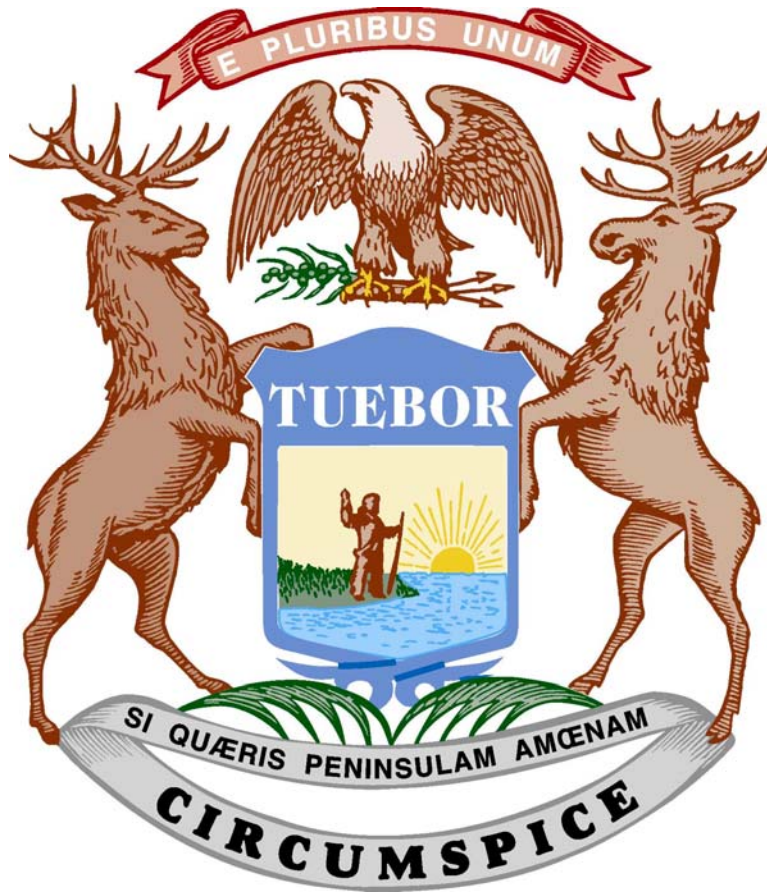
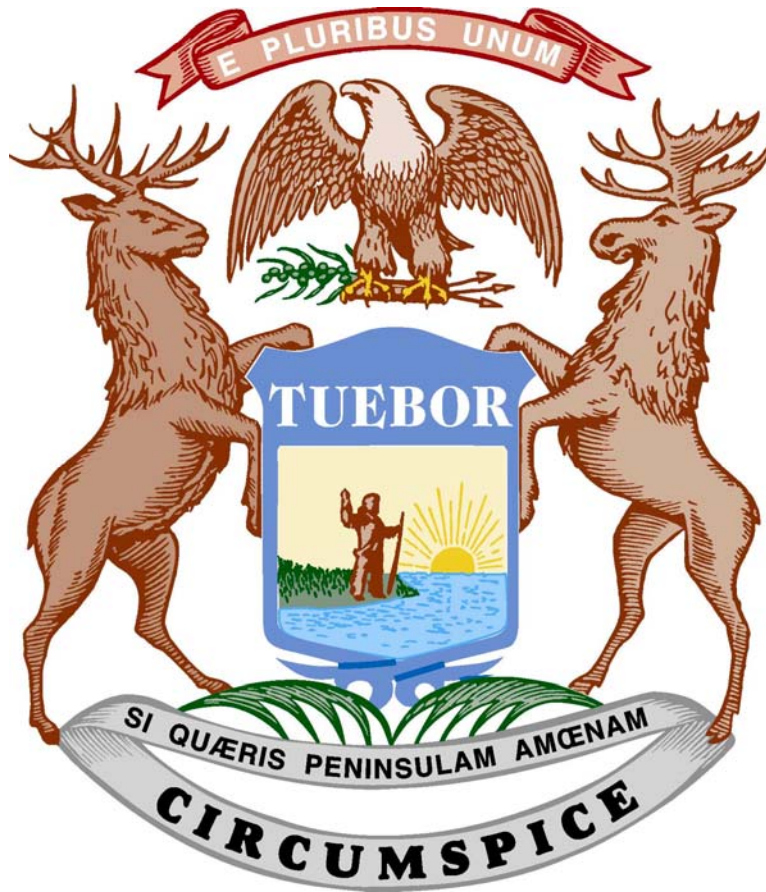


**MICHIGAN'S
INDIVIDUAL INCOME TAX
2001**



**Michigan Department of Treasury
Office of Revenue and Tax Analysis
April 2003**

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I. EXECUTIVE SUMMARY

Returns and Revenue

For tax year 2001, Michigan's personal income tax generated \$5.8 billion in state revenues after all credits and refunds were paid.

Net revenue decreased \$539 million (-8.5 percent) from 2000 levels as a result of the sluggish economy and a declining stock market. Adjusted gross income (AGI) decreased by \$12.8 billion (-5.4 percent) from 2000 to 2001.¹

About 4.5 million returns were filed for the 2001 tax year, or 55,000 fewer filers (-1.7 percent) than the previous year.

Although the personal income tax was levied at a nominal flat rate of 4.2 percent in 2001, the effective tax rate varied from negative 12.1 percent for filers with an AGI under \$2,000 to positive 3.3 percent for taxpayers with an AGI between \$85,000 and \$100,000. The overall effective tax rate was 2.6 percent. The negative effective rates for lower incomes arise because some taxpayers receive net payments from the state, due principally to the refundable credits for property taxes and home heating expenses.

Interstate Comparisons

For fiscal year 2001, Michigan's income tax revenue is below the national average, both as a percentage of personal income and on a per capita basis. Michigan ranks 31st highest and 24th highest, respectively. Compared to the average for the 41 states with a general income tax, Michigan's income tax revenue is 25 percent below average on a per capita basis, and 23 percent below average as a percent of personal income.

Property Tax Credit

About 1.3 million Michigan homeowners, renters, and farmers received \$608 million in property tax credits, including farmland preservation credits, for 2001. The average property tax credit was \$481. Excluding farmland preservation credits, the average property tax credit for tax year 2001 was \$461. The total amount of property tax credits, including farmland preservation credits, increased by almost \$91 million (17.7 percent) with 95,500 more taxpayers benefiting compared to tax year 2000.

¹The AGI above includes returns reporting a negative AGI totaling a negative \$2.3 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.

Senior citizens received about \$246 million in homestead property tax credits, an increase of \$25 million from tax year 2000. For the almost 381,800 senior citizens receiving homestead property tax credits, the average credit was \$643.

Home Heating Credit

Home heating credits totaled \$62 million for tax year 2001 with about 315,000 households qualifying for an average credit of \$195. Home heating credits increased \$2.4 million from 2000 while approximately 2,200 fewer taxpayers claimed the credit.

Prescription Drug Credit

Taxpayers claimed about 28,000 prescription drug credits totaling \$14 million for tax year 2001. This was a \$752,000 decrease from the prior year total with 1,600 fewer taxpayers claiming the credit. The prescription drug credit was repealed for tax years after 2001.

Adoption Credit

Tax year 2001 was the first year this credit became effective. A total of \$840,000 in adoption credit was claimed by 771 taxpayers, resulting in an average credit of \$1,182.

City Income Tax Credit

In 2001, city income tax credits were claimed by almost 1 million taxpayers amounting to \$37 million in total credits. This was a decrease of \$1.6 million from the prior year, with 39,000 fewer taxpayers claiming the credit.

College Contribution Credit

Michigan taxpayers claimed \$24.7 million in credits for contributions to Michigan colleges, libraries, museums, and public broadcasting stations for tax year 2001. This was an increase of \$162,000 over tax year 2000, with 1,400 additional taxpayers claiming this credit.

Community Foundation Credit

For tax year 2001, about 27,000 taxpayers claimed \$2.5 million in community foundation credits. This figure is virtually unchanged from tax year 2000.

Homeless Shelter/Food Bank Credit

About 193,000 taxpayers claimed homeless shelter/food bank credits totaling \$14.8 million for tax year 2001. Compared with tax year 2000, this represented an increase of \$1.1 million with an additional 12,000 taxpayers claiming a credit.

College Tuition Credit

For tax year 2001, 75,000 taxpayers claimed \$8.1 million in tuition credits. Compared with tax year 2000, this was an increase of \$2.5 million with 14,000 additional taxpayers claiming a credit.

Use Tax Payments

Starting in tax year 1999, taxpayers were asked to remit use tax payments along with their personal income tax returns. In 2001, 73,000 taxpayers paid \$2.9 million in use tax, slightly less than the 79,000 taxpayers that paid \$3.0 million in 2000.

Tax Law Changes

Public Acts (PA) 1 through 6 of 1999 reduced the Michigan income tax rate over a period of five years from 4.4 percent to 3.9 percent, beginning in tax year 2000. The tax rate for 2000 was further reduced to 4.2 percent by PA 40 of 2000. The tax rates for 2001 and 2002 were 4.2 and 4.1 percent, respectively. The tax rate for 2003 is 4.0 percent.

Since October 1, 1996, 23 percent of gross collections before refunds have been allocated to the School Aid Fund (SAF). Beginning January 1, 2001, the percentage of gross collections earmarked to the SAF will equal 1.012 percent divided by the income tax rate. The new formula will increase the percentage of income tax revenues allocated to school aid as the income tax rate declines, and ensure that the income tax rate cut reduces General Fund/General Purpose (GF/GP) revenues, but not SAF revenues. The earmarking percent is changed each year as the rate is dropped to ensure that this SAF revenue is not reduced by the income tax rate cuts.

Starting in tax year 2002, resident tribal members from a Michigan federally recognized Indian tribe who entered into agreement with the Michigan Department of Treasury will be allowed to deduct all non-business income earned or received in the tax year (to the extent included in AGI). The deduction is only allowed during the period in which an agreement between the tribe and the Department is effective.

II. INTRODUCTION

This report summarizes information regarding the Michigan individual income tax for tax year 2001. It is based on returns filed and processed in calendar year 2002.

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 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 since the landmark Tax Reform Act of 1986 and how those changes affect Michigan's income tax base. Section X summarizes the Michigan Public Acts since 1999 that amend the Michigan Income Tax Act.

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

III. HISTORY OF THE MICHIGAN INDIVIDUAL INCOME TAX

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

Michigan suffered from budget deficits in the early 1980s due to an economic recession. In response, the state income tax rate was raised to 5.6 percent between April 1 and September 30, 1982. In 1983, the income tax rate was increased to 6.35 percent. In 1984, the income tax rate was lowered to 5.85 percent and to 5.33 percent in 1985. In 1986, the rate was lowered back to 4.6 percent. The rate was lowered to 4.4 percent on May 1, 1994, following the passage of the property tax reform package known as Proposal A. For the 1995 tax year only, the Headlee Amendment Refund reduced the income tax liability of all Michigan taxpayers by 2.0 percent. Effective January 1, 2000, the income tax rate declined to 4.2 percent and remained at that rate throughout 2001. The income tax rate declined by 0.1 percentage point in 2002 and again in 2003, and will decline by 0.1 percentage point in 2004, bringing the rate to 3.9 percent in 2004 and thereafter.

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

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. A degree of progressivity is achieved with exemptions and credits, such as the homestead property tax and home heating credits. These provisions help to make the tax less burdensome on low income taxpayers.

A portion of income tax revenues is earmarked to the SAF with the remainder distributed as GF/GP revenues. Beginning in fiscal year 1996-97, 23 percent of gross income tax collections were statutorily allocated to the SAF with the remainder of net income tax revenue allocated to GF/GP. The percentage of gross income tax collections earmarked to the SAF will change for tax years beginning after 1999 to equal 1.012 percent divided by the income tax rate. For tax years 2000 and 2001, the income tax rate of 4.2 percent resulted in the earmarking percentage rising to approximately 24.1 percent. The lower rate of 4.1 percent in tax year 2002 resulted in an increase of the earmarking percentage to about 24.7 percent.

IV. INCIDENCE OF THE INDIVIDUAL INCOME TAX

The Michigan individual income tax is based on federal AGI with additions (principally interest on obligations issued by other states) and subtractions (including income from U.S. Government bonds, military pay, social security benefits, most pension income, and income attributable to another state). In 2001, a \$2,900 per person personal exemption was allowed, while an extra \$1,900 exemption was provided for senior citizens, filers with certain disabilities, and filers receiving at least 50 percent of their AGI from unemployment compensation. As in 2000, the child exemption was \$600 per child age 18 years and under. Credits were provided for property taxes, city income taxes, taxes paid to another state, home heating expenses, tuition paid to qualified Michigan colleges, qualified expenses made to rehabilitate historic resources, qualified adoption expenses, and contributions to Michigan colleges, community foundations, and food banks. The table below summarizes the major changes in the Michigan individual income tax rate and allowed exemptions for the last 10 years.

Ten-Year History of Michigan Income Tax Rates and Allowed Exemptions

<u>Tax Year</u>	<u>Rate</u>	<u>Personal Exemption</u>	<u>Claimed as Dependent Exemption</u>	<u>Special Exemptions</u>			<u>Child Exemptions</u>		
				<u>Senior</u>	<u>Blind or Disabled **</u>	<u>Deaf **</u>	<u>Unemployment Compensation</u>	<u>Age 6 and Under</u>	<u>Age 7 to 12 *</u>
1992	4.60%	\$2,100	\$1,000	\$900	\$900	\$900	\$900	na	na
1993	4.60%	2,100	1,000	900	900	900	900	na	na
1994	4.47%	2,100	1,000	900	900	900	900	na	na
1995	4.40%	2,400	1,000	900	900	900	900	na	na
1996	4.40%	2,400	1,000	900	900	900	900	na	na
1997	4.40%	2,500	1,000	900	900	900	900	na	na
1998	4.40%	2,800	1,000	900	900	900	900	600	300
1999	4.40%	2,800	1,000	900	900	900	900	600	300
2000	4.20%	2,900	1,500	1,800	1,800	1,800	1,800	600	600
2001	4.20%	2,900	1,500	1,900	1,900	1,900	1,900	600	600
2002	4.10%	3,000	1,500	1,900	1,900	1,900	1,900	600	600

* Starting tax year 2000, includes children ages 7 to 18.

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

For tax year 2001, about 4.5 million MI-1040 returns were filed, 55,530 less than in 2000. An additional 257,703 “credit-only” returns were filed for 2001. These returns claim only a refundable tax credit, such as a property tax, prescription drug, or home heating credit, without filing a MI-1040. For tax year 2001, 2,404 returns claimed only a prescription drug credit, 44,729 returns claimed only a home heating credit, 52,974 claimed only a property tax credit, and 73,546 claimed a combination of the refundable credits.

The personal income tax generated \$5.8 billion in net revenue for tax year 2001, which is total revenue after all credits and refunds are paid. Income tax revenues decreased \$539.3 million (-8.5 percent) from 2000. The decrease in income tax revenues was primarily associated with

the sluggish economy and the sharp decline in capital gains, which led to a reduction of \$12.8 billion in AGI (-5.4 percent) from 2000 to 2001.

Exhibit 1 (see below) presents a historical comparison of income tax rates and revenues. The number of income tax returns and tax revenues both generally increase when the economy expands and decrease during a recession, such as in 1991 and 2001. 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.

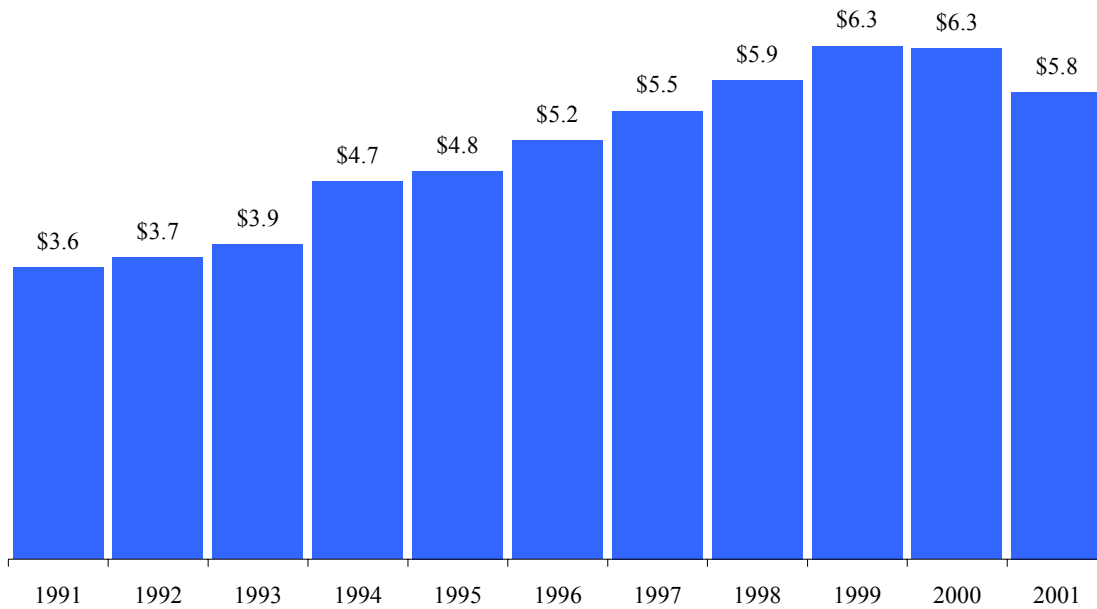
Exhibit 1
Fifteen-Year History of Income Tax Rates and Revenue

<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>
1986	3,729,300	\$96,915,547,900	25,988	4.60%	3.04%	\$2,942,762,400
1987	3,763,900	103,933,417,600	27,613	4.60%	3.01%	3,127,237,800
1988	3,880,300	116,315,971,600	29,976	4.60%	2.95%	3,436,724,700
1989	3,977,900	124,400,414,100	31,273	4.60%	2.88%	3,579,951,000
1990	4,022,300	127,897,387,600	31,797	4.60%	2.85%	3,647,260,200
1991	4,011,600	131,533,587,500	32,788	4.60%	2.74%	3,607,799,000
1992	3,984,600	134,802,283,400	33,831	4.60%	2.77%	3,730,007,100
1993	4,034,000	141,599,188,400	35,101	4.60%	2.75%	3,888,847,900
1994	4,123,200	153,895,394,200	37,324	4.47%	3.03%	4,668,579,100
1995	4,214,300	167,307,933,535	39,700	4.40%	2.87%	4,794,937,300
1996	4,260,200	180,087,338,060	42,272	4.40%	2.88%	5,177,919,400
1997	4,308,575	190,806,002,405	44,285	4.40%	2.90%	5,540,653,500
1998	4,350,006	205,229,640,000	47,179	4.40%	2.88%	5,919,624,100
1999	4,414,720	222,092,788,315	50,307	4.40%	2.86%	6,343,222,500
2000	4,511,561	235,714,626,207	52,247	4.20%	2.68%	6,313,315,900
2001	4,456,031	222,960,889,578	50,036	4.20%	2.59%	5,774,007,800

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

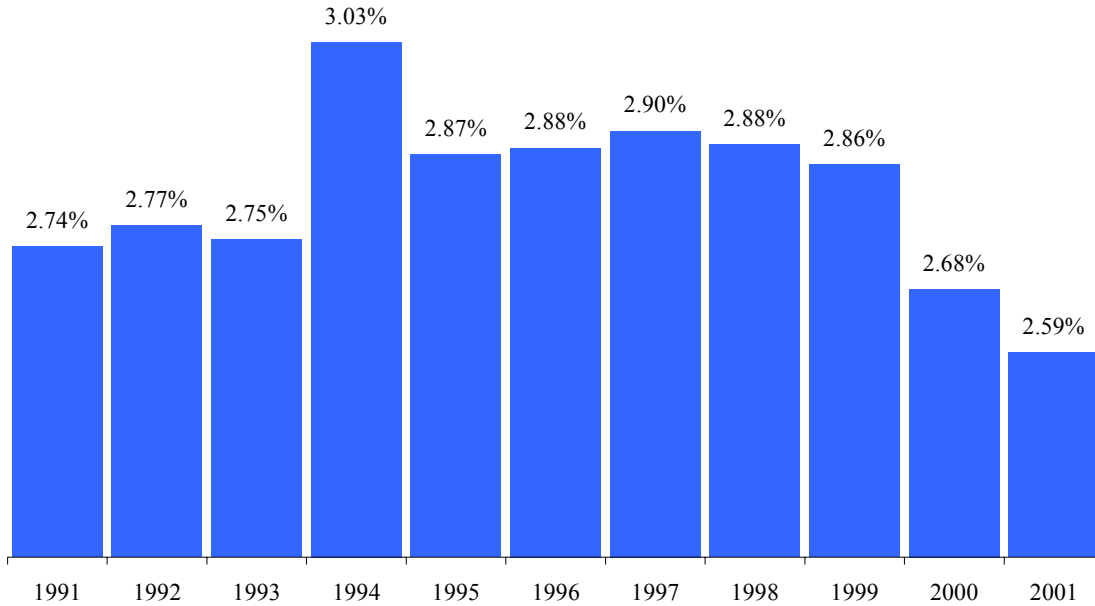
Even though the nominal personal income tax was levied at a flat 4.2 percent in 2001, exemptions and credits helped to lessen the relative burden on taxpayers with lower AGIs. As shown in Exhibits 4, 10 and 11 (see pages 14, 35 and 36, respectively), the effective tax rate varied from negative 12.1 percent for taxpayers in the \$0 - \$2,000 AGI group, to positive 3.3 percent for taxpayers with an AGI between \$85,000 and \$100,000. The effective rate for taxpayers with an AGI above \$100,000 was 2.8 percent, lower than the peak of 3.3 percent. The reason for this lower rate is because the above \$100,000 AGI group includes a disproportionate large amount of non-residents with relatively low Michigan income to their total AGI, affording them large subtractions, and consequent lower taxable income and effective rate. Overall, the effective tax rate was 2.6 percent rather than the nominal rate of 4.2 percent. Taxpayers with AGIs of less than \$10,000 on average received net payments from the state, mostly due to the refundable credits for property taxes and home heating expenses. The effective rates in Exhibits 10 and 11 were calculated before the deduction of the farmland credit and the prescription drug credit, because the distribution of these credits by AGI is not available. In 2001, farmland credits totaled \$30.3 million and prescription drug credits totaled \$14.1 million. Subtracting these credits reduces the effective rate by a marginal amount. Exhibits 2 and 3 (below) report net revenue collections and average effective rates, respectively.

Exhibit 2
Annual Collections from Individual Income Tax
(billions of dollars)



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

Exhibit 3
Individual Income Tax
Effective Tax Rate



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

The average effective tax rate in 2001 decreased to 2.59 percent, compared to an average of 2.88 percent calculated for the 1995-1999 period, when the tax rate was 4.4 percent. Over the 1991-2001 period, the highest average effective rate was 3.03 percent in 1994, and the lowest average was 2.59 percent in 2001. The high average in 1994 results from the dramatic decline in homestead property tax credits, since property taxes across the state fell as a result of Proposal A². The low average rate in 2001 results from a combination of lower tax rate, increased and expanded credits and deductions, and more taxpayers qualifying to bigger credits as their AGI declined.

Exhibit 12 (see page 37) details the effects of the personal exemption, various adjustments, and credits on the distribution of the Michigan income tax burden. The personal exemption and property tax credit were the major provisions that reduced the effective tax rate. In addition, the personal exemption, property tax credit, and home heating credit make Michigan's income tax more progressive, since these provisions decline as a percentage of AGI as income increases. The nonrefundable credits, which include the city income tax, college tuition, and college contribution credits, have a more proportional effect on income. Exhibit 4 (see page 14) reveals the influence of the various exemptions and credits on the effective tax rate and illustrates the data in Exhibit 12 (see page 37). As a percentage of income, the \$2,900 personal exemption and

² For more information on the impact of Proposal A, see Office of Revenue and Tax Analysis, *Proposal A: A Retrospective*, December 2002, at www.michigan.gov/treasury.

property tax credit benefit lower income taxpayers the most, while reducing the effective tax rate for all taxpayers.

Michigan taxpayers claimed almost 8.8 million personal exemptions for 2001. 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 10 (see page 35), there were an estimated 8.4 million effective personal exemptions, i.e., exemptions that actually offset income. The effective exemptions for 2001 were calculated assuming all personal exemptions, special exemptions, and all child deductions were equally likely to offset taxable income. In years prior to 1999, the value of the special exemptions was included in the calculation of the number of effective personal exemptions, resulting in a higher estimate than the 2001 total.

Michigan taxpayers claimed 989,195 special exemptions for tax year 2001. About 88.9 percent of the special exemptions were claimed by senior citizens. Michigan families also claimed 2.5 million deductions for children age 18 and under. Exhibits 13 and 14 (see pages 38 and 39) present distributions of all the exemptions claimed for tax year 2001 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 10 (see page 35) by the number of claimed exemptions, and then multiplying that quotient by the number of exemptions/deductions in Exhibit 14 (see page 39). 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 420,548 by 459,044 and then multiplying the result (0.9161) by 120,852. The result is an estimate of 110,717 effective deductions.

Married taxpayers filing jointly pay 73 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. The following table summarizes the distribution of Michigan returns and net tax liability by filing status. Note that the total tax liability does not include refundable income tax credits claimed by individuals not required to file a Michigan income tax return.

2001 Income Tax Return Distribution by Filing Status

<u>Filing Status</u>	<u>Number of Returns</u>	<u>Adjusted Gross Income</u>	<u>Total Tax Liability</u>
Single	2,580,225	\$66,077,184,035	\$1,504,751,198
Married filing jointly	1,816,275	153,661,737,453	4,258,997,850
Married filing separately	<u>59,532</u>	<u>3,221,968,091</u>	<u>70,741,973</u>
Totals	4,456,031	\$222,960,889,578	\$5,834,491,021

The Michigan income tax is paid almost exclusively by Michigan residents. Non- or part-year residents pay less than 3 percent of the income tax. The table below summarizes the distribution of Michigan returns and net tax liability by residency. While nonresidents report \$19.7 billion in AGI, they claim subtractions totaling \$18.3 billion, mostly for income not taxable in Michigan.

2001 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	4,301,886	\$198,272,556,385	\$5,673,721,790
Part-year resident	84,884	4,970,536,064	85,574,436
Nonresident	<u>69,261</u>	<u>19,717,797,129</u>	<u>75,194,795</u>
Totals	4,456,031	\$222,960,889,578	\$5,834,491,021

Exhibit 26 (see page 53) presents estimates of the growth of Michigan personal income from 2000 to 2001. The U.S. Bureau of Economic Analysis prepared these estimates. While personal income grew 1.3 percent overall, the strongest growth was in transfer payments (11.1 percent), followed by growth in dividends, interest, and rent income (2.7 percent), and in the adjustment for residence (2.6 percent). Wage and salary disbursements decreased 1.3 percent.

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. For tax year 2001, 37.2 percent of Michigan taxpayers itemized deductions on their federal income tax returns.³ 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 2001, 94.6 percent of Michigan taxpayers reporting an AGI of \$100,000 or more itemized their deductions, while 43.1 percent of taxpayers with an AGI between \$20,000 and \$75,000 itemized. While providing relief for some taxpayers, federal deductibility reduces the progressivity of the Michigan income tax.

³Information on itemized deductions was obtained from the Internal Revenue Service, Individual Tax Statistics on State Income (April 2003 Michigan, Individual Income and Tax Data, by State and Size of Adjusted Gross Income, Tax year 2001. Expanded Unpublished Version). It includes tax year 2000 returns that were filed after December 31, 2001, for those taxpayers who were granted an additional extension of time to file because of the events of September 11, 2001.

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

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

A simple calculation will hopefully clarify the concept of elasticity. In Exhibit 1 (see page 7), net income tax revenues increased by 7.16 percent from 1998 to 1999 while total AGI increased by 8.22 percent over the same period. This resulted in an elasticity estimate of 0.871 (7.16 divided by 8.22). This means that a 10 percent increase/decrease in income will, on average, increase/decrease tax revenues by 8.71 percent. However, this method of calculating income elasticity is not suitable when changes on other important variables that also affect tax revenues are also present. For example, the Michigan individual income tax rate changed in 2000, as well as many exemptions increased in 2000 and in 2001. If we were to calculate income elasticity using 2000 data, the reported changes of net income tax revenues (-0.47 percent) and of AGI (6.13 percent) would result in a calculated elasticity of -0.077. This would suggest that a 10 percent increase/decrease in income will result, on average, on tax revenues declining/increasing 0.7 percent. The problem with this result is that the drop in tax revenue due to the decrease in the tax rate and to the increase in exemptions cannot be accounted for using the simple calculation method. On the other hand, if we were using 2001 data, the average method would result in a calculated income elasticity of 1.69 (net income tax revenue change of -9.15 percent, divided by an AGI change of -5.41 percent). The result suggests that a 10 percent increase/decrease in income will result, on average, in tax revenues increasing/decreasing 16.9 percent. However, the strong responsiveness of tax revenues to income suggested by the elasticity estimate is mainly attributed the fact that the simple calculation method does not properly account for the large drop in capital gains, which were concentrated among taxpayers with high marginal rates. Thus, another method of estimating elasticity is recommended.

Regression analysis provides a more thorough method of estimating the income elasticity of net income tax revenues. It allows the investigator to isolate the effect of changes in income on tax revenues by controlling other variables that influence tax collections, such as changes in the personal exemption or tax rate. Regression analysis of Michigan income tax collections from the fourth quarter of 1978 through the fourth quarter of 2001 results in an estimated elasticity of 0.967. This is based on net quarterly income tax collections and quarterly personal income as reported by the Bureau of Economic Analysis. Although the Michigan income tax is based on

federal AGI, quarterly personal income is the best available proxy given that AGI is not available on a quarterly basis.

One problem with using personal income as a proxy for AGI is that the Bureau of Economic Analysis excludes capital gains from its estimates. Using personal income with this omission will tend to increase the elasticity estimate, because while tax revenues are fully included the absolute value of the growth rate of income will be understated. Capital gains tend to be more volatile than other income sources (e.g., wages, interest, and pensions) so their exclusion will make the growth of the personal income variable lower than the growth AGI in good times and higher in bad times. Therefore, it may be argued that the “true” elasticity is less than 0.967 and that the Michigan income tax is even less elastic than estimated above. A new estimate was obtained by adding quarterly estimated annual capital gains realizations to quarterly personal income. The regression equations were then re-estimated using the new income measure. The new estimates are slightly lower (0.940), consistent with the hypothesis that using personal income overstates the true elasticity.

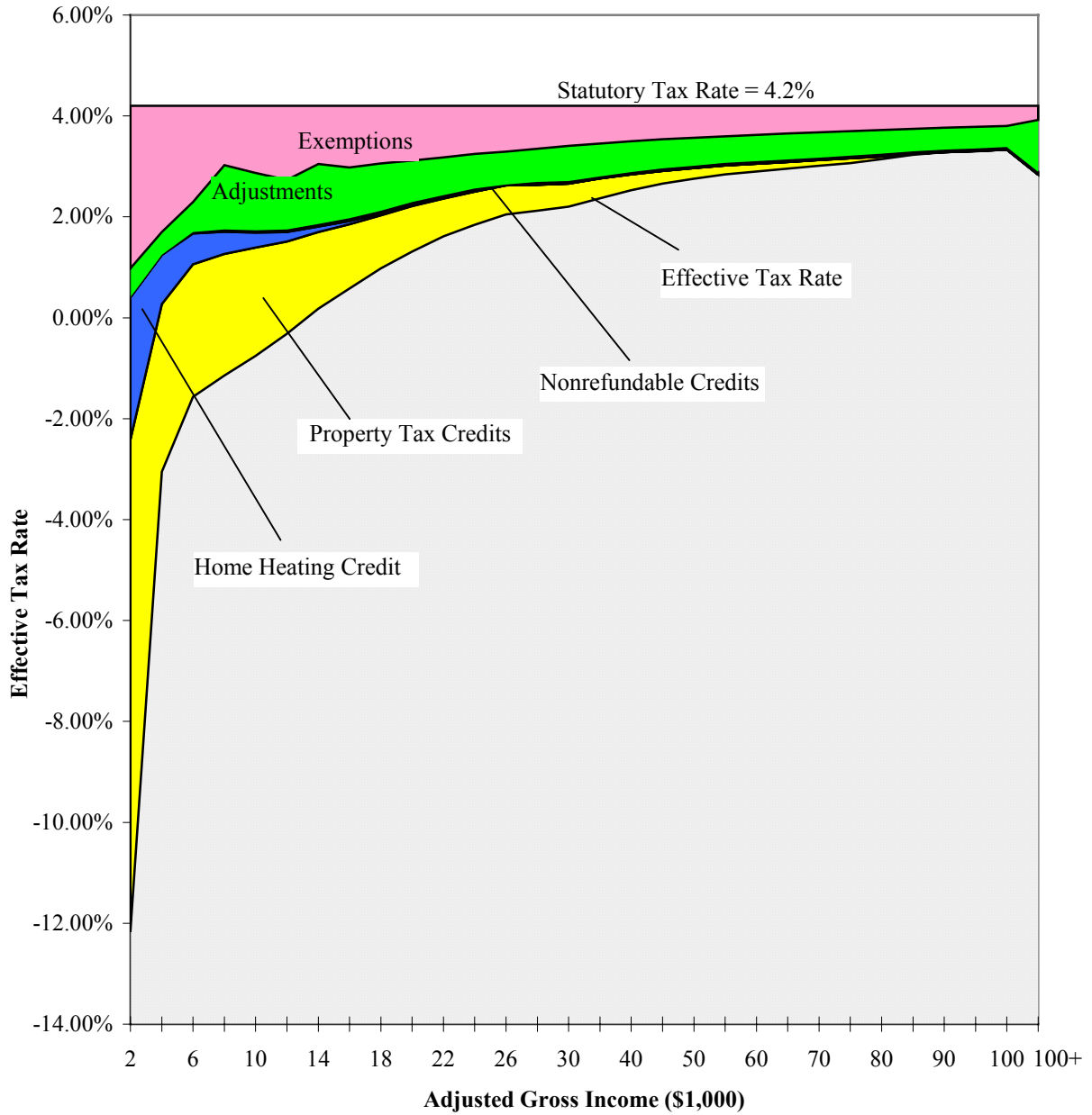
Use Tax Payments

A taxpayer owes use tax when he or she purchases 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 while traveling in other states, or foreign countries. In those cases, a compliant Michigan taxpayer 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-state⁴ retailer who does not collect Michigan tax.

Starting in tax year 1999, Michigan taxpayers were able to remit use tax payments while filing their income tax return, instead of filing numerous use tax forms. This alternative simplifies the tax compliance process for the taxpayer. In tax year 2001, 72,913 taxpayers remitted \$2,877,459 in use tax.

⁴An 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.

**Exhibit 4
Effective Income Tax Rates, 2001**



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

V. INCOME TAX CREDITS

For tax year 2001, Michigan's personal income tax offered a total of 12 different credits to taxpayers: five refundable credits (homestead property tax, farmland preservation property tax, home heating credit, the prescription drug credit, and the adoption credit), and seven nonrefundable credits (city income tax credit, college contribution credit, community foundation credit, homeless shelter/food bank credit, college tuition and fees credit, other state income tax credit, and the Michigan historic preservation credit).

REFUNDABLE CREDITS

Homestead Property Tax Credit

Michigan's property tax credit is designed to provide property tax relief through the income tax. When property taxes exceed specific income thresholds, the credit provides relief to taxpayers. In tax year 2001, 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.

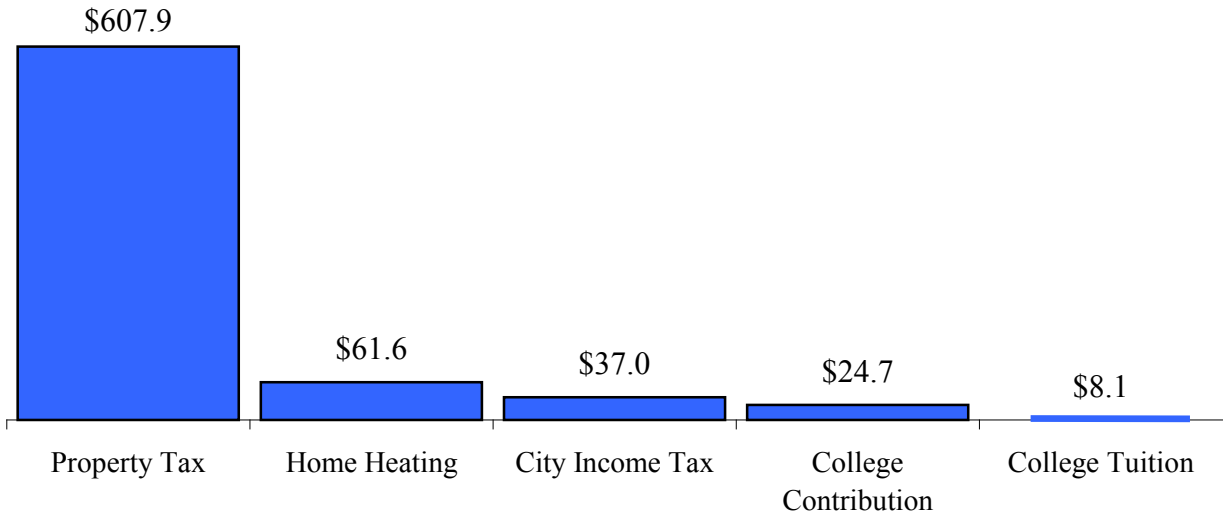
Most homeowners and renters receive credits equal to 60 percent of the amount by which homestead property taxes (or 20 percent of rent for renters) are greater than 3.5 percent of income. Senior citizens, paraplegic, hemiplegic, quadriplegic, totally and permanently disabled, deaf, or blind filers receive a credit for 100 percent of their property taxes above the following percentages of income:⁵

<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%

⁵Public Act 41 of 2000 increased the Homestead Property Tax Credit for taxpayers who are deaf, blind, or totally and permanently disabled. Prior to tax year 2001, 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.

About 1.3 million Michigan taxpayers received \$577.7 million of homestead property tax credits and \$30.3 million in farmland preservation property tax credits in tax year 2001. Michigan's property tax credit program is one of the largest property tax relief programs in the country. The \$607.9 million in total 2001 property tax credits represented an increase of \$91.3 million (17.7 percent) from the prior year, while 95,500 additional taxpayers received assistance. Senior citizens received \$245.7 million of the credits, a \$25.5 million increase from 2000. Exhibit 5 illustrates the amount of money paid to taxpayers for property tax credits compared to other credits.

Exhibit 5
2001 Individual Income Tax Credits
(billions of dollars)



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

The average 2001 homestead property tax credit was \$460.68 (excluding the farmland credit), a \$31.91 increase from the tax year 2000 average. Senior citizens' credits averaged \$643.45, a \$39.08 increase from 2000. Following is a summary of the number of credits received by taxpayers, according to AGI levels.

**2001 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	387,108	\$204,846,322	\$529.17
\$10,001 - \$20,000	296,247	135,271,675	456.62
\$20,001 - \$50,000	432,369	176,123,409	407.35
Over \$50,000	<u>138,222</u>	<u>61,428,948</u>	<u>444.42</u>
Total	1,253,946	\$577,670,354	\$460.68

The table above and Exhibit 12 (see page 37) 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 4.8 percent of total AGI, taxpayers with incomes between \$10,001 and \$20,000 received 23.4 percent of the total homestead credits. On the other hand, taxpayers with AGIs over \$50,000 accounted for 73.7 percent of total 2001 Michigan AGI, but received only 10.6 percent of total homestead credits. Exhibits 15, and 17 through 19 (see pages 40, and 42 through 44) provide the distribution of property tax credits by income groups.

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 about 9,500 farms in 2001, providing credits of \$30.3 million for an average credit of \$3,171. Including the farmland preservation credit, the average property tax credit was \$481.15 in tax year 2001. For 8,200 farmers claiming both a farmland credit and homestead property tax credit, the combined credits averaged over 82 percent of total property taxes paid; property taxes totaled \$39.8 million, farmland credits totaled \$24.3 million, and homestead credits totaled \$8.5 million.

PA 269 of 1982 provides a special tax credit for senior citizens with high rent burdens. This additional credit is the amount by which rent paid exceeds 40 percent of household income. For 2001, 10,300 senior citizens claimed an additional \$3.6 million using this alternate calculation. These amounts represent a decrease of \$155,600 from 2000 with 300 fewer people receiving the additional credit. The amount of this credit is included in the senior citizens' homestead property tax credit statistics, but shown separately in Exhibit 16 (see page 41).

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 on the number of exemptions for which the household is eligible. Senior citizens as well as individuals who are disabled, deaf, blind, or have received unemployment compensation greater than 50 percent of their AGI are entitled to extra exemptions.

Home heating credits totaled \$61.6 million for tax year 2001 with 315,277 households qualifying. This represented a \$2.4 million increase over the previous year, with 2,244 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 \$12.5 million of the \$61.6 million in home heating credits claimed for tax year 2001. Exhibit 20 (see page 45) provides information on the distribution of the home heating credit by household income.

2001 Home Heating Credits

	<u>Number of Credits Allowed</u>	<u>Dollar Amount of Credit</u>	<u>Average Credit</u>
Senior Citizens	77,501	\$12,563,578	\$162.11
General	213,235	44,512,143	208.75
Disabled	23,850	4,431,730	185.82
Veteran	641	99,190	154.74
Total	315,227	\$61,606,641	\$195.44

A total of 27,491 taxpayers used the alternative calculation based on energy consumption claiming credits worth \$11.0 million. The average credit under the standard calculation was \$175.12 compared to \$398.76 under the alternative calculation.

Prescription Drug Credit

The prescription drug credit was established to help low income senior citizens pay for medication prescribed by their doctors. The credit is calculated by subtracting 5 percent of household income from non-reimbursed prescription costs. The maximum credit is \$600 per senior or \$1,200 for a joint return with two seniors. State law limits the total amount for all prescription drug credits and grants under a pharmaceutical assistance program to \$20 million. If the total credits claimed is more than the \$20 million limit, then all credits are reduced proportionally. For tax year 2001, 27,448 taxpayers claimed \$14.1 million in prescription drug credits. This was a decrease of 1,634 returns totaling \$751,718 less in credits paid from tax year 2000.

Starting in tax year 2002, this credit is repealed. Taxpayers that used to qualify for this credit may qualify to participate in the Elder Prescription Insurance Coverage (EPIC) program enacted by PA 499 of 2000.

The EPIC program defrays the cost of prescription drugs for elderly Michigan residents who are not institutionalized and not medicaid recipients and have a household income up to 200 percent of the federal poverty guidelines. The program is administered by the Department of Community Health.

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 exceeded the amount of the federal adoption credit or \$1,200 per child, whichever is less. Qualified adoption expenses refer to those expenses eligible for the federal credit. In 2001, 771 taxpayers claimed a credit of \$840,000 resulting in an average credit of \$1,182.31 per taxpayer.

NON-REFUNDABLE CREDITS

City Income Tax Credit

Partial credit is allowed for taxpayers who paid income taxes to Michigan cities. In 2001, 22 cities in Michigan levied an income tax: Albion, Battle Creek, Big Rapids, Detroit, Flint, Grand Rapids, Grayling, Hamtramck, Highland Park, Hudson, Ionia, Jackson, Lansing, Lapeer, Muskegon, Muskegon Heights, Pontiac, Port Huron, Portland, Saginaw, Springfield, and Walker. Most of these cities levy the tax at 1.0 percent for city residents and 0.5 percent for nonresidents.

The credit is based on the amount of tax paid less any refunds received during the tax year. The credit converts the flat rate tax into a more progressive tax structure. The credit is calculated as follows:

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

City income tax credits amounted to \$37.0 million for tax year 2001 (see Exhibit 15 on page 40), a \$1.6 million decrease from 2000, while the number of claimants decreased by 39,301. The following table 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.

2001 City Income Tax Credits

	<u>Adjusted Gross Income</u>	<u>Number of Credits Allowed</u>	<u>Dollar Amount of Credit</u>	<u>Average Credit</u>
Under	\$10,000	136,185	\$1,684,709	\$12.37
	\$10,001 - \$20,000	147,530	3,436,841	23.30
	\$20,001 - \$50,000	334,561	12,059,783	36.05
Over	\$50,000	<u>378,170</u>	<u>19,770,159</u>	<u>52.28</u>
Totals		996,446	\$36,951,491	\$37.08

College 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 2001, 285,698 taxpayers received \$24.7 million in credits (see Exhibit 15 on page 40). Credits increased by \$162,113 from the prior year when 284,300 taxpayers received \$24.6 million in credits.

Community Foundation Credit

The community foundation credit, implemented in tax year 1989, is a partial credit for donations to certified community foundations. The credit is equal to 50 percent of the donation up to a maximum of \$200 for a joint return (\$100 on a single return). For tax year 2001, 26,927 taxpayers claimed \$2.5 million in community foundation credits. This was a slight decrease of 60 taxpayers, but an increase of \$4,736 in credits from 2000.

Homeless Shelter/Food Bank Credit

The homeless shelter/food bank credit provides a partial credit for cash donations to a qualifying homeless shelter, food bank, or food kitchen whose primary purpose is to provide accommodations or food to indigent persons. The credit is equal to 50 percent of the donation up to a maximum of \$200 for a joint return (\$100 on a single return). For tax year 2001, 192,793 taxpayers claimed \$14.8 million in food bank credits. This represented an increase of 12,434 taxpayers and \$1.1 million in credits claimed over the previous tax year.

College Tuition and Fees Credit

Created by Public Act 7 of 1996, the college tuition and fees credit allows 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. For tax year 2001, 74,576 taxpayers claimed the credit, 14,169 more than in 2000. The \$8.1 million in credits for 2001 represented an increase of \$2.5 million from tax year 2000. In order to qualify for tax year 2001, institutions had to limit tuition and fee increases for the 2001-2002 academic year to 3.4 percent over the 2000-2001 academic year. Five private colleges, 22 community colleges, and 1 state university qualified for tax year 2001. In contrast, 4 private colleges, 17 community colleges, and 1 state university qualified for the credit in tax year 2000.

Other Credits

In tax year 2001, 42,169 taxpayers received a total of \$31.3 million credit for income tax paid to another state, resulting in an average credit of \$742.47. This credit is designed so that taxpayers are not taxed twice (in two states) for the same income.

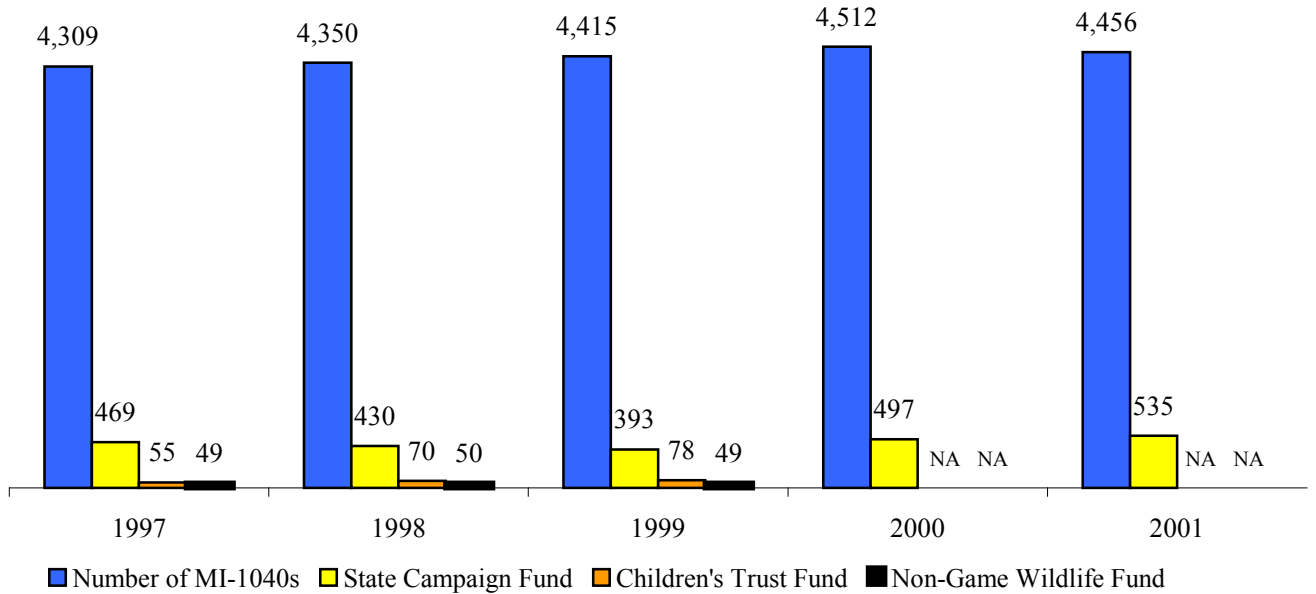
The Michigan historic preservation credit provides tax incentives for homeowners, commercial property owners and businesses to rehabilitate historic commercial and residential resources located in the state of Michigan. The credit was created by Public Act 534 and 535 of 1999, and is equal to 25 percent of the qualified expenditures. In tax year 2001, 186 taxpayers claimed a total of \$338,771 in historic preservation credits.

VI. DESIGNATED CONTRIBUTIONS

For the 2001 tax year, taxpayers were able to designate \$3.00 of their tax liability for the State Campaign Fund, which supports state gubernatorial campaigns. For 2001, 534,955 taxpayers contributed \$1.2 million to the State Campaign Fund (see Exhibit 6 below). On average, there was one designation for every 8 returns.

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

Exhibit 6
Returns Designating Contributions
(thousands)



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

VII. INTERSTATE COMPARISONS

In 2001, 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 two other states (Rhode Island and Vermont) taxed a certain percentage of the taxpayer's federal income tax liability. The remaining 33 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 7 (see page 24). Exhibits 8 and 9 (see page 25) compare Michigan's income tax to that of other states in the Great Lakes region.

In fiscal year 2001, Michigan ranked 31st highest in state income taxes as a percent of personal income with Oregon ranking first. Michigan's income tax, as a percent of personal income at 2.29 percent, was 0.13 of a percentage point below the U.S. average, and 0.67 of a percentage point below the average of the 41 states with a general income tax. This was the second consecutive annual decline of Michigan individual income taxes as a percent of personal income since 1999, when they were 2.70 percent. The above calculations use estimates of quarterly state personal income, released by the U.S. Bureau of Economic Analysis in January 24, 2003, 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 includes the tax on realized gains, and capital gains are not uniformly distributed among states, the calculated ratios are skewed.

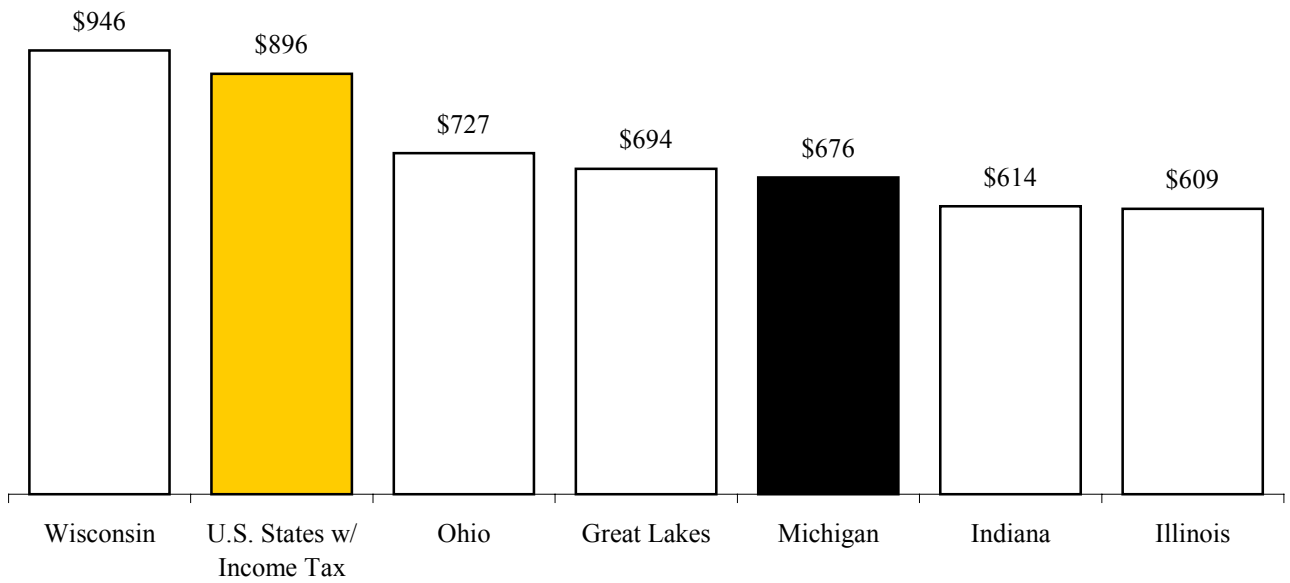
Michigan ranked 24th highest in income taxes per person with Massachusetts ranking first overall. Consistent economic growth and inflation from 1994 through 2000 have resulted in increased income tax collections on a per capita basis. Over the preceding six years, when the tax rate was 4.4 percent, collections per person have risen from \$585 in fiscal year 1994 to \$750 in fiscal year 1999. In fiscal years 2000 and 2001, when the Michigan income tax rate was reduced to 4.2 percent, collections per person were \$723 and \$676, respectively. National average income tax collections per person were \$728, and for the 41 states with an income tax, average income tax collections per person were \$896. (For income tax rates from 1968 to present, see Exhibit 23 on page 50.) Over the FY 1994 - 2001 period, the income tax burden in Michigan has been declining relative to that in other states. In fiscal year 1994, Michigan ranked 11th highest in per capita income taxes and 14th highest in income taxes as a percent of personal income. For fiscal year 2001, Michigan ranked 24th and 31st, respectively.

Exhibit 7
State Individual Income Taxes for FY 2001
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	\$471	36	1.93%	35
Alaska	No Tax	N/A	No Tax	N/A
Arizona	434	38	1.71%	38
Arkansas	581	32	2.58%	23
California	1,289	4	3.96%	3
Colorado	879	14	2.64%	20
Connecticut	1,300	3	3.09%	13
Delaware	904	11	2.83%	16
Florida	No Tax	N/A	No Tax	N/A
Georgia	809	17	2.91%	15
Hawaii	888	13	3.15%	11
Idaho	768	19	3.22%	9
Illinois	609	31	1.87%	37
Indiana	614	29	2.25%	32
Iowa	643	28	2.39%	30
Kansas	732	21	2.62%	21
Kentucky	647	27	2.65%	19
Louisiana	390	39	1.64%	40
Maine	897	12	3.44%	6
Maryland	866	16	2.54%	25
Massachusetts	1,541	1	4.00%	2
Michigan	676	24	2.29%	31
Minnesota	1,177	6	3.63%	5
Mississippi	360	40	1.69%	39
Missouri	673	25	2.43%	29
Montana	611	30	2.62%	22
Nebraska	710	23	2.52%	26
Nevada	No Tax	N/A	No Tax	N/A
New Hampshire	60	42	0.18%	42
New Jersey	930	9	2.46%	28
New Mexico	447	37	2.02%	34
New York	1,380	2	3.91%	4
North Carolina	905	10	3.37%	7
North Dakota	337	41	1.31%	41
Ohio	727	22	2.56%	24
Oklahoma	652	26	2.67%	18
Oregon	1,245	5	4.51%	1
Pennsylvania	580	33	1.92%	36
Rhode Island	868	15	2.95%	14
South Carolina	518	35	2.13%	33
South Dakota	No Tax	N/A	No Tax	N/A
Tennessee	34	43	0.13%	43
Texas	No Tax	N/A	No Tax	N/A
Utah	736	20	3.16%	10
Vermont	784	18	2.82%	17
Virginia	991	7	3.15%	12
Washington	No Tax	N/A	No Tax	N/A
West Virginia	566	34	2.52%	27
Wisconsin	946	8	3.30%	8
Wyoming	No Tax	N/A	No Tax	N/A
U.S. Average	\$728		2.42%	
U.S. Average for States With a General Income Tax	\$896		2.96%	

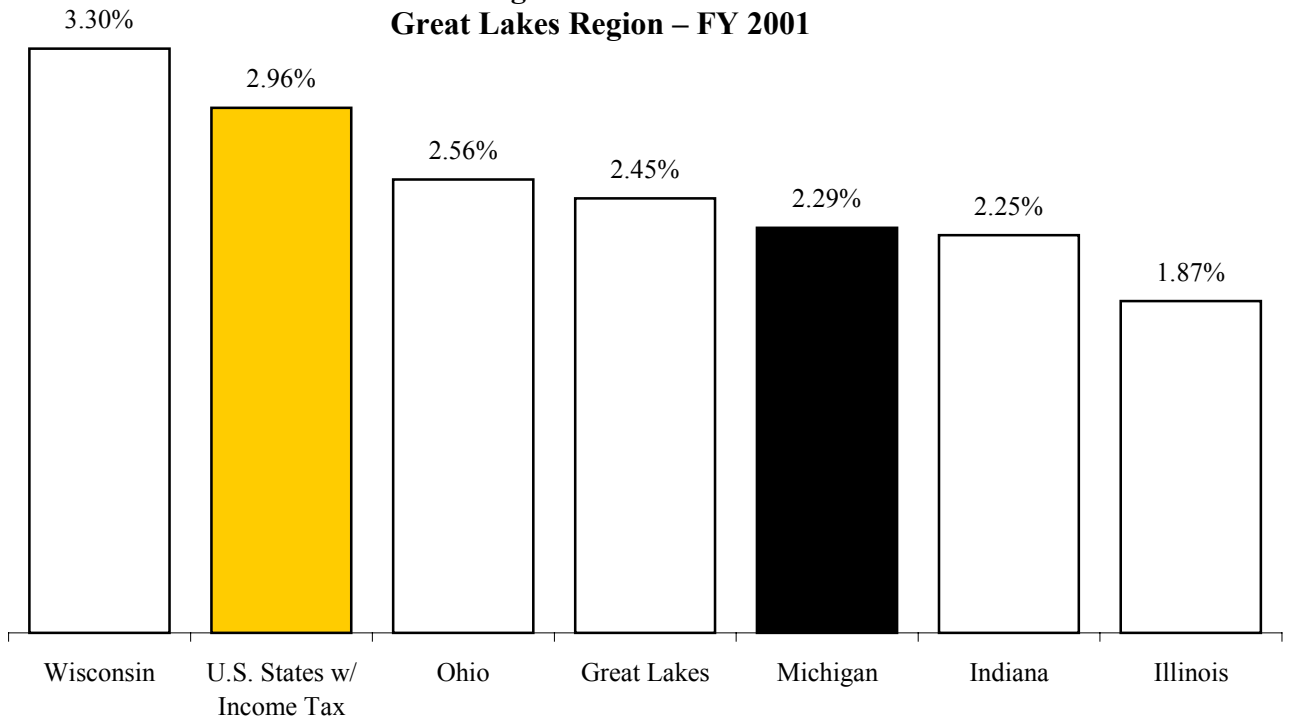
Sources: Census Bureau and Bureau of Economic Analysis, U.S. Department of Commerce.

**Exhibit 8
State Income Taxes Per Person
Great Lakes Region - FY 2001**



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

**Exhibit 9
State Income Taxes
Percentage of Personal Income
Great Lakes Region - FY 2001**



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

VIII. GEOGRAPHIC PATTERN OF TAX AND CREDITS

Exhibit 21 (see page 46) reports the distribution of income tax collections and property tax and home heating credits. Since farms receive special treatment for the homestead property tax credit and the separate farmland credit, rural counties benefit substantially from these programs.

Exhibit 22 (see page 48) 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 22 is provided below.

Exhibits 24 and 25 (see pages 51 and 52) 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	\$50,036	\$68,491 OAKLAND	\$27,263 OSCODA
Average Income Tax Before Credits	\$1,476	\$2,395 OAKLAND	\$677 OSCODA
Average Income Tax After Credits	\$1,296	\$2,169 OAKLAND	\$453 HURON
Income Tax Credits as a Percent of Tax Before Credits	12.2%	48.4% HURON	6.8% LIVINGSTON
Ratio of Property Tax Credits to 1040s Filed	28.2%	37.3% WAYNE	11.1% LUCE
Average Property Tax Credit	\$483	\$1,139 HURON	\$232 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 in the 1990s have 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 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 personal exemption was increased from \$1,500 in 1986 to \$1,600 in 1987, \$1,800 in 1988, \$2,000 in 1989, and \$2,100 in 1990. The special exemptions for senior citizens, blind persons, and those taxpayers with 50 percent or more of their AGI attributable to unemployment compensation were also created.

Summary of Federal Tax Law Changes

Significant federal tax law changes affecting Michigan's tax base are discussed below. The changes are grouped based on when they first became effective.

1987

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

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

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

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

1994

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

1995

AGI could now be reduced by 30 percent of the amount paid for health insurance by the self-employed. Separate legislation later increased the deductible percentage to 40 percent for tax year 1997, 45 percent for 1998, and 60 percent for tax year 2000. For tax years after 2002, all health insurance premiums for the self-employed will be deductible.

1996

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

1997

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

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

1998

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

Education IRAs' only impact on Michigan income tax revenues will be that the investment earnings on these particular savings arrangements may be tax exempt. Eventually the tax exemption will reduce income tax revenues somewhat, but the short-term impact will be insignificant. While Roth IRAs also allow investment earnings to accumulate tax-exempt, they resulted in an immediate, short-term increase in Michigan income tax collections. Taxpayers eligible to contribute to a Roth IRA are also allowed to convert a traditional IRA into a Roth IRA. The amount converted is generally included in the taxpayer's AGI in the year of conversion. A provision in the initial legislation, however, allowed taxpayers to spread the conversion amount over four years, from 1998 through 2001. This provision was only available in 1998, and it resulted in a large number of conversions. The increase in AGI from these conversions resulted in a one-time, four-year increase in Michigan income tax revenues. However, for taxpayers meeting the distribution rules described above, withdrawals from Roth IRAs will be free from further income taxes.

New legislation effective in 1998 also increased the deductibility of contributions to traditional IRAs. The income limits for making deductible contributions when the taxpayer participates in an employer-sponsored retirement plan were increased. These limits will continue to increase each year up to \$50,000 for singles and \$80,000 for married couples for tax years beginning after 2006. Full deductions were also allowed for taxpayers with AGIs below \$150,000 whose

spouses participate in an employer-sponsored retirement plan. Taxpayers who do not participate themselves nor have a spouse participating in an employer-sponsored retirement plan have been allowed a full IRA deduction since the inception of these arrangements.

A new adjustment to income allowed taxpayers to subtract a percentage of the interest they pay on student loans. For tax year 1998, the deduction was limited to \$1,000. The limit increased to \$1,500 in 1999 and will increase to \$2,500 in 2001.

2000

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

2002

Starting in tax year 2002, the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) increased the maximum annual contribution limits for education IRAs, traditional and Roth IRAs, annual elective deferrals for qualified retirement plans, the AGI phase-out ranges for eligibility for the student loan interest deduction, and provided a deduction for qualified higher education expenses. To the extent that those changes increased, or made more taxpayers eligible for existing federal deductions, they generally decrease federal AGI, which is the base for the Michigan personal income tax.

Under the EGTRRA, the maximum annual contribution for education IRAs increases from \$500 to \$2,000 per beneficiary in tax year 2002. The maximum annual contribution limits to IRAs (both traditional and Roth) increased from \$2,000 to \$3,000 in 2002 through 2004, \$4,000 in 2005 through 2007, up to \$5,000 in 2008, when the limit is adjusted for inflation for tax years thereafter. Individuals who are age 50 or older are also allowed to make additional “catch-up contributions” to an IRA. The dollar limit on annual elective deferrals under 401(k) plans, 403(b) annuities and 408(k) salary reduction simplified employee pensions (SEP) increases to \$11,000 in 2002, with \$1,000 annual increments until the limits reach \$15,000 in 2006 (limit indexed for inflation in \$500 increments for tax years thereafter). Starting in tax year 2002, the AGI phase-out ranges for eligibility for the student loan interest deduction increases to \$50,000 through \$65,000 for single taxpayers and to \$100,000 through \$130,000 for married taxpayers filing joint returns. A deduction of up to \$3,000 for qualified higher education expenses becomes effective in tax year 2002. It increases to \$4,000 in 2004 and is repealed after tax year 2005.

Certain provisions of the Job Creation and Worker Assistance Act of 2002 also became effective in tax year 2002, like the additional 30 percent first-year depreciation deduction for eligible property, the above-the-line deduction for qualified expenses incurred by educators for classroom materials, and the expansion on the limits for qualified medical savings accounts (Archer MSAs).

X. PUBLIC ACTS – INCOME TAX

1999

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

Public Acts 2 through 6 amended the Income Tax Act to lower 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 will be 3.9 percent.

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

Public Act 214 amended the Income Tax Act to make technical changes in the historic preservation credit.

2000

Public Act 40 amended the Income Tax Act to reduce the Michigan income tax rate for 2000 from 4.3 percent to 4.2 percent.

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

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

Public Acts 162 and 163 amended the Income Tax Act to create a deduction for contributions to the Michigan Education Savings Program (MESP). Earnings on an account established under MESP and withdrawals from an account that are used to pay higher education expenses would also be deductible to the extent included in AGI. Withdrawals from MESP accounts that are not used for higher education expenses would generally have to be added to AGI. A new deduction was also created for withdrawals from individual retirement accounts used to pay higher education expenses to the extent those withdrawals are included in AGI.

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

Public Act 301 amended the Income Tax Act to increase the special exemption amount to \$1,800 in tax year 2001. The Act also combined all disability exemptions so taxpayers can claim one special exemption if they or their spouse are blind, deaf, paraplegic, quadriplegic, hemiplegic, or totally and permanently disabled. The exemption amount will be increased in \$100 increments to reflect increases in the Consumer Price Index. The Act also created new special exemptions for dependents who are either senior citizens or have one of the disabilities described above. P.A. 301 also increased the exemption for taxpayers who are eligible to be claimed as a dependent on another taxpayer's return. For tax years beginning after 1999, this exemption will be \$1,500, a \$500 increase from the amount previously allowed.

Public Acts 393 and 394 amended the Income Tax Act to create a refundable credit for qualified adoption expenses. This new Michigan credit is only for those expenses exceeding the limits on the similar federal income tax credit.

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

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

2001

Public Act 169 amended the Income Tax Act to extend indefinitely the home heating credit, which would have sunset after tax year 2000. 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.

2002

Public Act 614 amended the Income Tax Act to allow resident tribal members from certain Michigan federally recognized Indian tribes to deduct all non-business income earned or received in the tax year (to the extent included in AGI). Only resident tribal members from a

Michigan federally recognized Indian tribes who signed agreements⁶ with the Michigan Department of Treasury are allowed to take the deduction, and it only applies to income received during the period in which an agreement is effective.

⁶ Public Act 616 of 2002 allowed the Michigan Department of Treasury to enter into agreements with federally recognized Indian tribes. The agreement would specify whether, and to what extent, Michigan's tax laws apply to each tribe, the tribe members, and other individuals and businesses conducting business with a tribe or its members. At the same time, tribes would promote the enforcement of Michigan tax laws on businesses conducted by them involving non-resident tribal members and non-tribal members. As of April 2003, 7 of the 12 Michigan federally recognized tribes have signed the agreement.

XI. EXHIBITS 10 THROUGH 26

Exhibit 10
Effective Rate of the Michigan Individual Income Tax, 2001

Adjusted Gross Income Group	Number of Returns Filed⁽¹⁾	Adjusted Gross Income	Effective Personal Exemptions⁽²⁾	Claimed Exemptions	Subtractions Minus Additions	Total Credits⁽³⁾	Effective Tax	Effective Tax as a % of Income
Less than \$1 ⁽⁴⁾	298,079	(\$2,316,125,099)		57,629	(\$1,188,558,564)	\$110,960,619	(\$108,211,194)	
\$ 1 - 2,000	162,110	179,517,735	26,891	92,579	24,252,463	22,543,575	(21,806,301)	-12.1%
2,001 - 4,000	194,622	582,882,719	74,678	132,844	62,469,582	25,055,219	(17,773,930)	-3.0%
4,001 - 6,000	184,099	917,791,971	99,427	160,996	128,903,622	29,992,121	(14,370,847)	-1.6%
6,001 - 8,000	171,194	1,196,745,037	86,426	190,148	361,928,695	34,696,199	(13,715,124)	-1.1%
8,001 - 10,000	160,725	1,445,750,787	122,616	209,613	389,784,375	36,015,600	(10,916,735)	-0.8%
10,001 - 12,000	155,859	1,712,352,857	163,157	228,004	401,230,189	35,409,096	(5,412,264)	-0.3%
12,001 - 14,000	147,489	1,916,882,482	146,040	226,930	541,005,959	32,257,944	3,414,913	0.2%
14,001 - 16,000	143,079	2,145,906,997	175,569	232,121	513,207,407	29,887,891	12,440,381	0.6%
16,001 - 18,000	138,245	2,349,144,426	182,319	232,370	522,747,055	26,902,048	22,991,497	1.0%
18,001 - 20,000	132,786	2,521,451,170	189,107	230,391	494,047,178	24,632,639	33,126,989	1.3%
20,001 - 22,000	126,817	2,662,094,296	190,842	225,306	471,955,164	21,800,883	42,937,642	1.6%
22,001 - 24,000	120,670	2,774,550,860	187,753	217,823	452,949,252	19,933,694	51,144,297	1.8%
24,001 - 26,000	114,964	2,873,259,935	187,263	210,044	441,669,161	17,093,295	58,894,830	2.0%
26,001 - 28,000	109,125	2,945,978,686	180,361	201,056	462,281,364	16,784,183	62,498,927	2.1%
28,001 - 30,000	104,811	3,039,291,547	174,227	195,572	504,581,449	15,546,667	66,852,362	2.2%
30,001 - 35,000	238,914	7,749,439,844	420,548	459,044	1,206,202,880	33,495,171	183,605,612	2.4%
35,001 - 40,000	209,901	7,862,096,294	403,498	432,064	1,142,048,391	28,508,066	198,712,921	2.5%
40,001 - 45,000	188,091	7,984,975,848	390,347	412,743	1,092,974,764	24,316,591	212,235,824	2.7%
45,001 - 50,000	172,529	8,190,179,653	382,307	401,065	1,080,408,974	21,293,270	225,695,542	2.8%
Over 50,000	<u>1,439,625</u>	<u>164,226,721,533</u>	<u>4,645,674</u>	<u>4,038,375</u>	<u>30,648,689,980</u>	<u>152,177,425</u>	<u>4,835,543,534</u>	<u>2.9%</u>
Totals	4,713,734	\$222,960,889,578	8,429,050	8,786,717	\$39,754,779,340	\$759,302,198	\$5,817,888,876	2.6%

⁽¹⁾Includes 257,703 credit-only returns.

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

⁽³⁾Does not include Farmland Preservation Credits or Prescription Drug Credits.

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

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

Exhibit 11
Breakdown of Upper Income Filers
Individual Income Tax, 2001

Adjusted Gross Income Group	Number of Returns Filed	Adjusted Gross Income	Effective Personal Exemptions⁽¹⁾	Claimed Exemptions	Subtractions		Total Credits⁽²⁾	Effective Tax	Effective Tax as a % of Income
					Minus Additions	Effective Tax			
\$50,001 - 55,000	161,710	\$8,485,587,561	379,081	395,074	\$1,072,484,112	\$19,136,205	\$241,160,168	2.8%	
55,001 - 60,000	148,866	8,555,091,805	365,543	379,517	\$1,062,543,646	17,357,594	248,209,753	2.9%	
60,001 - 65,000	135,723	8,477,637,361	346,630	358,583	\$1,036,345,824	15,132,461	250,807,918	3.0%	
65,001 - 70,000	121,564	8,199,786,493	320,105	331,802	\$976,014,874	13,523,966	246,859,933	3.0%	
70,001 - 75,000	107,553	7,791,575,112	291,037	300,833	\$900,204,965	11,579,088	238,796,291	3.1%	
75,001 - 80,000	95,201	7,372,996,915	263,216	272,132	\$826,425,459	7,901,534	231,770,511	3.1%	
80,001 - 85,000	82,377	6,791,712,308	231,795	239,118	\$719,775,511	4,478,325	219,552,010	3.2%	
85,001 - 90,000	71,399	6,243,798,426	203,025	209,291	\$641,836,052	3,353,192	204,830,785	3.3%	
90,001 - 95,000	61,499	5,684,793,745	177,290	182,239	\$580,090,233	3,075,803	187,674,513	3.3%	
95,001 - 100,000	53,825	5,244,687,559	155,978	160,530	\$520,049,633	2,836,268	174,810,461	3.3%	
Over 100,000	399,908	91,379,054,248	1,911,973	1,209,256	\$22,312,919,671	53,802,991	2,591,071,191	2.8%	
Totals for AGI over \$50,000	1,439,625	\$164,226,721,533	4,645,674	4,038,375	\$30,648,689,980	\$152,177,425	\$4,835,543,534	2.9%	

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

⁽²⁾Does not include Farmland Preservation Credits or Prescription Drug Credits.

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

Exhibit 12
Tax Base Deductions as a Percentage of AGI
Individual Income Tax, 2001

Adjusted Gross Income Group	Total Effective Exemptions	Subtractions		Nonrefundable Credits ⁽¹⁾	Property Tax Credits	Home Heating Credits
		Minus Additions				
Less than \$1						
\$ 1 - 2,000	76.7%	13.5%	0.0%	231.8%	67.2%	
2,001 - 4,000	59.5%	10.7%	0.0%	79.1%	23.3%	
4,001 - 6,000	45.4%	14.0%	0.8%	62.5%	14.6%	
6,001 - 8,000	28.0%	30.2%	1.1%	57.4%	10.5%	
8,001 - 10,000	31.7%	27.0%	1.1%	51.1%	7.1%	
10,001 - 12,000	34.9%	23.4%	1.2%	43.4%	4.6%	
12,001 - 14,000	27.5%	28.2%	1.3%	36.3%	2.5%	
14,001 - 16,000	29.1%	23.9%	1.3%	30.4%	1.5%	
16,001 - 18,000	27.2%	22.3%	1.4%	25.1%	0.8%	
18,001 - 20,000	25.9%	19.6%	1.4%	21.4%	0.5%	
20,001 - 22,000	24.4%	17.7%	1.4%	17.9%	0.2%	
22,001 - 24,000	22.7%	16.3%	1.4%	15.6%	0.1%	
24,001 - 26,000	21.7%	15.4%	0.4%	13.7%	0.1%	
26,001 - 28,000	20.2%	15.7%	1.3%	12.2%	0.0%	
28,001 - 30,000	18.8%	16.6%	1.2%	10.9%	0.0%	
30,001 - 35,000	17.7%	15.6%	1.0%	9.3%	0.0%	
35,001 - 40,000	16.7%	14.5%	1.2%	7.4%	0.0%	
40,001 - 45,000	15.8%	13.7%	1.2%	6.1%	0.0%	
45,001 - 50,000	15.0%	13.2%	1.2%	5.0%	0.0%	
50,001 - 55,000	14.3%	12.6%	1.2%	4.2%	0.0%	
55,001 - 60,000	13.7%	12.4%	1.2%	3.6%	0.0%	
60,001 - 65,000	13.1%	12.2%	1.2%	3.1%	0.0%	
65,001 - 70,000	12.5%	11.9%	1.1%	2.8%	0.0%	
70,001 - 75,000	11.9%	11.6%	1.2%	2.4%	0.0%	
75,001 - 80,000	11.4%	11.2%	1.3%	1.3%	0.0%	
80,001 - 85,000	10.9%	10.6%	1.3%	0.3%	0.0%	
85,001 - 90,000	10.3%	10.3%	1.2%	0.0%	0.0%	
90,001 - 95,000	9.9%	10.2%	1.3%	0.0%	0.0%	
95,001 - 100,000	9.4%	9.9%	1.3%	0.0%	0.0%	
Over 100,000	6.7%	24.4%	1.4%	0.0%	0.0%	
Overall Percent	11.9%	17.8%	1.3%	6.2%	0.7%	

⁽¹⁾Nonrefundable credits, home heating credits, and property tax credits are divided by the tax rate (4.2%) to determine the equivalent income tax deduction. Nonrefundable credits for 2001 are: the city income tax credit, the college contribution credit, the homeless shelter/food bank contribution credit, the other state tax credit, the tuition tax credit, and the Michigan historic preservation credit. Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 13
Distribution of Personal Exemptions
Claimed on 2001 Individual Income Tax Returns⁽¹⁾

Adjusted Gross Income Group	Exemptions Claimed										Total Returns	Total Exemptions ⁽²⁾			
	Zero	One	Two	Three	Four	Five	Six or More	Zero	One	Two			Three	Four	Five
Zero Income	6,761	19,987	8,663	1,994	1,597	836	538	40,376	57,629						
\$ 1 - 2,000	97,030	47,839	10,869	3,965	1,550	546	311	162,110	92,579						
2,001 - 4,000	107,024	59,912	16,337	7,411	2,593	881	464	194,622	132,844						
4,001 - 6,000	79,078	70,630	20,447	9,168	3,076	1,118	582	184,099	160,996						
6,001 - 8,000	50,688	77,483	25,943	11,122	3,819	1,418	721	171,194	190,148						
8,001 - 10,000	32,294	80,315	27,395	13,027	4,893	1,876	925	160,725	209,613						
10,001 - 12,000	20,984	80,407	31,045	14,160	5,760	2,267	1,236	155,859	228,004						
12,001 - 14,000	13,582	77,568	34,305	13,110	5,578	2,156	1,190	147,489	226,930						
14,001 - 16,000	8,624	74,974	36,639	13,388	5,947	2,316	1,191	143,079	232,121						
16,001 - 18,000	5,476	72,142	37,212	13,754	6,087	2,412	1,162	138,245	232,370						
18,001 - 20,000	3,825	68,266	36,622	13,678	6,634	2,508	1,253	132,786	230,391						
20,001 - 22,000	2,471	64,735	35,397	13,566	6,667	2,728	1,253	126,817	225,306						
22,001 - 24,000	1,737	62,049	32,785	13,057	6,953	2,701	1,388	120,670	217,823						
24,001 - 26,000	1,286	59,249	30,819	12,338	7,023	2,846	1,403	114,964	210,044						
26,001 - 28,000	910	56,534	29,154	11,190	6,949	2,934	1,454	109,125	201,056						
28,001 - 30,000	703	53,798	28,039	10,890	6,877	3,005	1,499	104,811	195,572						
30,001 - 35,000	1,132	118,047	66,275	24,251	17,737	7,779	3,693	238,914	459,044						
35,001 - 40,000	651	93,654	60,787	22,965	19,225	8,646	3,973	209,901	432,064						
40,001 - 45,000	429	74,752	56,148	22,628	21,051	8,987	4,096	188,091	412,743						
45,001 - 50,000	280	60,455	52,881	22,526	22,785	9,542	4,060	172,529	401,065						
50,001 - 55,000	256	48,738	51,836	23,002	23,826	10,005	4,047	161,710	395,074						
55,001 - 60,000	174	38,022	50,129	22,458	24,312	9,891	3,880	148,866	379,517						
60,001 - 65,000	128	29,402	47,376	21,525	23,876	9,781	3,635	135,723	358,583						
65,001 - 70,000	114	21,883	43,752	20,009	23,140	9,417	3,249	121,564	331,802						
70,001 - 75,000	94	16,753	39,066	18,191	21,864	8,588	2,997	107,553	300,833						
75,001 - 80,000	86	12,914	34,856	16,484	19,981	8,015	2,865	95,201	272,132						
80,001 - 85,000	75	9,831	30,162	14,708	18,032	7,136	2,433	82,377	239,118						
85,001 - 90,000	45	7,650	26,430	12,865	16,003	6,334	2,072	71,399	209,291						
90,001 - 95,000	38	6,048	22,655	11,237	14,117	5,563	1,841	61,499	182,239						
95,001 - 100,000	45	4,767	20,081	9,911	12,499	4,891	1,631	53,825	160,530						
<u>Over 100,000</u>	<u>396</u>	<u>31,816</u>	<u>151,551</u>	<u>69,153</u>	<u>94,331</u>	<u>39,536</u>	<u>13,125</u>	<u>399,908</u>	<u>1,209,256</u>						
Totals	436,416	1,600,620	1,195,656	507,731	454,782	186,659	74,167	4,456,031	8,786,717						

⁽¹⁾Values in this table are based on 4,456,031 MI-1040 tax returns on file.

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

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

Exhibit 14
Distribution of Special Exemptions and Child Deductions
Claimed on 2001 Individual Income Tax Returns⁽¹⁾

Adjusted Gross Income Group	Age Exemptions	Deaf/ Blind/Disabled Exemptions	Unemployed Exemptions	Child 18 and Under Exemptions	Claimed as Dependent Exemptions
Zero Income	14,012	3,734	628	10,814	6,207
\$ 1 - 2,000	20,279	4,793	395	18,917	97,258
2,001 - 4,000	21,457	4,217	1,045	34,203	107,220
4,001 - 6,000	27,962	4,552	1,556	41,196	79,205
6,001 - 8,000	35,166	4,849	1,976	50,421	50,778
8,001 - 10,000	42,106	4,732	1,838	57,526	32,477
10,001 - 12,000	48,316	4,576	1,604	62,876	21,116
12,001 - 14,000	49,053	4,354	1,330	58,974	13,783
14,001 - 16,000	49,566	4,114	1,005	59,786	8,827
16,001 - 18,000	45,992	3,802	313	60,310	5,642
18,001 - 20,000	40,197	3,607	213	61,259	4,021
20,001 - 22,000	34,575	3,226	151	60,663	2,672
22,001 - 24,000	28,280	3,045	87	59,671	1,919
24,001 - 26,000	24,771	2,714	51	57,425	1,440
26,001 - 28,000	22,430	2,423	42	53,939	1,110
28,001 - 30,000	20,669	2,143	36	51,845	886
30,001 - 35,000	44,629	4,738	46	120,852	1,558
35,001 - 40,000	36,693	4,077	34	117,843	1,032
40,001 - 45,000	29,863	3,694	24	116,880	796
45,001 - 50,000	26,133	2,915	15	117,066	562
50,001 - 55,000	23,542	2,858	23	117,001	490
55,001 - 60,000	21,088	2,739	16	112,873	399
60,001 - 65,000	20,081	2,462	16	107,344	315
65,001 - 70,000	18,565	2,113	20	99,386	264
70,001 - 75,000	16,291	1,786	9	90,432	211
75,001 - 80,000	14,132	1,573	10	81,975	217
80,001 - 85,000	11,535	1,235	9	72,011	176
85,001 - 90,000	9,788	983	6	62,439	153
90,001 - 95,000	8,412	792	6	54,278	125
95,001 - 100,000	7,265	692	3	47,576	128
<u>Over 100,000</u>	<u>66,395</u>	<u>3,843</u>	<u>64</u>	<u>353,184</u>	<u>830</u>
Totals	879,243	97,381	12,571	2,470,965	441,817

⁽¹⁾Values in this table are based on 4,456,031 MI-1040 tax returns on file.

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

Exhibit 15 Distribution of Credits Individual Income Tax, 2001⁽¹⁾

Adjusted Gross Income Group	% of Total MI-1040s			General Property Tax Credit ⁽²⁾			City Income Tax Credit			College Contribution Credit		
	Number of MI-1040s Filed	Number Claiming Credit	Filed ⁽²⁾	Number Claiming Credit	Filed	\$ Amount of Credit	Number Claiming Credit	Filed	\$ Amount of Credit	Number Claiming Credit	Filed	\$ Amount of Credit
Less than \$1	40,376	11,962	0.9%	11,962	1.5%	\$8,959,716	1,471	0.1%	\$67,600	684	0.2%	\$60,155
\$ 1 - 2,000	162,110	13,741	3.6%	13,741	1.7%	5,633,293	12,143	1.2%	65,697	550	0.2%	28,054
2,001 - 4,000	194,622	22,508	4.4%	22,508	2.8%	8,278,721	28,982	2.9%	233,047	1,239	0.4%	57,648
4,001 - 6,000	184,099	29,208	4.1%	29,208	3.7%	10,868,779	31,636	3.2%	363,673	1,678	0.6%	83,422
6,001 - 8,000	171,194	35,500	3.8%	35,500	4.4%	13,745,358	31,629	3.2%	448,466	2,045	0.7%	112,691
8,001 - 10,000	160,725	37,834	3.6%	37,834	4.7%	14,733,706	30,324	3.0%	506,226	2,288	0.8%	129,975
10,001 - 12,000	155,859	39,143	3.5%	39,143	4.9%	15,178,235	30,132	3.0%	572,867	2,646	0.9%	152,106
12,001 - 14,000	147,489	38,093	3.3%	38,093	4.8%	14,399,773	28,971	2.9%	614,857	2,765	1.0%	165,193
14,001 - 16,000	143,079	37,978	3.2%	37,978	4.8%	13,930,035	29,256	2.9%	684,840	3,131	1.1%	191,896
16,001 - 18,000	138,245	37,510	3.1%	37,510	4.7%	13,355,745	29,580	3.0%	750,035	3,462	1.2%	216,054
18,001 - 20,000	132,786	37,730	3.0%	37,730	4.7%	13,146,330	29,591	3.0%	814,242	3,541	1.2%	227,176
20,001 - 22,000	126,817	35,983	2.8%	35,983	4.5%	12,279,896	29,258	2.9%	860,407	3,638	1.3%	234,851
22,001 - 24,000	120,670	34,892	2.7%	34,892	4.4%	11,765,262	28,657	2.9%	890,964	3,728	1.3%	245,971
24,001 - 26,000	114,964	32,510	2.6%	32,510	4.1%	11,087,666	27,786	2.8%	901,666	3,926	1.4%	258,481
26,001 - 28,000	109,125	30,219	2.4%	30,219	3.8%	10,262,289	25,842	2.6%	873,660	3,950	1.4%	269,157
28,001 - 30,000	104,811	28,030	2.4%	28,030	3.5%	9,691,398	24,433	2.5%	845,645	4,098	1.4%	275,041
30,001 - 35,000	238,914	60,897	5.4%	60,897	7.6%	21,498,304	56,643	5.7%	2,033,863	10,554	3.7%	717,684
35,001 - 40,000	209,901	49,269	4.7%	49,269	6.2%	17,957,299	51,336	5.2%	1,961,644	10,829	3.8%	755,937
40,001 - 45,000	188,091	39,563	4.2%	39,563	5.0%	14,941,511	46,798	4.7%	1,877,699	11,361	4.0%	816,912
45,001 - 50,000	172,529	32,096	3.9%	32,096	4.0%	12,690,466	43,808	4.4%	1,814,235	11,917	4.2%	877,938
50,001 - 55,000	161,710	26,830	3.6%	26,830	3.4%	11,095,976	42,529	4.3%	1,823,457	12,003	4.2%	895,069
55,001 - 60,000	148,866	22,557	3.3%	22,557	2.8%	9,679,765	39,599	4.0%	1,737,706	12,095	4.2%	914,819
60,001 - 65,000	135,723	18,772	3.0%	18,772	2.4%	8,298,493	35,877	3.6%	1,608,602	12,026	4.2%	939,646
65,001 - 70,000	121,564	15,626	2.7%	15,626	2.0%	7,220,273	32,226	3.2%	1,459,802	11,672	4.1%	937,002
70,001 - 75,000	107,553	13,042	2.4%	13,042	1.6%	6,087,683	28,914	2.9%	1,335,102	11,407	4.0%	944,952
75,001 - 80,000	95,201	10,551	2.1%	10,551	1.3%	3,296,924	25,994	2.6%	1,219,339	10,931	3.8%	922,176
80,001 - 85,000	82,377	5,168	1.8%	5,168	0.6%	745,457	22,447	2.3%	1,088,600	10,226	3.6%	877,796
85,001 - 90,000	71,399	304	1.6%	304	0.0%	91,211	19,848	2.0%	988,543	9,574	3.4%	837,303
90,001 - 95,000	61,499	80	1.4%	80	0.0%	32,685	17,042	1.7%	871,516	8,718	3.1%	783,207
95,001 - 100,000	53,825	60	1.2%	60	0.0%	31,554	14,744	1.5%	767,223	8,349	2.9%	763,334
Over 100,000	399,908	275	9.0%	275	0.0%	148,383	98,950	9.9%	6,870,269	90,667	31.7%	10,029,664
Totals	4,456,031	797,931	100.0%	797,931	100.0%	\$301,132,186	996,446	100.0%	\$36,951,491	285,698	100.0%	\$24,721,310

⁽¹⁾Values in this table are based on 4,456,031 MI-1040 tax returns on file.

⁽²⁾17,035 general property tax credits totaling \$6,132,442 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 16
Four-Year Comparison of Individual Income Tax Credits
 (Number and Amount in Thousands)

	1998			1999			2000			2001		
	Number	Amount	Average	Number	Amount	Average	Number	Amount	Average	Number	Amount	Average
Property Tax Credits												
General	701.7	\$222,668.0	\$317.31	722.0	\$236,806.5	\$327.97	743.1	\$256,411.6	\$345.05	815.0	\$307,264.6	\$377.03
Senior Citizen ⁽¹⁾												
Standard	374.9	218,225.7	582.16	372.3	222,054.4	596.51	364.2	220,132.0	604.37	381.8	245,680.5	643.45
Low Income Rent	12.1	4,277.4	354.23	11.4	4,032.7	354.08	10.6	3,739.8	352.81	10.3	3,584.2	347.98
Veteran	13.7	1,729.5	126.38	12.7	1,629.7	127.83	12.2	1,511.1	124.18	11.4	1,407.1	123.37
Blind	1.6	194.4	123.53	1.9	237.9	125.56	1.8	219.7	123.56	1.6	202.9	123.93
Disabled ⁽²⁾	29.1	8,836.7	303.44	28.6	8,897.2	310.75	39.3	19,288.0	490.34	44.1	23,115.3	523.91
Farmland	7.7	18,018.6	2,331.90	7.2	17,333.9	2,418.57	7.4	19,051.1	2,587.42	9.5	30,264.3	3,170.69
Total Property Tax Credits	1,128.7	\$469,673.0	\$416.12	1,144.7	\$486,959.7	\$425.39	1,168.0	\$516,613.4	\$442.31	1,263.5	\$607,934.6	\$481.15
Home Heating Credit	304.7	\$45,380.2	\$148.93	307.5	\$50,578.1	\$164.50	317.5	\$59,157.2	\$186.34	315.2	\$61,606.6	\$195.44
Prescription Drug Credit	30.9	\$15,248.9	\$493.65	31.3	\$15,802.3	\$504.30	29.1	\$14,804.3	\$509.05	27.4	\$14,052.6	\$511.97
Adoption Credit	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.7	\$840.6	\$1,182.32
City Income Tax Credit	1,024.0	\$37,398.6	\$36.52	1,028.1	\$38,014.2	\$36.98	1,035.7	\$38,576.7	\$37.25	996.4	\$36,951.5	\$37.08
College Contribution Credit	264.8	\$22,047.5	\$83.26	274.7	\$23,305.6	\$84.85	284.3	\$24,559.2	\$86.38	285.7	\$24,721.3	\$86.53
Credit for Income Tax Paid to Another State	41.7	\$26,386.7	\$633.49	41.6	\$28,332.3	\$681.72	43.8	\$31,779.2	\$725.57	42.2	\$31,309.2	\$742.47
Community Foundation Credit	21.2	\$2,025.4	\$95.35	23.7	\$2,214.1	\$93.51	27.0	\$2,542.1	\$94.20	26.9	\$2,546.8	\$94.58
Homeless/Food Bank Credit	157.8	\$11,245.2	\$71.24	167.7	\$12,380.4	\$73.83	180.4	\$13,746.9	\$76.22	192.8	\$14,815.1	\$76.84
College Tuition Credit	134.7	\$22,598.1	\$167.75	52.9	\$4,769.1	\$90.20	60.4	\$5,640.8	\$93.38	74.6	\$8,111.2	\$108.76

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

⁽²⁾This category includes credits for paraplegic, quadriplegic and totally disabled persons for years before 2000, and for blind/deaf, paraplegic, quadriplegic and totally disabled persons for 2000 and 2001.

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

Exhibit 17 Distribution of Property Tax Credits Claimed Individual Income Tax, 2001 ⁽¹⁾

Adjusted Gross Income Group ⁽⁴⁾	General			Senior Citizens ⁽²⁾			Veterans			Disabled ⁽³⁾		
	Number of Credits Allowed	% of Total Credits Allowed	\$ Amount of Credit	Number of Credits Allowed	% of Total Credits Allowed	\$ Amount of Credit	Number of Credits Allowed	% of Total Credits Allowed	\$ Amount of Credit	Number of Credits Allowed	% of Total Credits Allowed	\$ Amount of Credit
Zero Income ⁽⁴⁾	25,724	3.2%	\$14,025,608	96,492	25.3%	\$58,650,658	1,867	16.4%	\$269,165	22,275	48.7%	\$11,078,260
\$ 1 - 2,000	13,878	1.7%	5,680,956	14,231	3.7%	10,245,812	149	1.3%	22,189	2,763	6.0%	1,529,421
2,001 - 4,000	22,705	2.8%	8,351,009	14,099	3.7%	9,959,172	124	1.1%	16,844	1,896	4.1%	1,028,021
4,001 - 6,000	29,440	3.6%	10,946,442	17,531	4.6%	12,119,730	182	1.6%	25,863	1,874	4.1%	999,694
6,001 - 8,000	35,707	4.4%	13,812,895	20,882	5.5%	14,020,686	229	2.0%	29,125	1,898	4.1%	989,067
8,001 - 10,000	38,063	4.7%	14,812,549	23,079	6.0%	15,259,217	257	2.3%	32,495	1,763	3.9%	941,444
10,001 - 12,000	39,334	4.8%	15,246,656	23,555	6.2%	15,150,125	349	3.1%	46,414	1,516	3.3%	798,573
12,001 - 14,000	38,293	4.7%	14,458,680	22,038	5.8%	14,025,479	353	3.1%	43,965	1,307	2.9%	683,944
14,001 - 16,000	38,178	4.7%	13,996,088	20,108	5.3%	12,702,307	374	3.3%	46,602	1,150	2.5%	613,683
16,001 - 18,000	37,677	4.6%	13,404,625	17,273	4.5%	10,823,577	401	3.5%	49,681	959	2.1%	494,568
18,001 - 20,000	36,107	4.4%	12,314,197	11,568	3.0%	7,274,544	370	3.2%	45,357	859	1.9%	431,824
20,001 - 22,000	35,021	4.3%	11,808,260	9,393	2.5%	5,931,933	302	2.6%	37,767	716	1.6%	358,050
22,001 - 24,000	32,628	4.0%	11,123,983	7,996	2.1%	5,058,658	298	2.6%	37,922	543	1.2%	269,374
24,001 - 26,000	30,342	3.7%	10,298,933	7,180	1.9%	4,532,576	273	2.4%	32,837	498	1.1%	245,171
26,001 - 28,000	28,136	3.5%	9,723,070	6,240	1.6%	3,957,724	248	2.2%	29,159	443	1.0%	226,262
28,001 - 30,000	61,082	7.5%	21,548,057	12,658	3.3%	8,219,091	620	5.4%	73,607	940	2.1%	464,446
30,001 - 40,000	49,407	6.1%	17,999,833	9,501	2.5%	6,128,748	642	5.6%	77,147	759	1.7%	370,561
40,001 - 45,000	39,670	4.9%	14,983,587	7,417	1.9%	4,976,334	612	5.4%	72,727	600	1.3%	294,951
45,001 - 50,000	32,170	3.9%	12,715,874	6,208	1.6%	4,226,292	566	5.0%	69,921	436	1.0%	221,441
50,001 - 55,000	26,891	3.3%	11,117,615	5,093	1.3%	3,547,985	589	5.2%	67,945	421	0.9%	214,574
55,001 - 60,000	22,592	2.8%	9,694,065	4,193	1.1%	2,975,724	532	4.7%	64,810	354	0.8%	190,946
60,001 - 65,000	18,822	2.3%	8,318,358	3,434	0.9%	2,457,335	469	4.1%	55,417	337	0.7%	192,688
65,001 - 70,000	15,650	1.9%	7,230,918	2,943	0.8%	2,152,770	456	4.0%	51,255	241	0.5%	127,467
70,001 - 75,000	13,067	1.6%	6,096,015	2,262	0.6%	1,455,928	340	3.0%	36,169	206	0.5%	105,518
75,001 - 80,000	10,571	1.3%	3,303,295	1,619	0.4%	617,904	286	2.5%	18,709	156	0.3%	50,996
80,001 - 85,000	5,174	0.6%	746,759	440	0.1%	125,363	117	1.0%	4,498	50	0.1%	10,798
85,001 - 90,000	309	0.0%	93,118	51	0.0%	19,821	12	0.1%	1,666	5	0.0%	1,281
90,001 - 95,000	81	0.0%	33,088	12	0.0%	6,806	9	0.1%	1,167	3	0.0%	2,489
95,001 - 100,000	63	0.0%	33,329	13	0.0%	13,348	6	0.1%	755	2	0.0%	1,553
Over 100,000	282	0.0%	150,938	46	0.0%	31,156	14	0.1%	1,539	9	0.0%	5,070
Totals	814,966	100.0%	\$307,264,628	381,816	100.0%	\$245,680,502	11,406	100.0%	\$1,407,102	45,758	100.0%	\$23,318,122

⁽¹⁾Values in this table are based on a sample of the 4,713,734 MI-1040 and MI-1040CR returns.

⁽²⁾Includes Senior Citizen Low Income Rent Credits.

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

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

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

Prepared By: Office Of Revenue and Tax Analysis, Michigan Department of Treasury

Exhibit 18
Distribution of Senior Citizen Property Tax Credits by Household Income
Individual Income Tax, 2001

<u>Household Income</u>	<u>Number of Returns</u>	<u>Property Tax Paid</u>	<u>Property Tax Credit</u>	<u>Property Tax Paid After Credit</u>
\$1,000 and below	1,550	\$4,247,812	\$1,694,186	\$2,553,626
1,001 - 2,000	382	634,570	340,481	294,089
2,001 - 3,000	579	652,097	461,535	190,562
3,001 - 4,000	1,011	1,014,484	742,002	272,482
4,001 - 5,000	2,019	1,936,422	1,432,208	504,214
5,001 - 6,000	3,768	3,282,801	2,465,121	817,680
6,001 - 7,000	10,996	8,534,268	6,738,161	1,796,107
7,001 - 8,000	7,978	7,313,552	4,784,471	2,529,081
8,001 - 9,000	9,685	9,160,013	5,885,465	3,274,548
9,000 - 10,000	11,000	11,183,240	6,857,784	4,325,456
10,001 - 11,000	10,881	11,763,407	6,860,140	4,903,267
11,001 - 12,000	10,738	12,290,462	6,943,714	5,346,748
12,001 - 13,000	10,760	12,722,850	7,126,891	5,595,959
13,001 - 14,000	10,540	13,215,587	7,020,831	6,194,756
14,001 - 15,000	10,884	14,411,164	7,281,388	7,129,776
15,001 - 16,000	11,231	14,872,009	7,456,158	7,415,851
16,001 - 17,000	11,240	15,317,190	7,419,621	7,897,569
17,001 - 18,000	11,326	16,050,068	7,536,132	8,513,936
18,001 - 19,000	11,204	16,359,809	7,483,772	8,876,037
19,001 - 20,000	11,102	16,405,531	7,388,655	9,016,876
20,001 - 21,000	10,969	16,746,998	7,276,553	9,470,445
21,001 - 22,000	10,732	16,840,044	7,113,323	9,726,721
22,001 - 23,000	10,320	16,305,483	6,798,469	9,507,014
23,001 - 24,000	9,969	16,271,034	6,486,044	9,784,990
24,001 - 25,000	9,618	15,964,315	6,237,392	9,726,923
25,001 - 26,000	9,139	15,630,476	6,019,059	9,611,417
26,001 - 27,000	9,006	15,759,691	5,902,146	9,857,545
27,001 - 28,000	8,670	15,879,431	5,562,150	10,317,281
28,001 - 29,000	8,224	15,062,308	5,354,516	9,707,792
29,001 - 30,000	7,639	14,290,441	4,968,065	9,322,376
30,001 - 35,000	34,281	68,190,603	22,068,597	46,122,006
35,001 - 40,000	25,442	56,092,577	16,432,906	39,659,671
40,001 - 45,000	18,456	44,984,129	12,050,006	32,934,123
45,001 - 50,000	12,857	34,733,012	8,777,763	25,955,249
50,001 - 60,000	15,567	48,709,921	11,279,457	37,430,464
60,001 - 70,000	8,212	30,670,396	6,385,606	24,284,790
70,001 - 80,000	4,886	18,637,360	2,928,191	15,709,169
Over 80,000	<u>813</u>	<u>3,396,225</u>	<u>1,21,543</u>	<u>3,274,682</u>
Totals	373,674	\$655,531,778	\$245,680,502	\$409,851,276

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

Exhibit 19
Distribution of General Property Tax Credits by Household Income
Individual Income Tax, 2001

<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	13,010	\$27,567,332	\$10,065,939	\$17,501,393
1,001 - 2,000	4,186	4,160,655	2,072,620	2,088,035
2,001 - 3,000	6,109	5,586,091	2,689,916	2,896,175
3,001 - 4,000	8,431	7,332,300	3,362,122	3,970,178
4,001 - 5,000	11,082	9,535,287	4,197,133	5,338,154
5,001 - 6,000	13,971	12,322,952	5,242,221	7,080,731
6,001 - 7,000	19,910	17,669,008	7,393,573	10,275,435
7,001 - 8,000	18,806	17,805,993	7,210,552	10,595,441
8,001 - 9,000	19,221	18,894,913	7,382,721	11,512,192
9,000 - 10,000	20,397	20,717,841	7,867,435	12,850,406
10,001 - 11,000	21,378	22,309,713	8,206,676	14,103,037
11,001 - 12,000	20,566	22,164,276	7,885,237	14,279,039
12,001 - 13,000	20,602	22,602,491	7,788,762	14,813,729
13,001 - 14,000	20,581	23,164,133	7,700,246	15,463,887
14,001 - 15,000	20,269	23,410,900	7,539,037	15,871,863
15,001 - 16,000	20,337	24,038,339	7,455,442	16,582,897
16,001 - 17,000	20,130	24,014,470	7,184,401	16,830,069
17,001 - 18,000	19,776	24,383,577	7,087,650	17,295,927
18,001 - 19,000	20,052	25,291,220	7,107,780	18,183,440
19,001 - 20,000	19,564	25,001,110	6,818,931	18,182,179
20,001 - 21,000	18,971	24,988,278	6,572,862	18,415,416
21,001 - 22,000	18,864	25,308,443	6,516,221	18,792,222
22,001 - 23,000	18,578	25,635,563	6,387,873	19,247,690
23,001 - 24,000	18,229	26,066,219	6,233,857	19,832,362
24,001 - 25,000	17,447	26,217,411	5,986,294	20,231,117
25,001 - 26,000	16,610	25,090,050	5,727,182	19,362,868
26,001 - 27,000	16,181	25,193,570	5,575,461	19,618,109
27,001 - 28,000	15,674	25,079,737	5,419,197	19,660,540
28,001 - 29,000	14,691	24,216,268	5,156,343	19,059,925
29,001 - 30,000	14,528	24,322,229	5,101,487	19,220,742
30,001 - 35,000	63,177	114,185,697	22,696,510	91,489,187
35,001 - 40,000	50,095	101,455,046	18,655,304	82,799,742
40,001 - 45,000	39,681	90,958,283	15,609,137	75,349,146
45,001 - 50,000	31,450	80,297,304	13,107,656	67,189,648
50,001 - 60,000	46,298	137,823,368	21,135,147	116,688,221
60,001 - 70,000	31,799	109,493,581	15,697,013	93,796,568
70,001 - 80,000	23,503	85,508,723	8,990,845	76,517,878
Over 80,000	<u>4,400</u>	<u>17,617,167</u>	<u>437,845</u>	<u>17,179,322</u>
Totals	798,554	\$1,367,429,538	\$307,264,628	\$1,060,164,910

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

Exhibit 20
Distribution of Home Heating Credits by Household Income
Individual Income Tax, 2001

Household Income	Senior Citizens			General			Disabled ⁽¹⁾			Veterans		
	Number of Returns	Home Heating Credit	Number of Returns	Home Heating Credit	Number of Returns	Home Heating Credit	Number of Returns	Home Heating Credit	Number of Returns	Home Heating Credit		
\$ 1,000 and below	712	\$437,551	9,729	\$4,540,558	206	\$100,182	5	\$2,048				
1,001 - 2,000	175	79,670	4,083	1,396,861	78	32,028	2	202				
2,001 - 3,000	230	103,996	5,798	1,887,850	121	49,350	2	587				
3,001 - 4,000	415	162,543	7,791	2,289,591	229	68,175	6	887				
4,001 - 5,000	781	270,712	10,248	2,797,428	441	128,024	4	945				
5,001 - 6,000	1,682	526,803	13,666	3,372,892	1,216	279,536	25	5,406				
6,001 - 7,000	3,363	895,357	28,571	5,859,618	8,838	1,622,886	96	21,471				
7,001 - 8,000	10,612	2,311,386	19,298	3,745,799	2,053	386,639	61	10,994				
8,001 - 9,000	7,594	1,510,582	18,602	3,270,376	1,926	332,492	54	8,111				
9,001 - 10,000	9,169	1,525,722	16,768	3,066,522	2,115	352,137	78	9,606				
10,001 - 11,000	10,075	1,447,268	14,431	2,655,247	1,603	241,238	50	6,710				
11,001 - 12,000	9,126	1,013,886	13,202	2,141,804	1,312	176,905	56	6,015				
12,001 - 13,000	8,150	685,088	11,108	1,727,145	1,039	158,582	35	3,727				
13,001 - 14,000	5,556	420,820	7,764	1,355,950	551	110,182	20	3,105				
14,001 - 15,000	1,729	300,298	7,329	1,085,609	475	89,331	28	5,102				
15,001 - 16,000	1,761	266,776	6,665	809,298	416	69,363	35	4,399				
16,001 - 17,000	1,750	222,826	3,787	613,770	265	56,026	24	3,743				
17,001 - 18,000	1,459	162,970	3,351	487,585	249	51,161	20	2,024				
19,001 - 20,000	1,231	100,272	3,299	370,435	203	37,580	18	1,794				
Over 20,000	1,912	117,186	7,745	1,037,805	514	89,913	22	2,314				
Totals	77,482	\$12,561,712	213,235	\$44,512,143	23,850	\$4,431,730	641	\$99,190				
Average Credit		\$162.12		\$208.75		\$185.82		\$154.74				

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

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

Exhibit 21 2001 Income Tax Collections by County

<u>County</u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>	<u>Tax After Credits</u>	<u>Percent of Total Tax</u>
ALCONA	\$323,769	\$141,390	\$2,683,662	0.0%
ALGER	199,036	99,589	3,168,522	0.1%
ALLEGAN	4,672,594	506,458	47,400,096	0.8%
ALPENA	1,199,422	347,956	11,914,035	0.2%
ANTRIM	1,168,382	186,246	9,524,302	0.2%
ARENAC	914,047	227,698	4,185,354	0.1%
BARAGA	179,585	78,841	2,285,496	0.0%
BARRY	1,871,433	215,333	26,504,616	0.5%
BAY	6,764,471	823,044	50,683,519	0.9%
BENZIE	542,231	110,345	6,058,371	0.1%
BERRIEN	7,175,329	1,467,240	78,209,427	1.4%
BRANCH	2,367,922	325,324	15,727,272	0.3%
CALHOUN	7,973,972	1,061,282	58,559,353	1.0%
CASS	2,138,905	332,788	16,738,193	0.3%
CHARLEVOIX	1,313,176	179,946	13,835,969	0.2%
CHEBOYGAN	734,733	277,131	8,648,036	0.1%
CHIPPEWA	904,122	329,457	11,747,211	0.2%
CLARE	839,630	466,422	9,608,662	0.2%
CLINTON	3,063,650	235,384	31,249,038	0.5%
CRAWFORD	308,127	124,113	3,747,142	0.1%
DELTA	1,264,944	412,628	16,116,504	0.3%
DICKINSON	1,104,847	208,383	12,200,463	0.2%
EATON	6,915,986	434,701	63,700,224	1.1%
EMMET	1,638,835	210,529	19,593,784	0.3%
GENESEE	17,345,974	3,310,645	228,324,015	4.0%
GLADWIN	919,102	315,122	8,274,950	0.1%
GOGEBIC	359,421	218,580	4,866,064	0.1%
GRAND TRAVERSE	4,981,233	359,266	50,221,521	0.9%
GRATIOT	2,578,216	386,102	15,495,075	0.3%
HILLSDALE	2,117,760	468,378	18,700,187	0.3%
HOUGHTON	695,443	362,577	11,252,640	0.2%
HURON	7,187,188	512,379	7,798,527	0.1%
INGHAM	18,860,410	1,503,378	148,130,417	2.6%
IONIA	2,327,947	336,731	27,218,683	0.5%
IOSCO	905,345	340,862	7,603,600	0.1%
IRON	271,008	159,744	3,536,899	0.1%
ISABELLA	2,839,883	369,241	38,983,153	0.7%
JACKSON	5,756,237	884,596	78,085,359	1.4%
KALAMAZOO	12,750,033	1,194,341	133,636,194	2.3%
KALKASKA	435,808	141,869	6,111,140	0.1%
KENT	27,528,648	2,434,631	363,775,428	6.3%
KEWEENAW	35,812	23,987	614,814	0.0%
LAKE	299,987	205,370	1,865,630	0.0%
LAPEER	3,031,435	346,601	49,667,202	0.9%

Exhibit 21 (cont.)

County	Property Tax Credits	Home Heating Credits	Tax After Credits	Percent of Total Tax
LEELANAU	\$1,028,015	\$84,942	\$8,881,942	0.2%
LENAWEE	6,629,037	497,775	46,670,552	0.8%
LIVINGSTON	5,823,193	224,588	100,075,199	1.7%
LUCE	66,533	80,832	2,048,035	0.0%
MACKINAC	365,647	114,629	4,236,027	0.1%
MACOMB	63,812,085	2,797,255	505,887,620	8.8%
MANISTEE	930,658	230,130	9,041,916	0.2%
MARQUETTE	1,549,411	416,640	27,299,199	0.5%
MASON	1,368,800	269,197	10,594,644	0.2%
MECOSTA	1,167,925	311,939	13,431,554	0.2%
MENOMINEE	666,076	280,581	9,198,592	0.2%
MIDLAND	2,927,461	402,729	56,474,610	1.0%
MISSAUKEE	749,147	151,480	3,565,147	0.1%
MONROE	6,875,469	544,856	77,194,736	1.3%
MONTCALM	2,885,682	553,783	24,059,373	0.4%
MONTMORENCY	231,613	140,014	2,904,279	0.1%
MUSKEGON	7,190,853	1,407,155	70,837,674	1.2%
NEWAYGO	1,862,211	390,556	15,585,934	0.3%
OAKLAND	96,560,178	3,029,651	1,149,293,640	19.9%
OCEANA	1,189,273	295,937	8,906,743	0.2%
OGEAW	800,735	330,927	6,310,092	0.1%
ONTONAGON	143,241	95,180	2,429,911	0.0%
OSCEOLA	913,708	329,162	8,710,840	0.2%
OSCODA	119,369	99,717	1,844,731	0.0%
OTSEGO	611,747	143,550	9,886,022	0.2%
OTTAWA	12,033,780	666,159	155,586,154	2.7%
PRESQUE ISLE	463,724	207,766	4,680,581	0.1%
ROSCOMMON	920,259	329,973	7,497,041	0.1%
SAGINAW	9,759,328	1,791,046	94,767,069	1.6%
ST. CLAIR	9,251,551	918,698	91,782,332	1.6%
ST. JOSEPH	2,564,037	416,397	25,357,536	0.4%
SANILAC	3,932,453	514,040	14,773,252	0.3%
SCHOOLCRAFT	131,596	125,607	3,080,050	0.1%
SHIAWASSEE	3,726,345	486,198	36,829,653	0.6%
TUSCOLA	5,191,452	486,849	22,280,653	0.4%
VAN BUREN	4,191,791	653,000	34,029,088	0.6%
WASHTENAW	25,305,867	841,897	251,771,183	4.4%
WAYNE (excludes Detroit)	83,376,702	4,015,099	619,757,496	10.7%
WEXFORD	1,318,134	331,326	11,997,871	0.2%
OUTSIDE OF MICHIGAN	7,518,378	431,844	173,316,666	3.0%
DETROIT	64,975,133	13,491,026	322,882,053	5.6%
	\$607,934,635	\$61,606,641	\$5,774,008,439	100.0%

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

Exhibit 22 2001 Income Tax Data by County

County	2001 AGI (\$Millions)	2001 Average AGI	Income Tax Before Credits		Average Income Tax		Credits as a % of Tax		Ratio of Property Tax Credits to 1040s Filed		Average Property Tax Credit ⁽¹⁾			
			Credits	Rank	Before Credits	Rank	After Credits	Rank	Before Credits	Rank	to 1040s Filed	Rank	Credit ⁽¹⁾	Rank
ALCONA	\$144.0	\$30,505	\$3,201,516	77	\$678	82	\$568	81	16.2%	11	20.6%	57	\$333	62
ALGER	126.8	32,338	3,530,858	74	901	58	808	56	10.3%	66	17.1%	76	297	76
ALLEGAN	1,648.3	40,134	53,030,249	24	1,291	22	1,154	22	10.6%	63	23.7%	39	479	17
ALPENA	476.5	34,461	13,712,906	48	992	49	862	47	13.1%	36	26.1%	20	332	63
ANTRIM	404.5	39,195	10,992,060	53	1,065	41	923	40	13.4%	34	24.1%	35	471	22
ARENAC	201.4	30,249	5,386,514	69	809	73	629	77	22.3%	4	27.6%	14	497	14
BARAGA	96.1	31,943	2,589,245	79	861	67	760	64	11.7%	51	19.3%	70	310	70
BARRY	900.1	43,341	29,013,602	32	1,397	15	1,276	12	8.6%	76	20.5%	58	439	36
BAY	1,935.4	38,210	59,023,336	20	1,165	31	1,001	31	14.1%	25	29.1%	10	459	26
BENZIE	247.0	35,102	6,808,775	65	968	53	861	48	11.0%	57	21.3%	54	362	54
BERRIEN	2,866.8	39,255	88,614,010	14	1,213	26	1,071	27	11.7%	50	25.8%	22	381	48
BRANCH	619.9	33,909	18,650,453	39	1,020	47	860	49	15.7%	16	24.0%	36	541	11
CALHOUN	2,280.8	38,207	69,170,461	18	1,159	32	981	35	15.3%	20	29.9%	8	446	31
CASS	663.8	37,587	19,837,663	37	1,123	34	948	37	15.6%	17	21.9%	49	552	9
CHARLEVOIX	503.6	39,679	15,580,705	43	1,228	25	1,090	24	11.2%	56	24.3%	30	426	39
CHEBOYGAN	361.6	32,310	9,812,570	60	877	63	773	62	11.9%	47	20.1%	61	327	65
CHIPPEWA	477.0	32,008	13,168,422	49	884	60	788	58	10.8%	60	19.6%	65	310	71
CLARE	411.5	30,350	11,097,987	52	818	72	709	70	13.4%	33	19.7%	63	314	69
CLINTON	1,084.5	45,671	34,932,819	28	1,471	11	1,316	9	10.5%	65	24.2%	32	533	12
CRAWFORD	158.9	31,633	4,266,084	72	849	68	746	67	12.2%	45	20.1%	62	305	72
DELTA	615.2	35,250	18,110,491	41	1,038	44	923	39	11.0%	58	21.4%	52	339	60
DICKINSON	458.6	36,832	13,763,877	47	1,106	36	980	36	11.4%	53	24.1%	33	368	52
EATON	2,278.0	43,866	72,229,308	17	1,391	16	1,227	14	11.8%	49	28.1%	11	474	20
EMMET	725.0	46,545	23,337,119	35	1,498	8	1,258	13	16.0%	13	24.5%	29	430	37
GENESEE	8,233.5	42,261	253,583,471	6	1,302	21	1,172	19	10.0%	68	24.7%	27	360	57
GLADWIN	367.9	33,176	9,644,265	61	870	64	746	66	14.2%	23	24.3%	31	341	59
GOGEBIC	207.0	30,224	5,661,567	67	827	70	711	69	14.1%	26	20.2%	59	260	79
GRAND TRAVERSE	1,762.2	42,963	55,259,101	21	1,347	19	1,224	15	9.1%	72	27.3%	15	444	32
GRATIOT	612.4	34,800	18,408,556	40	1,046	43	881	45	15.8%	14	21.9%	50	669	4
HILLSDALE	712.7	35,163	21,750,056	36	1,073	40	923	41	14.0%	27	21.3%	53	490	16
HOUGHTON	444.2	30,955	12,625,313	50	880	61	784	60	10.9%	59	16.1%	78	300	74
HURON	548.6	31,875	15,110,941	45	878	62	453	83	48.4%	1	36.7%	2	1,139	1
INGHAM	5,353.4	43,608	172,565,148	7	1,406	14	1,207	18	14.2%	24	33.5%	3	458	28
IONIA	964.8	37,542	30,209,171	29	1,175	29	1,059	28	9.9%	69	19.4%	68	467	23
IOSCO	373.4	30,228	8,980,305	62	727	79	615	78	15.3%	21	22.4%	46	327	64
IRON	157.8	28,970	4,101,085	73	753	78	649	75	13.8%	30	19.8%	62	251	80
ISABELLA	1,353.3	45,052	42,510,119	25	1,415	13	1,298	11	8.3%	80	21.4%	51	441	34
JACKSON	2,712.5	40,612	85,850,943	15	1,285	23	1,169	21	9.0%	73	22.3%	47	386	47
KALAMAZOO	4,608.1	44,858	149,754,692	9	1,458	12	1,301	10	10.8%	61	30.2%	7	410	43
KALKASKA	236.5	32,076	6,758,833	66	917	56	829	53	9.6%	70	17.6%	75	335	61
KENT	12,381.1	48,093	404,326,984	4	1,571	6	1,413	6	10.0%	67	26.5%	18	404	44
KEWEENAW	26.2	30,102	687,789	83	791	76	707	71	10.6%	64	11.2%	82	369	50
LAKE	97.4	27,505	2,447,461	80	691	80	527	82	23.8%	2	27.8%	13	305	73
LAPEER	1,667.8	45,774	53,965,639	23	1,481	10	1,363	7	8.0%	81	19.4%	67	429	38

Exhibit 22 (cont.)

County	2001 AGI (Millions)	2001 Average AGI	Income Tax		Average Income Tax		Credits as a % of Tax		Ratio of Property Tax Credits		Average Property Tax	
			Before Credits	Rank	Before Credits	Rank	Before Credits	Rank	to 1040s Filed	Rank	Credit ⁽¹⁾	Rank
LEELANAU	\$352.0	\$46,367	\$10,133,412	58	\$1,335	20	12.3%	42	24.9%	26	\$544	10
LENAWEE	1,759.8	40,838	55,231,671	22	1,282	24	15.5%	18	26.4%	19	583	6
LIVINGSTON	3,144.0	58,753	107,378,498	11	2,007	3	6.8%	83	22.2%	48	490	15
LUCE	83.0	32,149	2,241,654	81	868	66	8.6%	77	11.1%	83	232	83
MACKINAC	172.8	31,270	4,806,381	70	870	65	11.9%	48	18.5%	74	358	58
MACOMB	18,342.1	48,776	581,000,708	3	1,545	7	12.9%	38	32.8%	4	517	13
MANISTEE	369.7	34,090	10,357,687	57	955	54	12.7%	39	23.7%	41	362	55
MARQUETTE	1,005.8	36,767	29,829,586	30	1,090	37	8.5%	78	19.1%	71	297	75
MASON	426.5	33,706	12,429,077	51	982	51	14.8%	22	26.1%	21	415	42
MECOSTA	535.8	35,563	15,326,510	44	1,017	48	12.4%	41	19.7%	64	394	46
MENOMINEE	367.1	34,621	10,492,424	56	989	50	12.3%	43	19.3%	69	326	66
MIDLAND	1,905.7	53,134	60,962,811	19	1,700	4	7.4%	82	20.6%	56	396	45
MISSAUKEE	160.8	30,350	4,453,349	71	841	69	19.9%	6	25.1%	24	564	7
MONROE	2,960.6	46,631	94,594,913	13	1,490	9	18.4%	8	22.6%	45	479	18
MONTCALM	1,146.9	43,258	29,575,532	31	1,116	35	18.7%	7	23.0%	43	473	21
MONTMORENCY	150.3	30,490	3,355,144	76	681	81	13.4%	32	17.1%	77	275	78
MUSKEGON	2,612.6	36,739	81,483,772	16	1,146	33	13.1%	37	27.3%	16	371	49
NEWAYGO	603.9	35,473	18,096,461	42	1,063	42	13.9%	29	24.1%	34	454	30
OAKLAND	36,293.2	68,491	1,269,107,405	1	2,395	1	9.4%	71	30.4%	6	600	5
OCENA	365.7	32,269	10,524,294	55	929	55	15.4%	19	22.9%	44	459	27
OGEMAW	286.2	30,218	7,526,744	64	795	75	16.2%	12	23.1%	42	365	53
OGEMUNG	100.5	30,197	2,739,351	78	823	71	11.3%	55	15.5%	80	277	77
OSCEOLA	353.8	31,610	10,115,760	59	904	57	13.9%	28	19.5%	66	419	41
OSCODA	84.4	27,263	2,097,844	82	677	83	12.1%	46	15.7%	79	246	81
OTSEGO	376.2	37,719	10,784,737	54	1,081	38	8.3%	79	19.0%	72	324	68
OTTAWA	5,130.8	47,359	170,705,149	8	1,576	5	8.9%	75	23.9%	38	466	24
PRESQUE ISLE	209.5	30,794	5,425,807	68	797	74	13.7%	31	18.9%	73	361	56
ROSCOMMON	370.7	31,435	8,902,963	63	755	77	636	15	23.9%	37	326	67
SAGINAW	3,574.1	39,471	108,391,204	10	1,197	28	12.6%	40	25.5%	23	423	40
ST. CLAIR	3,229.2	42,916	103,489,553	12	1,375	17	11.3%	54	27.8%	12	442	33
ST. JOSEPH	951.8	35,544	28,882,431	33	1,079	39	12.2%	44	20.9%	55	457	29
SANILAC	651.5	33,189	19,213,427	38	979	52	23.1%	3	29.4%	9	680	3
SCHOOLCRAFT	122.4	32,236	3,380,351	75	890	59	8.9%	74	14.4%	81	241	82
SHIAWASSEE	1,341.9	39,119	41,556,685	26	1,211	27	11.4%	52	24.7%	28	440	35
TUSCOLA	948.7	34,968	27,892,431	34	1,028	45	20.1%	5	23.7%	40	807	2
VAN BUREN	1,251.5	37,455	39,239,012	27	1,174	30	13.3%	35	27.2%	17	462	25
WASHENAW	8,294.5	59,700	282,061,838	5	2,030	2	16.9%	62	32.3%	5	563	8
WAYNE (including Detroit)	35,574.1	42,519	1,134,411,113	2	1,356	18	10.7%	10	37.3%	1	476	19
WEXFORD	486.1	33,943	14,661,607	46	1,024	46	18.2%	9	25.0%	25	368	51
OUTSIDE OF MICHIGAN	24,358.6	155,088	190,269,305		1,211		8.9%		9.2%		518	
DETROIT	13,651.7	34,850	420,686,074		1,074		23.2%		40.4%		409	
TOTALS	\$222,960.9	\$50,036	6,577,191,073		\$1,476		12.2%		28.2%		483	

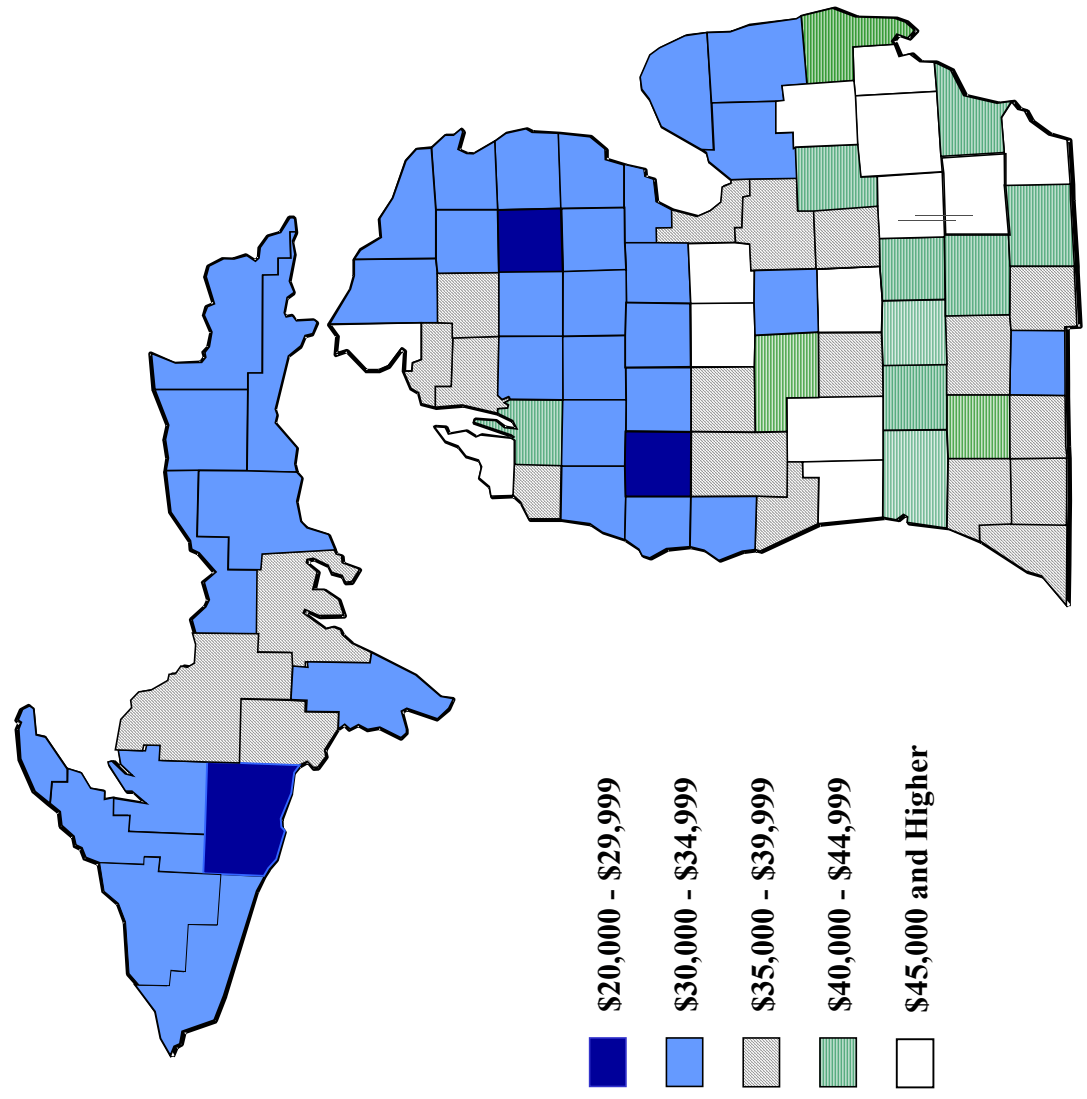
Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 23
Average Annual Individual Income Tax Rates

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

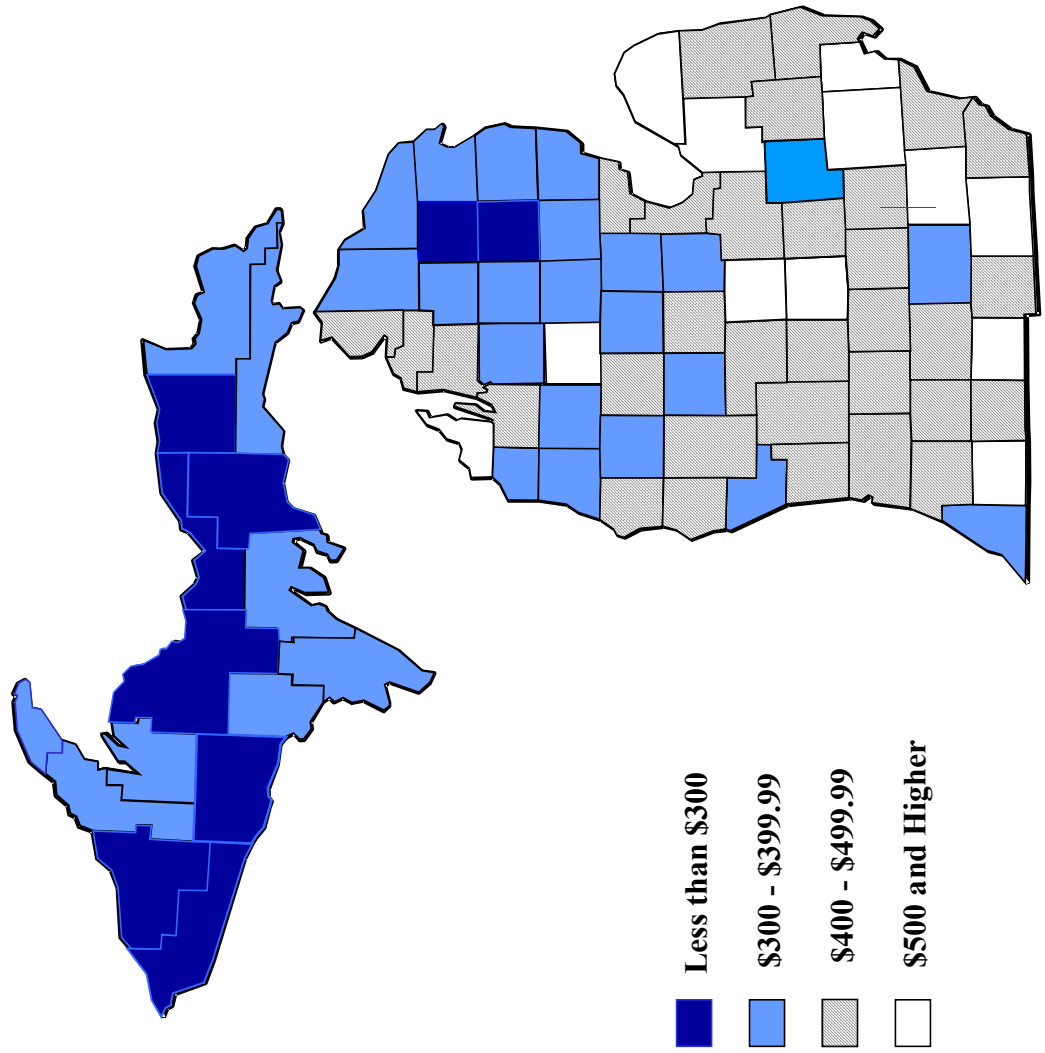
Source: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 24
Average Adjusted Gross Income by County
2001



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

Exhibit 25
Average Property Tax Credits by County
2001



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

Exhibit 26
Growth in Michigan Income
2000 – 2001
(thousands)

	<u>2000</u>	<u>2001</u>	<u>Percentage</u> <u>Change</u>
Labor Earnings			
Wage and salary disbursements	\$175,609,733	\$173,308,583	-1.3%
Other labor income	20,527,361	20,856,861	1.6%
Proprietors' income	<u>17,582,510</u>	<u>17,795,796</u>	1.2%
Total labor earnings	<u>\$213,719,604</u>	<u>\$211,961,240</u>	-0.8%
Adjustments			
Personal contributions for social insurance	-\$12,939,792	-\$13,009,996	0.5%
Adjustment for residence	<u>959,180</u>	<u>984,438</u>	2.6%
Total adjustments	<u>-\$11,980,612</u>	<u>-\$12,025,558</u>	
Net Michigan labor earnings	\$201,738,992	\$199,935,682	-0.9%
Dividends, interest, and rent	\$53,762,558	\$55,192,720	2.7%
Transfer payments	<u>38,242,411</u>	<u>42,480,932</u>	11.1%
Michigan Personal Income	\$293,743,961	\$297,609,334	1.3%

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