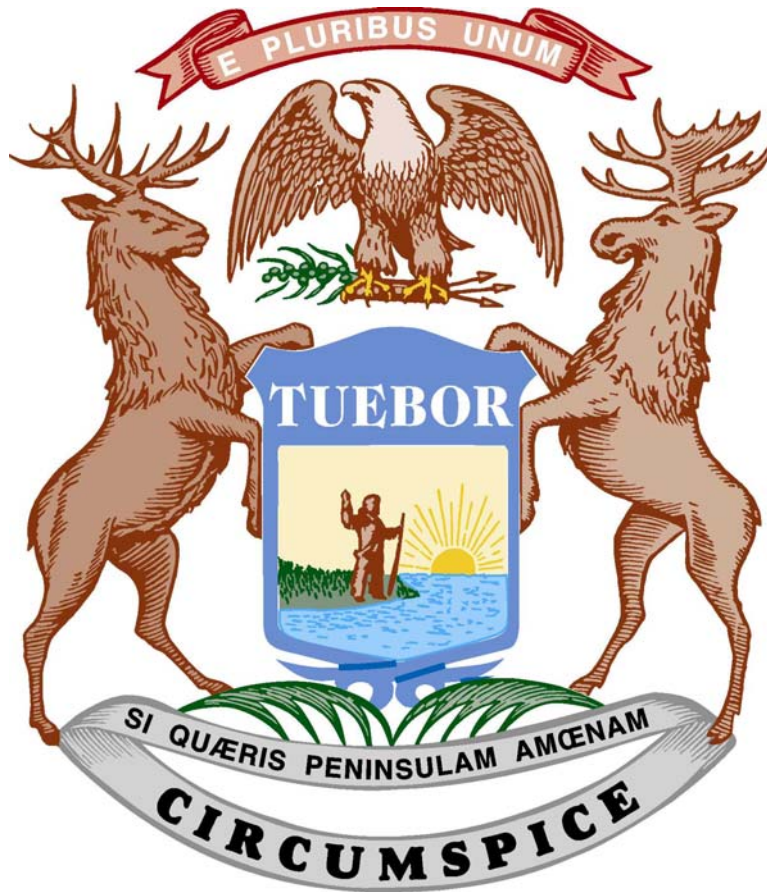
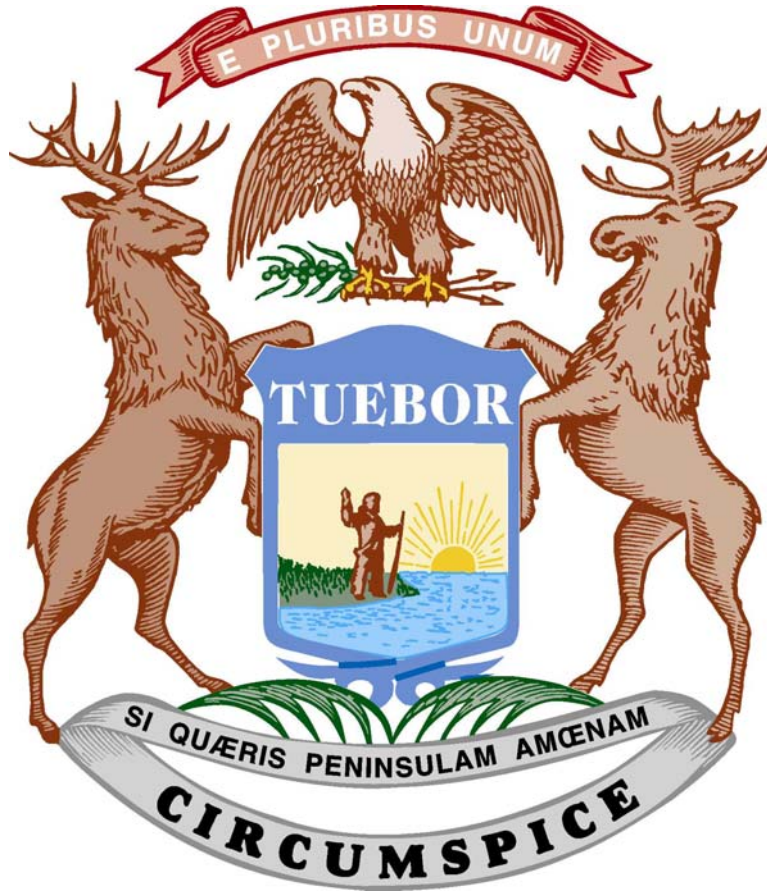


**MICHIGAN'S  
INDIVIDUAL INCOME TAX  
2011**



**Michigan Department of Treasury  
Office of Revenue and Tax Analysis  
Tax Analysis Division  
July 2013**

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Tax Analysis Division  
July 2013

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## **I. EXECUTIVE SUMMARY**

### **Returns and Revenue**

For tax year 2011, Michigan's personal income tax generated \$5.6 billion in state revenues after all credits and refunds were paid. Net revenue increased \$329.6 million (6.3 percent) from 2010 levels, reflecting the increase in taxable income of \$10.2 billion (4.0 percent) from 2010 to 2011 and the decrease of \$49.1 million (3.7 percent) in refundable credits from 2010 levels. About 4.5 million returns were filed for the 2011 tax year, or 31,800 more filers (0.7 percent) than the previous year.

Although the personal income tax was levied at a nominal flat rate of 4.35 percent in 2011, the average effective tax rate varied from negative 33.94 percent for filers with an AGI under \$2,000 to positive 3.42 percent for taxpayers with an AGI between \$300,001 and \$400,000. Including the impact of all refundable and nonrefundable credits, the overall effective tax rate was 2.11 percent. The negative effective rates for lower income groups arise because some taxpayers receive net payments from the state, due principally to the refundable credits for property taxes and home heating expenses, and the Michigan Earned Income Tax Credit (EITC). Nearly all (98.0 percent) of the \$5.6 billion in net revenue was paid by income groups with income over \$50,000.

### **Interstate Comparisons**

For fiscal year 2011, Michigan's income tax revenue was twelfth lowest in the nation as a percentage of personal income, and eleventh lowest on a per capita basis, among the 43 states with a general income tax. Compared to the average for those 43 states, Michigan's income tax revenue was 38.3 percent below average on a per capita basis, and 29.1 percent below average as a percent of personal income.

### **Property Tax Credit**

About 1.5 million Michigan homeowners, renters, and farmers received \$858.4 million in property tax credits, including farmland preservation credits, for 2011. The average property tax credit was \$573. Excluding farmland preservation credits, the average property tax credit for tax year 2011 was \$549. The total amount of property tax credits, including farmland preservation credits, decreased by \$54.1 million (-5.9 percent) with 73,300 fewer taxpayers benefiting compared to tax year 2010.

Senior citizens received about \$332.5 million in homestead property tax credits, a decrease of \$13.4 million from tax year 2010. For about 450,100 senior citizens receiving homestead property tax credits, the average credit was \$739.

### **Home Heating Credit**

Home heating credits totaled \$65.8 million for tax year 2011 with about 461,200 households qualifying for an average credit of \$143. Home heating credits decreased \$4.0 million in 2011, when approximately 30,200 fewer taxpayers claimed the credit.

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

Over 793,000 taxpayers claimed about \$353.7 million in Michigan EITC in 2011, resulting in an average credit of \$446 per taxpayer. In 2008, the first year the Michigan credit became effective, the state credit was 10 percent of the federal credit. In 2009, the Michigan credit was increased to 20 percent of the federal credit.

### **Adoption Credit**

In tax year 2011, \$489,800 in adoption credit was claimed by 400 taxpayers, resulting in an average credit of \$1,206 per taxpayer. This credit became effective in tax year 2001, allowing taxpayers to offset qualified expenses for single or multiple adoptions, but it is limited to a maximum of \$1,200 per adopted child.

### **Stillbirth Credit**

About 300 taxpayers claimed a total of \$46,800 in stillbirth credits for tax year 2011. The credit became effective in tax year 2006, and it allows taxpayers who received a Certificate of Stillbirth from the Department of Community Health to claim a credit equal to 4.5 percent of a single personal exemption amount for the tax year, rounded up to the nearest \$10 increment. In 2011, the credit amount was \$170 per certificate.

### **Energy Efficient Home Improvement Credit**

100,300 filers claimed a total of \$10.4 million in energy efficient home improvement credits for tax year 2011. Effective for tax years 2009 through 2011, this credit equals 10 percent of the amount spent on the purchase and installation of qualified home improvements that met Energy Star energy efficiency guidelines, and is available for taxpayers with AGI up to \$37,500 (single or married filing separately – MFS) or \$75,000 (married filing jointly – MFJ). The credit was limited to \$75 (single, MFS) or \$150 (MFJ).

### **City Income Tax Credit**

In 2011, city income tax credits were claimed by 781,000 taxpayers amounting to \$29.4 million in total credits. This was an increase of \$1.8 million from the prior year, with 34,200 fewer taxpayers claiming the credit.

### **Public Contribution Credit**

About 257,700 Michigan taxpayers claimed \$23.8 million in credits for contributions to Michigan colleges, libraries, museums, and public broadcasting stations for tax year 2011. This was an increase of \$972,900 from tax year 2010, with 4,400 more taxpayers claiming this credit.

### **Community Foundation Credit**

For tax year 2011, about 36,200 taxpayers claimed \$3.5 million in community foundation credits. This figure represents an increase of about \$202,100 from tax year 2010, with 1,300 more taxpayers claiming the credit.

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

About 234,500 taxpayers claimed homeless shelter/food bank credits totaling \$19.5 million for tax year 2011. Compared with tax year 2010, this represented an increase of \$958,200 with 5,900 more taxpayers claiming a credit.

### **College Tuition Credit**

For tax year 2011, 24,500 taxpayers claimed \$3.8 million in tuition credits. Compared with tax year 2010, this was a decrease of \$186,600 with 9,800 more taxpayers claiming a credit.

### **Historic Preservation Credit**

For tax year 2011, about 600 taxpayers claimed \$1.2 million in historic preservation credits. Compared with tax year 2010, this was an increase of \$324,100 with 70 fewer taxpayers claiming a credit.

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

For tax year 2011, 47,900 taxpayers received a total of \$49.7 million credit for income tax paid to another state, resulting in an average credit of \$1,037. This represented an increase of \$4.9 million with 1,200 more taxpayers claiming a credit.

### **Vehicle Donation Credit**

About 1,000 taxpayers claimed vehicle donation credits totaling \$71,400 for tax year 2011, resulting in an average credit of \$71 per taxpayer. The vehicle donation credit equals 50 percent

of the fair market value of certain automobile donations to qualified charitable organizations, up to \$50 for single return or \$100 for a joint return, and it became effective in TY 2005.

### **Renewable Energy Surcharge Credit**

This credit equals a percentage of the additional utility charges paid that were imposed on Michigan utility customers so that the electric utilities would meet newly enacted renewable energy standards. The credit was restricted to eligible taxpayers with AGI up to \$65,000 (single, MFS), or \$130,000 (MFJ), and was limited to those where the surcharge appeared on the taxpayer's monthly bills. About 514,000 taxpayers received a total of \$3.5 million in renewable energy surcharge credits for tax year 2011.

### **Use Tax Payments**

Starting in tax year 1999, taxpayers were asked to remit use tax payments along with their personal income tax returns. In 2011, 106,900 taxpayers paid \$5.7 million in use tax. Compared to 2010, this was an increase of \$447,900 on the total use tax paid, with 2,100 more taxpayers reporting the use tax.

### **Tax Law Changes in 2012**

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

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

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

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

annualized, resulting in an exemption amount of \$3,763 for calendar-year filers. This is greater than the \$3,700 exemption allowed under law prior to Public Act 224.

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

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

**Public Act 597** amended the Income Tax Act to exempt retirement or pension benefits received for services in the Michigan National Guard, effective January 1, 2012. The Public Act also increased the allowable deduction for retirement or pension benefits received by taxpayers through employment with a governmental agency that was not covered by the Social Security Act. The allowable deduction for taxpayers born in 1946 through 1952 was increased by up to \$15,000 for each taxpayer receiving such benefits, effective January 1, 2013. Beginning in 2015, taxpayers who were born after 1952, have reached 62 years of age, and are receiving retirement benefits from employment with governmental agency that was not covered under the Social Security Act would be eligible to deduct up to \$15,000 of those benefits.

## **II. INTRODUCTION**

This report summarizes information regarding the Michigan individual income tax for tax year 2011. It is based on returns filed and processed in calendar year 2012.

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

The Michigan income tax builds on the federal income tax, specifically federal adjusted gross income (AGI). As such, changes in federal law that alter the calculation of AGI will generally have an impact on the Michigan income tax base and revenues. Section IX summarizes the significant changes in federal income tax law in 2010 and 2011 and how those changes affect Michigan's income tax base. Section X summarizes the Michigan Public Acts (PA) in 2011 and 2012 that amended the Michigan Income Tax Act.

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

Section XII contains a summary of significant changes in federal income tax law since 2001 through changes in 2010, the Michigan personal income tax legislative history through 2010, and a table with chronological changes to the Michigan income tax requirements and limits since 1967.

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

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

In response to the early 1980s economic recession that plagued Michigan with budget deficits, the state income tax rate was raised to 5.6 percent between April 1 and September 30, 1982, further increasing to 6.35 percent in 1983. As the Michigan economy improved, the income tax rate was rolled back to 5.85 percent in 1984, 5.33 percent in 1985, and 4.6 percent in 1986. On May 1, 1994, the rate was lowered to 4.4 percent, following the passage of the property tax reform package known as Proposal A. For the 1995 tax year only, the Headlee Amendment Refund reduced the income tax liability of all Michigan taxpayers by 2.0 percent. New legislation passed in 1999 reduced the income tax rate to 4.2 percent effective January 1, 2000, and further reduced the rate by 0.1 percentage point on January 2002, January 2003, and July 2004, bringing the rate to 3.9 percent, where it remained through September 2007. As the pace of the Michigan economy slowed considerably in the mid-2000s, renewed budgetary pressures led to new legislation that increased the income tax rate to 4.35 percent effective October 1, 2007, and provided for a gradual reduction of the rate (0.1 percentage point) on each October 1 beginning in 2011, until the rate reached 3.95 percent, and finally dropped to 3.9 percent on October 1, 2015. However, PA 38 of 2011 and PA 223 of 2012 maintained the 4.35 percent rate through December 2012, and reduced the rate to 4.25 percent beginning October 2012, respectively. (See Exhibit 42 on page 67 for a complete list of average Michigan Individual Income tax rates since 1968.)

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

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<sup>1</sup> For a complete Michigan personal income tax legislative history through 2010, see Appendix A, page 77.



For 2011, the following exemptions were available for taxpayers: \$3,700 personal exemption, \$2,400 special exemption for senior citizens, filers with certain disabilities, or filers receiving at least 50 percent of their AGI from unemployment compensation, \$300 exemption for disabled veterans, \$600 exemption for child aged 18 years and under, and \$1,500 exemption for taxpayers claimed as dependent by another taxpayer. (For tax year 2012 and after, PA 38 of 2011 eliminated a number of exemptions. For all changes resulting from that legislation, see page 42). Exhibit 1 depicts the average annual Michigan individual income tax rate and allowed exemptions since 2003.

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

<b>Tax Year</b>	<b>Average Rate</b>	<b>Personal Exemption</b>	<b>Claimed as Dependent Exemption</b>	<b>Special Exemptions</b>			<b>Unemployment Compensation</b>	<b>Child Age 18 and Under Exemption</b>
				<b>Blind, Deaf, or Disabled</b>	<b>Disabled Veteran</b>	<b>Senior</b>		
2003	4.00%	\$3,100	\$1,500	\$1,900	n.a.	\$1,900	\$1,900	\$600
2004	3.95% *	3,100	1,500	2,000	n.a.	2,000	2,000	600
2005	3.90%	3,200	1,500	2,000	n.a.	2,000	2,000	600
2006	3.90%	3,300	1,500	2,100	n.a.	2,100	2,100	600
2007	4.01% **	3,400	1,500	2,200	n.a.	2,200	2,200	600
2008	4.35%	3,500	1,500	2,200	250	2,200	2,200	600
2009	4.35%	3,600	1,500	2,300	300	2,300	2,300	600
2010	4.35%	3,600	1,500	2,300	300	2,300	2,300	600
2011	4.35%	3,700	1,500	2,400	300	2,400	2,400	600
2012	4.33% ***	3,763 ****	1,500	2,400	300	n.a.	n.a.	n.a.
2013	4.25%	3,950	1,500	2,500	300	n.a.	n.a.	n.a.

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

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

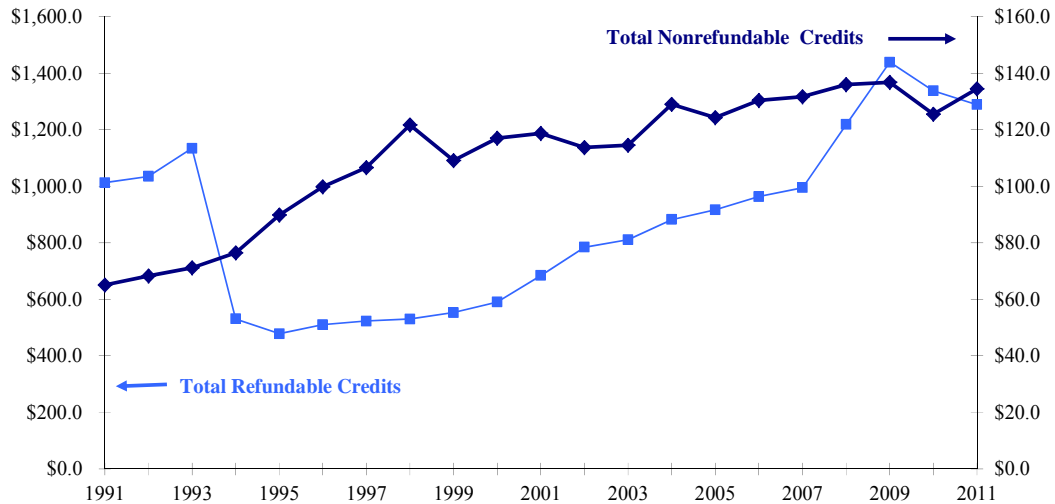
\*\*\*Tax rate equals 4.35% through September 2012, then it decreases to 4.25% thereafter.

\*\*\*\*Exemption equals \$3,700 through September 2012, then it increases to \$3,950 thereafter.

The Michigan individual income tax is a flat rate tax. The Michigan Constitution prohibits graduated income tax rates. Proposals to allow graduated rates were defeated by voters in 1968, 1972, and 1976. However, a degree of progressivity is achieved with exemptions and credits, such as the homestead property tax and home heating credits, and the Michigan EITC. These provisions help to make the tax less burdensome on low income taxpayers. Refundable and nonrefundable credits paid and claimed have steadily increased over the years, except in 1994, when property tax reductions enacted as a part of school finance reform led to reduced property tax credits, and in 2010 and 2011, when falling property values depressed property tax credits. Exhibit 2 provides information on the total amount of refundable and nonrefundable credits paid since 1991. For tax year 2011, a total of \$1,288.8 million was paid in refundable credits, and an

additional \$134.5 million was paid in nonrefundable credits. For a complete list of credits available in tax year 2011 see Chapter V on page 23.

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



A portion of income tax revenues is earmarked to the School Aid Fund (SAF) with the remainder distributed as General Fund/General Purpose (GF/GP) revenues. Beginning in fiscal year 1994-95, 14 percent of gross income tax collections was statutorily allocated to the SAF with the remainder of net income tax revenue allocated to GF/GP. For fiscal year 1996-97, the SAF allocated percentage increased to 23 percent, where it remained until tax year 1999. For tax years 2000 and after, the percentage of gross income tax collections earmarked to the SAF changed to equal 1.012 percent divided by the income tax rate. The inverse relationship between the income tax rate and the percent allocated to the SAF has resulted in a steady increase of the earmarking percentage for tax years 2000 through 2007, from 24.1 to 25.95 percent, and a recent decline on that percentage to 25.24 percent in 2007, and 23.26 percent for tax years 2008 through 2011. Exhibit 3, on page 10, summarizes the income tax revenue earmarking to the SAF and GF/GP since 1995.

## USE TAX PAYMENTS

Taxpayers owe use tax when they purchase tangible personal property, either for use, consumption, or storage in Michigan, from companies that do not collect Michigan sales or use tax. This includes mail order and Internet purchases, as well as purchases made while traveling in other states or foreign countries. In those cases, compliant Michigan taxpayers must submit a use

tax form, remitting the use tax owed on the total price (including shipping and handling charges) of all taxable items purchased from the out-of-state retailer who does not collect Michigan tax. An out-of-state business that does not have a store, warehouse, or employees in Michigan does not have to register and collect Michigan use tax. However, many out-of-state businesses voluntarily collect use tax for their customers.

Starting in tax year 1999, Michigan taxpayers were able to remit use tax payments while filing their income tax return, instead of filing separate use tax forms. This alternative simplifies the tax compliance process for the taxpayer. In tax year 2011, 106,900 taxpayers remitted \$5.7 million in use tax (see Exhibit 4 below).

**Exhibit 3  
Earmarking of Income Tax Revenue**

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

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

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

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

## IV. INCIDENCE OF THE INDIVIDUAL INCOME TAX

For tax year 2011, about 4.5 million MI-1040 returns were filed, 31,800 more than for 2010 (see Exhibit 5 below). An additional 147,300 “credit-only” returns were filed for 2010. These “credit-only” returns refer to returns from taxpayers who did not file an MI-1040 form, but who did claim a refundable tax credit, such as a property tax credit or a home heating credit by filing the appropriate forms. Of those “credit-only” returns, 31,900 claimed only a home heating credit, 24,800 claimed only a property tax credit, and 45,300 claimed both refundable credits.

The personal income tax generated \$5.6 billion in net revenue for tax year 2011, which is total revenue after all credits and refunds are paid. Income tax revenues increased \$329.6 million (6.3%) from 2010, reflecting increases in the number of returns and taxable income amount compared to the prior year, and \$49.1 million decrease in refundable credits compared to 2010.

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

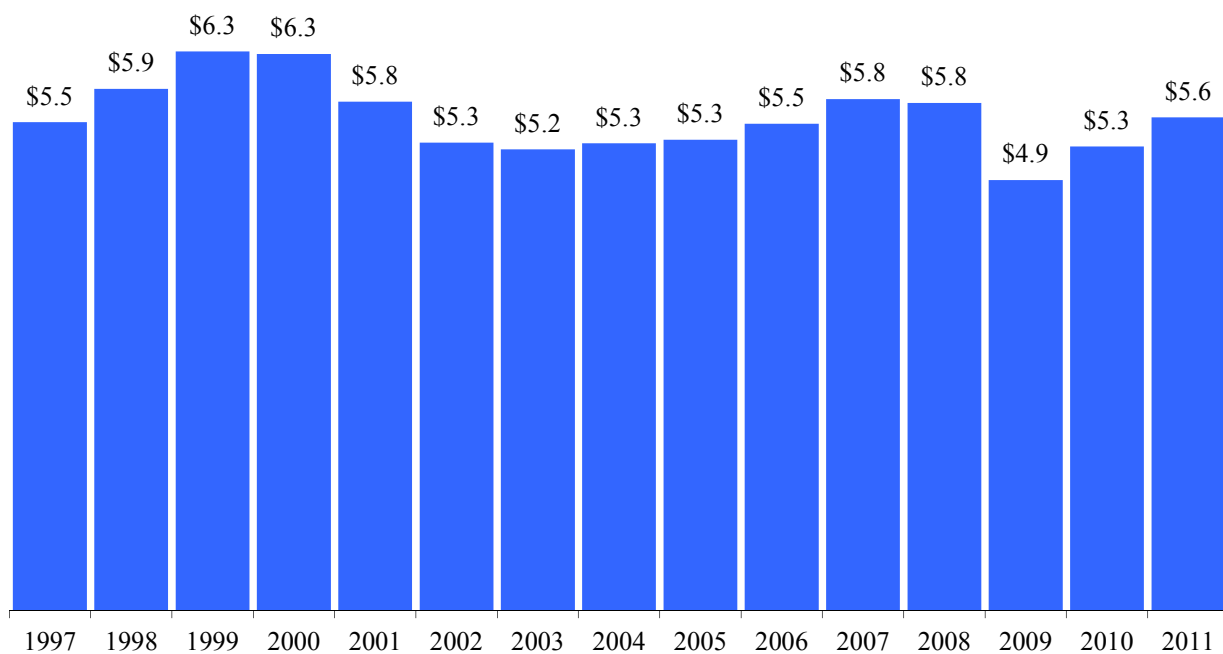
<u>Year</u>	<u>Number of 1040s Filed</u>	<u>Adjusted Gross Income</u>	<u>Average AGI</u>	<u>Nominal Rate</u>	<u>Average Effective Rate</u>	<u>Revenue</u>
1997	4,308,575	190,806,002,405	44,285	4.40%	2.90%	5,540,653,500
1998	4,350,006	205,229,640,000	47,179	4.40%	2.88%	5,919,624,100
1999	4,414,720	222,092,788,315	50,307	4.40%	2.86%	6,343,222,500
2000	4,511,561	235,714,626,207	52,247	4.20%	2.68%	6,313,315,900
2001	4,456,031	222,960,889,578	50,036	4.20%	2.59%	5,774,007,800
2002	4,405,687	213,455,154,939	48,450	4.10%	2.49%	5,309,790,100
2003	4,369,995	223,070,894,889	51,046	4.00%	2.35%	5,232,779,200
2004	4,390,300	241,419,608,339	54,989	3.95%	2.20%	5,301,966,200
2005	4,424,662	260,604,722,102	58,898	3.90%	2.05%	5,341,831,700
2006	4,487,257	272,454,940,745	60,717	3.90%	2.03%	5,521,426,800
2007	4,560,672	292,321,301,678	64,096	4.01%	1.99%	5,803,415,000
2008	4,481,511	257,476,490,543	57,453	4.35%	2.24%	5,757,103,800
2009	4,395,979	240,741,775,266	54,268	4.35%	2.03%	4,883,682,400
2010	4,459,933	254,568,181,316	57,079	4.35%	2.07%	5,264,953,200
2011	4,491,741	264,777,026,191 <sup>2</sup>	58,948	4.35%	2.11%	5,594,565,100

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<sup>2</sup>The AGI above is reduced by returns reporting a negative AGI totaling a negative \$7.0 billion. AGI data for these returns were not available prior to 1997. The data for negative AGI returns are included throughout this report unless otherwise noted.

The number of income tax returns and tax revenues both generally increase when the economy expands and decrease during a recession. Changes in AGI reflect both economic growth and changes in the definition of federal AGI. Exhibit 6 below provides a graphical representation of Michigan individual income tax annual collections since 1997.

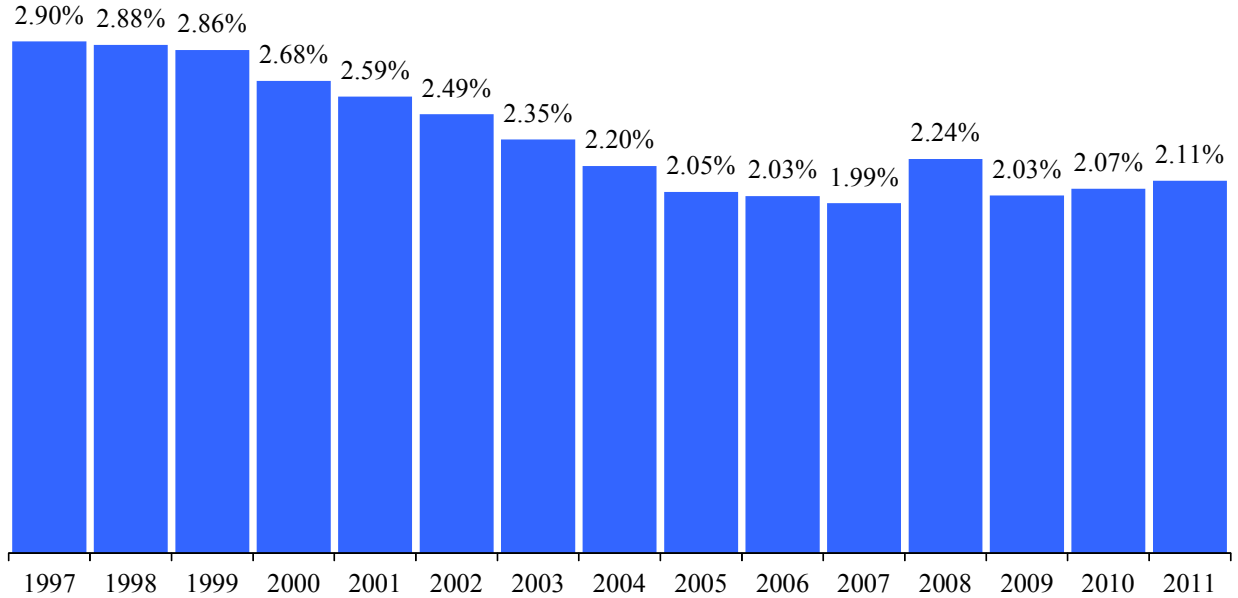
**Exhibit 6**  
**Annual Collections from Michigan Individual Income Tax**  
**(billions of dollars)**



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

Even though the nominal Michigan personal income tax is levied at a flat 4.35 percent rate, exemptions and credits help to lessen the relative burden on taxpayers with lower AGIs. As a result, the average effective tax rate is considerably lower than the nominal flat rate. As shown in Exhibit 7, the average effective tax rate for 2011 was 2.11 percent, lower than the calculated average of 2.88 percent for the 1997-1999 period, when the tax rate was kept at 4.4 percent. Over the 1997-2011 period, the highest average effective rate was 2.90 percent for 1997, and the lowest average was 1.99 percent for 2007. The overall decrease in the average effective rate over past years resulted from a combination of generalized increase in exemptions amounts due to inflation indexing, expansion of refundable credits, and decrease in the nominal tax rate (except for 2007, when the average nominal rate increased from 3.9 percent to 4.01 percent).

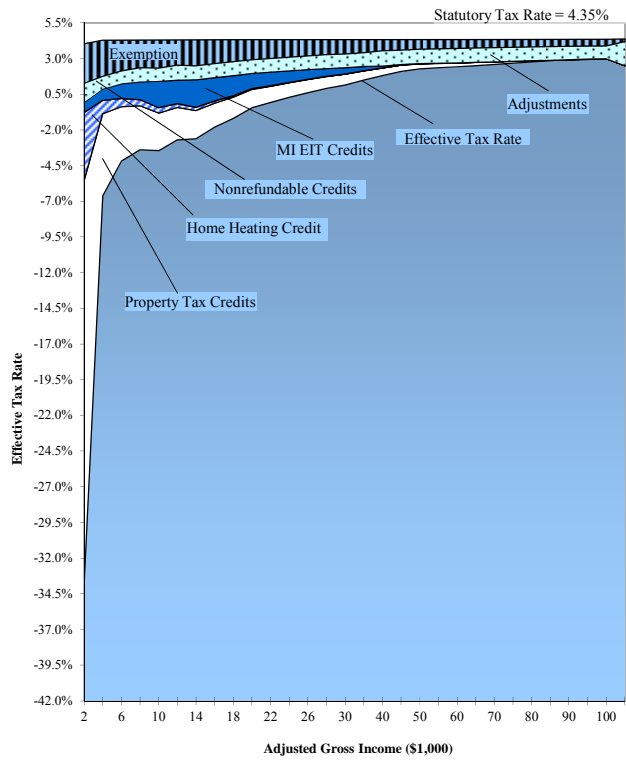
**Exhibit 7**  
**Individual Income Tax**  
**Effective Tax Rate**



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

As shown in Exhibits 8, 27 and 28 (see pages 14, 47 and 48, respectively), the effective tax rate in 2011 varied from negative 33.95 percent for taxpayers in the \$1 - \$2,000 AGI group, to positive 3.42 percent for taxpayers with an AGI between \$300,001 and \$400,000. Taxpayers with AGIs of less than \$22,000 on average received net payments from the state, mostly due to the refundable credits for property taxes, home heating expenses, and the Michigan EITC. The effective rate for taxpayers with an AGI above \$1,000,000 was 0.89 percent, lower than the peak of 3.42 percent. The reason for this lower rate is because the above \$1,000,000 AGI group includes a large number of nonresidents with relatively low Michigan income compared to their total AGI, affording them large subtractions for income not taxable in Michigan and consequently lower taxable income and effective rate. Resident taxpayers included in that AGI group are also more likely than resident taxpayers in other AGI groups to have part of their income from business activities outside of Michigan, resulting in their Michigan tax base being lower than their AGI. Overall, the effective tax rate was 2.11 percent rather than the nominal rate of 4.35 percent. The effective rates in Exhibits 27 and 28 were calculated before taking into account the adoption and stillbirth credits, because the distribution of these credits by AGI is not available. In 2011, adoption credits totaled \$489,800, and the stillbirth credit totaled \$46,750. Subtracting these credits minimally reduces the overall effective rate of 2.11 percent.

Exhibit 8  
Effective Income Tax Rates, 2011



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

Exhibit 8 reveals the influence of the various exemptions and credits on the effective tax rate and illustrates the data in Exhibit 27 (see page 47). Exhibit 27 details the effects of the personal exemption, various adjustments and credits on the distribution of the Michigan income tax burden. As a percentage of income, the \$3,700 personal exemption and the property tax credit benefit lower income taxpayers the most, while reducing the effective tax rate for most taxpayers. The personal exemption, property tax credit, home heating credit, and the Michigan EITC make Michigan's income tax more progressive, since these provisions decline as a percentage of AGI as income increases. The nonrefundable credits, which include the city income tax, college tuition, and college contribution credits, have a more proportional effect on income.

The Michigan tax data overstate the aggregate effective tax rate, since taxpayers who itemize deductions on their federal returns may deduct their state income tax payments. Federal data for tax year 2011 show that 30.1 percent of Michigan taxpayers itemized deductions on their federal income tax returns<sup>3</sup>. With federal deductibility, taxpayers offset part of their state income tax with a lower federal tax liability. For example, taxpayers in the 28 percent federal income tax bracket who itemized would have up to 28 percent of their state income tax offset by lower federal income tax liability. Federal deductibility provides greater benefits to taxpayers with higher incomes, since higher income people are both more likely to itemize their deductions and face higher marginal tax rates. For 2011, 86.1 percent of Michigan taxpayers reporting an AGI of \$100,000 or more itemized their deductions, while 12.9 percent of taxpayers with an AGI up to \$50,000 itemized. While providing relief for some taxpayers, federal deductibility reduces the progressivity of the Michigan income tax.

Michigan taxpayers claimed about 8.8 million personal exemptions for 2011. Since the total exemption amount for some taxpayers is greater than their income, not all exemptions were used at lower income levels. In the lowest income groupings, the exemptions and child deductions offset all income. As noted in Exhibit 27 (see page 47), there were an estimated 7.1 million effective personal exemptions, i.e., exemptions that actually offset income. The effective exemptions for 2011 were calculated assuming all personal exemptions, special exemptions, and all child deductions were equally likely to offset taxable income.

Michigan taxpayers claimed over 1.4 million special exemptions for tax year 2011. About 79.6 percent of the special exemptions were claimed by senior citizens. Michigan families claimed 2.3 million deductions for children age 18 and under. Exhibits 30 and 31 (see pages 51 through 53) present distributions of all the exemptions claimed for tax year 2011 by income group. The number of special exemptions or child deductions that actually offset taxable income for each income group can be estimated by dividing the number of effective exemptions listed for that income group in Exhibit 27 (see page 47) by the number of claimed exemptions, and then multiplying that quotient by the number of exemptions/deductions in Exhibit 31 (see page 53). 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 345,195 by 421,518 and then multiplying the result (0.8189) by 121,471. The result is an estimate of 92,103 effective deductions.

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<sup>3</sup>Data on itemized deductions was obtained from the Internal Revenue Service, Statistics of Income Division, Individual Master File System, December 2012.



The Michigan income tax is paid almost exclusively by Michigan residents. Non- or part-year residents pay about 3.3 percent of the income tax. Exhibit 9 below summarizes the distribution of Michigan returns and net tax liability by residency. While nonresidents report \$42.8 billion in AGI, they claim subtractions totaling \$44.5 billion, mostly for income not taxable in Michigan.

**Exhibit 9**  
**2011 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	4,300,594	\$216,780,336,499	\$5,571,126,154
Part-year resident	90,688	5,287,255,387	82,844,327
Nonresident	100,459	42,709,434,305	106,070,618
Totals	4,491,741	\$264,777,026,191	\$5,760,041,099

Married taxpayers filing jointly reported 68.8 percent of AGI and paid 73.4 percent of the Michigan income tax. Married couples tend to be older and earn higher wages, due to greater accumulated human capital. Human capital includes formal education plus skills acquired through work experience and on-the-job training. Couples also have an additional potential worker. The Michigan income tax does not have a “marriage penalty” or “marriage bonus” as potentially exists with the federal income tax. Exhibit 10 depicts the distribution of Michigan returns and net tax liability by filing status. Note that the total tax liability is not reduced by refundable credits claimed by taxpayers not required to file a Michigan income tax return.

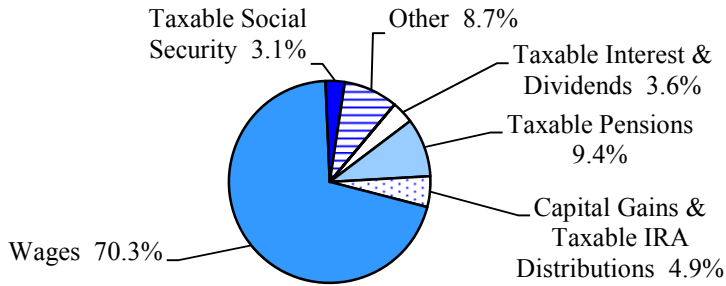
**Exhibit 10**  
**2011 Income Tax Returns Distribution by Filing Status**

<u>Filing Status</u>	<u>Number of Returns</u>	<u>Adjusted Gross Income</u>	<u>Total Tax Liability</u>
Single	2,631,566	\$77,914,495,175	\$1,454,473,508
Married filing jointly	1,794,032	182,284,676,016	4,227,025,846
Married filing separately	63,225	4,485,458,799	76,698,793
Status not reported	2,918	92,396,201	1,842,952
Totals	4,491,741	\$264,777,026,191	\$5,760,041,099

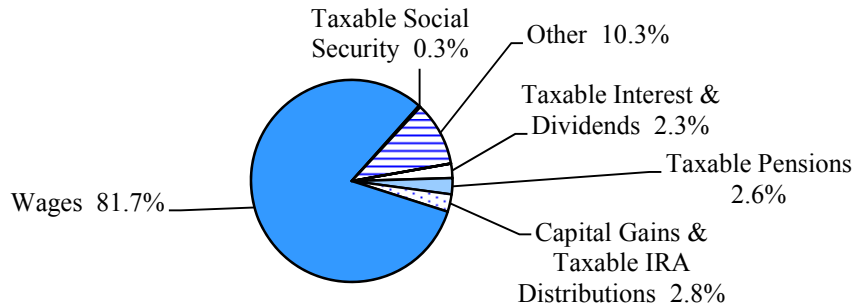
The starting point for the Michigan individual income tax is federal AGI, which is total federal income less adjustments. Federal total income is comprised of wage income, taxable pensions, interest and dividends, capital gains and some Social Security income, but excludes most Social Security and social service assistance. Using tax year 2010 detailed federal data for Michigan taxpayers we can see how the composition of federal total income varied across age groups (see Exhibit 11 on page 17).

**Exhibit 11**  
**2010 Michigan Federal Total Income Categories by Age Group**

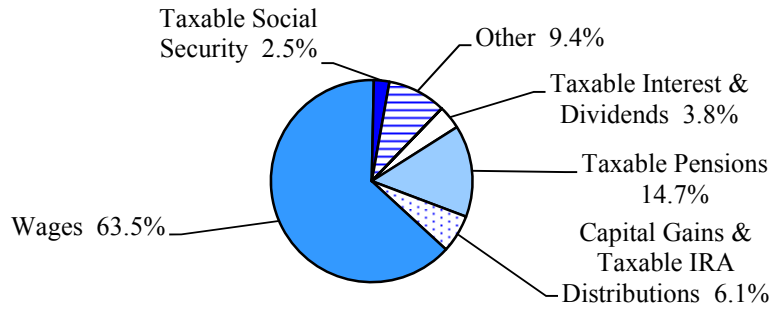
**All Taxpayers**



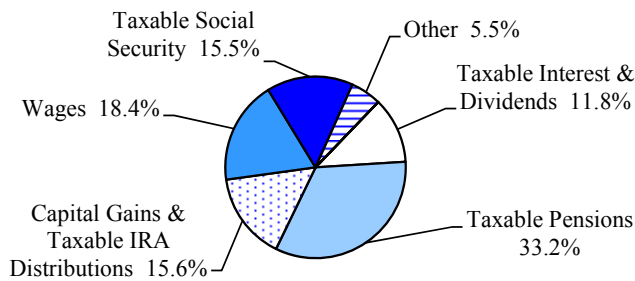
**Taxpayers in Age Group 45 years to 54 years**



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



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



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

In 2010, wage income comprised the largest part of income for all taxpayers (70.3 percent), representing 81.7 percent of total income for taxpayers in age group 45 to 54 years, and 18.4 percent of total income for those 65 and older. Federal adjustments to income provided an average reduction of 1.3 percent of taxpayers' total income (see Exhibit 12). The reduction of the total income varies across age group, ranging from a low of 0.3 percent reduction for filers in the 85 and over age group to 1.7 percent reduction for those in the 55 to 64 year group.

**Exhibit 12**  
**2010 Federal Adjustments to Income for all Michigan Taxpayers by Age Group**

<u>Age Group</u>	<u>Nr of Returns</u>	<u>(A) Total Income</u>	<u>(B) Adjustments to Income</u>	<u>(C) = (A) - (B) Adjusted Gross Income</u>	<u>Percentage Change C)/(A) - 1</u>
Under 25 Yrs	687,924	\$7,752,405,165	(\$98,968,744)	\$7,653,436,421	-1.3%
25 to 34 Yrs	766,196	\$27,400,512,346	(\$345,358,323)	\$27,055,154,023	-1.3%
35 to 44 Yrs	733,568	\$44,759,953,526	(\$509,229,795)	\$44,250,723,731	-1.1%
45 to 54 Yrs	843,523	\$60,979,922,933	(\$869,544,478)	\$60,110,378,455	-1.4%
55 to 64 Yrs	722,579	\$51,485,495,480	(\$875,831,836)	\$50,609,663,644	-1.7%
65 to 74 Yrs	412,472	\$21,629,699,768	(\$261,447,094)	\$21,368,252,674	-1.2%
75 to 84 Yrs	255,977	\$10,161,913,552	(\$59,571,142)	\$10,102,342,410	-0.6%
85 and Over	119,849	\$3,581,095,271	(\$11,045,951)	\$3,570,049,320	-0.3%
Missing Age	<u>8,345</u>	<u>\$1,051,638,630</u>	<u>(\$4,101,294)</u>	<u>\$1,047,537,336</u>	-0.4%
Totals	4,550,433	\$228,802,636,671	(\$3,035,098,657)	\$225,767,538,014	-1.3%

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

For 2011, private pension income was exempted up to \$45,842 (single)/\$91,694 (joint) return, and all pension income earned from the State of Michigan, Michigan local governmental units, federal civil service and military retirement pay were exempt from the Michigan income tax. Out-of-state government pensions were not fully exempt but qualified for the private pension deduction. Filers who were 65 or older could also deduct interest, dividend and capital gains income up to the statutory limits. For 2011 this exclusion was for up to \$10,218 (single)/\$20,437 (joint) per return and it was reduced by any pension income deducted by the taxpayer. The favorable treatment of pension income and interest, dividends and capital gains resulted in filers with similar income facing significantly different tax burden, with younger filers shouldering a heavier tax burden than older filers. Exhibits 13, 14, and 15 on pages 19 and 20 provide information by age group on AGI, total additions, and total subtractions.

**Exhibit 13**  
**2011 Total AGI, Additions and Subtractions by Age Group**  
(millions of dollars)

<u>Age Group</u>	<u>Number of Returns</u>	<u>Total AGI</u>	<u>Additions</u>		<u>Subtractions</u>	
			<u>Total Additions</u>	<u>As a % of AGI</u>	<u>Total Subtractions</u>	<u>As a % of AGI</u>
Under 25 Yrs	531,792	\$6,993.7	\$37.1	0.5%	\$445.0	6.4%
25 to 34 Yrs	720,843	\$26,797.1	\$150.8	0.6%	\$1,458.7	5.4%
35 to 44 Yrs	659,982	\$42,324.3	\$503.7	1.2%	\$1,973.4	4.7%
45 to 54 Yrs	763,444	\$56,792.7	\$985.6	1.7%	\$3,420.1	6.0%
55 to 64 Yrs	687,468	\$48,906.9	\$1,421.3	2.9%	\$11,172.4	22.8%
65 to 74 Yrs	404,209	\$21,409.3	\$1,202.9	5.6%	\$13,724.6	64.1%
75 to 84 Yrs	237,668	\$8,966.6	\$489.9	5.5%	\$7,006.1	78.1%
85 and Over	115,250	\$3,223.7	\$191.5	5.9%	\$2,455.9	76.2%
Missing Age	371,085	\$49,362.7	\$2,724.0	5.5%	\$43,850.3	88.8%
Totals	4,491,741	\$264,777.0	\$7,706.9	2.9%	\$85,506.5	32.3%

In 2011, total additions represented about 2.9 percent of total AGI, varying from 0.6 percent for taxpayers in age group under 35, up to 5.6 percent for those 65 and older (see Exhibit 13). Total subtractions represented about 32.3 percent of total AGI.

**Exhibit 14**  
**2011 Total Additions Detail by Age Group**  
(millions of dollars)

<u>Age Group</u>	<u>Total Additions</u>	<u>Self Employment Taxes and Other Taxes</u>			<u>Losses Attributable to Other States</u>	<u>Net Loss from Fed Column or MI 4797</u>		<u>Other <sup>(1)</sup></u>
		<u>Interest &amp; Dividends</u>	<u>Taxes and Other Taxes</u>	<u>Gains from MI 1040D &amp; MI 4797</u>		<u>MI 1040D</u>	<u>MI 4797</u>	
Under 25 Yrs	\$37.1	\$2.0	\$14.9	\$3.3	\$3.1	\$1.1	\$12.8	
25 to 34 Yrs	\$150.8	\$3.6	\$66.1	\$5.1	\$14.5	\$4.3	\$57.2	
35 to 44 Yrs	\$503.7	\$13.0	\$110.7	\$43.1	\$55.1	\$12.1	\$269.7	
45 to 54 Yrs	\$985.6	\$51.2	\$147.8	\$52.0	\$116.9	\$23.3	\$594.5	
55 to 64 Yrs	\$1,421.3	\$109.5	\$133.0	\$85.5	\$155.6	\$50.9	\$886.8	
65 to 74 Yrs	\$1,202.9	\$111.9	\$46.6	\$127.0	\$143.1	\$35.8	\$738.5	
75 to 84 Yrs	\$489.9	\$92.2	\$9.3	\$39.6	\$47.3	\$11.6	\$289.8	
85 and Over	\$191.5	\$67.0	\$1.6	\$30.9	\$8.9	\$4.6	\$78.5	
Missing Age	\$2,724.0	\$97.3	\$38.2	\$25.2	\$2,124.4	\$3.9	\$435.0	
Total	\$7,706.9	\$547.6	\$568.1	\$411.8	\$2,669.0	\$147.6	\$3,362.7	
% of Total Additions	100.0%	7.1%	7.4%	5.3%	34.6%	1.9%	43.6%	

Notes:

- In 2011, others included Michigan Education Savings Program (MESP) account not qualified money withdrawn that were not included in AGI; amount of NOL deductions used to reduce AGI, and refunds received from a Michigan education Trust (MET) contract.

**Exhibit 15**  
**2011 Total Subtractions Detail by Age Group**  
(millions of dollars)

<u>Age Group</u>	<u>Total Subtractions</u>	<u>Income from US Gov't Bonds</u>	<u>Military Pay</u>	<u>Gains from MI 1040D and MI 4797</u>	<u>Income Attributable to Other States</u>	<u>Retirement/Pension Incl. in MI-1040</u>	<u>Dividend/Interest/Capital Gain Exemption</u>
Under 25 Yrs	\$445.0	\$7.1	\$144.9	\$3.9	\$233.3	\$5.0	\$0.0
25 to 34 Yrs	\$1,458.7	\$7.6	\$229.5	\$8.0	\$998.6	\$23.6	\$0.0
35 to 44 Yrs	\$1,973.4	\$8.1	\$114.6	\$62.8	\$1,162.0	\$92.1	\$0.2
45 to 54 Yrs	\$3,420.1	\$39.3	\$59.3	\$96.9	\$1,349.4	\$904.6	\$1.3
55 to 64 Yrs	\$11,172.4	\$49.1	\$14.4	\$139.7	\$1,171.6	\$7,460.3	\$19.3
65 to 74 Yrs	\$13,724.6	\$53.4	\$1.8	\$177.3	\$604.4	\$8,200.7	\$346.7
75 to 84 Yrs	\$7,006.1	\$60.6	\$0.9	\$91.5	\$195.6	\$4,538.7	\$223.3
85 and Over	\$2,455.9	\$61.3	\$0.3	\$47.6	\$92.7	\$1,473.7	\$179.4
Missing Age	<u>\$43,850.3</u>	<u>\$37.3</u>	<u>\$196.2</u>	<u>\$19.2</u>	<u>\$33,359.6</u>	<u>\$348.6</u>	<u>\$30.7</u>
Totals	\$85,506.5	\$323.8	\$762.0	\$646.7	\$39,167.3	\$23,047.4	\$800.9
% of Total Subtractions	100.0%	0.4%	0.9%	0.8%	45.8%	27.0%	0.9%

<u>Age Group</u>	<u>Social Security Benefits</u>	<u>Income from State and Renaissance Zones</u>	<u>Local IIT Refunds</u>	<u>MESP Subtraction</u>	<u>MET Subtraction</u>	<u>Miscellaneous Subtraction <sup>(1)</sup></u>
Under 25 Yrs	\$0.8	\$1.3	\$2.0	\$0.2	\$0.4	\$46.3
25 to 34 Yrs	\$9.3	\$12.6	\$39.1	\$9.8	\$3.1	\$117.6
35 to 44 Yrs	\$51.6	\$11.6	\$98.7	\$60.5	\$21.9	\$289.4
45 to 54 Yrs	\$184.8	\$12.0	\$131.8	\$64.1	\$18.8	\$557.8
55 to 64 Yrs	\$1,237.8	\$10.3	\$138.9	\$17.7	\$4.4	\$908.9
65 to 74 Yrs	\$3,475.1	\$3.9	\$60.7	\$11.5	\$2.6	\$786.3
75 to 84 Yrs	\$1,501.8	\$2.3	\$24.6	\$5.1	\$1.3	\$360.4
85 and Over	\$462.1	\$2.1	\$9.6	\$0.9	\$0.2	\$126.0
Missing Age	<u>\$106.5</u>	<u>\$1.1</u>	<u>\$10.9</u>	<u>\$1.3</u>	<u>\$0.8</u>	<u>\$9,738.0</u>
Totals	\$7,029.9	\$57.1	\$516.4	\$171.0	\$53.5	\$12,930.6
% of Total Subtractions	8.2%	0.1%	0.6%	0.2%	0.1%	15.1%

Notes:

- In 2011, miscellaneous subtractions included: qualified withdrawal from an MESP account; qualified contributions to national or Michigan political parties or candidates; benefits from a discriminatory self-insured medical expense reimbursement plan; proceeds and prizes won in State of Michigan regulated bingo, raffle, or charity games; amount of salary and wage expense that cannot be deducted on federal return because filer is claiming a work opportunity credit; clinical testing credit or research credit; qualified losses from disposal of property; amount used to determine the federal credit for elderly or totally and permanently disabled; Michigan NOL deduction; amount of qualified distribution from individual retirement accounts that qualify under IRC sec. 408; Holocaust victim payments; qualifying distribution from a pension or retirement plan that is contributed to a qualifying charitable organization.

The largest components of total additions were the other category (43.6 percent of total additions), the add back of losses attributable to other states (34.6 percent of total additions), and self employment taxes and other taxes (7.4 percent of total additions, see Exhibit 14).

In 2011, the largest components of total subtractions were income attributable to other states (45.8 percent of total subtractions) and retirement or pension benefits exemption (27.0 percent of total subtractions, see Exhibit 15). The average AGI reduction for taxpayers 35 to 44 years old was 4.7 percent, and 69.0 percent for taxpayers 65 or older (see Exhibit 13).

Exhibit 16 below presents estimates of the growth of Michigan personal income from 2010 to 2011 prepared by the U.S. Bureau of Economic Analysis. Personal income increased 5.6 percent overall in 2011, with strong growth in adjustment for residence (10.7 percent) and proprietor's income (8.8 percent).

**Exhibit 16**  
**Growth in Michigan Income from 2010 to 2011**  
**(thousands)**

		<u>2010</u>	<u>2011</u>	<u>Percentage</u> <u>Change</u>
Labor Earnings				
Wage and salary disbursements		\$173,523,579	\$183,000,346	5.5%
Other labor income		28,268,156	29,779,026	5.3%
Proprietors' income		<u>23,037,590</u>	<u>25,069,203</u>	8.8%
Total labor earnings	(A)	\$224,829,325	\$237,848,575	5.8%
Adjustments				
Personal contributions for social insurance		-\$15,197,001	-\$12,536,523	-17.5%
Adjustment for residence		<u>1,598,968</u>	<u>1,769,403</u>	10.7%
Total adjustments	(B)	-\$13,598,033	-\$10,767,120	-20.8%
Net Michigan labor earnings	(C)=(A)-(B)	\$211,231,292	\$227,081,455	7.5%
Dividends, interest, and rent	(D)	\$46,156,854	\$49,358,843	6.9%
Transfer payments	(E)	<u>81,655,759</u>	<u>81,711,294</u>	0.1%
Michigan Personal Income	(C)+(D)+(E)	\$339,043,905	\$358,151,592	5.6%

Source: Bureau of Economic Analysis, U.S. Department of Commerce, March 28, 2012 update.

Michigan income tax revenues are slightly income inelastic. Elasticity is a concept economists use to describe the responsiveness of one variable, in this case net tax revenues, to changes in another variable, in this case income. The income elasticity of tax revenue is equal to the percentage change in tax revenues divided by the percentage change in income. If tax revenues

are inelastic, revenues on average grow at a slower rate than income. An inelastic tax is also less volatile than the business cycle and thus provides a more stable source of financing for government operations than an elastic tax.

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

A simple calculation will clarify the concept of elasticity. In Exhibit 5 (see page 11), net tax revenues increased by 7.16 percent from 1998 to 1999, and total AGI increased by 8.22 percent for the same period. This resulted in an elasticity estimate of 0.871 (7.16 divided by 8.22), meaning that a 10 percent increase/decrease in income will, on average, increase/decrease tax revenues by 8.71 percent. However, this method of calculating income elasticity is not suitable when changes in other important variables that affect tax revenues are also present (e.g., tax rate, or exemption amounts). Using 1999 and 2000 data, the reported changes of net income tax revenues and of AGI would result in a calculated elasticity of -0.077, suggesting that a 10 percent increase in income will lead, on average, to tax revenues declining 0.7 percent. The problem with this estimate is that the drop in tax revenue in 2000 reflected not only the change in AGI, but also the decrease in the tax rate and the increase in the exemption amount, which cannot be accounted for using this simple method. Using 2000 and 2001 data, the simple method yields an income elasticity estimate of 1.58, suggesting that a 10 percent increase in income will increase tax revenues by, on average, 15.8 percent. Here, the strong responsiveness of tax revenues to income suggested by the elasticity estimate results from the fact that the simple calculation method does not properly account for the large drop in capital gains, which was concentrated among taxpayers with high marginal rates.

Regression analysis provides a more thorough method of estimating the income elasticity of net income tax revenues. It allows the investigator to isolate the effect of changes in income on tax revenues by controlling for other variables that influence tax collections, such as changes in the personal exemption or tax rate. Regression analysis of Michigan income tax collections from the fourth quarter of 1978 through the fourth quarter of 2012 results in an estimated elasticity of 0.941, suggesting that a 10 percent increase in income will increase tax revenue by, on average, 9.41 percent. This estimate is based on net quarterly income tax collections and quarterly personal income as reported by the Bureau of Economic Analysis (BEA), the latter increased by annual capital gains realizations estimates from the Congressional Budget Office (CBO).<sup>4</sup>

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<sup>4</sup> The Michigan income tax is based on federal AGI. However, quarterly AGI data are not available. Therefore, quarterly personal income is used as proxy for AGI. BEA's personal income figure does not include capital gains. This omission understates the absolute value of the income growth rate. Capital gains tend to be more volatile than other income sources (e.g., wages, interest, and pensions) so their exclusion will make the growth of the personal income variable lower than the growth in AGI in good times and higher in bad times. In order to remedy this situation, the CBO's estimate of capital gains realizations was added to the personal income data.

## V. INCOME TAX CREDITS

For tax year 2011, Michigan's personal income tax offered 16 different credits to taxpayers: seven refundable credits (homestead property tax, farmland preservation property tax, home heating credit, Michigan earned income tax (EITC), adoption credit, the stillbirth credit, and the energy efficient home improvement credit), and nine nonrefundable credits (city income tax credit, college contribution credit, community foundation credit, homeless shelter/food bank credit, college tuition and fees credit, other state income tax credit, Michigan historic preservation credit, vehicle donation credit, and the renewable energy surcharge credit). The credits convert the flat rate Michigan income tax into a more progressive tax structure.

### REFUNDABLE CREDITS

#### Homestead Property Tax Credit

Michigan's property tax credit is designed to provide property tax relief through the income tax. When property taxes exceed specific income thresholds, the credit provides relief to taxpayers. For tax year 2011, 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.

For tax year 2011, most homeowners and renters received credits equal to 60 percent of the amount by which homestead property taxes (or 20 percent of rent for renters) are greater than 3.5 percent of income. Senior citizens, paraplegic, hemiplegic, quadriplegic, totally and permanently disabled, deaf, or blind filers received a credit for 100 percent of their property taxes above the following percentages of income:<sup>5</sup>

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

About 1.5 million Michigan taxpayers received \$817.6 million of homestead property tax credits and \$40.8 million in farmland preservation property tax credits for tax year 2011. Michigan's property tax credit program is one of the largest property tax relief programs in the country. The

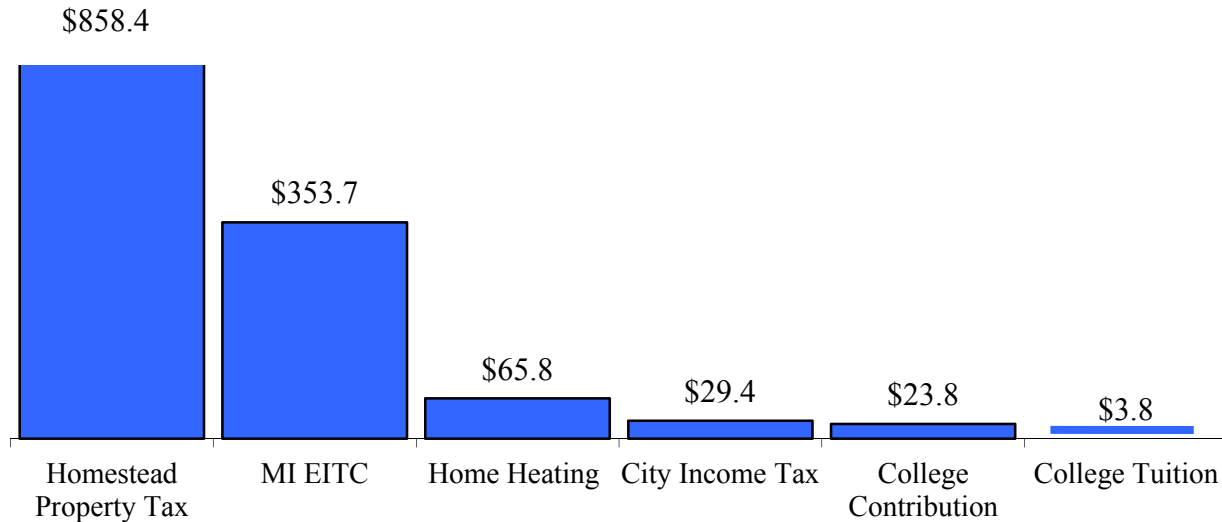
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<sup>5</sup>PA 41 of 2001 increased the Homestead Property Tax Credit for taxpayers who are deaf, blind, or totally and permanently disabled. Prior to tax year 2000, deaf filers received the same credit as other homeowners and renters, while blind, or totally and permanently disabled filers received 60 percent of the credit calculated for senior citizens and paraplegic, hemiplegic, or quadriplegic.



\$858.4 million in total 2011 homestead property tax credits represented a decrease of \$54.1 million (5.4 percent) from the prior year, and 73,300 fewer taxpayers received assistance. Senior citizens received \$332.5 million of the credits, a \$13.4 million decrease from 2010. Exhibit 17 compares the amount of property tax credits paid to taxpayers compared to other credits.

**Exhibit 17**  
**2011 Individual Income Tax Credits**  
**(millions of dollars)**



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

The average 2011 homestead property tax credit was \$548.91 (excluding the farmland credit), a \$9.62 decrease from the tax year 2010 average. Senior citizens' credits averaged \$738.71, a \$16.38 decrease from 2010 (see Exhibit 32 on page 54). Exhibit 18, on page 25, provides a summary of the number of credits received by taxpayers, according to AGI levels.

Exhibits 18 and 29 (on pages 25 and 49) 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 4.3 percent of total AGI, taxpayers with incomes between \$10,001 and \$20,000 received 23.8 percent of the total homestead credits. On the other hand, taxpayers with AGIs over \$50,000 accounted for 81.1 percent of total 2011 Michigan AGI, but received only 11.6 percent of total homestead credits. Exhibits 34 through 36 (see pages 57 through 59) provide the distribution of property tax credits by income group.

**Exhibit 18**  
**2011 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	398,996	\$263,226,486	\$659.72
\$10,001 - \$20,000	352,388	194,851,824	552.95
\$20,001 - \$50,000	539,972	264,401,581	489.66
Over \$50,000	198,103	95,092,487	480.02
Total	1,489,459	\$817,572,378	\$548.91

The farmland preservation program, originally PA 116 of 1974 which was replaced by PA 451 of 1994 (part 361 of chapter 1, article III of the Natural Resources and Environmental Protection Act), provides additional property tax relief for farmers. Under the farmland program, farmers may receive additional property tax relief by entering into an agreement with the state not to convert the farmland to other uses for at least seven years. The program benefited over 7,900 farms in 2011, providing credits of \$40.8 million for an average credit of \$5,165.29. Including the farmland preservation credit, the average property tax credit was \$573.27 in tax year 2011. For 5,700 farmers claiming both a farmland credit and homestead property tax credit, the combined credits averaged about 85.0 percent of total property taxes paid. Those taxpayers paid \$34.5 million in property taxes, receiving \$23.3 million in farmland credits, and \$6.0 million in homestead property tax credits.

PA 269 of 1982 provided a special tax credit for senior citizens with high rent burdens equal to the amount of rent paid that exceeds 40 percent of household income. For 2011, 9,400 senior citizens claimed an additional \$2.8 million using this alternate homestead property tax credit calculation, representing a decrease of about \$1.8 million from 2010 with about 660 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 32 (see page 54).

Qualified blind, or veteran filers are also eligible for special alternate homestead property tax credit calculation, and may claim the largest of the standard or alternate credits. For these qualified filers, the alternate credit equals the property tax amount paid times the ratio of the specific statutorily allowable taxable value with respect to the filer's homestead taxable value. Statistics for these alternate credits amount are shown separately in Exhibit 32 (see page 54).

PA 38 of 2011 provided numerous changes to the homestead property tax credit. The changes are effective for tax year 2012 and after, and, among others, include reductions on income limit for credit eligibility (from \$82,650 to \$50,000), and on the percentage of property taxes paid by seniors that are refunded by the credit. For information on all changes to the homestead property tax credit resulting from PA 38 of 2011, see page 42.

## **Home Heating Credit**

The home heating credit program, designed to help low-income taxpayers with the cost of heating their homes, is financed almost exclusively with federal funds. The credit is based both on the number of exemptions for which the household is eligible and on the household income level. In tax year 2011, senior citizens as well as individuals who are disabled, deaf, blind, or have received unemployment compensation greater than 50 percent of their AGI were entitled to extra exemptions.

Home heating credits for tax year 2011 totaled \$65.8 million, with 461,200 households qualifying. This represented a \$4.0 million decrease from the previous year regular credit amount, with 30,200 fewer households receiving assistance. Prior to 1991, recipients of Aid to Families with Dependent Children or General Assistance were not eligible for this credit, but were provided comparable benefits from other state and local programs. Senior citizens received \$10.8 million of the total home heating credits claimed for tax year 2011 (see Exhibit 19). Exhibit 37 (see page 60) provides information on the distribution of the home heating credit by household income.

### **Exhibit 19 2011 Home Heating Credits**

	<b>Number of Credits <u>Allowed</u></b>	<b>Dollar Amount of Credit</b>	<b>Average Credit</b>
Senior Citizens	82,143	\$10,770,951	\$131.12
General	330,662	48,075,662	145.39
Disabled	47,987	6,869,058	143.14
Veteran	431	61,382	142.42
Total	461,223	\$65,777,053	\$142.61

About 68,200 taxpayers used the alternative calculation based on energy consumption claiming credits worth \$21.9 million. The average credit under the standard calculation was \$107.41 compared to \$321.36 under the alternative calculation.

## **Michigan Earned Income Tax Credit**

Effective in tax year 2008, the Michigan EITC follows the same requirements as the federal earned income tax credit, and is calculated as a percentage of the total federal credit for which the taxpayer is eligible in a given tax year. The federal credit was established in 1975 to offset the impact of the Social Security tax on low-income, working families. In 2008, the state credit was 10 percent of the federal credit, and increased to 20 percent of the federal credit for tax year 2009 through 2011. PA 38 of 2011 reduced the Michigan EITC to 6 percent of the federal credit, effective for tax years that begin after December 31, 2011.

Over 793,200 taxpayers claimed about \$353.7 million in Michigan EITC in 2011, resulting in an average credit of \$445.91 per taxpayer. Exhibit 20 below provides information on the distribution of credit recipients by AGI.<sup>6</sup>

**Exhibit 20**  
**2011 Michigan Earned Income Tax Credits**

<u>AGI Range</u>	<u>Number of Credits Allowed</u>	<u>Dollar Amount of Credit</u>	<u>Average Credit</u>
Under \$10,000	237,371	\$57,853,055	\$243.72
\$10,001 - \$15,000	171,918	91,698,006	\$533.38
\$15,001 - \$20,000	108,873	80,689,634	\$741.14
\$20,001 - \$25,000	81,684	54,607,463	\$668.52
\$25,001 - \$30,000	69,074	35,254,572	\$510.39
\$30,001 - \$40,000	96,482	29,630,912	\$307.11
Over \$40,000	27,784	3,955,461	\$142.36
Total	793,186	\$353,689,103	\$445.91

**Adoption Credit**

Effective with tax year 2001, the adoption credit is available to persons who claimed the federal adoption expenses credit under Section 23 of the Internal Revenue Code for the same tax year. The credit equals the amount of qualified expenses that exceed the amount of the federal adoption credit or \$1,200 per child, whichever is less. Qualified adoption expenses refer to those expenses eligible for the federal credit. For 2011, about 400 taxpayers claimed total credits of \$489,800, resulting in an average credit of \$1,206.41 per taxpayer. PA 38 of 2011 eliminated the credit effective for tax years that begin after December 31, 2011.

**Stillbirth Credit**

Under PA 319 of 2006, taxpayers receiving a Certificate of Stillbirth from the Department of Community Health may take a credit equal to 4.5 percent of a single personal exemption amount for the tax year, rounded up to the nearest \$10 increment. The credit became effective in tax year 2006, and equaled \$150 in its first year. The credit amount increased in subsequent years, and in 2011 it was \$170. About 300 taxpayers claimed \$46,800 in stillbirth credits in tax year 2011 (see Exhibit 32 on page 54). The credit was eliminated for tax years beginning after December 31, 2011 per PA 38 of 2011.

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<sup>6</sup>For Additional information on the characteristics of claimants of the Michigan EITC, see Office of Revenue and Tax Analysis, *Earned Income Tax Credit, Tax Year 2011*, January 2013, at [http://www.michigan.gov/treasury/0,1607,7-121-44402\\_44404---,00.html](http://www.michigan.gov/treasury/0,1607,7-121-44402_44404---,00.html) .

## **Energy Efficient Home Improvement Credit**

Enacted under PA 287 of 2008, this credit provides a credit for tax years 2009 through 2011 equal to 10 percent of the amount spent on the purchase and installation of qualified home improvements that met Energy Star energy efficiency guidelines. Limited to taxpayers with AGI up to \$37,500 (single or married filing separately – MFS) or \$75,000 (married filing jointly – MFJ), the credit was limited to \$75 (single, MFS) or \$150 (MFJ). 100,300 filers claimed a total of \$10.4 million in credits for tax year 2011.

## **NON-REFUNDABLE CREDITS**

### **City Income Tax Credit**

Partial credit for taxpayers who paid income taxes to Michigan cities was allowed in tax year 2011. The credit was based on the amount of tax paid less any refunds received during the tax year, as follows:

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

In tax year 2011, \$29.4 million in city income tax credits were claimed (see Exhibit 21 below and Exhibit 33 on pages 55 and 56). That represented a \$1.8 million increase from 2010 credit amount, with 34,300 more taxpayers claiming the credit. Exhibit 21 lists the number of city income tax credits, total credits received, and the average city income tax credit for taxpayers at different levels of AGI. In 2011, 22 cities in Michigan levied an income tax (see Exhibit 22). This credit is no longer available starting in tax year 2012 per PA 38 of 2011.

### **Exhibit 21 2011 City Income Tax Credits**

<b><u>Adjusted Gross Income</u></b>	<b><u>Number of Credits Allowed</u></b>	<b><u>Dollar Amount of Credit</u></b>	<b><u>Average Credit</u></b>
Under \$10,000	87,623	\$1,045,221	\$11.93
\$10,001 - \$20,000	122,653	2,674,918	21.81
\$20,001 - \$50,000	238,423	8,222,617	34.49
Over \$50,000	332,288	17,494,153	52.65
Totals	780,987	\$29,436,908	\$37.69

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

<u>County</u>	<u>City</u>	<u>Year</u> <u>Adopted</u>	<u>TY 2011 Rates</u>	
			<u>Residents</u>	<u>Non-residents</u>
Calhoun	Albion	1972	1%	0.5%
Calhoun	Battle Creek	1967	1	0.5
Calhoun	Springfield	1989	1	0.5
Crawford	Grayling	1972	1	0.5
Genesee	Flint	1965	1	0.5
Ingham	Lansing	1968	1	0.5
Ionia	Ionia	1994	1	0.5
Ionia	Portland	1969	1	0.5
Jackson	Jackson	1970	1	0.5
Kent	Grand Rapids	1967	1.5	0.75
Kent	Walker	1988	1	0.5
Lapeer	Lapeer	1967	1	0.5
Lenawee	Hudson	1971	1	0.5
Mecosta	Big Rapids	1970	1	0.5
Muskegon	Muskegon	1993	1	0.5
Muskegon	Muskegon Heights	1990	1	0.5
Oakland	Pontiac	1968	1	0.5
Saginaw	Saginaw	1965	1.5	0.75
St. Clair	Port Huron	1969	1	0.5
Wayne	Detroit	1962	2.5	1.25
Wayne	Hamtramck	1962	1	0.5
Wayne	Highland Park	1966	2	1

**Public Contribution Credit**

Taxpayers claimed partial credits for contributions to Michigan colleges and universities, public libraries, museums, and public broadcasting stations in tax year 2011. The credit was 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 2011, 257,700 taxpayers received \$23.8 million in credits (see Exhibit 32 on page 54). Credits increased by about \$972,900 from the prior year, when 253,300 taxpayers received \$22.9 million in credits. PA 38 of 2011 eliminated the credit effective for tax years that begin after December 31, 2011.

**Community Foundation Credit**

The community foundation credit, implemented in tax year 1989, is a partial credit for donations to certified community foundations. The credit equaled 50 percent of the donation up to a maximum credit of \$200 for a joint return (\$100 on a single return). For tax year 2011, 36,200

taxpayers claimed \$3.5 million in community foundation credits. This was an increase of about 1,300 taxpayers claiming about \$202,100 more credits than in 2010 (see Exhibit 32 on page 54). This credit was eliminated starting tax year 2012 (PA 38 of 2011).

### **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 was to provide accommodations or food to indigent persons. The credit equaled 50 percent of the donation up to a maximum credit of \$200 for a joint return (\$100 on a single return). For tax year 2011, 234,500 taxpayers claimed \$19.5 million in food bank credits. This represented an increase of 5,900 taxpayers and \$958,200 more credits claimed from the previous tax year (see Exhibit 32 on page 54). Per PA 38 of 2011, this credit is no longer available starting tax year 2012.

### **College Tuition and Fees Credit**

Created by PA 7 of 1996, the college tuition and fees credit allows resident taxpayers with AGIs of less than \$200,000 to claim a credit equal to a percentage of tuition and fee payments made on behalf of the taxpayer or any other student to a qualified Michigan college or university. To qualify, the school must have certified that tuition and fees would not increase by more than the rate of inflation. The amount of the credit was the lesser of 8 percent of the tuition and fees paid or \$375 for each student for tax year 2011. The credit could not be claimed for more than 4 years for any one student. For tax year 2011, 24,500 taxpayers claimed the credit, 9,800 more than in 2010. The \$3.8 million in credits for 2011 represented a \$186,600 decrease from tax year 2010 (see Exhibit 32 on page 54). In order to qualify for tax year 2011, institutions had to maintain for the 2011-2012 academic year the same tuition and fees charged over the 2010-2011 academic year. Three community colleges, and five private colleges qualified for tax year 2011. PA 38 of 2011 eliminated the credit effective for tax years that begin after December 31, 2011.

### **Historic Preservation Credit**

The Michigan historic preservation credit provides tax incentives for homeowners, commercial property owners and businesses to rehabilitate historic commercial and residential resources located in the State of Michigan. The credit was created by Public Acts 534 and 535 of 1999, and equaled 25 percent of the qualified expenditures. If the credit exceeds the taxpayer's tax liability, the balance may be carried forward up to 10 years. However, taxpayers who were issued a credit certificate for a tax year beginning after December 31, 2008 and for a credit amount allowed less than \$250,000 may forego the credit carryforward and receive a refund of 90 percent of the amount of the credit that exceeds the tax liability. For tax year 2011, 600 taxpayers claimed a total of \$1.2 million in historic preservation credits (see Exhibit 32 on page 54). Starting in tax year 2012, this credit is no longer available for historic rehabilitation plans certified after December 31, 2011 (PA 38 of 2011).

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

For tax year 2011, 47,900 Michigan residents received a total of \$49.7 million in credits for income tax paid to another state on income also subject to tax in Michigan, resulting in an average credit of \$1,036.90. This credit was designed so that taxpayers were not taxed twice (in two states) for the same income (see Exhibit 32 on page 54).

### **Credit for Vehicle Donation**

The vehicle donation credit was created by Public Act 313 of 2004. It provides a nonrefundable credit equal to 50 percent of the fair market value of certain automobile donations to qualified charitable organizations. The credit was limited to a maximum of \$50 for single filers or \$100 for joint filers, and the donated automobile must be transferred by the charity to an individual for employment purposes. For tax year 2011, 1,000 taxpayers received a total of \$71,400 in vehicle donation credits, resulting in an average credit of \$70.92 (see Exhibit 32 on page 54). Effective for tax years beginning after December 31, 2011, PA 38 of 2011 eliminated this credit.

### **Renewable Energy Surcharge Credit**

This credit was created jointly with the Energy Efficient Home Improvement credit under PA 287 of 2008. Effective for tax years 2009 through 2011, this credit equals a percentage of the additional utility charges paid that were imposed on Michigan utility customers so that the electric utilities would meet newly enacted renewable energy standards. The credit was restricted to eligible taxpayers with AGI up to \$65,000 (single, MFS), or \$130,000 (MFJ), only for those where the surcharge appears on the taxpayer's monthly utility bill. For tax year 2011, 514,000 taxpayers received a total of \$3.5 million in renewable energy surcharge credits, resulting in an average credit of \$6.79 (see Exhibit 32 on page 54).



## VI. DESIGNATED CONTRIBUTIONS

For tax year 2011, Michigan taxpayers could make seven (7) separate designations on their tax returns: the State Campaign Fund, the Children’s Trust Fund, the Military Family Relief Fund, the Children of Veterans Tuition Grant Program, the Animal Welfare Fund, the Girl Scouts of Michigan Fund, and the United Way Fund. Unlike contributions to the State Campaign Fund that result in a designated portion of the taxpayers’ tax liability to be deposited in the campaign fund, contributions to all other funds either reduce taxpayers’ refund or increase their tax liability.

Starting in tax year 2010, excluding the State Campaign Fund, contribution amounts to any designated fund were subject to a \$5 minimum, \$10, or more, and designations that failed to raise \$100,000 in any tax year for two consecutive tax years would cease to be included on the Michigan income tax form. PA 151 of 2012 reduced the minimum threshold from \$100,000 to \$50,000, and limited the number of contribution designations available per tax year to ten (10). In tax year 2011, all voluntary contribution raised the \$50,000 minimum (see Exhibit 23a and 23b).

**Exhibit 23a**  
**Returns Designating Contributions 1990 – 2011**

Tax Year	Number of 1040's Filed	State Campaign Fund		Children's Trust Fund		Military Family Relief Fund		Children of Veterans Tuition Grant Program	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
1990	4,022,300	741,900	\$1,483,800	138,294	\$959,428	--	--	--	--
1991	4,011,600	653,000	1,306,000	119,468	858,263	--	--	--	--
1992	3,984,600	593,000	1,186,000	86,430	923,018	--	--	--	--
1993	4,034,000	491,333	1,474,000	72,458	807,617	--	--	--	--
1994	4,123,200	473,600	1,420,800	63,375	697,414	--	--	--	--
1995	4,214,300	437,200	1,311,600	62,971	779,471	--	--	--	--
1996	4,260,200	459,400	1,378,200	57,251	650,323	--	--	--	--
1997	4,308,575	469,000	1,407,000	54,639	629,652	--	--	--	--
1998	4,350,006	429,632	1,288,896	70,496	859,000	--	--	--	--
1999	4,414,720	393,111	1,179,333	78,242	938,300	--	--	--	--
2000	4,511,561	496,840	1,490,520	--	--	--	--	--	--
2001	4,456,031	534,955	1,604,865	--	--	--	--	--	--
2002	4,405,687	506,120	1,518,360	--	--	--	--	--	--
2003	4,369,995	492,625	1,477,875	--	--	--	--	--	--
2004	4,390,300	467,503	1,402,509	--	--	53,541	\$1,233,661	--	--
2005	4,424,662	425,526	1,276,578	28,613	\$390,695	34,484	549,167	--	--
2006	4,487,257	406,646	1,219,938	28,587	325,337	36,603	553,021	22,970	\$212,110
2007	4,560,672	399,482	1,198,446	35,043	333,912	46,849	473,501	34,226	252,582
2008	4,481,511	366,911	1,100,733	35,448	318,945	46,019	415,611	34,524	242,270
2009	4,395,979	347,147	1,041,441	17,021	183,319	22,162	264,733	14,965	124,312
2010	4,459,933	339,663	1,018,989	6,817	82,233	6,919	115,167	5,406	66,339
2011	4,491,741	294,728	884,184	10,384	113,455	11,627	170,338	7,367	90,436

Notes:

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

### **State Campaign Fund**

For the 2011 tax year, taxpayers were able to designate \$3 of their tax liability for the State Campaign Fund. Revenues from this fund are disbursed only to gubernatorial candidates, regardless of political party, who agree to limit campaign spending and meet the campaign fund requirements. For 2011, 294,700 taxpayers contributed \$0.9 million to the State Campaign Fund (see Exhibit 23a). On average, there was one designation for every 15 returns.

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

The Children's Trust Fund (CTF) was first created by PA 211 of 1982. Contributions to the fund are dedicated to the prevention of child abuse. PA 291 of 2000 appropriated amounts to fully fund both the Non-Game Wildlife Fund<sup>7</sup> and the CTF, and both were removed from the tax form. However, PA 160 of 2005 reinstated the CTF checkoff on the income tax form in tax year 2005. For tax year 2011, 10,400 taxpayers contributed a total of \$113,500 to the fund (see Exhibit 23a).

### **Military Family Relief Fund**

The Military Family Relief Fund benefits qualifying families of military members in either the Michigan National Guard who are serving in the U.S. Armed Forces or those reserve forces called to active duty by the federal government. About \$170,300 was contributed by 11,600 taxpayers for 2011 to the Military Family Relief Fund (see Exhibit 23a).

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

Starting tax year 2007, taxpayers may designate moneys to fund the Children of Veterans Tuition Grant Program. The Program provides undergraduate tuition assistance to eligible Michigan veteran children older than 16 and less than 26 years of age who have been a Michigan resident for the 12 months prior to grant application. About \$90,400 was contributed by 7,400 taxpayers to fund this program for tax year 2011 (see Exhibit 23a).

### **Other Funds**

Of the remaining funds available for taxpayer voluntary contributions on tax year 2011, the Animal Welfare Fund and the United Way Fund have been available for the longest time (since 2008 and 2009, respectively). A number of other funds were available in past years, but failed to raise the minimum threshold to remain included on the Michigan income tax form (see Exhibit 23b).

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<sup>7</sup> Prior to tax year 2000, taxpayers could donate a portion of their income tax refund or increase their liability to support the Non-Game Wildlife Fund. The Michigan Non-Game Wildlife Fund was created by PA 189 of 1983. Contributions were used for research and management of non-game fish and wildlife.

**Exhibit 23b**  
**Returns Designating Additional Contributions 2008 – 2011**

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

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

## VII. INTERSTATE COMPARISONS

In 2011, 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. The remaining 35 states had income taxes with graduated rates. A state-by-state comparison of the income tax burden per person and tax revenue as a percent of personal income is shown in Exhibit 24 (see page 36). Exhibits 25 and 26 (see page 37) compare Michigan's income tax to that of other states in the Great Lakes region.

For fiscal year 2011, Michigan ranked seventh lowest in state income taxes as a percent of personal income among the 41 states with a general income tax, with New York ranking highest. Michigan's income tax as a percent of personal income was 1.73 percent, 0.22 percentage point below the U.S. average, and 0.70 percentage point below the average of the 41 states with a general income tax. This is a slight increase from the results in 2010, when Michigan's income tax as a percent of personal income was 1.62 percent. The above calculations use estimates of quarterly state personal income, released by the U.S. Bureau of Economic Analysis on June 2013, and compiled by the Office of Revenue and Tax Analysis for each state's fiscal year. Because personal income does not include capital gains but tax revenues include the tax on realized gains, and capital gains are not uniformly distributed among states, the calculated ratios are skewed.

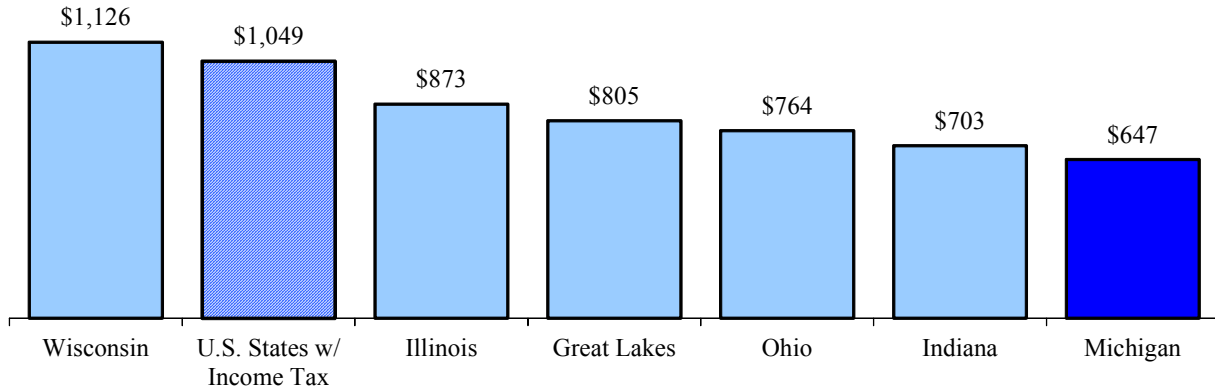
Michigan ranked eighth lowest in income taxes per person among the 41 states with a general income tax, and New York ranked highest. In fiscal year 2011, the average collections of \$647 per person in Michigan were still lower than the average of \$750 in fiscal year 1999, when the tax rate was 4.4 percent. National average income tax collections per person were \$832, and for the 41 states with an income tax, average income tax collections per person were \$1,049. (For Michigan income tax rates from 1968 to present, see Exhibit 42 on page 67.) The income tax burden in Michigan has been declining relative to that in other states over the FY 1994-2011 period. In fiscal year 1994, Michigan ranked 11<sup>th</sup> highest in per capita income taxes and 14<sup>th</sup> highest in income taxes as a percent of personal income. For fiscal year 2011, Michigan ranked 33<sup>rd</sup> and 34<sup>th</sup> highest in each category, respectively.

**Exhibit 24**  
**State Individual Income Taxes for FY 2011**  
**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	\$582	37	1.63%	35
Alaska	No Tax	N/A	No Tax	N/A
Arizona	443	41	1.22%	40
Arkansas	773	27	2.22%	17
California	1,340	6	2.98%	6
Colorado	887	20	1.95%	29
Connecticut	1,804	2	3.08%	4
Delaware	1,060	12	2.49%	12
Florida	No Tax	N/A	No Tax	N/A
Georgia	781	26	2.10%	24
Hawaii	905	18	2.04%	26
Idaho	738	31	2.19%	19
Illinois	873	22	1.95%	27
Indiana	703	32	1.91%	31
Iowa	931	17	2.21%	18
Kansas	948	15	2.28%	14
Kentucky	783	25	2.23%	16
Louisiana	525	38	1.32%	39
Maine	1,070	11	2.71%	9
Maryland	1,138	9	2.19%	20
Massachusetts	1,755	3	3.22%	3
<b>Michigan</b>	<b>647</b>	<b>33</b>	<b>1.73%</b>	<b>34</b>
Minnesota	1,399	5	3.04%	5
Mississippi	486	40	1.47%	37
Missouri	755	30	1.94%	30
Montana	815	24	2.18%	21
Nebraska	934	16	2.17%	22
Nevada	No Tax	N/A	No Tax	N/A
New Hampshire	63	42	0.13%	42
New Jersey	1,202	7	2.25%	15
New Mexico	513	39	1.46%	38
New York	1,857	1	3.58%	2
North Carolina	1,023	13	2.76%	8
North Dakota	633	34	1.20%	41
Ohio	764	29	1.95%	28
Oklahoma	630	35	1.61%	36
Oregon	1,420	4	3.65%	1
Pennsylvania	771	28	1.78%	33
Rhode Island	967	14	2.16%	23
South Carolina	622	36	1.81%	32
South Dakota	No Tax	N/A	No Tax	N/A
Tennessee	30	43	0.08%	43
Texas	No Tax	N/A	No Tax	N/A
Utah	817	23	2.34%	13
Vermont	887	21	2.06%	25
Virginia	1,176	8	2.49%	11
Washington	No Tax	N/A	No Tax	N/A
West Virginia	898	19	2.60%	10
Wisconsin	1,126	10	2.77%	7
Wyoming	No Tax	N/A	No Tax	N/A
U.S. Average	\$832		1.95%	
U.S. Average for States W/ General Income Tax	\$1,049		2.44%	

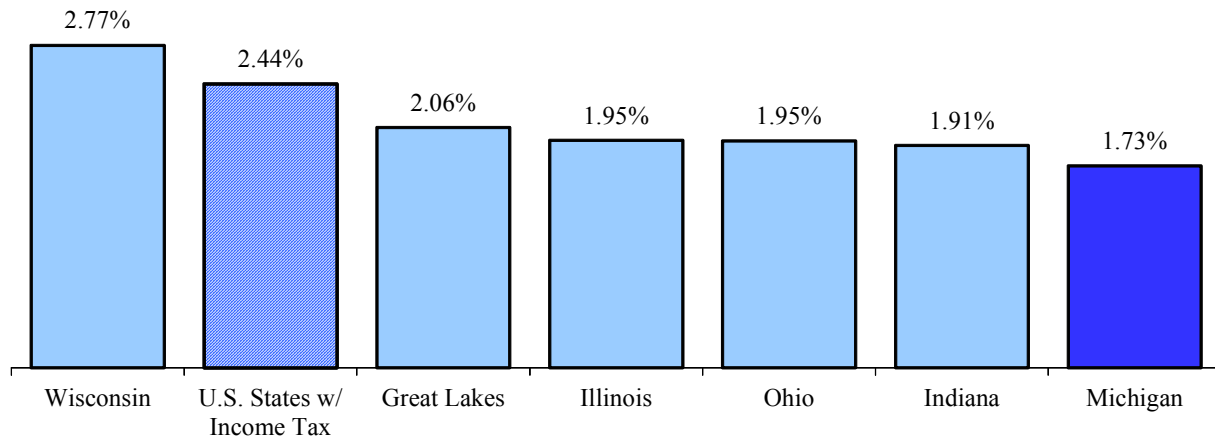
Sources: Census Bureau and Bureau of Economic Analysis, U.S. Department of Commerce.

**Exhibit 25**  
**State Income Taxes Per Person**  
**Great Lakes Region – FY 2011**



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

**Exhibit 26**  
**State Income Taxes**  
**Percentage of Personal Income**  
**Great Lakes Region – FY 2011**



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

## VIII. GEOGRAPHIC PATTERN OF TAX AND CREDITS

Exhibit 38 (see pages 61 and 62) reports the distribution of income tax collections, property tax and home heating credits, and the Michigan EITC by county. Since farms receive special treatment for the homestead property tax credit and the separate farmland credit, rural counties benefit substantially from these programs.

Exhibit 39 (see pages 63 and 64) provides a ranking by county of average AGI, average income tax before and after credits, credits as a percentage of income tax before credits, ratio of property tax credits to returns filed, and average property tax credit. A summary of Exhibit 33 is provided below.

Exhibits 40 and 41 (see pages 65 and 66) 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	\$58,948	\$72,566 Oakland	\$30,957 Lake
Average Income Tax Before Credits	\$1,558	\$2,510 Oakland	\$690 Montmorency
Average Income Tax After Credits	\$1,248	\$2,212 Oakland	\$419 Lake
Income Tax Credits as a Percent of Tax Before Credits	19.9%	49.4% Huron	10.8% Midland
Ratio of Property Tax Credits to 1040s Filed	33.3%	43.2% Wayne	15.3% Luce
Average Property Tax Credit	\$573	\$1,422 Huron	\$264 Luce

Note: Property tax credits include farmland preservation credits.

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

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

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

Changes in AGI at the federal level can be offset or reinforced at the state level. Expansions in the tax base can be offset with tax cuts. In response to TRA-86, the Michigan personal exemption was increased steadily from \$1,500 in 1986 to \$2,100 for 1990, and the Michigan special exemptions for senior citizens, blind, disabled persons, and those taxpayers with 50 percent or more of their AGI attributable to unemployment compensation were created in 1987. For 2011, the Michigan personal exemption was \$3,700, and Michigan special exemptions were \$2,400.

### **Summary of Federal Tax Law Changes Passed Before 2013**

Significant federal tax law changes affecting Michigan's tax base are discussed below. The changes are grouped based on when they first became effective. For changes prior to 2011, see Appendix A on page 69.

#### **2011**

The cost of over-the-counter medicines not prescribed by a physician and reimbursed through a health Flexible Spending Account, a health reimbursement arrangement, a health savings account, or an Archer medical savings account are no longer excluded from taxable income starting in 2011.

#### **2012 and beyond**

A number of provisions were set to expire in 2011, but were extended as follows:



- The above-the-line \$250 deduction for qualified out-of-pocket classroom expenses incurred by certain teachers and other elementary and secondary school professionals was extended to taxable year 2013;
- The exclusion from employee's income of qualified transportation fringe benefits received from employer provided transit passes and vanpooling and other qualified parking benefits was extended to taxable year 2013, where the maximum benefit exclusion limits were increased to \$240 per month in 2012 and \$245 per month in 2013;
- The above-the-line deduction of up to \$4,000 for qualified higher education expenses incurred and paid by qualified taxpayer during the taxable year under qualified circumstances was extended to taxable year 2013;
- The exclusion from gross income of otherwise taxable distributions from traditional or Roth IRA made directly to a qualified charitable organization was extended to taxable year 2013, where special transition rules enable taxpayers to have amounts distributed after November 2012 and donated before February 2013 to be treated as qualified charitable distribution for 2012;
- The exclusion from gross receipts of qualified discharges of indebtedness on principal residence of up to \$2 million (\$1 million per spouse, if married filing separately) was extended to apply for indebtedness discharged in 2013;
- The placed-in-service deadline for certain longer-lived and transportation property eligible to the additional first-year depreciation deduction of 50 percent of the adjusted basis was extended to calendar year 2014;
- The annual expensing and investment limits for qualified property (including off-the-shelf computer software and certain real property) was extended to apply to placed-in-service property in taxable years beginning in 2012 and 2013;
- The immediate expense of 50 percent of the cost of qualified underground mine safety equipment that is above and beyond existing safety equipment requirements was extended to taxable year 2013;
- The election to deduct up to \$15 million (\$20 million for productions in certain areas) of the aggregate costs of any qualifying film and television production in the year in which the expenses are incurred, in lieu of capitalizing the cost and recovering it through depreciation allowances was extended to apply to qualified film and television productions commencing in 2012 and 2013;
- The domestic production activities deduction for activities in Puerto Rico provision was extended to apply from the first six taxable years of a taxpayer beginning in 2004 and before 2012 to the first eight taxable years of a taxpayers beginning after 2004 and before 2014;
- The exclusion of 100 percent gain realized on certain small business stock held by an individual for more than five years was extended to apply to qualified small business stocks issued in 2012 and 2013;
- The reduced recognition period of five-years (instead of ten) used by C corporations who convert to S corporation status, and is used as a basis to calculate net recognized built-in gain of the S corporation that arose prior to the status conversion was extended to apply to dispositions of property in taxable years beginning in 2012 and 2013.

In 2012, current or former employees who were participants in qualified defined benefit pension plan terminated by a commercial airline carrier are allowed to contribute any portion of a payment

received from the carrier (under qualified Federal bankruptcy court order) not only to a Roth Individual Retirement Account (IRA) within 180 days of receipt of such amount per previous law, but also to a traditional IRA under new law. All or part of such payments not rolled over into a Roth IRA under prior law (including earnings) may be rolled over to a traditional IRA within 180 days of the receipt of the payment or, if later, within 180 days of February 14, 2012. Individuals making a rollover contribution to a traditional IRA may exclude the amount contributed from gross income in the taxable year in which the airline payment was made to the employee.

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

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

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

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

## X. MICHIGAN PUBLIC ACTS – INCOME TAX

For changes prior to 2011, see Appendix A on page 75.

### 2011

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

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

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

Credits for the following were eliminated: city income taxes; public contributions; contributions to homeless shelters, food banks, and community foundations; contributions to a medical savings account; donations to Family Development Program; film wage withholding; automobile donations; college tuition and fees; historic rehabilitation plan certificated after 2011; excess adoption expenses; and stillbirth certificates. Also effective for tax year 2012, the MI earned income tax credit is reduced from 20 percent to 6 percent of the federal credit.

PA 38 makes several reductions to homestead property tax credits. Homeowners are not eligible if their home has a taxable value of more than \$135,000. Seniors claimants with total household resources of \$21,000 or less remain entitled to a credit equal to 100 percent of taxes greater than 3.5 percent (or less) of income. But the 100 percent is reduced by 4 percent for each additional \$1,000 in total household resources until \$30,000 is reached and senior claimants receive 60 percent of the credit. Also starting in tax year 2012, the credit phase-out for all homestead property tax credit claimants begins at \$41,001 of total household resources, reduced from \$73,651 of household income under prior law. The credit is reduced by 10 percent for each \$1,000 increase for all claimants, so for total household resources above \$50,000 there is no credit. Total household resources replace household income as the definition of income for determining income eligibility for the credit. Business losses no longer offset other income for purpose of calculating total household resources, unlike the calculation of household income<sup>8</sup>.

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<sup>8</sup> A chart with detailed information on differences between total household resources, household income, AGI and taxable income can be found at [http://www.michigan.gov/documents/CC-41011\\_92366\\_7.pdf](http://www.michigan.gov/documents/CC-41011_92366_7.pdf)

PA 38 reduces the deduction for pension and retirement benefits by limiting the deduction for taxpayers born between 1946 and 1952 to \$20,000 on a single return and \$40,000 on a joint return, and eliminating the deduction for taxpayers born after 1952<sup>9</sup>.

The new 6 percent corporate income tax was enacted to replace the Michigan business tax (MBT) that was eliminated for most taxpayers by Public Act 39 of 2011. New and updated requirements for flow-through income withholding were also implemented by the new law.

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

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

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

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

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

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

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<sup>9</sup> A chart with detailed information on Retirement Benefits Changes can be found at [http://www.michigan.gov/documents/taxes/Tax\\_Change\\_Summaries\\_-\\_Retirement\\_Exemptions\\_359799\\_7.pdf](http://www.michigan.gov/documents/taxes/Tax_Change_Summaries_-_Retirement_Exemptions_359799_7.pdf)

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

## **2012**

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

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

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

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

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

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

**Public Act 597** amended the Income Tax Act to exempt retirement or pension benefits received for services in the Michigan National Guard, effective January 1, 2012. The Public Act also increased the allowable deduction for retirement or pension benefits received by taxpayers through employment with a governmental agency that was not covered by the Social Security Act. The allowable deduction for taxpayers born in 1946 through 1952 was increased by up to \$15,000 for each taxpayer receiving such benefits, effective January 1, 2013. Beginning in 2015, taxpayers who were born after 1952, have reached 62 years of age, and are receiving benefits from employment with governmental agency that was not covered under the Social Security Act would be eligible to deduct up to \$15,000 of those benefits.

**XI. EXHIBITS 27 THROUGH 42**

**Exhibit 27**  
**Effective Rate of the Michigan Individual Income Tax, 2011**

<u>Adjusted Gross Income Group</u>	<u>Number of Returns Filed<sup>(1)</sup></u>	<u>Adjusted Gross Income</u>	<u>Effective Personal Exemptions<sup>(2)</sup></u>	<u>Claimed Exemptions</u>	<u>Subtractions Minus Additions</u>	<u>Total Credits<sup>(3)</sup></u>	<u>Effective Tax</u>	<u>Effective Tax as a % of Income</u>
Less than \$1 <sup>(4)</sup>	219,255	(\$6,971,528,672)		104,391	(\$3,742,312,885)	\$108,515,422	(\$103,348,294)	
\$ 1 - 2,000	170,221	156,536,358	17,370	138,317	48,097,072	53,545,545	(53,137,423)	-33.95%
2,001 - 4,000	164,264	492,799,615	52,146	126,359	96,572,831	37,474,319	(32,706,969)	-6.64%
4,001 - 6,000	160,292	800,796,588	77,482	151,147	159,652,634	44,292,499	(33,569,669)	-4.19%
6,001 - 8,000	160,310	1,122,707,447	102,960	180,366	245,003,967	54,589,245	(38,175,264)	-3.40%
8,001 - 10,000	173,877	1,570,280,201	155,637	236,402	315,053,042	77,769,481	(54,364,520)	-3.46%
10,001 - 12,000	166,199	1,827,722,710	164,221	245,975	417,865,048	78,043,408	(49,446,822)	-2.71%
12,001 - 14,000	169,439	2,202,581,995	207,165	287,237	468,630,924	92,990,148	(57,850,852)	-2.63%
14,001 - 16,000	157,872	2,367,296,478	203,954	275,038	515,286,268	84,167,040	(43,031,472)	-1.82%
16,001 - 18,000	145,499	2,469,622,349	198,798	260,273	523,875,213	75,966,794	(29,494,889)	-1.19%
18,001 - 20,000	133,758	2,538,991,652	186,182	239,414	527,751,780	63,379,584	(11,569,880)	-0.46%
20,001 - 22,000	120,761	2,534,514,065	175,238	222,476	526,442,250	56,458,831	(2,197,000)	-0.09%
22,001 - 24,000	111,664	2,567,550,568	166,215	208,824	537,209,328	50,022,146	7,091,142	0.28%
24,001 - 26,000	105,597	2,638,739,473	161,074	200,320	547,721,555	45,009,137	15,904,918	0.60%
26,001 - 28,000	99,826	2,694,102,474	153,080	189,905	566,458,382	39,888,896	24,217,829	0.90%
28,001 - 30,000	94,986	2,754,034,515	149,256	183,907	580,497,649	35,507,132	31,416,850	1.14%
30,001 - 35,000	214,687	6,965,982,996	345,195	421,518	1,477,277,730	71,490,743	103,739,968	1.49%
35,001 - 40,000	192,560	7,212,751,870	313,420	383,320	1,688,094,364	53,274,831	129,952,138	1.80%
40,001 - 45,000	166,497	7,067,796,570	288,138	341,211	1,550,861,321	39,654,971	148,008,619	2.09%
45,001 - 50,000	149,868	7,113,681,895	270,670	314,757	1,548,829,036	31,864,698	161,161,076	2.27%
Over 50,000	1,561,644	214,650,065,044	3,706,165	4,118,957	69,200,720,693	209,476,930	5,483,136,126	2.55%
Totals	4,639,076	\$264,777,026,191	7,094,365	8,830,114	\$77,799,588,202	\$1,403,381,798	\$5,595,735,612	2.11%

<sup>(1)</sup>Includes 147,335 credit-only returns.

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

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

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

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



**Exhibit 28**  
**Breakdown of Upper Income Filers**  
**Individual Income Tax, 2011**

<b>Adjusted Gross Income Group</b>	<b>Number of Returns Filed</b>	<b>Adjusted Gross Income</b>	<b>Effective Personal Exemptions<sup>(1)</sup></b>	<b>Claimed Exemptions</b>	<b>Subtractions Minus Additions</b>	<b>Total Credits<sup>(2)</sup></b>	<b>Effective Tax</b>	<b>Effective Tax as a % of Income</b>
\$50,001 - 55,000	139,115	\$7,299,845,768	262,361	302,125	\$1,618,525,421	\$28,431,786	\$171,220,832	2.35%
55,001 - 60,000	127,996	7,355,333,831	253,309	288,780	1,636,437,335	24,956,456	178,060,874	2.42%
60,001 - 65,000	118,359	7,393,853,543	245,878	276,700	1,617,888,913	21,960,380	184,982,617	2.50%
65,001 - 70,000	109,640	7,397,272,011	237,008	263,774	1,586,875,947	19,540,070	190,607,430	2.58%
70,001 - 75,000	102,454	7,423,475,057	228,641	253,589	1,580,474,854	16,641,668	196,505,458	2.65%
75,001 - 80,000	93,709	7,258,929,565	215,429	238,367	1,503,482,331	11,225,676	200,469,571	2.76%
80,001 - 85,000	85,657	7,062,975,903	201,103	222,350	1,466,726,182	6,048,359	201,277,376	2.85%
85,001 - 90,000	77,862	6,810,110,862	188,110	207,047	1,384,665,280	4,440,029	197,817,640	2.90%
90,001 - 95,000	69,588	6,433,313,084	172,262	188,796	1,273,929,113	3,959,959	189,632,667	2.95%
95,001 - 100,000	62,106	6,052,697,597	157,246	172,184	1,168,377,235	3,645,393	180,715,665	2.99%
100,001 - 110,000	105,700	11,078,529,742	277,291	299,691	2,021,546,666	6,669,227	337,914,760	3.05%
110,001 - 120,000	82,955	9,523,612,293	223,841	240,261	1,641,428,066	6,020,022	297,136,282	3.12%
120,001 - 130,000	64,372	8,031,122,135	177,530	189,699	1,338,015,053	5,346,064	254,330,509	3.17%
130,001 - 140,000	50,564	6,816,725,803	143,901	150,600	1,081,129,619	4,428,594	219,613,033	3.22%
140,001 - 150,000	39,601	5,734,749,519	113,905	119,164	895,773,583	3,847,050	186,471,775	3.25%
150,001 - 160,000	32,406	5,015,142,083	91,139	97,768	778,753,463	3,410,544	164,768,012	3.29%
160,001 - 170,000	25,857	4,260,395,146	74,260	78,283	663,606,313	2,906,056	140,417,300	3.30%
170,001 - 180,000	20,686	3,615,793,107	58,862	62,772	573,053,101	2,395,204	119,545,917	3.31%
180,001 - 190,000	16,876	3,119,758,963	47,545	50,708	472,985,678	2,001,806	104,702,520	3.36%
190,001 - 200,000	13,986	2,724,901,603	38,515	42,368	421,803,890	1,791,980	91,556,344	3.36%
200,001 - 300,000	64,732	15,449,971,495	178,870	196,832	2,492,210,372	10,538,137	521,330,962	3.37%
300,001 - 400,000	21,525	7,383,706,232	54,206	66,745	1,247,275,200	5,021,833	252,267,288	3.42%
400,001 - 500,000	10,577	4,704,872,648	21,795	33,047	941,494,564	3,049,001	156,769,775	3.33%
500,001 - 750,000	11,509	6,918,810,705	21,299	35,979	1,640,802,105	3,374,344	222,420,139	3.21%
750,001 - 1,000,000	4,410	3,787,151,321	7,235	13,764	1,075,454,653	1,894,983	114,770,561	3.03%
Over \$1,000,000	9,402	45,997,015,028	14,622	27,564	37,078,005,756	5,932,307	407,830,819	0.89%
<b>Totals for AGI over \$50,000</b>	<b>1,561,644</b>	<b>\$214,650,065,044</b>	<b>3,706,165</b>	<b>4,118,957</b>	<b>\$69,200,720,693</b>	<b>\$209,476,930</b>	<b>\$5,483,136,126</b>	<b>2.55%</b>

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

<sup>(2)</sup>Does not include Adoption Tax Credit, or Stillbirth Credit.

**Exhibit 29**  
**Tax Base Deductions as a Percentage of AGI**  
**Individual Income Tax, 2011**

<b>Adjusted Gross Income Group</b>	<b>Total Effective Exemptions</b>	<b>Subtractions Minus Additions</b>	<b>Nonrefundable Credits<sup>(1)</sup></b>	<b>Property Tax Credits</b>	<b>Home Heating Credits</b>	<b>Michigan Earned Income Tax Credits</b>
Less than \$1						
\$ 1 - 2,000	63.3%	30.7%	-1.2%	652.4%	109.9%	17.5%
2,001 - 4,000	58.2%	19.6%	0.0%	132.5%	21.6%	18.7%
4,001 - 6,000	49.3%	19.9%	0.8%	87.9%	13.1%	23.6%
6,001 - 8,000	44.6%	21.8%	0.9%	71.0%	9.7%	28.7%
8,001 - 10,000	45.7%	20.1%	1.0%	60.8%	8.6%	42.4%
10,001 - 12,000	41.2%	22.9%	1.0%	52.5%	6.0%	37.7%
12,001 - 14,000	42.0%	21.3%	1.0%	45.6%	5.1%	44.3%
14,001 - 16,000	38.3%	21.8%	1.1%	39.0%	3.4%	37.3%
16,001 - 18,000	35.5%	21.2%	1.1%	34.0%	2.3%	32.3%
18,001 - 20,000	32.3%	20.8%	1.2%	29.6%	1.4%	24.3%
20,001 - 22,000	30.0%	20.8%	1.2%	26.2%	0.9%	22.0%
22,001 - 24,000	27.9%	20.9%	1.2%	23.4%	0.6%	18.7%
24,001 - 26,000	26.2%	20.8%	1.1%	21.2%	0.3%	15.6%
26,001 - 28,000	24.3%	21.0%	1.1%	19.3%	0.2%	12.5%
28,001 - 30,000	23.1%	21.1%	1.1%	17.5%	0.1%	10.2%
30,001 - 35,000	21.0%	21.2%	1.1%	15.0%	0.1%	6.6%
35,001 - 40,000	18.2%	23.4%	1.0%	12.2%	0.0%	3.0%
40,001 - 45,000	17.0%	21.9%	1.0%	10.2%	0.0%	1.1%
45,001 - 50,000	15.8%	21.8%	1.0%	8.5%	0.0%	0.2%
50,001 - 55,000	15.0%	22.2%	1.0%	7.3%	0.0%	0.0%
55,001 - 60,000	14.3%	22.2%	1.0%	6.2%	0.0%	0.0%
60,001 - 65,000	13.8%	21.9%	1.0%	5.2%	0.0%	0.0%
65,001 - 70,000	13.2%	21.5%	1.0%	4.5%	0.0%	0.0%
70,001 - 75,000	12.7%	21.3%	1.0%	3.6%	0.0%	0.0%
75,001 - 80,000	12.2%	20.7%	1.0%	2.1%	0.0%	0.0%

**Exhibit 29 (cont.)**

<u>Adjusted Gross Income Group</u>	<u>Total Effective Exemptions</u>	<u>Subtractions Minus Additions</u>	<u>Nonrefundable Credits<sup>(1)</sup></u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>	<u>Michigan Earned Income Tax Credits</u>
80,001 - 85,000	11.8%	20.8%	1.1%	0.6%	0.0%	0.0%
85,001 - 90,000	11.4%	20.3%	1.1%	0.1%	0.0%	0.0%
90,001 - 95,000	11.0%	19.8%	1.1%	0.0%	0.0%	0.0%
95,001 - 100,000	10.7%	19.3%	1.1%	0.0%	0.0%	0.0%
100,001 - 110,000	10.2%	18.2%	1.1%	0.0%	0.0%	0.0%
110,001 - 120,000	9.6%	17.2%	1.2%	0.0%	0.0%	0.0%
120,001 - 130,000	9.0%	16.7%	1.2%	0.0%	0.0%	0.0%
130,001 - 140,000	8.6%	15.9%	1.2%	0.0%	0.0%	0.0%
140,001 - 150,000	8.1%	15.6%	1.2%	0.0%	0.0%	0.0%
150,001 - 160,000	7.4%	15.5%	1.2%	0.0%	0.0%	0.0%
160,001 - 170,000	7.1%	15.6%	1.3%	0.0%	0.0%	0.0%
170,001 - 180,000	6.6%	15.8%	1.2%	0.0%	0.0%	0.0%
180,001 - 190,000	6.2%	15.2%	1.3%	0.0%	0.0%	0.0%
190,001 - 200,000	5.8%	15.5%	1.4%	0.0%	0.0%	0.0%
200,001 - 300,000	4.7%	16.1%	1.3%	0.0%	0.0%	0.0%
300,001 - 400,000	3.0%	16.9%	1.3%	0.0%	0.0%	0.0%
400,001 - 500,000	1.9%	20.0%	1.3%	0.0%	0.0%	0.0%
500,001 - 750,000	1.3%	23.7%	1.1%	0.0%	0.0%	0.0%
750,001 - 1,000,000	0.8%	28.4%	1.1%	0.0%	0.0%	0.0%
Over \$1,000,000	0.1%	80.6%	0.3%	0.0%	0.0%	0.0%
Overall Percent	10.1%	29.4%	1.0%	7.1%	0.6%	3.1%

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<sup>(1)</sup>Nonrefundable credits, home heating credits, property tax credits, and earned income tax credits are divided by the tax rate (4.35%) to determine the equivalent income tax deduction. Nonrefundable credits for 2011 are: the city income tax credit, the public contribution credit, the homeless shelter/food bank contribution credit, the community foundation credit, the other state tax credit, the tuition tax credit, the Michigan historic preservation credit, the vehicle donation credit, and the renewable energy surcharge credit.

**Exhibit 30**  
**Distribution of Personal Exemptions**  
**Claimed on 2011 Individual Income Tax Returns<sup>(1)</sup>**

<b>Adjusted Gross Income Group</b>	<b>Exemptions Claimed</b>							<b>Total Returns</b>	<b>Total Exemptions<sup>(2)</sup></b>
	<b>Zero</b>	<b>One</b>	<b>Two</b>	<b>Three</b>	<b>Four</b>	<b>Five</b>	<b>Six or More</b>		
Zero Income	5,617	41,897	17,546	2,952	2,212	1,087	609	71,920	104,391
\$ 1 - 2,000	64,693	82,226	17,592	3,372	1,485	560	293	170,221	138,317
2,001 - 4,000	72,205	68,828	16,401	4,094	1,821	621	294	164,264	126,359
4,001 - 6,000	53,536	77,107	20,378	5,611	2,509	821	330	160,292	151,147
6,001 - 8,000	37,600	84,514	25,930	7,466	3,300	1,053	447	160,310	180,366
8,001 - 10,000	25,983	87,344	42,598	11,282	4,558	1,500	612	173,877	236,402
10,001 - 12,000	17,878	87,917	36,916	14,224	6,408	2,035	821	166,199	245,975
12,001 - 14,000	12,152	84,788	36,458	21,738	9,930	3,006	1,367	169,439	287,237
14,001 - 16,000	7,667	80,534	36,254	18,988	9,939	3,077	1,413	157,872	275,038
16,001 - 18,000	4,783	74,002	35,408	17,252	9,489	3,106	1,459	145,499	260,273
18,001 - 20,000	2,901	69,968	33,955	14,049	8,112	3,235	1,538	133,758	239,414
20,001 - 22,000	1,973	61,898	31,442	12,708	7,580	3,435	1,725	120,761	222,476
22,001 - 24,000	1,275	56,805	29,262	11,974	7,445	3,264	1,639	111,664	208,824
24,001 - 26,000	866	53,287	27,804	11,448	7,227	3,291	1,674	105,597	200,320
26,001 - 28,000	572	50,209	27,017	10,642	6,530	3,188	1,668	99,826	189,905
28,001 - 30,000	406	46,873	26,355	9,799	6,540	3,162	1,851	94,986	183,907
30,001 - 35,000	645	103,640	61,159	22,344	15,081	7,261	4,557	214,687	421,518
35,001 - 40,000	327	90,618	56,580	19,828	14,403	6,591	4,213	192,560	383,320
40,001 - 45,000	175	73,635	51,447	17,584	13,774	6,170	3,712	166,497	341,211
45,001 - 50,000	102	61,917	48,784	16,619	13,257	5,968	3,221	149,868	314,757
50,001 - 55,000	67	52,421	47,602	16,546	13,675	5,733	3,071	139,115	302,125
55,001 - 60,000	46	43,318	45,582	16,347	13,998	5,835	2,870	127,996	288,780
60,001 - 65,000	28	35,225	44,408	15,917	14,257	5,894	2,630	118,359	276,700
65,001 - 70,000	25	29,196	42,419	15,468	14,346	5,675	2,511	109,640	263,774
70,001 - 75,000	32	24,403	40,340	14,951	14,699	5,673	2,356	102,454	253,589
75,001 - 80,000	16	19,587	37,900	14,250	14,152	5,503	2,301	93,709	238,367

**Exhibit 30 (cont.)**

<b>Adjusted Gross Income Group</b>	<b>Exemptions Claimed</b>							<b>Total Returns</b>	<b>Total Exemptions<sup>(2)</sup></b>
	<b><u>Zero</u></b>	<b><u>One</u></b>	<b><u>Two</u></b>	<b><u>Three</u></b>	<b><u>Four</u></b>	<b><u>Five</u></b>	<b><u>Six or More</u></b>		
80,001 - 85,000	26	15,806	35,469	13,178	13,888	5,255	2,035	85,657	222,350
85,001 - 90,000	26	12,544	32,665	12,198	13,438	5,055	1,936	77,862	207,047
90,001 - 95,000	8	9,983	29,010	11,444	12,690	4,735	1,718	69,588	188,796
95,001 - 100,000	7	8,144	25,524	10,241	11,989	4,547	1,654	62,106	172,184
100,001 - 110,000	20	12,032	43,191	17,610	21,600	8,341	2,906	105,700	299,691
110,001 - 120,000	20	8,418	33,025	14,093	18,129	6,946	2,324	82,955	240,261
120,001 - 130,000	17	5,885	25,231	10,912	14,775	5,674	1,878	64,372	189,699
130,001 - 140,000	12	4,287	19,490	8,761	11,962	4,581	1,471	50,564	150,600
140,001 - 150,000	12	3,105	15,181	6,831	9,588	3,668	1,216	39,601	119,164
150,001 - 160,000	12	2,474	12,443	5,668	7,735	3,027	1,047	32,406	97,768
160,001 - 170,000	7	2,005	9,786	4,452	6,339	2,441	827	25,857	78,283
170,001 - 180,000	2	1,619	7,727	3,605	5,099	1,975	659	20,686	62,772
180,001 - 190,000	5	1,321	6,487	2,912	4,054	1,609	488	16,876	50,708
190,001 - 200,000	2	1,179	5,215	2,285	3,501	1,364	440	13,986	42,368
200,001 - 300,000	31	5,484	24,133	10,642	15,532	6,671	2,239	64,732	196,832
300,001 - 400,000	16	1,933	7,752	3,258	5,150	2,489	927	21,525	66,745
400,001 - 500,000	8	932	3,794	1,613	2,456	1,277	497	10,577	33,047
500,001 - 750,000	6	1,080	4,164	1,634	2,628	1,411	586	11,509	35,979
750,001 - 1,000,000	0	444	1,569	625	1,013	529	230	4,410	13,764
Over \$1,000,000	<u>10</u>	<u>1,343</u>	<u>3,605</u>	<u>1,202</u>	<u>1,733</u>	<u>1,045</u>	<u>464</u>	<u>9,402</u>	<u>27,564</u>
Totals	311,817	1,742,175	1,282,998	490,617	420,026	169,384	74,724	4,491,741	8,830,114

<sup>(1)</sup> Values in this table are based on 4,491,741 MI-1040 tax returns on file.

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

**Exhibit 31**  
**Distribution of Special Exemptions and Child Deductions**  
**Claimed on 2011 Individual Income Tax Returns<sup>(1)</sup>**

<u>Adjusted Gross Income Group</u>	<u>Age Exemptions</u>	<u>Deaf/Blind/ Disabled Exemptions</u>	<u>Unemployed Exemptions</u>	<u>Disabled Veteran Exemptions</u>	<u>Child 18 and Under Exemptions</u>	<u>Claimed as Dependent Exemptions</u>	<u>Total</u>
Zero Income	33,143	10,714	1,078	570	13,450	5,291	64,246
\$ 1 - 2,000	48,369	20,800	1,650	713	15,012	65,225	151,769
2,001 - 4,000	33,439	8,183	2,740	463	19,647	72,424	136,896
4,001 - 6,000	35,829	7,745	3,930	522	26,560	53,666	128,252
6,001 - 8,000	39,774	8,040	6,759	450	35,906	37,699	128,628
8,001 - 10,000	41,569	8,707	7,966	526	59,529	26,007	144,304
10,001 - 12,000	46,583	7,950	8,376	535	64,923	17,907	146,274
12,001 - 14,000	46,525	7,546	8,087	572	89,565	12,170	164,465
14,001 - 16,000	44,421	6,811	8,133	608	84,089	7,672	151,734
16,001 - 18,000	40,591	6,162	8,023	565	78,273	4,767	138,381
18,001 - 20,000	35,436	5,636	10,651	605	67,080	2,883	122,291
20,001 - 22,000	31,644	4,978	5,690	528	63,168	1,970	107,978
22,001 - 24,000	29,240	4,623	4,175	452	58,843	1,274	98,607
24,001 - 26,000	27,264	4,041	3,132	430	56,220	861	91,948
26,001 - 28,000	25,938	3,821	2,054	428	52,098	566	84,905
28,001 - 30,000	24,680	3,498	1,453	418	50,294	412	80,755
30,001 - 35,000	54,744	7,637	2,193	948	112,471	633	178,626
35,001 - 40,000	45,626	6,786	911	947	97,077	321	151,668
40,001 - 45,000	39,692	5,812	300	817	85,781	174	132,576
45,001 - 50,000	36,235	4,905	159	723	78,368	110	120,500
50,001 - 55,000	34,268	4,671	80	782	75,342	68	115,211
55,001 - 60,000	31,851	4,263	43	696	72,626	47	109,526
60,001 - 65,000	29,292	4,151	20	673	69,999	30	104,165
65,001 - 70,000	26,889	3,756	12	669	67,079	26	98,431
70,001 - 75,000	25,027	3,421	11	601	65,249	37	94,346
75,001 - 80,000	23,728	3,016	3	540	61,995	17	89,299
80,001 - 85,000	22,482	2,688	3	526	57,556	30	83,285
85,001 - 90,000	20,562	2,331	8	466	54,555	27	77,949
90,001 - 95,000	18,180	1,904	1	416	50,235	9	70,745
95,001 - 100,000	16,001	1,639	4	399	46,585	14	64,642
Over \$100,000	140,160	10,616	15	2,356	480,123	180	633,450
Totals	1,149,182	186,851	87,660	19,944	2,309,698	312,517	4,065,852

<sup>(1)</sup> Values in this table are based on 4,491,741 MI-1040 tax returns on file.

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

	2008			2009			2010			2011		
	Number	Amount	Average	Number	Amount	Average	Number	Amount	Average	Number	Amount	Average
Property Tax Credits												
General	1,058.5	\$527,589.2	\$498.44	1,062.9	\$525,396.4	\$494.32	1,006.0	\$470,006.9	\$467.19	939.1	\$427,848.6	\$455.57
Senior Citizen <sup>(1)</sup>												
Total	453.2	\$349,153.1	770.39	476.5	\$374,894.9	786.71	458.0	\$345,861.5	755.09	450.1	332,509.0	738.71
Low Income Rent	9.6	\$2,998.0	312.36	9.2	\$2,835.3	308.49	10.1	\$4,665.4	462.98	9.4	2,839.5	301.56
Veteran	9.0	\$1,215.5	135.62	9.3	\$1,141.7	122.23	9.9	\$1,199.9	120.79	10.1	1,234.4	121.71
Blind	1.3	\$182.5	135.59	1.3	\$156.4	117.17	1.4	\$176.1	122.95	1.4	169.8	124.22
Disabled	80.8	\$52,516.7	650.34	84.2	\$54,975.2	652.63	87.2	\$55,531.6	636.88	88.7	55,810.7	629.33
Farmland	7.9	\$35,920.5	4,518.86	8.1	\$39,864.1	4,930.63	8.0	\$39,694.3	4,948.79	7.9	40,821.3	5,165.29
Total Property Tax Credits	1,610.7	\$966,577.6	\$600.10	1,642.4	\$996,428.8	\$606.70	1,570.7	\$912,470.2	\$580.95	1,497.4	\$858,393.7	\$573.27
Home Heating Credit Total	450.1	\$106,018.3	\$235.55	484.8	\$88,755.5	\$183.09	491.4	\$69,758.2	\$141.94	461.2	\$65,777.1	\$142.61
HHC regular credit		\$84,271.7	\$187.23		\$88,755.5	\$183.09		\$69,758.2	\$141.94		\$65,777.1	\$142.61
HHC supplemental		\$21,746.7	\$48.32		n.a.	n.a.		n.a.	n.a.		n.a.	n.a.
Adoption Credit	0.6	\$757.2	\$1,241.37	0.5	\$667.0	\$1,265.69	0.5	\$712.9	\$1,305.61	0.4	\$489.8	\$1,206.41
StillBirth Credit	0.2	\$39.2	\$170.43	0.3	\$62.4	\$182.96	0.3	\$50.8	\$188.26	0.3	\$46.8	\$181.91
MI Earned Income Tax Credit	711.1	\$145,205.0	\$204.18	782.6	\$338,043.4	\$431.97	783.4	\$340,829.4	\$435.08	793.2	\$353,689.1	\$445.91
Energy Efficient Home Improvement Credit	n.a.	n.a.	n.a.	140.2	\$15,188.5	108.3	132.0	\$14,037.1	106.4	100.3	\$10,405.2	\$103.75
City Income Tax Credit	823.6	\$31,057.9	\$37.71	772.1	\$28,828.7	\$37.34	746.7	\$27,649.3	\$37.03	781.0	\$29,436.9	\$37.69
Public Contribution Credit	273.3	\$24,699.6	\$90.37	263.6	\$23,694.8	\$89.87	253.3	\$22,872.1	\$90.28	257.7	\$23,845.0	\$92.51
Credit for Income Tax Paid to Another State	49.7	\$44,386.0	\$893.11	44.6	\$40,077.9	\$897.70	46.8	\$44,807.6	\$958.37	47.9	\$49,711.3	\$1,036.90
Community Foundation Credit	35.2	\$3,275.6	\$93.03	36.0	\$3,351.0	\$93.06	34.9	\$3,251.0	\$93.06	36.2	\$3,453.1	\$95.38
Homeless/Food Bank Credit	234.1	\$19,032.8	\$81.29	234.1	\$18,820.2	\$80.40	228.6	\$18,574.1	\$81.26	234.5	\$19,532.2	\$83.29
College Tuition Credit	83.0	\$12,087.7	\$145.58	98.8	\$16,751.1	\$169.52	14.7	\$3,991.5	\$271.96	24.5	\$3,804.9	\$155.39
Historic Preservation Credit	0.3	\$1,314.6	\$4,580.50	0.2	\$1,208.2	\$5,141.25	0.7	\$859.0	\$1,244.92	0.6	\$1,183.1	\$1,911.29
Vehicle Donation Credit	2.2	\$126.3	\$56.31	1.4	\$100.9	\$72.48	1.1	\$80.2	\$72.04	1.0	\$71.4	\$70.92
Renewable Energy Surcharge Credit	n.a.	n.a.	n.a.	499.5	3,932.9	7.9	532.9	3,453.5	6.5	514.0	\$3,490.8	\$6.79

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

**Exhibit 33**  
**Distribution of Credits**  
**Individual Income Tax, 2011<sup>(1)</sup>**

Adjusted Gross Income Group	MI-1040s Filed		General Property Tax Credit <sup>(2)</sup>			City Income Tax Credit			College Contribution Credit		
			Number	% of Property	Credit	Number	AGI Group %	Credit	Number	AGI Group %	Credit
	Number	% of Total <sup>(2)</sup>	Claiming Credit	Filed	Amount	Claiming Credit	Filed	Amount	Claiming Credit	Filed	Amount
Less than \$1	71,920	1.6%	16,301	1.8%	\$13,488,562	1,877	0.2%	\$49,443	1,415	0.5%	\$119,456
\$ 1 - 2,000	170,221	3.8%	15,154	1.6%	8,179,040	7,389	0.9%	40,401	957	0.4%	51,212
2,001 - 4,000	164,264	3.7%	16,372	1.8%	7,670,040	15,737	2.0%	115,668	1,441	0.6%	71,743
4,001 - 6,000	160,292	3.6%	21,682	2.3%	9,875,770	18,294	2.3%	193,522	1,872	0.7%	102,128
6,001 - 8,000	160,310	3.6%	28,527	3.1%	13,096,260	20,190	2.6%	268,893	2,159	0.8%	128,465
8,001 - 10,000	173,877	3.9%	42,616	4.6%	20,360,910	24,136	3.1%	377,294	2,776	1.1%	183,450
10,001 - 12,000	166,199	3.7%	42,746	4.6%	20,582,771	24,093	3.1%	437,373	2,808	1.1%	180,144
12,001 - 14,000	169,439	3.8%	50,683	5.4%	24,579,112	25,689	3.3%	517,062	3,073	1.2%	207,085
14,001 - 16,000	157,872	3.5%	48,890	5.3%	23,587,714	25,266	3.2%	556,462	2,972	1.2%	197,499
16,001 - 18,000	145,499	3.2%	47,277	5.1%	22,285,074	24,660	3.2%	582,484	3,163	1.2%	215,963
18,001 - 20,000	133,758	3.0%	44,570	4.8%	20,601,773	22,945	2.9%	581,537	3,151	1.2%	216,881
20,001 - 22,000	120,761	2.7%	40,651	4.4%	18,474,380	21,841	2.8%	593,946	2,983	1.2%	209,121
22,001 - 24,000	111,664	2.5%	38,056	4.1%	16,863,362	20,363	2.6%	610,761	3,138	1.2%	218,852
24,001 - 26,000	105,597	2.4%	36,281	3.9%	15,999,990	19,772	2.5%	644,264	3,060	1.2%	216,377
26,001 - 28,000	99,826	2.2%	34,281	3.7%	14,851,946	18,826	2.4%	587,104	3,133	1.2%	223,535
28,001 - 30,000	94,986	2.1%	32,506	3.5%	13,866,830	18,017	2.3%	639,387	3,087	1.2%	221,893
30,001 - 35,000	214,687	4.8%	72,482	7.8%	30,492,834	40,900	5.2%	1,425,731	7,916	3.1%	575,001
35,001 - 40,000	192,560	4.3%	62,821	6.7%	26,412,079	35,981	4.6%	1,310,443	7,933	3.1%	575,098
40,001 - 45,000	166,497	3.7%	50,328	5.4%	21,392,373	32,452	4.2%	1,219,345	7,963	3.1%	593,514
45,001 - 50,000	149,868	3.3%	41,587	4.5%	17,841,750	30,271	3.9%	1,191,636	8,060	3.1%	608,029
50,001 - 55,000	139,115	3.1%	34,500	3.7%	15,039,045	28,181	3.6%	1,163,997	8,448	3.3%	659,216
55,001 - 60,000	127,996	2.8%	28,544	3.1%	12,786,911	26,178	3.4%	1,089,120	8,601	3.3%	681,056
60,001 - 65,000	118,359	2.6%	23,910	2.6%	11,115,589	24,648	3.2%	1,046,218	8,604	3.3%	687,611
65,001 - 70,000	109,640	2.4%	20,060	2.2%	9,591,219	23,076	3.0%	1,006,774	8,680	3.4%	714,939
70,001 - 75,000	102,454	2.3%	16,962	1.8%	8,023,873	21,566	2.8%	953,457	8,686	3.4%	721,232
75,001 - 80,000	93,709	2.1%	14,127	1.5%	4,764,102	19,956	2.6%	901,510	8,455	3.3%	737,564
80,001 - 85,000	85,657	1.9%	7,493	0.8%	1,295,099	18,362	2.4%	837,820	8,414	3.3%	748,901
85,001 - 90,000	77,862	1.7%	611	0.1%	176,568	16,614	2.1%	768,618	8,048	3.1%	733,772



**Exhibit 33 (cont.)**

Adjusted Gross Income Group	MI-1040s Filed		General Property Tax Credit <sup>(2)</sup>			City Income Tax Credit			College Contribution Credit		
	Number	% of Total <sup>(2)</sup>	Number	% of Property	Credit	Number	AGI Group %	Credit	Number	AGI Group %	Credit
			Claiming	Tax Credits	Amount	Claiming	of MI-1040s	Amount	Claiming	of MI-1040s	Amount
			Credit	Filed		Credit	Filed		Credit	Filed	Amount
90,001 - 95,000	69,588	1.5%	190	0.0%	77,417	14,978	1.9%	700,754	7,792	3.0%	719,767
95,001 - 100,000	62,106	1.4%	82	0.0%	43,318	13,532	1.7%	645,573	7,339	2.8%	691,104
100,001 - 110,000	105,700	2.4%	97	0.0%	59,500	23,723	3.0%	1,166,078	13,275	5.2%	1,282,198
110,001 - 120,000	82,955	1.8%	68	0.0%	49,961	18,783	2.4%	1,015,346	11,384	4.4%	1,138,758
120,001 - 130,000	64,372	1.4%	49	0.0%	34,609	14,753	1.9%	804,376	9,947	3.9%	1,018,006
130,001 - 140,000	50,564	1.1%	36	0.0%	28,606	11,519	1.5%	643,122	8,361	3.2%	873,935
140,001 - 150,000	39,601	0.9%	32	0.0%	23,056	8,847	1.1%	520,146	7,118	2.8%	767,875
150,001 - 160,000	32,406	0.7%	16	0.0%	9,748	7,131	0.9%	433,178	6,035	2.3%	671,278
160,001 - 170,000	25,857	0.6%	13	0.0%	10,278	5,728	0.7%	358,341	5,235	2.0%	589,770
170,001 - 180,000	20,686	0.5%	18	0.0%	14,234	4,580	0.6%	298,857	4,220	1.6%	491,844
180,001 - 190,000	16,876	0.4%	10	0.0%	8,916	3,615	0.5%	245,481	3,537	1.4%	414,266
190,001 - 200,000	13,986	0.3%	12	0.0%	9,431	2,907	0.4%	199,227	3,126	1.2%	385,753
200,001 - 300,000	64,732	1.4%	34	0.0%	24,893	13,137	1.7%	1,054,068	15,471	6.0%	1,971,638
300,001 - 400,000	21,525	0.5%	8	0.0%	8,475	4,239	0.5%	450,639	5,549	2.2%	769,043
400,001 - 500,000	10,577	0.2%	1	0.0%	263	2,101	0.3%	283,770	2,783	1.1%	400,888
500,001 - 750,000	11,509	0.3%	4	0.0%	4,800	2,238	0.3%	354,666	2,925	1.1%	440,390
750,001 - 1,000,000	4,410	0.1%	1	0.0%	1,200	730	0.1%	136,891	1,117	0.4%	172,839
Over \$1,000,000	9,402	0.2%	2	0.0%	2,400	1,166	0.1%	416,126	1,538	0.6%	245,945
Totals	4,491,741	100.0%	930,691	100.0%	\$423,706,081	780,987	100.0%	\$29,436,908	257,748	100.0%	\$23,845,034

<sup>(1)</sup> Values in this table are based on 4,491,741 MI-1040 tax returns on file.

<sup>(2)</sup> 8,456 general property tax credits totaling \$4,142,492 were claimed on MI-1040CR returns that were filed without an MI-1040.

**Exhibit 34**  
**Distribution of Property Tax Credits Claimed**  
**Individual Income Tax, 2011 <sup>(1)</sup>**

Adjusted Gross Income Group	General			Senior Citizens <sup>(2)</sup>			Veterans			Disabled <sup>(3)</sup>		
	Number of Credits	% of Total Credits	Credit Amount	Number of Credits	% of Total Credits	Credit Amount	Number of Credits	% of Total Credits	Credit Amount	Number of Credits	% of Total Credits	Credit Amount
	<u>Allowed</u>	<u>Allowed</u>	<u>Amount</u>	<u>Allowed</u>	<u>Allowed</u>	<u>Amount</u>	<u>Allowed</u>	<u>Allowed</u>	<u>Amount</u>	<u>Allowed</u>	<u>Allowed</u>	<u>Amount</u>
Zero Income <sup>(4)</sup>	23,697	2.5%	\$17,091,208	59,301	13.2%	\$46,136,041	769	7.6%	\$120,442	31,357	34.8%	\$20,237,420
\$ 1 - 2,000	15,205	1.6%	8,205,606	34,036	7.6%	27,402,559	367	3.6%	53,974	13,410	14.9%	8,763,994
2,001 - 4,000	16,412	1.7%	7,690,686	22,658	5.0%	18,160,547	200	2.0%	27,425	3,928	4.4%	2,526,294
4,001 - 6,000	21,753	2.3%	9,915,088	23,349	5.2%	18,438,277	190	1.9%	24,385	3,526	3.9%	2,242,890
6,001 - 8,000	28,582	3.0%	13,124,793	24,957	5.5%	19,201,766	219	2.2%	28,629	3,657	4.1%	2,335,385
8,001 - 10,000	42,687	4.5%	20,398,793	24,722	5.5%	18,684,416	246	2.4%	32,531	3,768	4.2%	2,383,337
10,001 - 12,000	42,811	4.6%	20,618,027	25,647	5.7%	19,065,333	295	2.9%	38,327	3,191	3.5%	1,980,789
12,001 - 14,000	50,769	5.4%	24,622,199	23,754	5.3%	17,273,899	300	3.0%	37,863	2,765	3.1%	1,739,412
14,001 - 16,000	48,941	5.2%	23,616,198	21,126	4.7%	15,055,422	336	3.3%	42,322	2,405	2.7%	1,485,191
16,001 - 18,000	47,335	5.0%	22,312,849	18,058	4.0%	12,934,453	330	3.3%	39,730	2,127	2.4%	1,271,584
18,001 - 20,000	44,616	4.8%	20,623,666	15,277	3.4%	10,888,683	335	3.3%	39,545	1,970	2.2%	1,166,332
20,001 - 22,000	40,695	4.3%	18,494,577	13,099	2.9%	9,346,172	286	2.8%	35,135	1,680	1.9%	960,875
22,001 - 24,000	38,107	4.1%	16,890,243	11,873	2.6%	8,352,233	270	2.7%	33,374	1,520	1.7%	867,874
24,001 - 26,000	36,323	3.9%	16,021,279	10,801	2.4%	7,539,761	301	3.0%	37,744	1,335	1.5%	781,449
26,001 - 28,000	34,313	3.7%	14,865,318	9,972	2.2%	7,081,219	276	2.7%	33,530	1,164	1.3%	673,443
28,001 - 30,000	32,536	3.5%	13,880,928	9,216	2.0%	6,418,820	295	2.9%	34,757	1,066	1.2%	583,292
30,001 - 35,000	72,543	7.7%	30,519,467	19,302	4.3%	13,549,362	642	6.3%	76,945	2,243	2.5%	1,252,760
35,001 - 40,000	62,877	6.7%	26,432,840	15,340	3.4%	10,865,878	606	6.0%	71,534	1,909	2.1%	995,360
40,001 - 45,000	50,370	5.4%	21,410,347	12,643	2.8%	8,980,578	568	5.6%	68,254	1,535	1.7%	834,606
45,001 - 50,000	41,611	4.4%	17,853,732	10,984	2.4%	7,887,656	525	5.2%	62,094	1,146	1.3%	608,145
50,001 - 55,000	34,520	3.7%	15,048,762	10,266	2.3%	7,423,196	546	5.4%	65,734	1,010	1.1%	551,888
55,001 - 60,000	28,561	3.0%	12,798,049	8,898	2.0%	6,416,787	483	4.8%	57,431	863	1.0%	493,717
60,001 - 65,000	23,919	2.5%	11,121,112	7,309	1.6%	5,238,740	491	4.8%	57,246	707	0.8%	388,956
65,001 - 70,000	20,064	2.1%	9,592,880	6,275	1.4%	4,398,006	457	4.5%	50,774	632	0.7%	361,988
70,001 - 75,000	16,972	1.8%	8,031,344	5,119	1.1%	3,255,747	373	3.7%	38,537	495	0.5%	268,688
75,001 - 80,000	14,132	1.5%	4,766,929	4,127	0.9%	1,778,263	292	2.9%	19,850	419	0.5%	153,237
80,001 - 85,000	7,497	0.8%	1,299,484	1,570	0.3%	469,492	125	1.2%	4,856	179	0.2%	38,543
85,001 - 90,000	611	0.1%	176,568	236	0.1%	91,376	7	0.1%	203	17	0.0%	8,644
90,001 - 95,000	194	0.0%	80,122	58	0.0%	36,269	6	0.1%	350	6	0.0%	5,520
95,001 - 100,000	84	0.0%	45,378	24	0.0%	22,959	n.a.	0.0%	0	5	0.0%	5,186
Over 100,000	410	0.0%	300,101	124	0.0%	115,059	6	0.1%	834	14	0.0%	13,682
Totals	939,147	100.0%	\$427,848,573	450,121	100.0%	\$332,508,969	10,142	100.0%	\$1,234,355	90,049	100.0%	\$55,980,481

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

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

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

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

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

**Exhibit 35**  
**Distribution of Senior Citizen Property Tax Credits by Household Income**  
**Individual Income Tax, 2011**

<u>Household Income</u>	<u>Number of Returns</u>	<u>Property Tax Paid</u>	<u>Property Tax Credit</u>	<u>Property Tax Paid After Credit</u>
\$1,000 and below	2,576	\$9,139,910	\$2,796,343	\$6,343,567
1,001 - 2,000	368	638,983	310,729	328,254
2,001 - 3,000	480	732,262	420,617	311,645
3,001 - 4,000	755	1,059,848	644,845	415,003
4,001 - 5,000	1,007	1,392,183	846,822	545,361
5,001 - 6,000	1,513	1,940,043	1,256,070	683,973
6,001 - 7,000	2,508	3,261,412	2,072,995	1,188,417
7,001 - 8,000	3,860	4,698,453	3,054,344	1,644,109
8,001 - 9,000	9,179	9,943,779	6,889,148	3,054,631
9,001 - 10,000	6,164	7,771,819	4,791,538	2,980,281
10,001 - 11,000	7,231	9,394,709	5,589,625	3,805,084
11,001 - 12,000	8,236	11,060,208	6,423,254	4,636,954
12,001 - 13,000	9,711	13,543,199	7,639,763	5,903,436
13,001 - 14,000	9,692	13,774,503	7,559,385	6,215,118
14,001 - 15,000	10,075	14,939,795	7,910,377	7,029,418
15,001 - 16,000	10,160	15,688,293	8,090,176	7,598,117
16,001 - 17,000	10,222	15,942,864	8,062,651	7,880,213
17,001 - 18,000	10,627	17,217,243	8,398,312	8,818,931
18,001 - 19,000	10,769	17,537,143	8,400,434	9,136,709
19,001 - 20,000	10,893	18,101,671	8,456,008	9,645,663
20,001 - 21,000	10,805	18,426,563	8,364,948	10,061,615
21,001 - 22,000	10,948	19,095,832	8,459,817	10,636,015
22,001 - 23,000	11,070	19,790,618	8,573,380	11,217,238
23,001 - 24,000	10,848	19,809,118	8,263,374	11,545,744
24,001 - 25,000	10,753	19,894,361	8,215,981	11,678,380
25,001 - 26,000	10,694	20,079,773	8,033,516	12,046,257
26,001 - 27,000	10,298	19,788,840	7,736,192	12,052,648
27,001 - 28,000	9,988	19,499,685	7,437,566	12,062,119
28,001 - 29,000	9,779	19,397,592	7,261,937	12,135,655
29,001 - 30,000	9,706	19,748,244	7,263,003	12,485,241
30,001 - 35,000	44,873	95,245,710	32,593,704	62,652,006
35,001 - 40,000	38,219	87,617,774	27,033,912	60,583,862
40,001 - 45,000	32,456	80,732,309	22,717,177	58,015,132
45,001 - 50,000	26,592	71,372,667	18,572,839	52,799,828
50,001 - 60,000	37,541	113,087,420	26,578,560	86,508,860
60,001 - 70,000	22,844	79,667,595	16,813,885	62,853,710
70,001 - 80,000	14,167	55,754,254	8,607,262	47,146,992
Over 80,000	2,514	10,705,359	368,480	10,336,879
Totals	450,121	\$977,492,036	\$332,508,969	\$644,983,067

**Exhibit 36**  
**Distribution of General Property Tax Credits by Household Income**  
**Individual Income Tax, 2011**

<b>Household Income</b>	<b>Number of Returns</b>	<b>Property Tax Paid</b>	<b>Property Tax Credit</b>	<b>Property Tax Paid After Credit</b>
\$1,000 and below	13,487	\$34,248,894	\$11,460,686	\$22,788,208
1,001 - 2,000	3,536	4,376,602	1,982,651	2,393,951
2,001 - 3,000	4,789	5,264,399	2,450,883	2,813,516
3,001 - 4,000	6,001	6,307,676	2,932,670	3,375,006
4,001 - 5,000	7,517	7,846,729	3,528,925	4,317,804
5,001 - 6,000	8,983	9,265,143	4,118,308	5,146,835
6,001 - 7,000	10,813	11,365,540	4,931,428	6,434,112
7,001 - 8,000	13,467	14,992,015	6,248,770	8,743,245
8,001 - 9,000	18,034	19,768,161	8,355,847	11,412,314
9,001 - 10,000	21,174	24,958,096	10,321,472	14,636,624
10,001 - 11,000	20,276	24,444,231	9,757,533	14,686,698
11,001 - 12,000	21,717	27,133,802	10,573,405	16,560,397
12,001 - 13,000	24,258	30,884,179	11,855,074	19,029,105
13,001 - 14,000	24,925	32,765,609	12,216,181	20,549,428
14,001 - 15,000	24,986	33,441,874	12,186,029	21,255,845
15,001 - 16,000	25,498	34,960,116	12,441,837	22,518,279
16,001 - 17,000	26,075	36,090,867	12,447,946	23,642,921
17,001 - 18,000	24,744	35,065,185	11,722,232	23,342,953
18,001 - 19,000	25,726	37,464,328	12,151,649	25,312,679
19,001 - 20,000	24,093	35,368,483	11,138,187	24,230,296
20,001 - 21,000	23,077	34,592,946	10,666,447	23,926,499
21,001 - 22,000	22,349	34,207,251	10,289,882	23,917,369
22,001 - 23,000	21,596	33,656,849	9,766,449	23,890,400
23,001 - 24,000	20,897	33,161,728	9,319,177	23,842,551
24,001 - 25,000	20,200	33,171,669	9,021,077	24,150,592
25,001 - 26,000	19,622	32,551,390	8,699,200	23,852,190
26,001 - 27,000	19,054	32,446,394	8,403,375	24,043,019
27,001 - 28,000	18,332	31,452,558	7,948,937	23,503,621
28,001 - 29,000	17,954	31,657,897	7,779,783	23,878,114
29,001 - 30,000	17,291	30,839,663	7,393,271	23,446,392
30,001 - 35,000	78,074	148,005,634	33,136,373	114,869,261
35,001 - 40,000	66,994	139,383,606	28,276,326	111,107,280
40,001 - 45,000	53,157	120,825,228	22,634,813	98,190,415
45,001 - 50,000	43,866	108,175,834	18,793,582	89,382,252
50,001 - 60,000	65,102	180,639,463	28,907,781	151,731,682
60,001 - 70,000	44,373	142,692,808	21,115,777	121,577,031
70,001 - 80,000	31,363	114,762,863	12,301,574	102,461,289
Over 80,000	5,747	22,381,218	573,036	21,808,182
Totals	939,147	\$1,770,616,927	\$427,848,573	\$1,342,768,354

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

**Exhibit 37**  
**Distribution of Home Heating Credits by Household Income**  
**Individual Income Tax, 2011**

Household Income	Senior Citizens		General		Disabled <sup>(1)</sup>		Veterans	
	Number of Returns	Home Heating Credit	Number of Returns	Home Heating Credit	Number of Returns	Home Heating Credit	Number of Returns	Home Heating Credit
Up to \$ 1,000	1,494	\$648,957	12,844	\$4,055,328	617	\$213,233	5	\$3,156
1,001 - 2,000	262	92,020	5,046	1,185,738	155	46,465	3	787
2,001 - 3,000	344	113,529	6,347	1,426,204	177	51,595	3	1,192
3,001 - 4,000	527	159,711	7,632	1,609,127	285	75,725	2	784
4,001 - 5,000	748	212,449	9,188	1,817,492	470	117,920	2	295
5,001 - 6,000	1,216	308,934	10,854	1,985,639	689	156,410	6	993
6,001 - 7,000	2,089	487,493	12,545	2,178,882	1,101	225,873	3	1,182
7,001 - 8,000	3,309	696,428	16,201	2,618,471	2,530	447,129	14	4,459
8,001 - 9,000	8,654	1,535,995	27,821	4,204,086	12,604	1,856,600	22	4,369
9,001 - 10,000	5,321	887,008	23,780	3,440,026	3,799	586,995	17	4,481
10,001 - 11,000	6,129	896,455	21,997	2,868,061	3,822	536,232	16	3,748
11,001 - 12,000	6,847	894,934	22,317	2,729,134	3,517	452,839	36	4,739
12,001 - 13,000	7,895	928,278	18,734	2,867,884	3,112	422,944	22	2,155
13,001 - 14,000	7,536	695,670	17,982	2,489,963	2,738	315,081	21	2,985
14,001 - 15,000	7,425	546,849	17,210	2,129,486	2,472	243,162	19	2,223
15,001 - 16,000	6,816	398,818	17,266	1,904,359	1,943	189,339	23	2,601
16,001 - 17,000	2,538	282,982	12,811	1,661,539	1,276	177,014	16	2,635
17,001 - 18,000	1,905	229,151	10,747	1,309,690	1,046	138,634	23	3,133
18,001 - 19,000	1,848	187,642	10,995	1,163,393	967	113,915	18	2,045
19,001 - 20,000	1,911	156,325	10,180	916,031	949	99,115	20	1,910
Over 20,000	<u>7,329</u>	<u>411,323</u>	<u>38,165</u>	<u>3,515,129</u>	<u>3,718</u>	<u>402,838</u>	<u>140</u>	<u>11,510</u>
Totals	82,143	\$10,770,951	330,662	\$48,075,662	47,987	\$6,869,058	431	\$61,382
Average Credit		\$131.12		\$145.39		\$143.14		\$142.42

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

**Exhibit 38**  
**2011 Income Tax Collections by County**

<u>County</u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>	<u>MI EITC Credits</u>	<u>Tax After Credits</u>	<u>Percent of Total Tax</u>
ALCONA	\$553,408	\$112,418	\$298,824	\$2,453,838	0.0%
ALGER	353,256	73,298	241,255	3,105,130	0.1%
ALLEGAN	7,456,853	539,702	2,923,588	51,841,791	0.9%
ALPENA	1,736,841	291,848	944,002	10,981,727	0.2%
ANTRIM	1,779,173	209,428	837,303	9,213,958	0.2%
ARENAC	1,145,976	170,970	518,052	4,264,248	0.1%
BARAGA	242,084	55,057	251,179	2,284,290	0.0%
BARRY	3,742,049	255,376	1,395,664	28,201,681	0.5%
BAY	8,601,585	712,423	3,425,703	50,225,902	0.9%
BENZIE	1,061,634	126,052	539,259	6,186,813	0.1%
BERRIEN	11,123,021	1,227,169	6,565,753	83,271,848	1.5%
BRANCH	3,086,864	291,222	1,624,258	15,088,546	0.3%
CALHOUN	10,543,075	713,627	4,077,066	52,098,489	0.9%
CASS	3,150,805	275,322	1,519,254	17,176,920	0.3%
CHARLEVOIX	2,242,357	204,603	968,909	13,862,893	0.2%
CHEBOYGAN	1,346,432	246,620	961,531	7,830,685	0.1%
CHIPPEWA	1,513,709	280,215	1,246,646	10,951,218	0.2%
CLARE	1,455,725	432,504	1,302,000	8,757,278	0.2%
CLINTON	5,350,293	252,556	1,229,404	36,206,998	0.6%
CRAWFORD	516,761	115,868	432,841	3,367,958	0.1%
DELTA	2,056,435	316,525	1,106,392	17,552,262	0.3%
DICKINSON	1,613,373	165,569	779,813	14,096,373	0.3%
EATON	10,765,073	459,340	3,088,267	60,131,068	1.1%
EMMET	2,639,290	239,840	1,092,068	20,366,667	0.4%
GENESEE	26,665,161	3,347,341	19,227,744	180,768,320	3.2%
GLADWIN	1,454,593	272,559	848,709	7,908,653	0.1%
GOGEBIC	714,422	158,023	446,211	4,990,413	0.1%
GRAND TRAVERSE	8,409,296	418,726	2,490,272	56,418,701	1.0%
GRATIOT	3,981,700	350,720	1,533,097	15,960,399	0.3%
HILLSDALE	3,279,539	429,468	1,630,060	16,616,010	0.3%
HOUGHTON	1,265,062	286,546	903,205	13,535,350	0.2%
HURON	8,917,832	320,449	1,035,666	9,282,455	0.2%
INGHAM	28,877,333	1,594,174	9,303,020	143,742,295	2.6%
IONIA	4,158,034	392,059	1,946,808	25,763,761	0.5%
IOSCO	1,299,432	281,976	943,853	6,991,830	0.1%
IRON	541,505	109,345	345,161	3,874,690	0.1%
ISABELLA	4,920,577	404,428	1,867,943	43,652,515	0.8%
JACKSON	9,967,440	1,040,905	5,471,020	73,528,071	1.3%
KALAMAZOO	21,840,996	1,343,043	7,430,519	148,060,615	2.6%

**Exhibit 38 (cont.)**

<u>County</u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>	<u>MI EITC Credits</u>	<u>Tax After Credits</u>	<u>Percent of Total Tax</u>
KALKASKA	\$812,497	\$159,669	\$699,598	\$6,080,947	0.1%
KENT	47,900,555	3,227,862	20,852,613	387,147,269	6.9%
KEWEENAW	73,647	22,086	48,040	797,684	0.0%
LAKE	523,977	167,428	366,506	1,470,658	0.0%
LAPEER	4,585,640	441,405	2,441,085	43,861,843	0.8%
LEELANAU	1,694,052	105,866	364,936	9,493,108	0.2%
LENAWEE	9,458,605	561,792	3,070,190	40,417,136	0.7%
LIVINGSTON	8,509,248	338,717	2,143,760	99,020,057	1.8%
LUCE	96,346	57,504	182,700	2,013,818	0.0%
MACKINAC	575,755	100,360	358,236	3,763,421	0.1%
MACOMB	91,002,720	4,379,754	26,594,563	466,740,638	8.3%
MANISTEE	1,668,003	191,868	749,723	8,542,113	0.2%
MARQUETTE	2,894,720	340,732	1,517,607	35,460,730	0.6%
MASON	2,466,893	261,626	1,061,404	10,274,618	0.2%
MECOSTA	1,890,017	336,809	1,239,256	13,959,878	0.2%
MENOMINEE	953,297	190,913	704,409	10,669,637	0.2%
MIDLAND	5,003,717	412,338	2,030,688	67,757,645	1.2%
MISSAUKEE	1,155,557	145,567	496,916	3,583,423	0.1%
MONROE	8,620,091	591,235	3,770,224	81,686,303	1.5%
MONTCALM	4,508,770	579,057	2,421,818	21,547,972	0.4%
MONTMORENCY	443,497	112,284	343,870	2,269,603	0.0%
MUSKEGON	12,458,265	1,317,308	7,371,981	64,941,835	1.2%
NEWAYGO	3,100,581	381,691	1,513,996	13,952,976	0.2%
OAKLAND	110,428,460	4,252,455	25,136,235	1,172,997,462	20.9%
OCEANA	2,027,790	292,769	1,142,673	8,231,323	0.1%
OGEMAW	1,189,060	254,228	846,581	6,059,281	0.1%
ONTONAGON	268,178	64,823	164,069	1,922,753	0.0%
OSCEOLA	1,446,682	282,942	960,614	7,866,056	0.1%
OSCODA	188,586	74,615	229,931	2,056,615	0.0%
OTSEGO	966,321	159,733	821,916	9,958,179	0.2%
OTTAWA	20,395,142	871,929	6,666,407	177,502,312	3.2%
PRESQUE ISLE	737,791	179,284	447,151	4,332,874	0.1%
ROSCOMMON	1,592,994	280,012	898,764	6,494,956	0.1%
SAGINAW	12,504,845	1,560,296	7,946,751	76,555,047	1.4%
ST. CLAIR	11,982,629	986,795	5,190,436	82,625,694	1.5%
ST. JOSEPH	4,238,310	418,279	2,388,478	22,765,987	0.4%
SANILAC	4,637,036	450,342	1,548,782	12,932,269	0.2%
SCHOOLCRAFT	249,575	80,106	257,944	3,121,543	0.1%
SHIAWASSEE	5,609,458	497,240	2,486,686	32,018,869	0.6%
TUSCOLA	6,975,172	447,796	1,971,285	18,589,011	0.3%
VAN BUREN	6,402,435	646,663	2,981,270	35,852,215	0.6%
WASHTENAW	34,334,079	1,410,175	7,198,180	283,801,046	5.1%
WAYNE (excludes Detroit)	106,448,358	5,562,414	33,329,537	531,489,030	9.5%
WEXFORD	2,207,052	350,268	1,394,934	12,039,927	0.2%
OUTSIDE OF MICHIGAN	19,346,598	1,191,473	12,308,475	282,223,625	5.0%
DETROIT	83,451,696	12,521,231	64,235,566	138,638,720	2.5%
<b>TOTAL</b>	<b>\$858,393,691</b>	<b>\$65,777,053</b>	<b>\$353,689,103</b>	<b>\$5,606,140,765</b>	<b>100.0%</b>

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

## Exhibit 39 2011 Income Tax Data by County

County	2011	2011	Income Tax		Average		Average		Credits as a		Ratio of Property		Average		
	AGI	AGI	Rank	Before	Rank	Income Tax	Rank	Income Tax	Rank	% of Tax	Rank	Tax Credits	Rank	Property Tax	Rank
	(Millions)			Credits		Before	Credits	After		Before	Credits	to 1040s Filed		Credit <sup>(1)</sup>	
ALCONA	\$165.0	\$36,515	73	\$3,473,073	76	\$769	81	\$543	81	29.3%	11	26.9%	59	\$456	56
ALGER	152.1	40,127	46	3,808,717	74	1,005	59	819	51	18.5%	60	23.2%	76	402	76
ALLEGAN	2,004.1	46,095	23	63,337,103	21	1,457	16	1,192	16	18.1%	61	30.7%	34	558	25
ALPENA	524.5	39,121	56	14,141,341	51	1,055	54	819	52	22.3%	42	30.2%	38	429	66
ANTRIM	459.4	43,448	33	12,205,010	54	1,154	42	871	44	24.5%	30	30.0%	39	560	23
ARENAC	230.7	36,664	72	6,091,595	68	968	66	678	73	30.0%	9	31.8%	26	573	21
BARAGA	117.3	38,642	61	2,855,261	78	940	70	752	60	20.0%	57	20.4%	79	391	78
BARRY	1,086.4	50,800	12	33,824,646	30	1,582	10	1,319	10	16.6%	70	29.0%	46	604	14
BAY	2,182.4	43,799	32	63,331,968	22	1,271	32	1,008	30	20.7%	52	32.5%	17	531	36
BENZIE	314.9	41,731	40	8,101,858	65	1,074	52	820	50	23.6%	34	29.6%	41	475	50
BERRIEN	3,414.9	47,333	20	104,685,295	12	1,451	18	1,154	20	20.5%	53	30.6%	35	505	44
BRANCH	695.9	39,875	49	20,136,054	40	1,154	43	865	47	25.1%	28	28.9%	47	612	12
CALHOUN	2,316.5	46,403	22	68,557,344	20	1,373	24	1,044	27	24.0%	33	36.1%	6	585	17
CASS	796.1	45,564	27	23,065,005	36	1,320	29	983	32	25.5%	23	27.4%	54	658	8
CHARLEVOIX	603.6	46,405	21	17,589,526	45	1,352	27	1,066	25	21.2%	50	32.1%	20	537	34
CHEBOYGAN	413.1	38,791	60	10,697,056	59	1,004	60	735	61	26.8%	17	28.8%	48	439	63
CHIPPEWA	591.5	38,941	57	14,179,815	49	933	71	721	64	22.8%	39	24.4%	71	409	72
CLARE	477.5	35,774	77	12,248,485	53	918	72	656	75	28.5%	12	26.8%	61	407	73
CLINTON	1,431.6	55,654	5	43,353,726	27	1,685	7	1,408	6	16.5%	71	31.9%	23	653	9
CRAWFORD	180.9	36,736	71	4,510,723	73	916	73	684	71	25.3%	27	26.8%	60	391	77
DELTA	743.9	43,076	35	21,204,476	39	1,228	37	1,016	29	17.2%	66	27.4%	55	434	64
DICKINSON	570.1	45,694	26	16,999,445	46	1,362	25	1,130	22	17.1%	68	27.9%	52	463	52
EATON	2,575.8	48,557	17	75,399,411	18	1,421	19	1,134	21	20.2%	54	35.6%	9	570	22
EMMET	815.9	48,739	16	24,792,880	35	1,481	15	1,217	14	17.9%	63	30.4%	37	519	40
GENESEE	8,272.3	44,804	28	233,238,501	6	1,263	33	979	34	22.5%	41	32.2%	19	448	59
GLADWIN	430.8	38,864	59	10,596,439	61	956	68	714	65	25.4%	26	29.2%	43	449	58
GOGEBIC	242.8	37,524	64	6,400,539	67	989	65	771	59	22.0%	45	26.6%	62	415	69
GRAND TRAVERSE	2,201.1	50,637	13	68,580,144	19	1,578	11	1,298	11	17.7%	64	34.7%	10	557	26
GRATIOT	728.8	42,108	39	21,529,052	38	1,244	34	922	39	25.9%	21	29.0%	45	794	3
HILLSDALE	768.7	40,016	48	22,278,633	37	1,160	41	865	46	25.4%	24	29.0%	44	588	16
HOUGHTON	570.0	39,747	51	16,187,710	47	1,129	46	944	38	16.4%	72	21.4%	77	412	70
HURON	665.7	40,489	45	18,351,084	43	1,116	48	565	79	49.4%	1	38.1%	4	1,422	1
INGHAM	6,056.0	49,510	14	187,219,991	8	1,531	13	1,175	18	23.2%	36	39.9%	2	592	15
IONIA	1,088.6	42,591	37	32,549,039	31	1,273	31	1,008	31	20.8%	51	28.3%	50	575	19
IOSCO	424.5	35,401	79	9,599,368	62	801	80	583	78	27.2%	16	27.7%	53	391	79
IRON	195.0	36,881	70	4,985,372	71	943	69	733	63	22.3%	44	24.4%	69	419	68
ISABELLA	1,718.6	52,440	9	51,464,222	25	1,570	12	1,332	9	15.2%	77	27.9%	51	537	33
JACKSON	3,027.8	46,009	24	91,328,536	15	1,388	23	1,117	24	19.5%	58	31.3%	29	484	48
KALAMAZOO	5,642.4	52,128	10	180,767,476	9	1,670	8	1,368	8	18.1%	62	37.3%	5	541	31
KALKASKA	288.7	38,868	58	7,896,603	66	1,063	53	819	53	23.0%	37	25.7%	66	426	67
KENT	14,294.2	51,723	11	468,409,136	4	1,695	6	1,401	7	17.3%	65	34.2%	13	507	43
KEWEENAW	38.6	42,583	38	950,690	83	1,049	56	880	43	16.1%	73	17.9%	82	455	57
LAKE	108.6	30,957	83	2,567,730	80	732	82	419	83	42.7%	2	33.8%	14	442	61
LAPEER	1,754.2	47,408	19	52,010,431	24	1,406	20	1,185	17	15.7%	74	25.0%	68	495	46

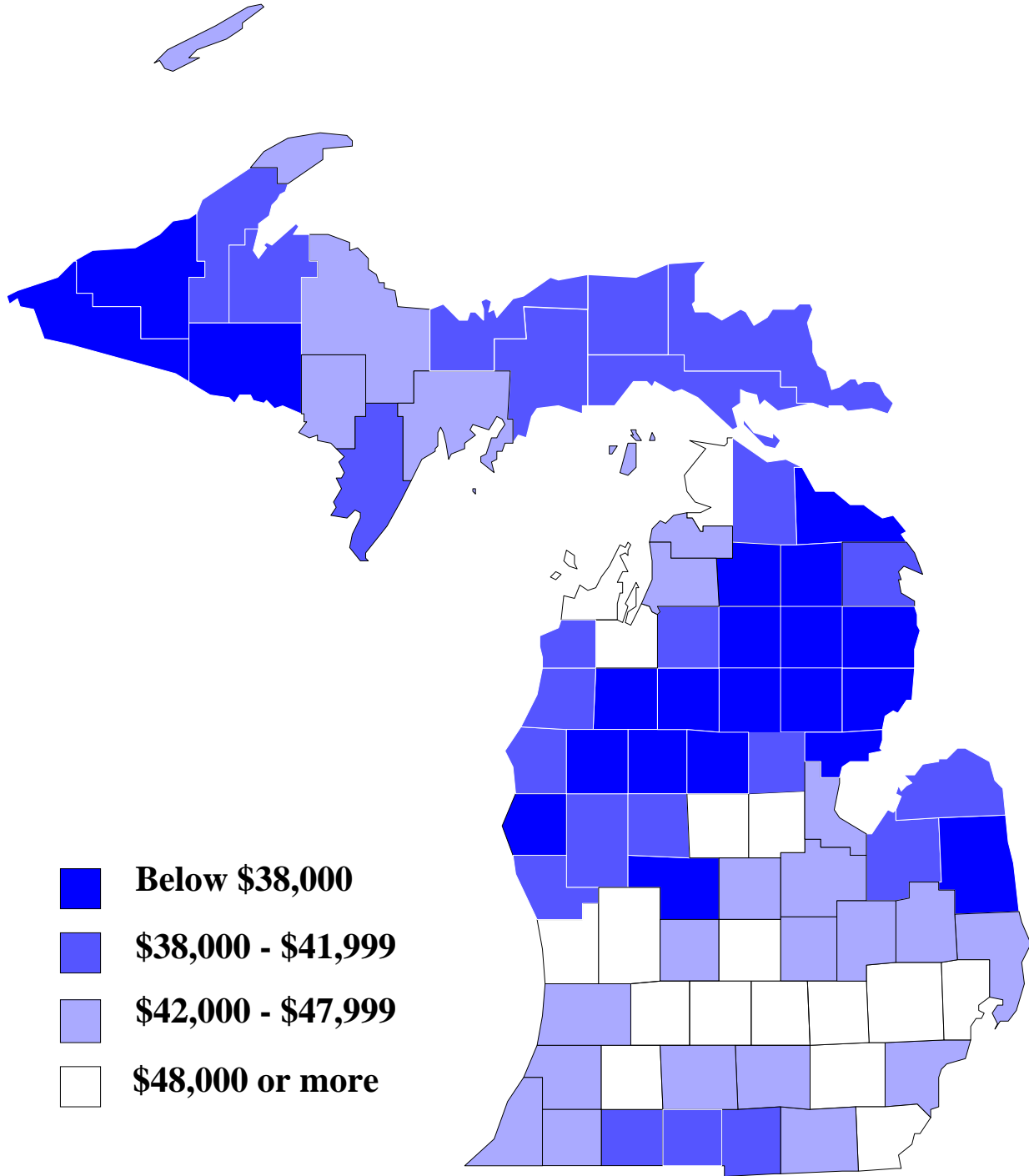


Exhibit 39 (cont.)

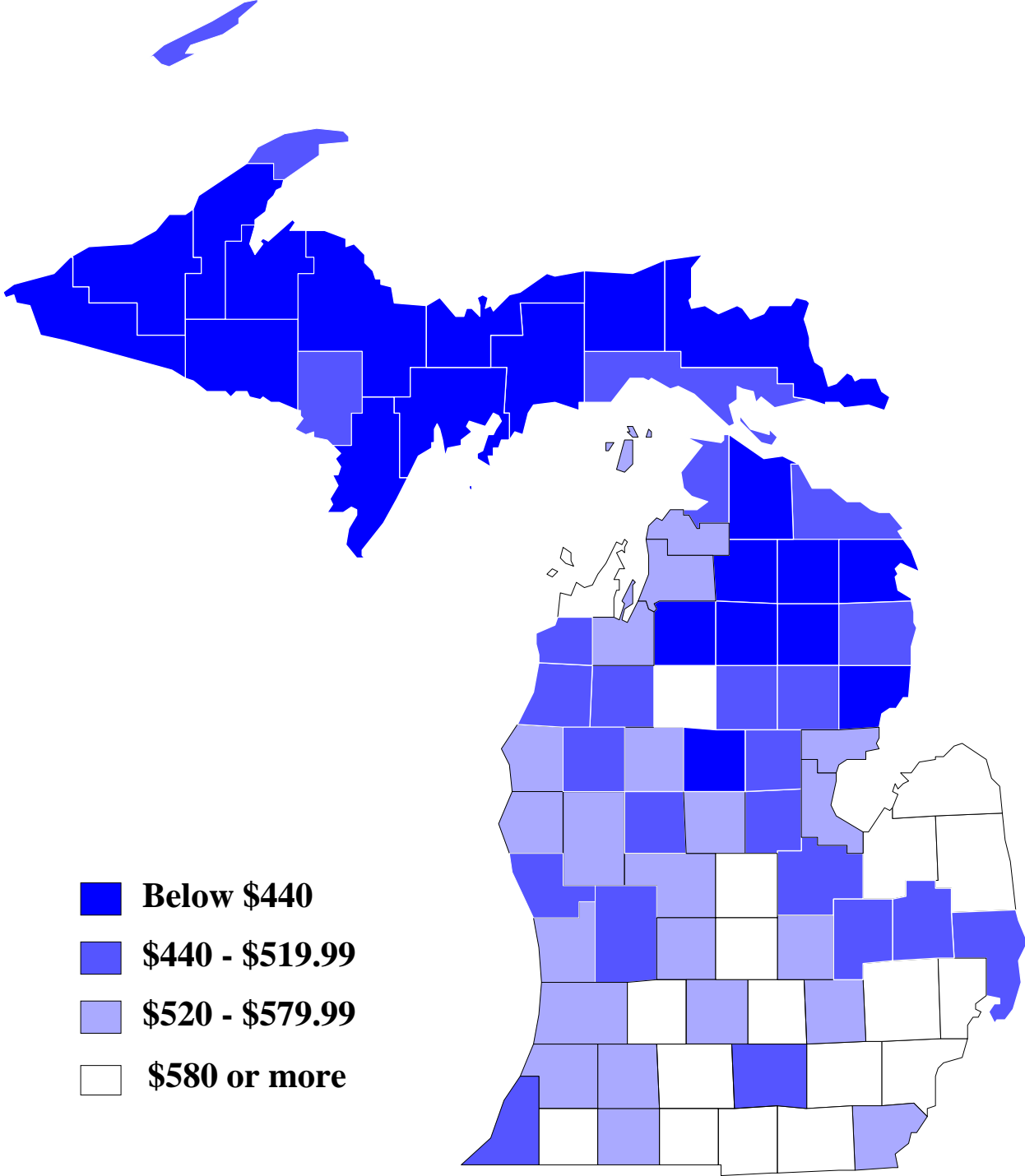
County	2011	2011	Income Tax		Average		Average		Credits as a		Ratio of Property		Average	
	AGI	Average	Before	Rank	Income Tax	Rank	Income Tax	Rank	% of Tax	Rank	Tax Credits	Rank	Property Tax	Rank
	(Millions)	AGI	Credits	Rank	Before Credits	Rank	After Credits	Rank	Before Credits	Rank	to 1040s Filed	Rank	Credit <sup>(1)</sup>	Rank
LEELANAU	\$439.3	\$53,914	6	56	\$11,866,225	56	\$1,456	17	\$1,165	19	20.0%	56	\$668	7
LENAWEE	1,888.1	44,545	29	23	55,184,297	23	1,302	30	954	36	26.8%	18	652	11
LIVINGSTON	3,408.7	62,359	4	10	111,229,142	10	2,035	4	1,811	4	11.0%	82	573	20
LUCE	94.3	39,561	52	82	2,379,195	82	997.98	62	845	48	15.4%	76	264	83
MACKINAC	204.9	38,220	62	72	4,882,719	72	911	74	702	69	22.9%	38	457	54
MACOMB	19,062.8	48,822	15	3	595,491,642	3	1,525	14	1,195	15	21.6%	48	609	13
MANISTEE	435.0	40,070	47	58	11,314,286	58	1,042	57	787	58	24.5%	31	490	47
MARQUETTE	1,383.7	47,613	18	29	40,602,688	29	1,397	21	1,220	13	12.7%	80	409	71
MASON	511.7	39,749	50	50	14,161,094	50	1,100	50	798	57	27.4%	14	533	35
MECOSTA	646.2	41,477	41	44	17,741,294	44	1,139	45	896	41	21.3%	49	467	51
MENOMINEE	429.8	41,161	42	52	12,618,020	52	1,209	39	1,022	28	15.4%	75	430	65
MIDLAND	2,383.2	64,819	3	17	75,974,533	17	2,066	3	1,843	3	10.8%	83	501	45
MISSAUKEE	198.1	35,620	78	70	5,350,986	70	962	67	644	76	33.0%	3	733	5
MONROE	3,435.9	52,765	8	11	104,727,773	11	1,608	9	1,254	12	22.0%	46	528	37
MONTCALM	1,005.3	37,901	63	33	29,238,798	33	1,102	49	812	55	26.3%	20	543	30
MONTMORENCY	157.7	33,824	82	77	3,214,852	77	690	83	487	82	29.4%	10	390	80
MUSKEGON	2,929.5	40,722	43	16	87,507,549	16	1,216	38	903	40	25.8%	22	483	49
NEWAYGO	676.5	39,427	54	41	19,190,444	41	1,118	47	813	54	27.3%	15	539	32
OAKLAND	38,486.6	72,566	1	1	1,331,464,798	1	2,510	1	2,212	1	11.9%	81	652	10
OCEANA	438.6	37,386	65	57	11,777,047	57	1,004	61	702	70	30.1%	8	554	27
OGEMAW	329.4	34,290	81	64	8,382,188	64	873	78	631	77	27.7%	13	456	55
ONTONAGON	101.5	35,968	76	81	2,474,173	81	877	77	681	72	22.3%	43	407	74
OSCEOLA	391.4	36,509	74	60	10,696,084	60	998	63	734	62	26.5%	19	522	39
OSCODA	100.0	34,400	80	79	2,571,485	79	885	76	708	67	20.0%	55	339	82
OTSEGO	376.2	37,009	69	55	12,029,081	55	1,183	40	980	33	17.2%	67	403	75
OTTAWA	6,400.6	53,159	7	7	207,952,721	7	1,727	5	1,474	5	14.6%	79	551	29
PRESQUE ISLE	240.5	37,086	68	69	5,756,999	69	888	75	668	74	24.7%	29	442	62
ROSCOMMON	422.2	36,394	75	63	9,380,795	63	809	79	560	80	30.8%	7	444	60
SAGINAW	3,496.3	43,428	34	14	99,852,449	14	1,240	35	951	37	23.3%	35	510	42
ST. CLAIR	3,375.3	45,893	25	13	102,267,421	13	1,391	22	1,123	23	19.2%	59	511	41
ST. JOSEPH	1,036.6	39,497	53	32	30,143,347	32	1,149	44	867	45	24.5%	32	551	28
SANILAC	688.2	37,375	66	42	19,179,691	42	1,042	58	702	68	32.6%	5	790	4
SCHOOLCRAFT	152.6	40,522	44	75	3,754,677	75	997	64	829	49	16.9%	69	358	81
SHIAWASSEE	1,423.6	42,834	36	28	40,937,650	28	1,232	36	963	35	21.8%	47	524	38
TUSCOLA	1,024.7	39,274	55	34	27,477,897	34	1,053	55	712	66	32.3%	6	900	2
VAN BUREN	1,512.2	44,261	30	26	46,281,724	26	1,355	26	1,049	26	22.5%	40	560	24
WASHTENAW	9,951.0	66,885	2	5	333,340,287	5	2,241	2	1,908	2	14.9%	78	671	6
WAYNE (including Detroit)	33,064.8	43,872	31	2	997,269,091	2	1,323	28	889	42	32.8%	4	583	18
WEXFORD	559.3	37,329	67	48	16,132,144	48	1,077	51	804	56	25.4%	25	460	53
OUTSIDE MICHIGAN	50,533.2	212,112			321,819,616		1,351		1,185		12.3%		593	
DETROIT	11,019.2	34,398			310,179,119.3		968		433		55.3%		536	
<b>TOTALS</b>	<b>\$264,777.0</b>	<b>\$58,948</b>			<b>\$6,999,117,410</b>		<b>\$1,558</b>		<b>\$1,248</b>		<b>19.9%</b>		<b>573</b>	

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

**Exhibit 40**  
**Average Adjusted Gross Income by County**  
**2011**



**Exhibit 41**  
**Average Property Tax Credits by County**  
**2011**



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

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

## **XII. APPENDIX A**

## **FEDERAL TAX LAW CHANGES<sup>10</sup> (from 2001 through 2010)**

### **2001**

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

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

### **2002**

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

The maximum annual contribution limits to IRAs (both traditional and Roth) increased from \$2,000 to \$3,000 in 2002 through 2004, \$4,000 in 2005 through 2007, and up to \$5,000 in 2009, when the limit is adjusted for inflation for tax years thereafter. Individuals who are age 50 or older are also allowed to make additional “catch-up contributions” to an IRA. The dollar limit on annual elective deferrals under 401(k), 403(b) annuities and 408(k) salary reduction simplified employee pension (SEP) plans increased to \$11,000 in 2002, with \$1,000 annual increments until the limits reach \$15,000 in 2007 (limit indexed for inflation in \$500 increments for tax years thereafter). The maximum annual contribution for education IRAs (a.k.a. Coverdell education savings account) increased, from \$500 to \$2,000 per beneficiary in tax year 2002.

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

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

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

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

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

## **2003**

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

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

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

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

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

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

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

## **2004**

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

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

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



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

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

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

## **2005**

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

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

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

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

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

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

## **2006**

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

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

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

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

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

## **2007**

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

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

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

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

## **2008**

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

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

For tax years beginning in 2008 through 2009, the small business expenses deduction and annual investment limit increased from \$125,000 and \$500,000 to \$250,000 and \$800,000, respectively. For tax year beginning in 2010 and 2011, the limits were further increased to \$500,000 and \$2,000,000, respectively, and the definition of qualifying property was expanded to include certain real property. However, the maximum amount of such real property is \$250,000. The first year additional 50 percent depreciation deduction was extended to include certain property acquired and placed in service in calendar year 2008 through 2012. Qualified property acquired and placed in service after September 8, 2010 and before January 1, 2012 are allowed increased additional first-year depreciation to 100 percent of the adjusted basis for the property.

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

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

## **2009**

Effective in 2009, eligible small businesses may elect to increase the carryback period for applicable NOLs from two years to five years, while the percentage of exclusion from tax for capital gains realized on the sale of certain small business stock held for more than five years increases from 50 to 75 percent for stock issues after February 17, 2009 through September 2010, and then 100 percent until December 2010.

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

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

corporate). The limit is increased to 100 percent for qualified small business stock issued in 2011.

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

## **2010**

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

For tax year 2010, the limit of qualified adoption expenses paid or reimbursed by an employer under an adoption assistance program eligible for exclusion from the gross income of an employee was increased from \$12,170 per eligible child to \$13,170 (indexed by inflation), and the period the eligible excludable expenses must occur was extended from 2010 through 2011.

Effective for taxable years beginning in 2010, the amount of start-up expenditures a taxpayer may elect to deduct was increased from \$5,000 to \$10,000, where the limit amount is reduced (but not below zero) by the amount by which the cumulative cost of start-up expenditures exceeds \$60,000 (\$50,000 previously).

## MICHIGAN PERSONAL INCOME TAX LEGISLATIVE HISTORY (1967 – 2010)<sup>12</sup>

### 1967

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

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

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

### 1968

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

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

### 1969

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

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

## **1970**

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

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

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

## **1971**

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

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

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

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

## **1972**

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

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

## **1973**

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

## **1974**

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

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

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

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

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

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

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

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

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

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



## **1975**

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

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

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

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

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

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

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

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

## **1976**

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

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

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

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

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

## **1977**

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

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

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

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

## **1978**

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

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

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

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

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

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

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

## **1979**

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

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

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

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

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

## **1980**

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

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

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

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

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

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

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

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

## **1981**

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

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

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

## **1982**

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

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

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

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

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

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

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

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

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

### **1983**

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

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

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

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

## **1984**

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

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

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

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

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

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

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

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

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

## **1985**

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

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

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

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

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

## **1986**

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

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

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

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

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

## **1987**

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

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

## **1988**

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

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

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

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

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

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

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

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

## **1989**

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

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

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

## **1990**

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

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

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

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

## **1991**

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

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

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



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

## **1992**

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

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

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

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

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

## **1993**

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

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

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

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

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

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

## **1994**

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

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

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

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

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

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

## **1995**

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

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

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

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

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

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

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

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

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

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

## **1996**

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

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

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

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

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

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

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

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

## **1997**

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

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

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

## **1998**

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

**PA 500** amended the City Income Tax Act of 1964 to revise the population threshold necessary for Detroit to levy an income tax at 3 percent for residents and 1.5 percent for nonresidents. The new threshold is 750,000, lower than the previous threshold of 1,000,000. The act will also lower the maximum Detroit income tax rates. The reduction is phased in over a 10-year period beginning on July 1, 1999. When fully implemented in July 2009, the maximum rates will be 2 percent for residents and 1 percent for nonresidents. The rate reduction is contingent upon employment and revenue stability within the city, as defined in the act.

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

## **1999**

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

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

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

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

## **2000**

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

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

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

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

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

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

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

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

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

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

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

## **2001**

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

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

## **2002**

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

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

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

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

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

### **2003**

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

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

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

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

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

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

### **2004**

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

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

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

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

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

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

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

## **2005**

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

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

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



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

## **2006**

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

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

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

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

## **2007**

**PA 94** increased the tax rate to 4.35 percent effective October 1, 2007. It also established that beginning October 1, 2011, and each October 1 thereafter, the income tax rate shall be reduced by 0.1 percentage point annually until the rate is 3.95 percent. On October 1, 2015, the rate declines to 3.9 percent. Effective tax year 2009, a qualified disabled veteran, or the veteran's dependent who files an annual income tax return, but not both, may claim an additional exemption of \$250, adjusted annually according to US consumer price index changes.

**PA 133** established four new checkoffs on the income tax return effective tax year 2009. Taxpayers will be allowed to contribute \$5, \$10, or more to the Prostate Cancer Research Fund; Amanda's Fund (for breast cancer prevention and treatment); the Animal Welfare Fund; and the Michigan Housing and Community Development fund. Taxpayers' contributions to those funds decrease their refunds or increase their tax liability, and Treasury may cease to include a contribution designation on the income tax form if that contribution designation fails to raise \$100,000 in any tax year for 2 consecutive tax years. Moreover, starting on tax year 2010, both the Children of Veteran Tuition Grant Program and the Children's Trust Fund contribution designation will follow the same guidelines regarding contribution amount and availability in the form as prescribed to the newly enacted checkoffs.

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

## **2008**

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

**PA 143** imposed to the Military Family Relief Fund the same guidelines that govern the checkoffs created by PA 133 of 2007. As a result, new contribution amounts (\$5, \$10 or more) will appear on the tax form. Contribution designation will be moved from the tax form to the Schedule for Voluntary Contributions, beginning with tax year 2010.

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

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

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

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

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

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

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

## **2009**

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

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

## **2010**

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

**PA 214** allowed taxpayers who are customers of municipally owned electric utility to claim a credit for charges imposed to cover the cost of the utility's compliance with the renewable energy standard in the Clean, Renewable, and Efficient Energy Act. Prior to this law, credit could be taken by all customers of entities whose distribution of electricity is regulated by the Public Service Commission, but it did not include a municipal utility. This change is effective for the life of the credit, which is effective for tax years 2010 and 2011.

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

2011 and 2012. The new credit may be carried forward for up to 15 years. Qualified investment must be certified by the Michigan Strategic Fund (MSF) and the total amount of certified credits is limited to \$10 million in one year.

**PAs 346 and 347** allowed taxpayers to contribute towards the newly created Girl Scouts of Michigan Fund via a checkoff on the income tax form, starting in tax year 2011.

**MICHIGAN INCOME TAX REQUIREMENTS  
(1967 – 2012)**

<b><u>General MI-IIT Information:</u></b>	<b><u>MCL Section</u></b>	<b><u>TY 1967</u></b>	<b><u>TY 1968</u></b>	<b><u>TY 1969</u></b>	<b><u>TY 1970</u></b>	<b><u>TY 1971</u></b>	<b><u>TY 1972</u></b>	<b><u>TY 1973</u></b>	<b><u>TY 1974</u></b>	<b><u>TY 1975</u></b>	<b><u>TY 1976</u></b>	<b><u>TY 1977</u></b>
. IRC compliance (*)	206.12(3)	1954 IRC	1954 IRC	1954 IRC	1969 IRC	1970 IRC	1970 IRC	1970 IRC	1970 IRC	1970 IRC	1976 IRC	1976 IRC
. Exemption from MI - IIT:	206.201	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT
. Revenue Distribution:	(1)											
. To Local Units:	206.481	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	12.1%	12.1%	12.1%	12.1%
. Filing Requirement:	(2)											
(Gross income (GI) or AGI above threshold)	206.315	GI	GI	GI	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI
	Single Return	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,500	\$1,500	\$1,500
	Joint Return	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$3,000	\$3,000	\$3,000
. Reciprocity States		IN, WI	IN, WI, KY	IN, WI, KY	IN, WI, KY	IN, WI, KY, IL	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH
. Liability Threshold for Estimated Pmt	(3)	206.301	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
. Tax Rate	206.51(1), 51(b)-51(h)	2.60%	2.60%	2.60%	2.60%	3.14%	3.90%	3.90%	3.90%	4.37%	4.60%	4.60%
<b><u>Exemptions Amounts:</u></b>												
. Personal Exemption:	206.30(2), 30a	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,500	\$1,500	\$1,500
. Special Exemptions:	(4)	206.30(3)	No	No	No	No	No	No	No	Yes	Yes	Yes
. Para/Hemi/Quadriplegic (**)(***)	206.30(3)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,500	\$1,500	\$1,500

## MICHIGAN INCOME TAX REQUIREMENTS (cont.)

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

### **Exemptions Amounts:**

. Personal Exemption:	206.30(2), 30a	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,600	\$1,800
. Special Exemptions:	(4)											
. Para/Hemi/Quadriplegic (**)(***)	206.30(3)	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,400	\$1,200
. Disabled	206.30(3)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,400	\$1,200
. Blind (***)	206.30(3)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,400	\$1,200
. Deaf (****)	206.30(3)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,500	\$1,500	\$1,400	\$1,200
. Senior (#)	206.30(3)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,400	\$1,200
. Unemployed (#)	206.30(3)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,400	\$1,200
. Claimed as Dependent	206.30(4)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$500

## MICHIGAN INCOME TAX REQUIREMENTS (cont.)

<u>General MI-IIT Information:</u>	<u>MCL Section</u>	<u>TY 1989</u>	<u>TY 1990</u>	<u>TY 1991</u>	<u>TY 1992</u>	<u>TY 1993</u>	<u>TY 1994</u>	<u>TY 1995</u>	<u>TY 1996</u>	<u>TY 1997</u>	<u>TY 1998</u>	<u>TY 1999</u>
. IRC compliance (*)	206.12(3)	1987 IRC	1987 IRC	1987 IRC	1987 IRC	1987 IRC	1987 IRC	1987 IRC	1987 IRC	1996 IRC	1996 IRC	1996 IRC
. Exemption from MI - IIT:	206.201	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT
. Revenue Distribution:	(1)											
. To Local Units:	206.481	6.9%	6.9%	6.9%	6.9%	6.9%	7.21%/7.3%	7.21%/7.3%	No	No	No	No
. To School Aid Fund:	206.51(2)	No	No	No	No	No	14.4%	14.4%	23.0%	23.0%	23.0%	23.0%
. Filing Requirement:	(2)											
(Gross income (GI) or AGI above threshold)	206.315	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI
Single Return		\$2,000	\$2,100	\$2,100	\$2,100	\$2,100	\$2,100	\$2,400	\$2,400	\$2,500	\$2,800	\$2,800
Joint Return		\$4,000	\$4,200	\$4,200	\$4,200	\$4,200	\$4,200	\$4,800	\$4,800	\$5,000	\$5,600	\$5,600
. Reciprocity States		IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN
. Liability Threshold for Estimated Pmt	(3)	206.301	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
. Use Tax Return in MI-1040 Booklet		Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes, line in MI-1040
. Tax Rate	206.51(1), 51(b)-51(h)	4.60%	4.60%	4.60%	4.60%	4.60%	4.47%	4.40%	4.40%	4.40%	4.40%	4.40%
<b><u>Exemptions Amounts:</u></b>												
. Personal Exemption:	206.30(2), 30a	\$2,000	\$2,100	\$2,100	\$2,100	\$2,100	\$2,100	\$2,400	\$2,400	\$2,500	\$2,800	\$2,800
. Special Exemptions:	(4)											
. Para/Hemi/Quadriplegic (**)(***)	206.30(3)	\$1,000	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900
. Disabled	206.30(3)	\$1,000	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900
. Blind (***)	206.30(3)	\$1,000	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900
. Deaf (****)	206.30(3)	\$1,000	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900
. Senior	(#)	206.30(3)	\$1,000	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900
. Unemployed	(#)	206.30(3)	\$1,000	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900	\$900
. Claimed as Dependent		206.30(4)	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
. Child	(#)	206.30d(2)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$600	\$600
. Age 6 and Under			n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$600	\$600
. Age 7 to 12			n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$300	\$300

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

<b><u>General MI-IIT Information:</u></b>	<b><u>MCL Section</u></b>	<b><u>TY 2000</u></b>	<b><u>TY 2001</u></b>	<b><u>TY 2002</u></b>	<b><u>TY 2003</u></b>	<b><u>TY 2004</u></b>	<b><u>TY 2005</u></b>	<b><u>TY 2006</u></b>	<b><u>TY 2007</u></b>	<b><u>TY 2008</u></b>
. IRC compliance (*)	206.12(3)	1996 IRC	1996 IRC	1996 IRC	1996 IRC	1996 IRC	1996 IRC	1996 IRC	1996 IRC	1996 IRC
. Exemption from MI - IIT:	206.201	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT
. Revenue Distribution:	(1)									
. To School Aid Fund:	206.51(2)	Formula	Formula	Formula	Formula	Formula	Formula	Formula	Formula	Formula
. Filing Requirement:	(2)									
(Gross income (GI) or AGI above threshold)	206.315	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI
Single Return		\$2,900	\$2,900	\$3,000	\$3,100	\$3,100	\$3,200	\$3,300	\$3,400	\$3,500
Joint Return		\$5,800	\$5,800	\$6,000	\$6,200	\$6,200	\$6,400	\$6,600	\$6,800	\$7,000
. Reciprocity States		IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN
. Liability Threshold for Estimated Pmt	(3)									
206.301		\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
. Use Tax Return in MI-1040 Booklet		Yes, line in MI-1040	Yes, line in MI-1040	Yes, line in MI-1040	Yes, line in MI-1040	Yes, line in MI-1040	Yes, line in MI-1040	Yes, line in MI-1040	Yes, line in MI-1040	Yes, line in MI-1040
. Tax Rate	206.51(1), 51(b)-51(h)	4.20%	4.20%	4.10%	4.00%	3.95%	3.90%	3.90%	4.01%	4.35%

**Exemptions Amounts:**

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



## MICHIGAN INCOME TAX REQUIREMENTS (cont.)

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

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

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

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

		<u>MCL</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>
		<u>Section</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
<b><u>Check-Offs:</u></b>													
. State Campaign Fund	(5)	169.261(2)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
		Single Return	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2
		Joint Return	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4
Other Voluntary Contributions:	(6)												
. Nongame Wildlife Trust Fund		206.439	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
. Children's Trust Fund		206.440	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b><u>Tax Base Adjustments Limits</u></b>													
. Maximum Private Pension Deduction (*****)	(7)	206.30(1)(f)(iv)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
		Single Return	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
		Joint Return	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
. Political Contribution		206.30(1)(j)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
		Single Return	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
		Joint Return	\$50	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
. Federal Taxable Wage Base for FICA			\$17,700	\$22,900	\$25,900	\$29,700	\$32,400	\$35,700	\$37,800	\$39,600	\$42,000	\$43,800	\$45,000
. Federal Salary Elective Deferrals													
. 401(k)			\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$7,000

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

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

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

		<u>MCL</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>
		<u>Section</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b><u>Check-Offs:</u></b>											
. State Campaign Fund	(5)	169.261(2)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Single Return			\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3
Joint Return			\$6	\$6	\$6	\$6	\$6	\$6	\$6	\$6	\$6
Other Voluntary Contributions:	(6)										
. Children of Veterans											
Tuition Grant		206.437	No	No	No	No	No	No	Yes	Yes	Yes
. Military Family Relief Fund		206.438	No	No	No	No	Yes	Yes	Yes	Yes	Yes
. Nongame Wildlife Trust Fund		206.439	No	No	No	No	No	No	No	No	No
. Children's Trust Fund		206.440	No	No	No	No	No	Yes	Yes	Yes	Yes
. Prostrate Cancer Research Fund	0	206.435	No	No	No	No	No	No	No	No	Yes
. Amanda's Fund	0	206.435	No	No	No	No	No	No	No	No	Yes
. Animal Welfare Fund		206.435	No	No	No	No	No	No	No	No	Yes
. Michigan Housing and Community											
Development Fund	0	206.435	No	No	No	No	No	No	No	No	Yes
. Michigan Law Enforcement											
Memorial Monument Fund	0	206.435	No	No	No	No	No	No	No	No	Yes

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

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

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

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

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

		<u>MCL</u>	<u>Form</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>
		<u>Section</u>		<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b><u>Tax Base Adjustments Limits</u></b>			MI-1040				
. Maximum Private Pension Deduction (*****)	(7)	206.30(1)(f)(iv)	Form 4884	Yes	Yes	Yes	Yes
For those born before 1946			Single Return	\$45,120	\$45,120	\$45,842	\$47,309
			Joint Return	\$90,240	\$90,240	\$91,684	\$94,618
For those born after 1945 and before 1953	(7)	203.30(9)	Form 4884	Yes	Yes	Yes	Yes
			Single Return	\$45,120	\$45,120	\$45,842	\$20,000
			Joint Return	\$90,240	\$90,240	\$91,684	\$40,000
For those born after 1952		203.30(9)	Form 4884	Yes	Yes	Yes	No
			Single Return	\$45,120	\$45,120	\$45,842	n.a.
			Joint Return	\$90,240	\$90,240	\$91,684	n.a.
. Political Contribution	(#)	206.30(1)(j)		Yes	Yes	Yes	No
			Single Return	\$50	\$50	\$50	n.a.
			Joint Return	\$100	\$100	\$100	n.a.
. Maximum Senior Interest, Dividends, and Capital Gains Deduction (*****)	(8)	206.30(1)(p)	Schedule 1	Yes	Yes	Yes	Yes
			Single Return	\$10,058	\$10,058	\$10,218	\$10,545
			Joint Return	\$20,115	\$20,115	\$20,437	\$21,091
For those born after 1945	(8)	206.30(1)(p)	Schedule 1	Yes	Yes	Yes	No
			Single Return	\$10,058	\$10,058	\$10,218	n.a.
			Joint Return	\$20,115	\$20,115	\$20,437	n.a.
. Maximum MESP Contribution		206.30(1)(t)(i)	Schedule 1	Yes	Yes	Yes	Yes
			Single Return	\$5,000	\$5,000	\$5,000	\$5,000
			Joint Return	\$10,000	\$10,000	\$10,000	\$10,000
. Federal Taxable Wage Base for FICA				\$106,800	\$106,800	\$106,800	\$110,100
. Federal Salary Elective Deferrals							
. 401(k)				\$16,500	\$16,500	\$16,500	\$17,000
. 403(b), or 457				\$16,500	\$16,500	\$16,500	\$17,000
. 50 and over				\$22,000	\$22,000	\$22,000	\$22,500
. Federal IRA Contribution Limit				Yes	Yes	Yes	Yes
. General				\$5,000	\$5,000	\$5,000	\$5,000
. 50 and over				\$6,000	\$6,000	\$6,000	\$6,000



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

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

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

		<b><u>MCL</u></b>	<b><u>TY</u></b>	<b><u>TY</u></b>	<b><u>TY</u></b>	<b><u>TY</u></b>	<b><u>TY</u></b>	<b><u>TY</u></b>	<b><u>TY</u></b>	<b><u>TY</u></b>	<b><u>TY</u></b>	<b><u>TY</u></b>	<b><u>TY</u></b>
		<b><u>Section</u></b>	<b><u>1978</u></b>	<b><u>1979</u></b>	<b><u>1980</u></b>	<b><u>1981</u></b>	<b><u>1982</u></b>	<b><u>1983</u></b>	<b><u>1984</u></b>	<b><u>1985</u></b>	<b><u>1986</u></b>	<b><u>1987</u></b>	<b><u>1988</u></b>
<b><u>NonRefundable Credits</u></b>													
. Taxes Paid to Another State Cr.	(10)	206.255(1)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Nonresident Cr. for Reciprocal State Income Tax Exemption	(11)	206.256	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. City Income Taxes Cr.	(12) (#	206.257	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Public Contribution Cr.	(13) (#	206.26	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a')
. Renewable/Solar Energy Cr.	(14) (#	206.262	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Agricultural Products Gleaned Cr.		206.263	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<hr/>													
<b><u>Refundable Credits</u></b>													
. Inventory Tax Cr. or Franchise Fee Cr.	(21)	206.258(1) 206.258(1)	No No	No No	No No	No No	No No	No No	No No	No No	No No	No No	No No
. Sec. 1341 of IRC Cr.		206.265	No	No	No	No	No	No	No	No	No	No	No

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

		<u>MCL</u> <u>Section</u>	<u>TY</u> <u>1989</u>	<u>TY</u> <u>1990</u>	<u>TY</u> <u>1991</u>	<u>TY</u> <u>1992</u>	<u>TY</u> <u>1993</u>	<u>TY</u> <u>1994</u>	<u>TY</u> <u>1995</u>	<u>TY</u> <u>1996</u>	<u>TY</u> <u>1997</u>	<u>TY</u> <u>1998</u>	<u>TY</u> <u>1999</u>
<b><u>NonRefundable Credits</u></b>													
. Headlee Amendment Refund	(9)	206.252	No	No	No	No	No	No	Yes	No	No	No	No
. Taxes Paid to Another State Cr.	(10)	206.255(1)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Nonresident Cr. for Reciprocal State Income Tax Exemption	(11)	206.256	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. City Income Taxes Cr.	(12) (#)	206.257	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Public Contribution Cr.	(13) (#)	206.26	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')
. Community Foundation Cr.	(13) (#)	206.261	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')
. Homeless Shelter/Foodbank Cr.	(13) (#)	206.261	No	No	No	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')
. Renewable/Solar Energy Cr.	(14) (#)	206.262	Yes	Yes	Yes	No	No	No	No	No	No	No	No
. Medical Care Savings Acct. Cr.	(15) (#)	206.264	No	No	No	No	No	Yes	Yes	Yes	No	No	No
. MI Historic Preservation Cr.	(16)	206.266	No	No	No	No	No	No	No	No	No	No	Yes
. College Tuition Cr.	(18) (#)	206.274	No	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes
<b><u>Refundable Credits</u></b>													
. Sec. 1341 of IRC Cr.		206.265	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Prescription Drug Cr.	(23)	206.273	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

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

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

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

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

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

<b>Refundable Credits (cont.)</b>	<b>MCL Section</b>	<b>TY 1967</b>	<b>TY 1968</b>	<b>TY 1969</b>	<b>TY 1970</b>	<b>TY 1971</b>	<b>TY 1972</b>	<b>TY 1973</b>	<b>TY 1974</b>	<b>TY 1975</b>	<b>TY 1976</b>	<b>TY 1977</b>
. <u>Homestead Property Tax Cr.</u> (29)	206.520, 522	No	Yes (b)	Yes (b)	Yes (b')	Yes (b'')	Yes (b'')	Yes (b''')	Yes (b''')	Yes (b''')	Yes (b''')	Yes (b''')
. Eligible Property Tax Paid Percent												
. Homeowners	206.520(1)	n.a.	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
. Renters	206.520(2)											
. Ad Valorem Taxes		n.a.	20.0%	17.0%	17.0%	17%	17%	17%	17%	17%	17%	17%
. Service Charges		n.a.	n.a.	n.a.	10%	10%	10%	10%	n.a.	n.a.	share	share
. Nursing Home Patient		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	30%	30%	30%
. Homeowner Veterans Cr. Requirements:												
. Taxable Value Allowance	206.506	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500
. Income Limit	206.506	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
. Homeowner Blind Cr. Requirements:												
. Taxable Value Allowance												
. Taxpayer only blind	206.522(1)(e)(i), (i)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
. Taxpayer and Spouse blind	206.522(3)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$3,500	\$7,000	\$7,000	\$7,000	\$7,000
. Household Income Limit	206.520(8)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. Total HPTC Limit	206.520(15)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$500	\$500	\$500	\$1,200	\$1,200
. Cr. Availability/Calculation												
. General:	206.522(1)(a)	n.a.	Yes (b)	Yes (b)	Yes (b')	Yes (b'')	Yes (b''')	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)
. Special Credits:												
. Seniors												
. General	206.522(1)(b), (c)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. 1973 Homestead Exempt	206.522(5)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes (f)	Yes (f)	Yes (f)	Yes (f)
. Para/hemi/quadruplegic	206.522(1)(c)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Disabled	206.522(1)(c)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes (g)	Yes (g)	Yes (g)	Yes (g)
. Veterans	206.522(1)(d)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)
. Blind	206.522(1)(e)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)
. Farmland Preservation Credit (30)	554.710(1)	No	No	No	No	No	No	No	No	No	Yes (j)	Yes (j)

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

<b>Refundable Credits (cont.)</b>	<b>MCL Section</b>	<b>TY 1978</b>	<b>TY 1979</b>	<b>TY 1980</b>	<b>TY 1981</b>	<b>TY 1982</b>	<b>TY 1983</b>	<b>TY 1984</b>	<b>TY 1985</b>	<b>TY 1986</b>	<b>TY 1987</b>	<b>TY 1988</b>
. <u>Homestead Property Tax Cr.</u>	(29) 206.520, 522	Yes (b <sup>'''</sup> )	Yes (b <sup>'''</sup> )	Yes (b <sup>'''</sup> )	Yes (b <sup>'''</sup> )	Yes (b <sup>'''</sup> )	Yes (b <sup>'''</sup> )	Yes (b <sup>'''</sup> )	Yes (b <sup>'''</sup> )	Yes (b <sup>'''</sup> )	Yes (b <sup>'''</sup> )	Yes (b <sup>'''</sup> )
. Eligible Property Tax Paid Percent												
. Homeowners	206.520(1)	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
. Renters	206.520(2)											
. Ad Valorem Taxes		17%	17%	17%	17%	17%	17%	17%	17%	17%	17%	17%
. Service Charges		share	share	10%	10%	10%	10%	10%	10%	10%	10%	10%
. Nursing Home Patient		share	share	share	share	share	share	share	share	share	share	share
. Homeowner Veterans Cr. Requirements:												
. Taxable Value Allowance	206.506	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500
. Income Limit	206.506	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
. Homeowner Blind Cr. Requirements:												
. Taxable Value Allowance												
. Taxpayer only blind	206.522(1)(e)(i), (i)	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
. Taxpayer and Spouse blind	206.522(3)	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
. Household Income Limit	206.520(8)	n.a.	n.a.	n.a.	n.a.	\$74,000	\$77,500	\$79,950	\$82,650	\$82,650	\$82,650	\$82,650
Credit phase out before limit		n.a.	n.a.	n.a.	n.a.	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000
. Total HPTC Limit	206.520(15)	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
. Cr. Availability/Calculation												
. General:	206.522(1)(a)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)
. Special Credits:												
. Seniors												
. General	206.522(1)(b), (c)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Low Income Renters	206.520(9), (10)	n.a.	n.a.	n.a.	n.a.	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)
. 1973 Homestead Exempt	206.522(5)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)
. Para/hemi/quadruplegic	206.522(1)(c)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Disabled	206.522(1)(c)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)
. Deaf	206.522(1)(c)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. Veterans	206.522(1)(d)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)
. Blind	206.522(1)(e)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)
. Farmland Preservation Credit	(30) 554.710(1)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)

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

<b>Refundable Credits (cont.)</b>	<b>MCL Section</b>	<b>TY 1989</b>	<b>TY 1990</b>	<b>TY 1991</b>	<b>TY 1992</b>	<b>TY 1993</b>	<b>TY 1994</b>	<b>TY 1995</b>	<b>TY 1996</b>	<b>TY 1997</b>	<b>TY 1998</b>	<b>TY 1999</b>
. <u>Homestead Property Tax Cr.</u>	(29) 206.520, 522	Yes (b <sup>'''</sup> )	Yes (b <sup>'''</sup> )	Yes (b <sup>'''</sup> )	Yes (b <sup>'''</sup> )	Yes (b <sup>'''</sup> )	Yes (b <sup>'''</sup> )	Yes (b <sup>'''</sup> )	Yes (b <sup>'''</sup> )	Yes (b <sup>'''</sup> )	Yes (b <sup>'''</sup> )	Yes (b <sup>'''</sup> )
. Eligible Property Tax Paid Percent												
. Homeowners	206.520(1)	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
. Renters	206.520(2)											
. Ad Valorem Taxes		17%	17%	17%	17%	17%	20%	20%	20%	20%	20%	20%
. Service Charges		10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
. Nursing Home Patient		share	share	share	share	share	share	share	share	share	share	share
. Homeowner Veterans Cr. Requirements:												
. Taxable Value Allowance	206.506	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500
. Income Limit	206.506	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
. Homeowner Blind Cr. Requirements:												
. Taxable Value Allowance												
. Taxpayer only blind	206.522(1)(e)(i),	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
. Taxpayer and Spouse blind	206.522(3)	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
. Household Income Limit	206.520(8)	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650
. Credit phase out before limit		10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000
. Total HPTC Limit	206.520(15)	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
. Cr. Availability/Calculation												
. General:	206.522(1)(a)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)
. Special Credits:												
. Seniors												
. General	206.522(1)(b), (c)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Low Income Renters	206.520(9), (10)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)
. 1973 Homestead Exempt	206.522(5)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)
. Para/hemi/quadruplegic	206.522(1)(c)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Disabled	206.522(1)(c)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)
. Deaf	206.522(1)(c)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. Veterans	206.522(1)(d)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)
. Blind	206.522(1)(e)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)
. Farmland Preservation Credit	(30) 554.710(1)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)



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

<b>Refundable Credits (cont.)</b>	<b>MCL Section</b>	<b>TY 2000</b>	<b>TY 2001</b>	<b>TY 2002</b>	<b>TY 2003</b>	<b>TY 2004</b>	<b>TY 2005</b>	<b>TY 2006</b>	<b>TY 2007</b>	<b>TY 2008</b>
. <u>Homestead Property Tax Cr.</u> (29)	206.520, 522	Yes (b'')	Yes (b'')	Yes (b'')	Yes (b'')	Yes (b'')	Yes (b'')	Yes (b'')	Yes (b'')	Yes (b'')
. Eligible Property Tax Paid Percent										
. Homeowners	206.520(1)	100%	100%	100%	100%	100%	100%	100%	100%	100%
. Renters	206.520(2)									
. Ad Valorem Taxes		20%	20%	20%	20%	20%	20%	20%	20%	20%
. Service Charges		10%	10%	10%	10%	10%	10%	10%	10%	10%
. Nursing Home Patient		share	share	share	share	share	share	share	share	share
. Homeowner Veterans Cr. Requirements:										
. Taxable Value Allowance	206.506	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500
. Income Limit	206.506	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
. Homeowner Blind Cr. Requirements:										
. Taxable Value Allowance										
. Taxpayer only blind	206.522(1)(e)(i), (i)	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
. Taxpayer and Spouse blind	206.522(3)	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
. Household Income Limit	206.520(8)	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650
. Credit phase out before limit		10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000
. Total HPTC Limit	206.520(15)	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
. Cr. Availability/Calculation										
. General:	206.522(1)(a)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)
. Special Credits:										
. Seniors										
. General	206.522(1)(b), (c)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Low Income Renters	206.520(9), (10)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)
. 1973 Homestead Exempt	206.522(5)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)
. Para/hemi/quadruplegic	206.522(1)(c)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Disabled	206.522(1)(c)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Deaf	206.522(1)(c)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Veterans	206.522(1)(d)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)
. Blind	206.522(1)(e)	Yes (i) or (d)	Yes (i) or (d)	Yes (i) or (d)	Yes (i) or (d)	Yes (i) or (d)	Yes (i) or (d)	Yes (i) or (d)	Yes (i) or (d)	Yes (i) or (d)
. Farmland Preservation Credit (30)	554.710(1)	Yes (j)	Yes (j')	Yes (j')	Yes (j')	Yes (j')	Yes (j')	Yes (j')	Yes (j')	Yes (j')

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

<b>Refundable Credits (cont.)</b>		<b>MCL Section</b>	<b>Form</b>	<b>TY 2009</b>	<b>TY 2010</b>	<b>TY 2011</b>	<b>TY 2012</b>
. <u>Homestead Property Tax Cr.</u>	(29)	206.520, 522	MI-1040CR	Yes (b''')	Yes (b''')	Yes (b''')	Yes (b''')
. Eligible Property Tax Paid Percent							
. Homeowners		206.520(1)		100%	100%	100%	100%
. Renters		206.520(2)					
. Ad Valorem Taxes				20%	20%	20%	20%
. Service Charges				10%	10%	10%	10%
. Nursing Home Patient				share	share	share	share
. Homeowner Veterans Cr. Requirements:			MI-1040CR-2				
. Taxable Value Allowance		206.506		\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500
. Income Limit		206.506		\$7,500	\$7,500	\$7,500	\$7,500 (b''')
. Homeowner Blind Cr. Requirements:							
. Taxable Value Allowance							
. Taxpayer only blind		206.522(1)(e)(i), (ii)		\$3,500	\$3,500	\$3,500	\$3,500
. Taxpayer and Spouse blind		206.522(3)		\$7,000	\$7,000	\$7,000	\$7,000
. Homestead Taxable Value Limit		206.520(1)		n.a.	n.a.	n.a.	≤ \$135,000
. Household Income Limit		206.520(8)		\$82,650	\$82,650	\$82,650	n.a.
. Household Resources Limit		206.520(8)		n.a.	n.a.	n.a.	\$50,000 (b''')
. Credit phase out before limit				10% per \$1,000	10% per \$1,000	10% per \$1,000	10% per \$1,000
. Total HPTC Limit		206.520(15)		\$1,200	\$1,200	\$1,200	\$1,200
. Cr. Availability/Calculation							
. General:		206.522(1)(a)		Yes (c)	Yes (c)	Yes (c)	Yes (c')
. Special Credits:							
. Seniors							
. General		206.522(1)(b), (c)		Yes (d)	Yes (d)	Yes (d)	Yes (d) (d')
. Low Income Renters		206.520(9), (10)		Yes (e)	Yes (e)	Yes (e)	Yes (e)
. 1973 Homestead Exempt		206.522(5)		Yes (f)	Yes (f)	Yes (f)	Yes (f)
. Para/hemi/quadruplegic		206.522(1)(c)		Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Disabled		206.522(1)(c)		Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Deaf		206.522(1)(c)		Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Veterans		206.522(1)(d)		Yes (h)	Yes (h)	Yes (h)	Yes (h)
. Blind		206.522(1)(e)		Yes (i) or (d)	Yes (i) or (d)	Yes (i) or (d)	Yes (i) or (d)
. Farmland Preservation Credit	(30)	554.710(1)	MI-1040CR-5	Yes (j')	Yes (j')	Yes (j')	Yes (j')

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

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

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

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

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

<b>Refundable Credits (cont.)</b>	<b>MCL Section</b>	<b>TY 2000</b>	<b>TY 2001</b>	<b>TY 2002</b>	<b>TY 2003</b>	<b>TY 2004</b>	<b>TY 2005</b>	<b>TY 2006</b>	<b>TY 2007</b>	<b>TY 2008</b>
. <u>Home Heating Credit</u>	(31) 206.527a(1)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Federal Poverty Income Limit	206.527a(1)(b)	110%	110%	110%	110%	110%	110%	110%	110%	110%
. General Credit	206.527a(1)(c)(i)	Yes (k")	Yes (k")	Yes (k")	Yes (k")	Yes (k")	Yes (k")	Yes (k")	Yes (k")	Yes (k")
. Maximum Credit:	206.527a(1)(a)									
. 0 or 1 Exemption		\$323	\$332	\$342	\$347	\$359	\$369	\$378	\$394	\$401
. 2 Exemptions		\$435	\$448	\$461	\$468	\$482	\$495	\$509	\$528	\$540
. 3 Exemptions		\$547	\$565	\$579	\$589	\$604	\$620	\$640	\$662	\$679
. 4 Exemptions		\$658	\$681	\$698	\$709	\$727	\$746	\$771	\$496	\$817
. 5 Exemptions		\$770	\$797	\$816	\$830	\$849	\$871	\$902	\$930	\$956
. 6 Exemptions		\$882	\$914	\$935	\$951	\$972	\$997	\$1,033	\$1,064	\$1,094
. more than 6 exemp.		+\$112/exemp.	+\$116/exemp.	+\$119/exemp.	+\$121/exemp.	+\$122/exemp.	+\$126/exemp.	+\$131/exemp.	+\$134/exemp.	+\$139/exemp.
. Maximum Income Limit Requirement:										
. 0 or 1 Exemption		\$9,229	\$9,486	\$9,771	\$9,914	\$10,257	\$10,529	\$10,786	\$11,243	\$11,443
. 2 Exemptions		\$12,429	\$12,800	\$13,171	\$13,371	\$13,771	\$14,129	\$14,529	\$15,072	\$15,415
. 3 Exemptions		\$15,629	\$16,143	\$16,543	\$16,829	\$17,257	\$17,700	\$18,271	\$18,900	\$19,386
. 4 Exemptions		\$18,800	\$19,457	\$19,943	\$20,257	\$20,771	\$21,300	\$22,014	\$22,729	\$23,329
. 5 Exemptions		\$22,000	\$22,771	\$23,314	\$23,714	\$24,257	\$24,871	\$25,757	\$26,558	\$27,301
. 6 Exemptions		\$25,200	\$26,114	\$26,714	\$27,171	\$27,771	\$28,471	\$29,500	\$30,386	\$31,243
. more than 6 exemp.		+\$3,200/exemp	+\$3,322/exemp	+\$3,388/exemp	+\$3,498/exemp	+\$3,498/exemp	+\$3,586/exemp	+\$3,740/exemp	+\$3,829/exemp	+\$3,971/exemp
. Alternative Credit	206.527a(1)(c)(ii)	Yes (l")	Yes (l")	Yes (l")	Yes (l")	Yes (l")	Yes (l")	Yes (l")	Yes (l")	Yes (l")
. Heating Fuel Cost Limit	206.527a(1)(d)	\$1,453	\$1,493	\$1,578	\$1,687	\$1,843	\$2,028	\$2,231	\$2,231	\$2,351
. Maximum Income:										
. 0 or 1 Exemptions		\$10,350	\$10,703	\$10,922	\$11,211	\$11,360	\$11,635	\$12,066	\$12,263	\$12,590
. 2 Exemptions		\$13,209	\$13,573	\$14,345	\$15,088	\$15,287	\$15,658	\$16,230	\$16,502	\$16,942
. 3 or more		\$13,209	\$13,573	\$14,345	\$15,340	\$16,757	\$18,433	\$20,282	\$20,282	\$21,298
. Credit Proration (%)	206.527a(18)	100%	100%	100%	80%	76%	76%	76%	53%	65%

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

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

## MICHIGAN INCOME TAX REQUIREMENTS (cont.)

### Notes:

#### **General Information:**

- .(\*) Starting tax year 1970, per taxpayer preference, the IRC effective in tax year may be used instead.
  - .(\*\*) Unlike exemption for paraplegic and quadriplegic, special exemption for hemiplegics starts in TY 1977.
  - .(\*\*\*) Starting TY 1987, taxpayers who are blind, or quadriplegic, hemiplegic, or paraplegic are considered to be disabled.
  - .(\*\*\*\*) Starting TY 2000, taxpayers who are deaf are considered disabled.
  - .(\*\*\*\*\*) Limits adjusted by percentage increase of the US CPI for the immediately preceding calendar year.
  - .(#) Repealed by PA 38 of 2011.
- 
- (1) Revenue distribution for local units was based on percent from net collections through TY 1986, and from gross collections thereafter. Revenue distribution for Revenue Sharing is based on percent from gross collections. Starting TY 2001, School Aid Fund share calculated by formula: 1.012% divided by IIT tax rate.
  - (2) Filing requirement applies to any person whose gross income or federal AGI is in excess of the personal exemptions and additional (special) exemptions allowed. Filing threshold listed does not take into account special exemptions allowed.
  - (3) Taxpayers with liability after credits and tax withheld above threshold must make estimated payments. Threshold equaled to \$100 until TY 1986, and \$500 thereafter.
  - (4) Except for claimed as a dependent exemption (which applies only to the taxpayer), special exemptions applied to taxpayer or spouse only through TY 1999; and to taxpayers, spouse, or dependents of taxpayer, thereafter.
  - (5) Contributions to the fund do not increase liability.
  - (6) Contributions to those funds increase/reduce taxpayers' liability/refund.

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

- (7) Until TY 1988, the maximum private pension deduction amount applied to the total of private, federal, and other states public retirement system pension and retirement benefits. Starting TY 1989, retirement and pension benefits from federal public system no longer were subjected to the limit. Starting TY 1994, the maximum also applies to benefits paid to seniors from a retirement annuity policy which are paid for life. In TY 1994, the maximum private pension deduction amount must be reduced by 25% of the total public (federal and MI) and federal military retirement benefits deduction claimed. Starting TY 2012, pension deduction is reduced only for those born after 1945. See footnote (7').
- (7') Starting TY 2012, those born after 1945 and before 1953 are entitled to lower maximum pension deduction limit. Once taxpayers reach the age of 67, this deduction may offset all types of income, and is not restricted to retirement and pension income. For those born after 1952, however, there is no deduction until age 67 is reached, when filers may take only the greater of this deduction or the sum of the social security deduction and the personal exemption. For all filers born after 1945, once age 67 is reached, when taxpayer takes the greater of this deduction or the deduction for compensation or retirement received for services in the armed forces of the US, or retirement under the railroad retirement act.
- (8) From TY 1994 through TY 1996, seniors were allowed deduction only from interest and dividends income, and this exemption could only be taken if taxpayer did not take a deduction for retirement and pension benefits. Starting TY 1997, senior deduction also includes capital gains income, where the senior maximum interest, dividend, and capital gain deduction amount shall be reduced by the total amount of retirement/pension benefit deduction claimed. Starting TY 2012, this deduction is no longer available for those born after 1945.

**Non Refundable Credits:**

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

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

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

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



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

**Refundable Credits:**

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

Household Income	Credit per Person
<=\$5,000	\$10
>\$5,000, <=\$7,000	\$9
>\$7,000, <=\$9,000	\$8
>\$9,000, <=\$11,000	\$7
>\$11,000, <=\$15,000	\$6
>\$15,000	\$0
- (25) Stillbirth Credit: credit equals to 4.5% of the personal exemption amount for the tax year allowed for a single exemption, rounded up to the nearest \$10 increment
- (26) Earned Income Tax Credit: equals 10% of federal EITC claimed for TY 2008, 20% of federal EITC claimed for TY 2009 through TY 2011 and 6% for TY 2012 and after.
- (27) Energy Star Equipment Credit: credit available for taxpayers with AGI up to \$37,500 (single), or \$75,000 (joing) and equals min {10% cost of purchase & installation, \$75 (single), or \$150 (joint) }.
- (28) MI Historical Preservation Credit equals to 25% of qualified expenses, reduced by the amount of federal historic credit received. Starting TY 2009, instead of carrying forward the cr amount that exceeds liability (10 yrs), taxpayer may elect to have 90% of the excess credit amount refunded, where maximum equals 90% of \$250,000 per completed project, subject to a total of \$250,000 credit amount.  
 Starting in TY 2012, only taxpayers with a rehabilitation certificate issued between 1999 and 2011 are eligible to claim this credit.
- (29) Property Tax Credit eligibility requirements and calculations:
  - (b). In TY 1968 and 1969, credit was non-refundable, applicable also to non-homestead property tax paid by the taxpayer, and its percent was inversely proportioned to the total eligible ad valorem taxes paid by the taxpayers as follows:
 

Eligible Property Taxes (PPT) Amount:	Credit
. <=\$100	20% of property taxes
. >\$100, <=\$150	\$20 + 15% of excess over \$100
. >\$150, <=\$200	\$27.50 + 10% of excess over \$150
. >\$200, <=\$10,000	\$32.50 + 5% of excess over \$200
. >\$10,000	4% of property taxes

(b'). In TY 1970, credit was non-refundable and applicable only to homestead property taxes paid. Credit equaled to min {12% of eligible property taxes paid, \$15}.

(b''). In TY 1971 and 1972, credit was non-refundable, and applicable also to non-homestead property taxes paid. Credit calculated as follows:

Property Taxes (PPT) Amount:	Credit
. <=\$100	20% of property taxes
. >\$100, <=\$150	\$20 + 10% of excess over \$100
. >\$150, <=\$200	\$25 + 5% of excess over \$150
. >\$200, <=\$10,000	\$27.50 + 5% of excess over \$200
. >\$10,000	4% of property taxes

(b'''). Starting TY 1973, credit became refundable, based only on homestead property taxes paid and was calculated based on taxpayer's household income.

For mobile home owners, property taxes include the \$3.00 / month specific tax plus statutorily allowed percentage of rent.

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

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

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

(d). Through TY 2011, credit for homeowners or renters who are: Seniors (General Credit); Para/Quadriplegic (starting TY 1974); Hemiplegic (starting TY 1984); Blind (starting TY 2000), or Deaf (starting TY 2000).

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

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

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

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

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

.(30) Farmland Preservation Credit:

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

.(31) Home Heating Credit:

General Credit:

- (k). In TY 1978, credit equaled to table amount reduced by 3.5% of claimant's household income for filers with liquid assets up to \$30,000.
- (k'). From TY 1979 through TY 1990, credit equaled to table amount reduced by 3.5% of claimant's household income, where taxpayers with household income above table ceiling are not eligible for credit.
- (k''). Starting TY 1991, credit equals to table amount reduced by 3.5% of claimant's household income, the result multiplied by 50% (if heating costs included in rent) or 100% (otherwise).
- (k'''). Starting TY 2012, credit calculation remains the same as before, but becomes subject to household resources, and not household income.

Alternate Credit:

- (l). From TY 1984 - TY 1986, credit equaled to total heating fuel cost amount reduced by 13 percent of claimant household income, the result multiplied by 50 percent.
- (l'). From TY 1987 - TY 1988, credit equaled to total heating fuel cost amount reduced by 13 percent of claimant household income, the result multiplied by 70 percent.
- (l''). From TY 1989 on, credit equals to total heating fuel cost amount reduced by 11 percent of claimant's household income, the result multiplied by 70 percent.
- (l'''). Starting TY 2012, credit calculation remains the same as before, but becomes subject to household resources, and not household income.