME TAX REQUIREMENTS (cont.)

<u>General MI-IIT Information:</u>	<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>
. IRC compliance (*)	206.12(3)		1987 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 AGI above threshold)		Single Return	\$2,000	\$2,100	\$2,100	\$2,100	\$2,100	\$2,100	\$2,100	\$2,400	\$2,400	\$2,500	\$2,800
		Joint Return	\$4,000	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$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	\$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.	\$600	\$600									
. Age 7 to 12			n.a.	\$300	\$300									

## MICHIGAN INCOME TAX REQUIREMENTS (cont.)

<u>General MI-IIT Information:</u>	<u>MCL</u>	<u>Form</u>	<u>TY</u>									
	<u>Section</u>		<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
. IRC compliance (*)	206.12(3)		1996 IRC									
. Exemption from MI - IIT:	206.201		Exempt from Federal IIT									
. Revenue Distribution:	(1)											
. To School Aid Fund:	206.51(2)		Formula									
. Filing Requirement:	(2)	206.315	MI-1040	AGI								
(Gross income (GI) or AGI above threshold)			Single Return	\$2,900	\$2,900	\$3,000	\$3,100	\$3,100	\$3,200	\$3,300	\$3,400	\$3,500
			Joint Return	\$5,800	\$5,800	\$6,000	\$6,200	\$6,200	\$6,400	\$6,600	\$6,800	\$7,200
. 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
. 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%	3.90%	4.01%	4.35%	4.35%
<b><u>Exemptions Amounts:</u></b>												
. Personal Exemption:	206.30(2)	MI-1040	\$2,900	\$2,900	\$3,000	\$3,100	\$3,100	\$3,200	\$3,300	\$3,400	\$3,500	\$3,600
. Special Exemptions:	(4)	206.30(3)	MI-1040	Yes								
. Para/Hemi/Quadriplegic (**)(***)	206.30(3)		\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200	\$2,200	\$2,300
. Disabled	206.30(3)		\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200	\$2,200	\$2,300
. Blind (***)	206.30(3)		\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200	\$2,200	\$2,300
. Deaf (****)	206.30(3)		\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200	\$2,200	\$2,300
. Senior	206.30(3)		\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200	\$2,200	\$2,300
. Unemployed	206.30(3)		\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200	\$2,200	\$2,300
. Claimed as Dependent	206.30(4)		\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
. Child . Age 6 and Under	206.30d(2)		\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600
. Age 7 to 12			\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600
. Disabled Veteran	206.30(3)		n.a.	\$250	\$300							

**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>
<b><u>Check-Offs:</u></b>													
. 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							
<hr/>													
<b><u>Taxbase Adjustments Limits</u></b>													
		MI-1040											
. Maximum Private Pension Deduction (*****)	203.30(1)(f)(iv) and (v) (7)		No	Yes	Yes	Yes	Yes						
		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
. Federal Taxable Wage Base for FICA			\$6,600	\$7,800	\$7,800	\$7,800	\$7,800	\$9,000	\$10,800	\$13,200	\$14,100	\$15,300	\$16,500
. Federal Salary Elective Deferrals													
. 401(k)			\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000

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

		<u>MCL</u>	<u>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>
<b><u>Check-Offs:</u></b>														
. 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
. 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/>														
<b><u>Taxbase Adjustments Limits</u></b>			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
. Federal Taxable Wage Base for FICA				\$17,700	\$22,900	\$25,900	\$29,700	\$32,400	\$35,700	\$37,800	\$39,600	\$42,000	\$43,800	\$45,000
. Federal Salary Elective Deferrals				\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$7,000
. 401(k)														
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**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>
<b>Check-Offs:</b>														
. 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
. Nongame Wildlife Trust Fund	(6)	206.439	MI-1040	Yes										
. Children's Trust Fund	(6)	206.440	MI-1040	Yes										
<hr/>														
<b>Taxbase Adjustments Limits</b>			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
. Federal Taxable Wage Base for FICA				\$48,000	\$51,300	\$53,400	\$55,500	\$57,600	\$60,600	\$61,200	\$62,700	\$65,400	\$68,400	\$72,600
. Federal Salary Elective Deferrals														
. 401(k)				\$7,627	\$7,979	\$8,475	\$8,728	\$8,994	\$9,240	\$9,240	\$9,500	\$9,500	\$10,000	\$10,000
. 403(b), or 457				n.a.	\$7,500	\$8,000	\$8,000							
. Federal IRA Contribution Limit				No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
. General				n.a.	n.a.	n.a.	n.a.	n.a.	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000

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

		<u>MCL</u>	<u>Form</u>	<u>TY</u>									
		<u>Section</u>		<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b><u>Check-Offs:</u></b>													
. State Campaign Fund	(5)	169.261(2)	MI-1040	Yes									
			Single Return	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3
			Joint Return	\$6	\$6	\$6	\$6	\$6	\$6	\$6	\$6	\$6	\$6
. Children of Veterans Tuition Grant	(6)	206.437	MI-1040	No	No	No	No	No	No	Yes	Yes	Yes	Yes
. Military Family Relief Fund	(6)	206.438	MI-1040	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
. Children's Trust Fund	(6)	206.440	MI-1040	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes
. Prostrate Cancer Research Fund	(6)	206.435	MI-1040	No	Yes	Yes							
. Amanda's Fund	(6)	206.435	MI-1040	No	Yes	Yes							
. Animal Welfare Fund	(6)	206.435	MI-1040	No	Yes	Yes							
. Michigan Housing and Community Development Fund	(6)	206.435	MI-1040	No	Yes	Yes							
. Michigan Law Enforcement Memorial Monument Fund	(6)	206.435	MI-1040	No	Yes	Yes							
. Renewable Fuels Fund	(6)	206.435	MI-1040	No	Yes								
. Foster Care Trust Fund	(6)	206.435	MI-1040	No	Yes								
. Children's Miracle Network Fu	(6)	206.435	MI-1040	No	Yes								
. MI Council for the Arts Fund	(6)	206.435	MI-1040	No	Yes								

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

	<b>MCL Section</b>	<b>Form</b>	<b>TY 2000</b>	<b>TY 2001</b>	<b>TY 2002</b>	<b>TY 2003</b>	<b>TY 2004</b>	<b>TY 2005</b>	<b>TY 2006</b>	<b>TY 2007</b>	<b>TY 2008</b>	<b>TY 2009</b>
<b><u>Taxbase Adjustments Limits</u></b>			MI-1040									
. Maximum Private Pension Deduction (*****)	203.30(1)(f)(iv) and (v)		Yes									
	(7)	Single Return	\$34,920	\$36,090	\$37,110	\$37,710	\$38,550	\$39,570	\$40,920	\$42,240	\$43,440	\$45,120
		Joint Return	\$69,840	\$72,180	\$74,220	\$75,420	\$77,100	\$79,140	\$81,840	\$84,480	\$86,880	\$90,240
. Political Contribution	206.30(1)(j)		Yes									
		Single Return	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
		Joint Return	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
. Maximum Senior Interest, Dividends, and Capital Gains Deduction (*****)	206.30(1)(r)		Yes									
	(8)	Single Return	\$7,785	\$8,048	\$8,273	\$8,408	\$8,595	\$8,828	\$9,128	\$9,420	\$9,690	\$10,058
		Joint Return	\$15,570	\$16,095	\$16,545	\$16,815	\$17,190	\$17,655	\$18,255	\$18,840	\$19,380	\$20,115
. Maximum MESP Contribution	206.30(1)(W)(i)		Yes									
		Single Return	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	5000	\$5,000	\$5,000	\$5,000	\$5,000
		Joint Return	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	10000	\$10,000	\$10,000	\$10,000	\$10,000
. Federal Taxable Wage Base for FICA			\$76,200	\$80,400	\$84,900	\$87,000	\$87,900	\$90,000	\$94,200	\$97,500	\$102,000	\$106,800
. Federal Salary Elective Deferrals												
. 401(k)			\$10,500	\$10,500	\$11,000	\$12,000	\$13,000	\$14,000	\$15,000	\$15,500	\$15,500	\$16,500
. 403(b), or 457			\$8,000	\$8,500	\$11,000	\$12,000	\$13,000	\$14,000	\$15,000	\$15,500	\$15,500	\$16,500
. 50 and over			n.a.	n.a.	\$12,000	\$14,000	\$16,000	\$18,000	\$20,000	\$20,500	\$20,500	\$22,000
. Federal IRA Contribution Limit			Yes									
. General			\$2,000	\$2,000	\$3,000	\$3,000	\$3,000	\$4,000	\$4,000	\$4,000	\$5,000	\$5,000
. 50 and over			n.a.	n.a.	\$3,500	\$3,500	\$3,500	\$4,500	\$5,000	\$5,000	\$6,000	\$6,000

**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>
<b><u>NonRefundable Credits</u></b>														
. 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)									
<b><u>Refundable Credits</u></b>														
. Inventory Tax Cr. or Franchise Fee Cr.	(21)	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

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

		<u>MCL</u> <u>Section</u>	<u>Form</u>	<u>TY</u> <u>1978</u>	<u>TY</u> <u>1979</u>	<u>TY</u> <u>1980</u>	<u>TY</u> <u>1981</u>	<u>TY</u> <u>1982</u>	<u>TY</u> <u>1983</u>	<u>TY</u> <u>1984</u>	<u>TY</u> <u>1985</u>	<u>TY</u> <u>1986</u>	<u>TY</u> <u>1987</u>	<u>TY</u> <u>1988</u>
<b><u>NonRefundable Credits</u></b>														
. 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')									
. Renewable/Solar Energy Cr.	(14)	206.262	CR-6	No	Yes									
. Agricultural Products Gleaned Cr.		206.263	CR-8	No	No	No	No	Yes						
<b><u>Refundable Credits</u></b>														
. Inventory Tax Cr. or Franchise Fee Cr.	(21)	206.258(1) 206.258(1)	MI-1040	No No										
. Sec. 1341 of IRC Cr.		206.265	MI-1040	No										

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

	<b><u>MCL</u></b>	<b><u>Section</u></b>	<b><u>Form</u></b>	<b><u>TY</u></b>										
				<b><u>1989</u></b>	<b><u>1990</u></b>	<b><u>1991</u></b>	<b><u>1992</u></b>	<b><u>1993</u></b>	<b><u>1994</u></b>	<b><u>1995</u></b>	<b><u>1996</u></b>	<b><u>1997</u></b>	<b><u>1998</u></b>	<b><u>1999</u></b>
<b><u>NonRefundable Credits</u></b>														
. Headlee Amendment Refun(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 (13)	206.261	MI-1040		No	No	No	Yes (a')							
. Renewable/Solar Energy Cr (14)	206.262	CR-6		Yes	Yes	Yes	No							
. Medical Care Savings Acct. (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									
. College Tuition Cr. (18)	206.274	Schedule CT		No	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes
<b><u>Refundable Credits</u></b>														
. Sec. 1341 of IRC Cr.	206.265	MI-1040		No	No	Yes								
. Prescription Drug Cr. (23)	206.273	MI-1040		Yes										

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

		<u>MCL</u>	<u>Form</u>	<u>TY</u>									
		<u>Section</u>		<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b><u>NonRefundable Credits</u></b>													
. 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	Yes (a')									
. MI Historic Preservation Cr.	(16)	206.266	Form 3581	Yes									
. Vehicle Donation Cr.	(17)	206.269	MI-1040	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes
. College Tuition Cr.	(18)	206.274	Schedule CT	Yes									
. Individual or Family													
Development Account Cr.		206.276	Schedule 2	No	Yes	Yes	Yes						
. Film Production Cr.	(19)	206.367	MI-1040	No	Yes ?	Yes							
. Energy Cost Recovery													
Surcharge Cr.	(20)	206.253(2)	Schedule 2	No	Yes								
<b><u>Refundable Credits</u></b>													
. Sec. 1341 of IRC Cr.		206.265	MI-1040	Yes									
. Adoption Cr.	(22)	206.267, 268	MI-1040	No	Yes								
. Prescription Drug Cr.	(23)	206.273	MI-1040	Yes	Yes	No							
. Cr. for Sales Tax Paid on Food													
and Prescription Drugs	(24)	206.523	MI-1040	No									
. Tribal Credit	(28)	206.30(1)(aa)	4013	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes
. Stillbirth Credit	(29)	206.275	MI-1040	No	No	No	No	No	No	Yes	Yes	Yes	Yes
. Earned Income Tax Credit	(30)	206.272	MI-1040	No	Yes	Yes							

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

<b>Refundable Credits (cont.)</b>	<b>MCL Section</b>	<b>Form</b>	<b>TY 1967</b>	<b>TY 1968</b>	<b>TY 1969</b>	<b>TY 1970</b>	<b>TY 1971</b>	<b>TY 1972</b>	<b>TY 1973</b>	<b>TY 1974</b>	<b>TY 1975</b>	<b>TY 1976</b>	<b>TY 1977</b>
. <u>Homestead Property Tax Cr.</u>	(25) 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)				
. 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)						
. 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	(26) 554.710(1)	CR-5	No	No	No	Yes (j)	Yes (j)						

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

<b>Refundable Credits (cont.)</b>	<b>MCL Section</b>	<b>Form</b>	<b>TY 1978</b>	<b>TY 1979</b>	<b>TY 1980</b>	<b>TY 1981</b>	<b>TY 1982</b>	<b>TY 1983</b>	<b>TY 1984</b>	<b>TY 1985</b>	<b>TY 1986</b>	<b>TY 1987</b>	<b>TY 1988</b>
. <u>Homestead Property Tax Cr.</u>	(25) 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:		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)		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/quadriplegic	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	(26) 554.710(1)	CR-5	Yes (j)										

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

<b>Refundable Credits (cont.)</b>	<b>MCL Section</b>	<b>Form</b>	<b>TY 1989</b>	<b>TY 1990</b>	<b>TY 1991</b>	<b>TY 1992</b>	<b>TY 1993</b>	<b>TY 1994</b>	<b>TY 1995</b>	<b>TY 1996</b>	<b>TY 1997</b>	<b>TY 1998</b>	<b>TY 1999</b>
. <b>Homestead Property Tax Cr</b> (25)	206.520, 522	CR	Yes (b''')										
. <b>Eligible Property Tax Paid Percent</b>													
. 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										
. <b>Homeowner Veterans Cr. Requirements:</b>		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
. <b>Homeowner Blind Cr. Requirements:</b>													
. 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
. <b>Cr. Availability/Calculation</b>													
. General:	206.522(1)(a)		Yes (c)										
. <b>Special Credits:</b>													
. 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)										
. <b>Farmland Preservation Cred</b> (26)	554.710(1)	CR-5	Yes (j)										

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

<b>Refundable Credits (cont.)</b>	<b>MCL Section</b>	<b>Form</b>	<b>TY 2000</b>	<b>TY 2001</b>	<b>TY 2002</b>	<b>TY 2003</b>	<b>TY 2004</b>	<b>TY 2005</b>	<b>TY 2006</b>	<b>TY 2007</b>	<b>TY 2008</b>
. <u>Homestead Property Tax Cr.</u>	(25) 206.520, 522	CR	Yes (b''')								
. Eligible Property Tax Paid Percent											
. Homeowners	206.520(1)		100%	100%	100%	100%	100%	100%	100%	100%	100%
. Renters	206.520(2)										
. Ad Valorem Taxes			20%	20%	20%	20%	20%	20%	20%	20%	20%
. Service Charges			10%	10%	10%	10%	10%	10%	10%	10%	10%
. Nursing Home Patient			share								
. 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
. 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
. Taxpayer and Spouse blind	206.522(3)		\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
. Household Income Limit	206.520(8)		\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650
. Total HPTC Limit	206.520(16)		\$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 (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	(26) 554.710(1)	CR-5	Yes (j)	Yes (j')							

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

<b>Refundable Credits (cont.)</b>	<b>MCL Section</b>	<b>Form</b>	<b>TY 1978</b>	<b>TY 1979</b>	<b>TY 1980</b>	<b>TY 1981</b>	<b>TY 1982</b>	<b>TY 1983</b>	<b>TY 1984</b>	<b>TY 1985</b>	<b>TY 1986</b>	<b>TY 1987</b>	<b>TY 1988</b>
. <u>Home Heating Credit</u>	(27) 206.527a(1)	CR-7	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')									
. 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%

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For notes, see page 114.

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

<b>Refundable Credits (cont.)</b>	<b>MCL Section</b>	<b>Form</b>	<b>TY 1989</b>	<b>TY 1990</b>	<b>TY 1991</b>	<b>TY 1992</b>	<b>TY 1993</b>	<b>TY 1994</b>	<b>TY 1995</b>	<b>TY 1996</b>	<b>TY 1997</b>	<b>TY 1998</b>	<b>TY 1999</b>
. <u>Home Heating Credit</u>	(27) 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)(e)(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.)**

<b>Refundable Credits (cont.)</b>	<b>MCL Section</b>	<b>Form</b>	<b>TY 2000</b>	<b>TY 2001</b>	<b>TY 2002</b>	<b>TY 2003</b>	<b>TY 2004</b>	<b>TY 2005</b>	<b>TY 2006</b>	<b>TY 2007</b>	<b>TY 2008</b>	<b>TY 2009</b>
. <u>Home Heating Credit</u>	(27) 206.527a(1)	CR-7	Yes									
. Federal Poverty Income Limit	206.527a(1)(b)		110%	110%	110%	110%	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	\$378	\$394	\$401	\$418
. 2 Exemptions			\$435	\$448	\$461	\$468	\$482	\$495	\$509	\$528	\$540	\$562
. 3 Exemptions			\$547	\$565	\$579	\$589	\$604	\$620	\$640	\$662	\$679	\$706
. 4 Exemptions			\$658	\$681	\$698	\$709	\$727	\$746	\$771	\$496	\$817	\$850
. 5 Exemptions			\$770	\$797	\$816	\$830	\$849	\$871	\$902	\$930	\$956	\$994
. 6 Exemptions			\$882	\$914	\$935	\$951	\$972	\$997	\$1,033	\$1,064	\$1,094	\$1,138
. more than 6 exemp.			+\$112/exemp.	+\$116/exemp.	+\$119/exemp.	+\$121/exemp.	+\$122/exemp.	+\$126/exemp.	+\$131/exemp.	+\$134/exemp.	+\$139/exemp.	+\$144/exemp.
. Maximum Income Limit Requirement:												
. 0 or 1 Exemption			\$9,229	\$9,486	\$9,771	\$9,914	\$10,257	\$10,529	\$10,786	\$11,243	\$11,443	\$11,929
. 2 Exemptions			\$12,429	\$12,800	\$13,171	\$13,371	\$13,771	\$14,129	\$14,529	\$15,072	\$15,415	\$16,043
. 3 Exemptions			\$15,629	\$16,143	\$16,543	\$16,829	\$17,257	\$17,700	\$18,271	\$18,900	\$19,386	\$20,158
. 4 Exemptions			\$18,800	\$19,457	\$19,943	\$20,257	\$20,771	\$21,300	\$22,014	\$22,729	\$23,329	\$24,272
. 5 Exemptions			\$22,000	\$22,771	\$23,314	\$23,714	\$24,257	\$24,871	\$25,757	\$26,558	\$27,301	\$28,387
. 6 Exemptions			\$25,200	\$26,114	\$26,714	\$27,171	\$27,771	\$28,471	\$29,500	\$30,386	\$31,243	\$32,500
. more than 6 exemp.			+\$3,200/exemp.	+\$3,322/exemp.	+\$3,388/exemp.	+\$3,498/exemp.	+\$3,498/exemp.	+\$3,586/exemp.	+\$3,740/exemp.	+\$3,829/exemp.	+\$3,971/exemp.	+\$4,114/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	\$2,231	\$2,231	\$2,351	\$2,430
. Maximum Income:												
. 0 or 1 Exemptions			\$10,350	\$10,703	\$10,922	\$11,211	\$11,360	\$11,635	\$12,066	\$12,263	\$12,590	\$12,590
. 2 Exemptions			\$13,209	\$13,573	\$14,345	\$15,088	\$15,287	\$15,658	\$16,230	\$16,502	\$16,942	\$16,942
. 3 or more			\$13,209	\$13,573	\$14,345	\$15,340	\$16,757	\$18,433	\$20,282	\$20,282	\$21,298	\$21,298
. Credit Proration (%)	206.527a(18)		100%	100%	100%	80%	76%	76%	76%	53%	65%	65%

## MICHIGAN INCOME TAX REQUIREMENTS (cont.)

### Notes:

#### **General Information:**

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

#### **Taxbase Adjustments Limits:**

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

#### **Non Refundable Credits:**

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

.(12) City Income Tax Credit Calculation:

For TY 1968 and 1969:

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

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

. For TY 1971 - 1985:

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

. Starting TY 1986:

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

.(13) Contribution Credit Calculation:

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

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

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

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

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

.(16) MI Historical Preservation Credit equals to 25% of qualified expenses, reduced by the amount of federal historic credit received. Starting TY 2009, instead of carrying forward the cr amount that exceeds liability (10 yrs), taxpayer may elect to have 90% of the excess credit amount refunded.

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

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

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

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

.(19) Film Production Credit is available for MBT taxpayers who are eligible for the MBT credit but instead, elect to claim the credit against IIT liability.

.(20) Energy Cost Recovery Surcharge Credit is restricted to eligible taxpayers with AGI up to \$65,000 (single), or \$130,000 (joint), and the equals a percentage of the additional utility charges paid that were imposed, so that electric utilities would meet newly enacted energy standards.

**Refundable Credits:**

- (21) Inventory tax credit equaled a percent (25% in TY 1973, 32% in TY 1974, 39% in TY 1975) of qualified personal property taxes on inventory deductible on the federal return. Franchise Fee Credit equaled to 20% of qualified franchise fees paid.
- (22) Adoption Credit equals to min {qualified adoption expenses per child, \$1,200 per child}.  
Credit is limited to eligible filers who claimed the federal adoption credit.
- (23) Prescription Drug credit was limited to seniors with household income up to 150% of federal poverty standard.  
Credit equaled to min {\$600, qualified expenses over 5% of taxpayer's household income}.
- (24) Credit for Sales Tax Paid on Food and Prescription Drugs was inversely proportioned to household income, as follows:
- | Household Income      | Credit per Person |
|-----------------------|-------------------|
| <=\$5,000             | \$10              |
| >\$5,000, <=\$7,000   | \$9               |
| >\$7,000, <=\$9,000   | \$8               |
| >\$9,000, <=\$11,000  | \$7               |
| >\$11,000, <=\$15,000 | \$6               |
| >\$15,000             | \$0               |
- (28) Tribal Sales Tax Credit: credit equals to 0.9% of resident tribal member modified adjusted gross income.
- (29) Stillbirth Credit: credit equals to 4.5% of the personal exemption amount for the tax year allowed for a single exemption, rounded up to the nearest \$10 increment
- (30) Earned Income Tax Credit: equals 10% of federal EITC claimed for TY 2008, or 20% of federal EITC claimed for TY 2009 and after.
- (31) Energy Star Equipment Credit: credit available for taxpayers with AGI up to \$37,500 (single), or \$75,000 (joint) and equals min {10% cost of purchase & installation, \$75 (single), or \$150 (joint)}.
- (32) MI Historical Preservation Credit equals to 25% of qualified expenses, reduced by the amount of federal historic credit received. Starting TY 2009, instead of carrying forward the cr amount that exceeds liability (10 yrs), taxpayer may elect to have 90% of the excess credit amount refunded, where maximum equals 90% of \$250,000 per completed project, subject to a total of \$250,000 credit amount.
- (25) Property Tax Credit eligibility requirements and calculations:
- (b). In TY 1968 and 1969, credit was non-refundable, applicable also to non-homestead property tax paid by the taxpayer, and its percent was inversely proportioned to the total eligible ad valorem taxes paid by the taxpayers as follows:
- | Eligible Property Taxes (PPT) Amount: | Credit                             |
|---------------------------------------|------------------------------------|
| . <=\$100                             | 20% of property taxes              |
| . >\$100, <=\$150                     | \$20 + 15% of excess over \$100    |
| . >\$150, <=\$200                     | \$27.50 + 10% of excess over \$150 |
| . >\$200, <=\$10,000                  | \$32.50 + 5% of excess over \$200  |
| . >\$10,000                           | 4% of property taxes               |
- (b'). In TY 1970, credit was non-refundable and applicable only to homestead property taxes paid. Credit equaled to min {12% of eligible property taxes paid, \$15}.
- (b''). In TY 1971 and 1972, credit was non-refundable, and applicable also to non-homestead property taxes paid. Credit calculated as follows:
- | Property Taxes (PPT) Amount: | Credit                            |
|------------------------------|-----------------------------------|
| . <=\$100                    | 20% of property taxes             |
| . >\$100, <=\$150            | \$20 + 10% of excess over \$100   |
| . >\$150, <=\$200            | \$25 + 5% of excess over \$150    |
| . >\$200, <=\$10,000         | \$27.50 + 5% of excess over \$200 |
| . >\$10,000                  | 4% of property taxes              |

(b'''). Starting TY 1973, credit became refundable, based only on homestead property taxes paid and was calculated based on taxpayer's household income. For mobile home owners, property taxes include the \$3.00 / month specific tax plus statutorily allowed percentage of rent.

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

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

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

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

(e). Senior Low Income Renter Credit equals to the amount of rent paid in excess of 50% (in 1982), 45% (in 1983), or 40% (thereafter) of taxpayer's household income, for seniors whose rent expenses are higher than 40% of their household income.

(f). Seniors who received a 1973 homestead exemption of \$2,500, and with household income up to \$6,000 may claim a PPT credit equal to eligible PPT paid multiplied by min {percentage that \$2,500 bears to the homestead taxable value, 100% }.

(g). Disabled (homeowners or renters) PPT Credit equals to 60% of credit as computed under senior general PPT credit.

(h). Veteran homeowners may claim a credit equal to eligible homestead property taxes paid multiplied by min. {percent of taxable value allowance (former State equalized value allowance) bears to the homestead taxable value (former State equalized value), 100% }. Veteran renters (starting TY 1978) may claim a credit equal to eligible homestead property taxes paid multiplied by min. {percent of eligible rent by the property tax rate on the property, 100% }.

(i). Homeowner Blind taxpayers may claim a credit equal to eligible property tax paid multiplied by min. {percentage that the taxable value allowance (former State equalized value allowance) bears to the homestead taxable value (former State equalized value), 100% }, for TY 1973 through 1999.

Renters who are blind may claim a credit as disabled.

(26) Farmland Preservation Credit:

(j). Until TY 2000, credit equaled amount of eligible property tax on eligible restricted farming land and structures that exceeded 7% of taxpayer household income.

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

(27) Home Heating Credit:

General Credit:

(k). In TY 1978, credit equaled to table amount reduced by 3.5% of claimant's household income for filers with liquid assets up to \$30,000.

(k'). From TY 1979 through TY 1990, credit equaled to table amount reduced by 3.5% of claimant's household income, where taxpayers with household income above table ceiling are not eligible for credit.

(k''). Starting TY 1991, credit equals to table amount reduced by 3.5% of claimant's household income, the result multiplied by 50% (if heating costs included in rent) or 100% (otherwise).

Alternate Credit:

(l). From TY 1984 - TY 1986, credit equaled to total heating fuel cost amount reduced by 13 percent of claimant household income, the result multiplied by 50 percent.

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

(l''). From TY 1989 on, credit equals to total heating fuel cost amount reduced by 11 percent of claimant's household income, the result multiplied by 70 percent.