

MICHIGAN'S INDIVIDUAL INCOME TAX

1995



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I. EXECUTIVE SUMMARY

Proposal A

Michigan's 1994 school finance reforms, known as "Proposal A," dramatically changed the tax structure in Michigan. Local school property taxes were greatly reduced and voters were given the choice of funding schools with a higher sales or higher income tax. Taxpayers voted for a higher sales tax along with a mix of changes in other taxes. The income tax was affected in two ways: the rate was lowered to 4.4 percent on May 1, 1994, and the homestead property tax credit decreased due to lower school property taxes. The overall effect of these changes along with a stronger economy in 1995 has meant increased income tax revenues.

Returns and Revenue

In 1995, Michigan's personal income tax generated \$4.8 billion in state revenues, after all credits and refunds were paid.

Net revenue increased \$126.4 million (2.7 percent) from 1994 levels. Adjusted gross income increased by \$13.4 billion (8.7 percent) from 1994 to 1995. Net revenues were reduced by \$438.7 million due to a \$300 increase in the personal exemption, the Headlee Amendment Refund (see below), and the Proposal A income tax rate cut to 4.4 percent.¹

Over 4.2 million returns were filed for the 1995 tax year, approximately 91,100 more than the previous year.

Although the personal income tax was levied at a nominal flat rate of 4.4 percent, the effective tax rate varied from negative 4.9 percent for people having income under \$2,000 to positive 3.3 percent for taxpayers with an adjusted gross income above \$50,000. The overall effective rate was 2.9 percent. The negative effective rates for lower incomes arise because some taxpayers receive net payments from the state, due principally to the refundable credits for property taxes and home heating expenses.

Property Tax Credit

Nearly 1.11 million Michigan homeowners, renters, and farmers received \$428.9 million in property tax credits, including farmland preservation credits, for 1995. The average property tax rebate was \$386.07. The total amount of property tax credits decreased by \$6.5 million (1.5 percent) with 8,100 fewer taxpayers benefiting compared to tax year 1994.

¹ Proposal A reduced the income tax rate from 4.6 percent to 4.4 percent. The rate change went into effect in the middle of tax year 1994 resulting in a 1994 tax rate of 4.47 percent. The tax savings listed here compares a 4.4 percent rate with the pre-Proposal A rate of 4.6 percent. The savings estimate was generated using the ORTA income tax simulation model.

Senior citizens received over \$210.4 million in homestead property tax credits, a decrease of \$2.8 million from tax year 1994. For the 396,900 senior citizens receiving homestead property tax credits, the average credit was \$530.13.

Home Heating Credit

Home heating credits totaled \$33.4 million for tax year 1995 with 291,400 households qualifying for an average credit of \$114.57. Home heating credits decreased \$44.1 million from 1994 with 117,700 fewer taxpayers benefiting.

City Income Tax Credit

In 1995, city income tax credits were claimed by 987,000 taxpayers and amounted to \$33.9 million. This was a \$1.2 million increase from the prior year with 54,600 more taxpayers claiming the credit.

Community Foundation Credit

For tax year 1995, 12,500 taxpayers claimed \$1.1 million in community foundation credits. This was an increase of 1,000 taxpayers and \$114,600 in credits from 1994.

College Contribution Credit

Over \$20.0 million of 1995 credits were paid for contributions to Michigan colleges, libraries, museums and public broadcasting stations, an \$860,000 increase over tax year 1994. There were 256,800 taxpayers claiming this credit, an increase of 11,800 from 1994.

Prescription Drug Credit

For tax year 1995, 35,300 taxpayers claimed \$16.0 million in prescription drug credits. This is a decrease of 4,200 taxpayers and \$1.8 million less than tax year 1994.

Homeless Shelter/Food Bank Credit

There were 112,900 taxpayers who claimed a homeless shelter/food bank credit for \$7.2 million for tax year 1995. Compared to tax year 1994, this represented an increase of \$1.0 million with 17,500 more taxpayers claiming a credit.

Medical Care Savings Account Credit

For tax year 1995, 6,600 taxpayers claimed \$120,600 in medical care savings account credits. Compared to tax year 1994, this represented an increase of \$31,200 with 1,000 more taxpayers claiming a credit.

College Tuition Credit

For tax year 1995, the initial year of the credit, 90,400 taxpayers claimed \$8.0 million in tuition credits.

Headlee Amendment Refund

For the 1995 tax year only, Michigan taxpayers received a credit equal to 2 percent of their income tax liability before any income tax credits were taken. The Headlee Amendment Refund totaled \$113 million for 1995.

II. INTRODUCTION

This report summarizes information regarding the Michigan individual income tax and income tax exemptions and credits for tax year 1995. It is based on returns filed and processed in calendar year 1996.

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 tax in other states. Section VIII lists the geographic pattern of revenue and credits by county.

The Federal Tax Reform Act of 1986 resulted in the most significant changes in Michigan's income tax base since the state income tax was enacted in 1967. Section IX summarizes the Tax Reform Act changes to Michigan's income tax base. Section X summarizes the Michigan Public Acts of 1995 that affected the Michigan income tax.

Section XI contains tables and charts presenting detailed data on returns, exemptions, credits, revenue and effective rates. The analysis is based on a random sample of the 4.21 million returns on file with the Michigan Department of Treasury. Details of the methods used in obtaining the sample and estimates are available from Treasury's Office of Revenue and Tax Analysis.

III. HISTORY OF THE MICHIGAN INDIVIDUAL INCOME TAX

The Michigan individual income tax became effective on October 1, 1967 under Public Act 281. When originally enacted, the state income tax was levied at 2.6 percent and allowed a \$1,200 personal exemption per dependent. The purpose for enacting a personal income tax was to help eliminate a state budget deficit. 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 raised to 4.6 percent in 1977.

Michigan suffered from budget deficits in the early eighties due to an economic recession. In response, the income tax rate was raised in 1982 and 1983. The state income tax was temporarily raised to 5.6 percent between April 1 and September 30, 1982. In 1983, the income tax rate was increased to 6.35 percent. In 1984, the income tax rate was lowered to 5.85 percent and to 5.33 percent in 1985. In 1986, the rate was lowered back to 4.6 percent. After voters passed Proposal A in March 1994, the rate decreased to 4.4 percent on May 1, 1994. For the 1995 tax year only, the Headlee Amendment Refund reduced income tax liability by 2 percent for all Michigan taxpayers.

Since the Michigan income tax is based on federal adjusted gross income (AGI), changes in federal tax law affect Michigan income tax collections. The Federal Tax Reform Act of 1986 resulted in many changes in how federal AGI is calculated and will be discussed in Section IX. Because the changes increased the Michigan income tax base, the personal exemption was increased 40 percent from 1986 to 1990. The exemption increased to \$1,600 in 1987, \$1,800 in 1988, \$2,000 in 1989 and \$2,100 in 1990. Public Act 2 of 1995 increased the personal exemption to \$2,400 in tax year 1995. The exemption will remain at \$2,400 in 1996 and increase to \$2,500 in 1997. Public Act 3 of 1995 indexes the personal exemption to inflation and rounds it to the nearest \$100 after tax year 1997. Public Act 86 of 1997 increases the personal exemption by an additional \$200 beginning in 1998.

The Michigan individual income tax is a flat rate tax. The Michigan Constitution prohibits graduated income tax rates. Proposals to switch to graduated rates were defeated by voters in 1968, 1972, and 1976. A degree of progressivity is achieved with credits and exemptions. Credits, such as the homestead property tax credit, home heating credit, and special exemptions, help to make the tax less burdensome on lower income taxpayers.

Income tax revenue is distributed to the General Fund/General Purpose (GF/GP) account, School Aid Fund (SAF) and revenue sharing to local units. As of September 1996, the distribution formula of income tax gross collections is as follows: 69.7 percent to GF/GP, 23.0 percent to the SAF and 7.3 percent to revenue sharing. Refunds and credits are paid from GF/GP. Beginning in fiscal year 1996-97, all revenue sharing will be paid from sales tax revenue.

IV. INCIDENCE OF THE INDIVIDUAL INCOME TAX

The Michigan individual income tax is based on federal adjusted gross income (AGI) with additions (principally interest on obligations issued by other states) and subtractions (including income from U.S. government obligations, military pay, most pension income, and income attributable to another state). In 1995, a \$2,400 per person personal exemption was allowed, while a \$900 extra exemption was provided for senior citizens, the handicapped, and certain unemployed persons. Credits were provided for property taxes, city income taxes, taxes paid to another state, home heating expenses, tuition paid to qualified Michigan colleges, and contributions to Michigan colleges and food banks.

Over 4.2 million MI-1040 returns were filed for the 1995 tax year, which represented an increase of 91,000 from 1994. An additional 428,400 “CR-only” returns (which only claim a property tax credit or home heating credit) were filed for 1995, compared to 297,600 CR-only returns filed for 1994.

The personal income tax generated \$4.8 billion in net revenue in 1995, which is total revenue after all credits and refunds are paid. Income tax revenues increased \$126.4 million (2.7 percent) from 1994, despite a slight cut in the tax rate from 4.47 percent to 4.40 percent. The increase in income tax revenues was due to the overall increase in the price level (2.8 percent in 1995) and to economic growth in Michigan.

The number of returns filed in 1981 and 1982 declined due to the recession and decline in Michigan’s population (Exhibit 1). Returns increased from 1983 to 1990 as the economy performed better. Changes in adjusted gross income reflect both changes in income and changes in the definition of adjusted gross income at the federal level. For example, ending the federal dividend exclusion increased AGI beginning in 1987.

Even though the nominal personal income tax was levied at a flat 4.4 percent in 1995, exemptions and credits helped to lessen the relative tax burden of taxpayers with lower adjusted gross income. As shown in Exhibit 9, the effective tax rate varied from negative 4.9 percent for taxpayers in the \$0 - \$2,000 AGI group to positive 3.3 percent for taxpayers with an adjusted gross income above \$50,000. Overall, the effective tax rate was 2.9 percent rather than the nominal 4.4 percent. On average, taxpayers with adjusted gross income of less than \$6,000 received net payments from the state, mostly due to refundable credits for property taxes and the home heating credit. The effective rates in Exhibit 9 were calculated before the deduction of the farmland credit and the prescription drug credit, because the distribution of these credits by AGI is not available. Farmland credits totaled over \$17 million and prescription drug credits totaled over \$16 million in 1995. Subtracting these credits reduces the effective rate by a marginal amount. The overall effective tax rate is lower in 1995 than in 1994 due to a reduction in the tax rate, an increase in the personal exemption, and the 2 percent Headlee credit. Exhibits 2 and 3 report net revenue collections and average effective rates, respectively.

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

<u>Year</u>	<u>Number of 1040s Filed</u>	<u>Adjusted Gross Income</u>	<u>Average AGI</u>	<u>Nominal Rate</u>	<u>Average Effective Rate</u>	<u>Revenue</u>
1981	3,417,400	\$68,584,772,300	\$20,069	4.60%	2.55%	\$1,750,258,800
1982	3,310,400	68,143,666,500	20,585	5.10	2.81	1,916,702,400
1983	3,335,800	70,594,973,300	21,163	6.35	3.88	2,740,014,500
1984	3,450,900	79,819,877,500	23,130	5.85	3.76	3,001,955,165
1985	3,517,000	86,201,065,200	24,510	5.33	3.50	3,015,007,700
1986	3,729,300	96,915,547,900	25,988	4.60	3.04	2,942,762,400
1987	3,763,900	103,933,417,600	27,613	4.60	3.01	3,127,237,800
1988	3,880,300	116,315,971,600	29,976	4.60	2.95	3,436,724,700
1989	3,977,900	124,400,414,100	31,273	4.60	2.88	3,579,951,000
1990	4,022,300	127,897,387,600	31,797	4.60	2.85	3,647,260,200
1991	4,011,600	131,533,587,500	32,788	4.60	2.74	3,607,799,000
1992	3,984,600	134,802,283,400	33,831	4.60	2.77	3,730,007,100
1993	4,034,000	141,599,188,400	35,101	4.60	2.75	3,888,847,900
1994	4,123,200	153,895,394,200	37,324	4.47	3.03	4,668,579,100
1995	4,214,300	167,307,933,535	39,700	4.40	2.87	4,794,937,300

Exhibit 10 details the effects of the personal exemption, various adjustments, and credits on the distribution of the Michigan income tax burden. The personal exemption and property tax credit were the major provisions that reduced the effective tax rate. In addition, the personal exemption, property tax credit, and home heating credit make Michigan's income tax more progressive, since these provisions decline as a percentage of AGI as income increases. The non-refundable credits, which include the city income tax, medical care savings accounts, and college contribution credits, have a much more

proportional effect on income.² Exhibit 4 reveals the influence of the various exemptions and credits on the effective tax rate and illustrates the data in Exhibit 10. The \$2,400 personal exemption and property tax credit benefit lower income taxpayers the most, while reducing the effective tax rate for all taxpayers.

Michigan taxpayers claimed over 9 million personal exemptions for the income tax in 1995.³ Since the exemption total for some taxpayers is greater than their income, not all exemptions were used at lower income levels. As noted in Exhibit 9, there were 7.5 million effective exemptions (exemptions that actually offset income). At the very lowest income class (AGI less than \$2,000), the personal exemption offsets all income.

The tax data overstate the aggregate effective rate, since taxpayers who itemize deductions on their federal returns may deduct their state income tax. For tax year 1995, 30.2 percent of Michigan taxpayers itemized deductions on their federal income tax returns. Nationally, 29.0 percent of all taxpayers itemized deductions on their federal income tax returns. With federal deductibility, 30.2 percent of Michigan taxpayers offset part of their state income tax with lower federal tax liability. For example, taxpayers in the 28 percent federal income tax bracket who itemized would have 28 percent of their state income tax offset by lower federal income tax liability. Federal deductibility benefits higher income people, because higher income people are more likely to itemize their deductions and face higher marginal tax rates. While providing relief for some taxpayers, federal deductibility reduces the progressivity of the Michigan income tax.

Michigan income tax revenues are slightly income elastic. The elasticity of income tax revenue before refunds was 1.06 for the period 1972 to 1997.⁴ This means that for every 1 percent increase (decrease) in personal income, revenues increased (decreased) 1.06 percent. The income elasticity of net income tax revenue was 1.10. Michigan's flat rate and tax credits result in revenues being less elastic compared to states with graduated income tax rates.

² Credits in tax year 1995 also included the Headlee Amendment Refund, a non-refundable credit equal to 2 percent of a taxpayer's tax liability before any other credits are taken.

³ This exemption total includes special exemptions such as the senior exemption.

⁴ The elasticity of income tax collections before refunds (gross collections) is important because 23 percent of gross collections is earmarked to go to the School Aid Fund.

Exhibit 4
Effective Income Tax Rate, 1995

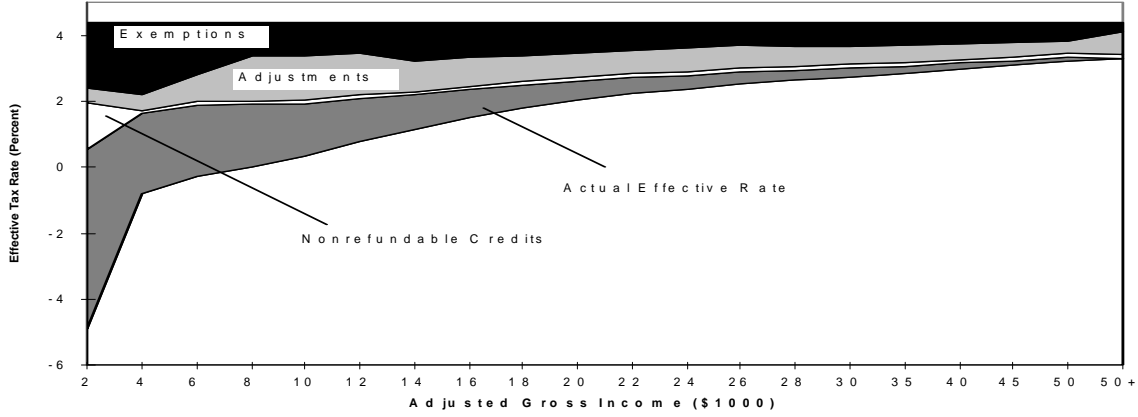
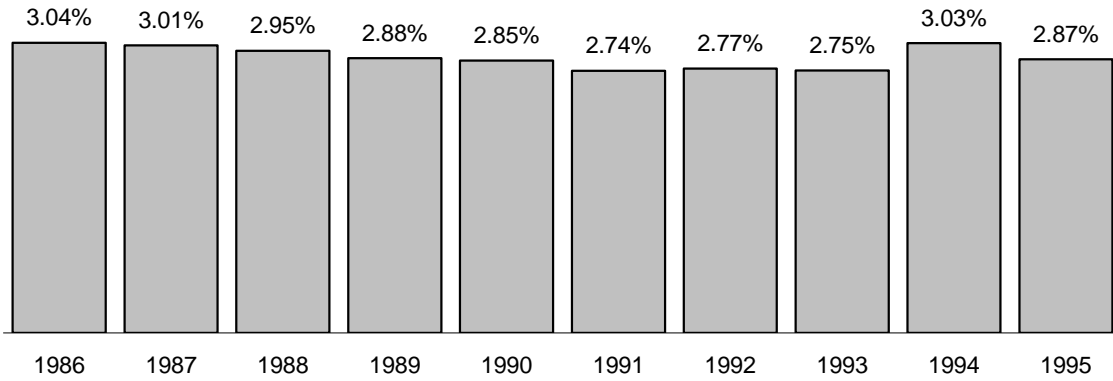
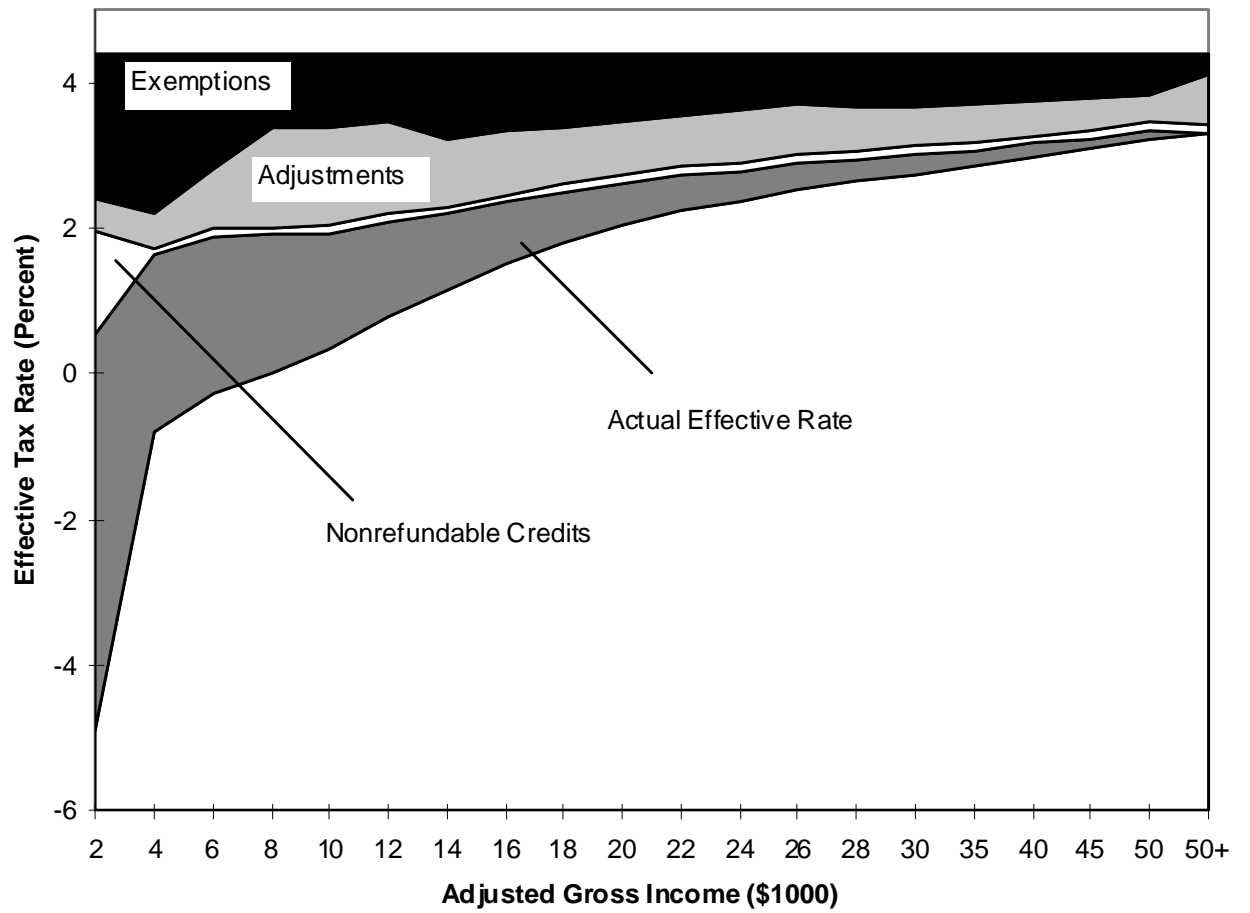


Exhibit 3
Individual Income Tax
Effective Tax Rate



Source: Michigan Department of Treasury.

Exhibit 4
Effective Income Tax Rate, 1995



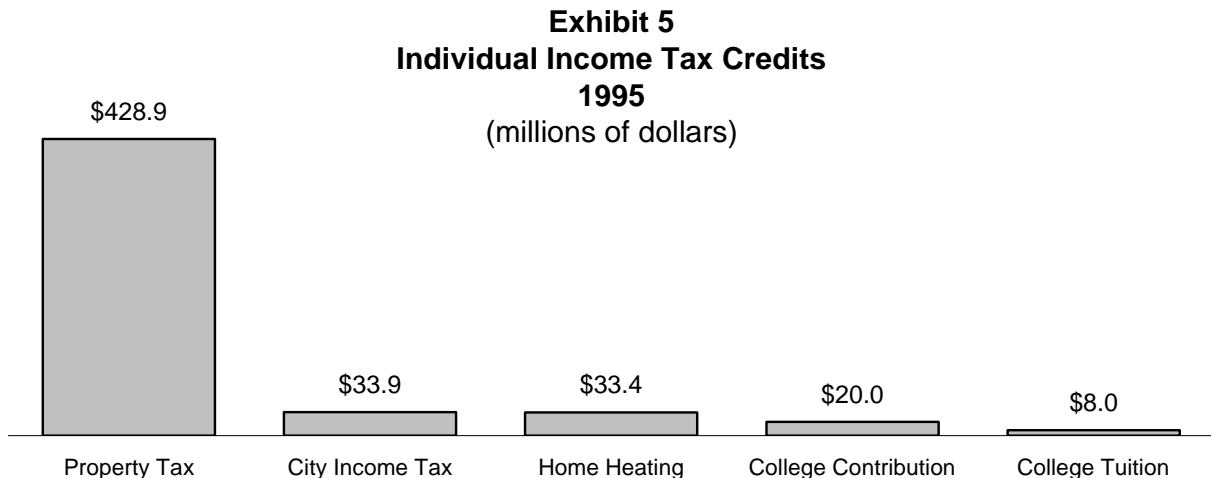
V. INCOME TAX CREDITS

Property Tax Credit

Michigan's property tax credit system is a "circuit breaker" system relating property taxes to total income. When property taxes exceed specific income thresholds, the system "trips" to provide relief to taxpayers. Senior citizens received the largest credits with other homeowners and renters also eligible to receive the credits. Homeowners and renters receive credits equal to 60 percent of the amount by which homestead property taxes (or 20 percent of rent for renters) are greater than 3.5 percent of income. Seniors receive a credit for 100 percent of their property taxes above specified income percentages, as follows:

<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%

Over 1.1 million Michigan taxpayers received \$411.3 million in homestead property tax credits and \$17.6 million in farmland preservation credits in 1996 (1995 returns). Michigan's property tax credit program is one of the largest property tax relief programs in the country. The \$428.9 million in property tax credits represented a decrease of \$6.5 million from a year ago, while 8,100 fewer taxpayers received assistance. Senior citizens received \$210.4 million of the credits, a \$2.8 million decrease from 1994. Exhibit 5 illustrates the amount of money paid to taxpayers for property tax credits compared to other credits.



Source: Michigan Department of Treasury.

The average 1995 homestead property tax credit was \$374.32 (excluding the farmland credit), a \$2.47 decrease from the tax year 1994 total. Senior citizens' credits averaged \$530.13, a \$1.70 decrease from 1994. Following is a summary of the number of credits received by taxpayers, according to adjusted gross income levels, total dollar amount of property tax credit and average credit.

	<u>Adjusted Gross Income</u>	<u>Number of Credits Allowed</u>	<u>Dollar Amount of Credits</u>	<u>Average Credit</u>
Under	\$10,000	463,613	\$188,313,745	\$406.19
	\$10,001 - \$20,000	276,892	99,713,593	360.12
	\$20,001 - \$50,000	289,875	96,062,785	331.39
Over	\$50,000	<u>68,508</u>	<u>27,243,842</u>	<u>397.67</u>
Totals		1,098,888	\$411,333,965	\$374.32

The table above and Exhibit 10 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 3.0 percent of total AGI, taxpayers with AGI under \$10,000 received about 45.8 percent of the total homestead credits. On the other hand, taxpayers with AGI over \$50,000 accounted for 63.9 percent of total 1995 Michigan AGI, but received only 6.6 percent of total homestead credits.

The farmland preservation program, Public Act 116 of 1974, provides 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. This program benefited approximately 12,100 farms in 1995, providing credits of \$17.6 million for an average credit of \$1,456.

Public Act 269 of 1982 provides a special tax credit for senior citizens with high rent burdens. For 1995, this alternate credit is the amount by which rent paid exceeds 40 percent of household income. In 1995, 13,800 senior citizens claimed an additional \$5.2 million using this alternate calculation. The number of seniors claiming the additional credit decreased by 1,300, with the alternative credit totaling \$929,600 less than a year ago. The amount of this credit is included in the senior citizens' homestead property tax credit statistics but shown separately in Exhibit 13.

Home Heating Credit

The home heating credit program, designed to help low income taxpayers afford the high cost of heating their homes, is financed with state and federal funds. The maximum credit allowable to a household is based on the number of exemptions claimed by the

household. (Senior citizen, disabled and blind individuals are entitled to extra exemptions.)

Home heating credits totaled \$33.4 million for tax year 1995 with 291,800 households qualifying. This represented a \$44.1 million decrease over the previous year while 117,700 fewer households received 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. Of the \$33.4 million of home heating credits claimed for the 1995 tax year, senior citizens received \$9.8 million.

	<u>Number of Credits Allowed</u>	<u>Dollar Amount of Credits</u>	<u>Average Credit</u>
Senior Citizen	109,300	\$9,839,700	\$90.02
General	174,200	22,746,100	130.57
Handicapped	7,300	746,900	102.32
Veteran	<u>600</u>	<u>53,600</u>	<u>89.33</u>
Totals ⁵	291,400	\$33,386,300	\$114.57

Approximately 29,600 taxpayers used the alternative calculation based on energy consumption claiming credits worth \$6.3 million. The average credit under the standard calculation was \$103.46 compared to \$212.84 under the alternative calculation.

City Income Tax Credit

Partial credit is allowed for taxpayers who paid city income taxes to Michigan cities. The credit is based on the amount paid less any refunds. The credit converts the flat rate income tax (1.0 percent for most cities) into a slightly progressive tax structure. The credit is calculated as follows:

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

In 1995, 22 cities in Michigan levied an income tax: Albion, Battle Creek, Big Rapids, Detroit, Flint, Grand Rapids, Grayling, Hamtramck, Highland Park, Hudson, Ionia, Jackson, Lansing, Lapeer, Muskegon, Muskegon Heights, Pontiac, Port Huron, Portland, Saginaw, Springfield and Walker. City income tax credits amounted to \$33.9 million for

⁵ These totals are slightly different from other reported totals because they come from a different home heating credit report.

tax year 1995, a \$1.2 million increase from 1994, while the number of claimants increased by 54,600. The following table lists the number of city income tax credits, total city income tax credits received, and the average city income tax credit for taxpayers at different levels of adjusted gross income.

	<u>Adjusted Gross Income</u>	<u>Number of Credits Allowed</u>	<u>Dollar Amount of Credits</u>	<u>Average Credit</u>
Under	\$10,000	158,473	\$ 1,797,925	\$11.35
\$10,001 -	\$20,000	165,463	3,784,469	22.87
\$20,001 -	\$50,000	345,418	12,129,727	35.12
Over	\$50,000	<u>317,607</u>	<u>16,166,862</u>	<u>50.90</u>
Totals		986,961	\$ 33,878,983	\$34.33

College Contribution Credit

Taxpayers may claim partial credits for contributions to Michigan colleges and universities, public libraries and museums, and public broadcasting stations. The credit is equal to 50 percent of the amount contributed up to a maximum credit of \$200 for a joint return (\$100 single return). For 1995, 256,800 taxpayers received \$20.0 million in credits. Credits increased \$860,400 from the prior year when 244,900 taxpayers received \$19.1 million in credits.

Community Foundation Credit

The community foundation credit, implemented in tax year 1989, is a partial credit for donations to specified community foundations. The credit is equal to 50 percent of the donation up to a maximum of \$200 for a joint return (\$100 single return). In tax year 1995, 12,500 taxpayers claimed \$1.1 million in community foundation credits. This was an increase of 1,000 taxpayers and \$114,600 in credits from 1994.

Prescription Drug Credit

The prescription drug credit was established to help low income senior citizens pay for medication prescribed by their doctors. The credit is calculated by subtracting 5 percent of household income from non-reimbursed prescriptions. The maximum credit is \$1,200 for a joint return (\$600 single return). State law limits the total amount for all prescription drug credits and grants under a pharmaceutical assistance program to \$20 million. In tax year 1995, there were 35,300 taxpayers who claimed \$16.0 million in prescription drug credits. This was a decrease of 4,200 taxpayers and \$1.8 million from tax year 1994.

Homeless Shelter/Food Bank Credit

The homeless shelter/food bank credit provides a partial credit for cash donations to a qualifying homeless shelter, food bank, or food kitchen whose primary purpose is to give accommodations or food to indigent persons. The credit is equal to 50 percent of the donation up to a maximum of \$200 for a joint return (\$100 single return). For tax year 1995, 112,900 taxpayers claimed \$7.2 million in food bank credits. This represented an increase of 17,500 taxpayers and \$1.0 million in credits claimed over the previous tax year.

Medical Care Savings Account Credit

Created by Public Acts 289 and 290 of 1994, the medical care savings account credit allows taxpayers a partial income tax credit for contributions made by a taxpayer or on the taxpayer's behalf to a medical care savings account. Contributions for tax year 1995 were limited to \$6,154 for a joint return (\$3,077 single return) if both spouses qualify. The credit is computed by multiplying a taxpayer's net contribution by 3.3 percent. In the tax year 1995, 6,600 taxpayers claimed \$120,600 in credits which represented an increase of 1,000 taxpayers and \$31,200 in credits claimed over the previous year.

College Tuition and Fees Credit

Created by Public Act 7 of 1995, the college tuition and fees credit allows filers with household income less than \$200,000 to deduct a portion of tuition and fees payments made on behalf of the taxpayer or any other student. Residents may claim the credit only if the school has certified that tuition will not increase by more than the rate of inflation. In tax year 1995, the first year of the credit, 90,400 taxpayers claimed \$8.0 million in credits.

Headlee Amendment Refund

The Headlee Amendment to the Michigan Constitution limits the amount of tax revenue the state may collect. In 1995, the Headlee Amendment Refund was passed to meet the constitutional requirements. The refund allowed all Michigan taxpayers to claim a 2 percent credit against their income tax liability for tax year 1995 only. The credit was calculated before any other credits were taken and totaled approximately \$133 million.

VI. DESIGNATED CONTRIBUTIONS

In 1995 taxpayers were able to designate \$3.00 of their tax liability for the State Campaign Fund which supports the state gubernatorial campaigns. In 1995, 437,000 taxpayers contributed \$1.3 million to the State Campaign Fund.

The Children's Trust Fund (CTF), created by Public Act 211 of 1982, allows taxpayers to donate a portion of their income tax refund or increase their liability to finance this cause. Contributions are returned to local communities and dedicated to the prevention of child abuse. In 1995, 62,971 filers contributed \$779,471 toward the CTF.

The Michigan Non-Game Wildlife Fund, created by Public Act 189 of 1983, allows taxpayers to designate a portion of their refund or increase their liability to support the Fund. Contributions are used for research and management of non-game fish and wildlife. There were 53,153 returns designating \$586,999 in Non-Game Wildlife Fund contributions in 1995.

VII. INTERSTATE COMPARISONS

In 1995, Michigan along with six other states (Colorado, Connecticut, 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. All of the other states had a graduated income tax system. A comparison of state income tax burden per person and by tax revenue as a percent of personal income is shown in Exhibit 6.

In fiscal year 1995, Michigan ranked 15th highest in income taxes per person with Massachusetts ranking first overall. Michigan ranked 20th highest in state income taxes as a percent of personal income with Oregon ranking first. Michigan's income tax, as a percent of personal income at 2.44 percent, was 0.31 percentage points above the U.S. average, but 0.07 percentage points below the average for the 41 states with a general income tax. The calculations use U.S. Bureau of Economic Analysis January 1999 estimates of quarterly state personal income, compiled by the Office of Revenue and Tax Analysis for each state's fiscal year 1995.

Exhibit 6
State Individual Income Taxes for FY 1995
Per Person and Percent of Personal Income

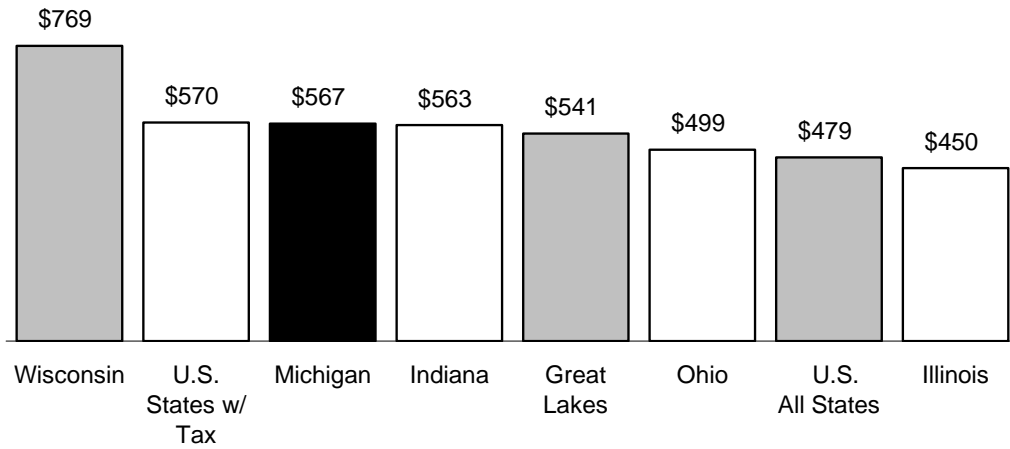
<u>State</u>	<u>Per Person Individual Income Taxes</u>	<u>Rank</u>	<u>Income Taxes as a Percent of Personal Income</u>	<u>Rank</u>
Alabama	\$348	37	1.84%	35
Alaska	No Tax	44	No Tax	44
Arizona	\$344	38	1.78%	38
Arkansas	\$422	33	2.43%	21
California	\$581	12	2.49%	18
Colorado	\$562	17	2.40%	24
Connecticut	\$757	8	2.42%	22
Delaware	\$786	5	3.14%	8
Florida	No Tax	44	No Tax	44
Georgia	\$534	19	2.55%	17
Hawaii	\$785	6	3.20%	7
Idaho	\$515	22	2.81%	11
Illinois	\$450	28	1.82%	36
Indiana	\$563	16	2.66%	14
Iowa	\$569	14	2.83%	10
Kansas	\$480	25	2.28%	28
Kentucky	\$510	23	2.80%	12
Louisiana	\$245	40	1.33%	40
Maine	\$519	20	2.65%	15
Maryland	\$676	9	2.63%	16
Massachusetts	\$986	1	3.62%	2
Michigan	\$567	15	2.44%	20
Minnesota	\$795	4	3.42%	5
Mississippi	\$254	39	1.57%	39
Missouri	\$476	26	2.25%	30
Montana	\$428	32	2.40%	23
Nebraska	\$453	27	2.20%	31
Nevada	No Tax	44	No Tax	44
New Hampshire	\$33	42	0.13%	42
New Jersey	\$571	13	1.97%	34
New Mexico	\$351	36	2.01%	33
New York	\$969	2	3.62%	3
North Carolina	\$654	10	3.22%	6
North Dakota	\$223	41	1.22%	41
Ohio	\$499	24	2.29%	27
Oklahoma	\$433	30	2.37%	25
Oregon	\$890	3	4.26%	1
Pennsylvania	\$409	34	1.79%	37
Rhode Island	\$536	18	2.34%	26
South Carolina	\$450	29	2.44%	19
South Dakota	No Tax	44	No Tax	44
Tennessee	\$19	43	0.09%	43
Texas	No Tax	44	No Tax	44
Utah	\$519	21	2.97%	9
Vermont	\$429	31	2.07%	32
Virginia	\$654	11	2.79%	13
Washington	No Tax	44	No Tax	44
West Virginia	\$390	35	2.26%	29
Wisconsin	\$769	7	3.56%	4
Wyoming	No Tax	44	No Tax	44
U.S. Average	\$479		2.13%	
U.S. Average for States With a General Income Tax	\$570		2.51%	

Note: Tennessee and New Hampshire only tax dividend and interest income.

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

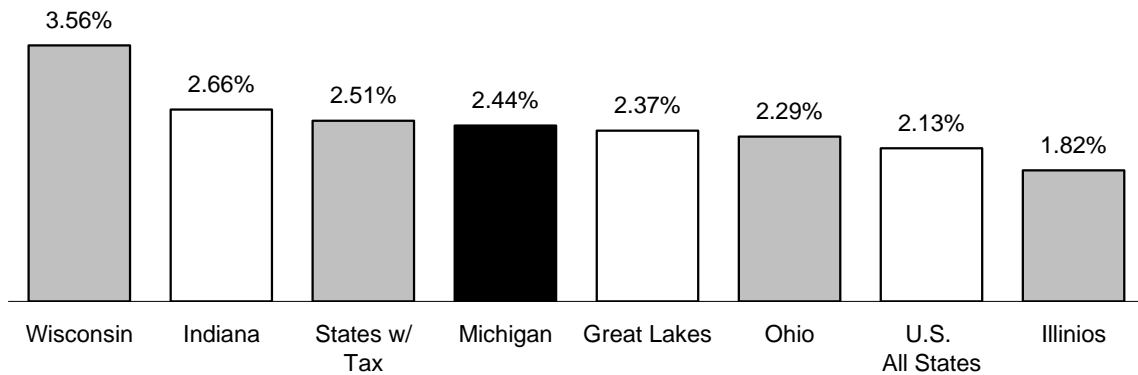
Compiled by: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Exhibit 7
State Income Taxes Per Person
Great Lakes Region
FY 1995



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

Exhibit 8
State Income Taxes
Percent of Personal Income
Great Lakes Region
FY 1995



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

VIII. GEOGRAPHIC PATTERN OF TAX AND CREDITS

Exhibit 18 reports the distribution of income tax collections and property tax and home heating credits. Since farms receive special treatment for the homestead property tax credit and the separate farmland credit, rural counties benefit substantially from these programs.

Exhibit 19 provides a ranking by county of average AGI, percentage change in 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.

Following is a summary of Exhibit 19.

	<u>State Average</u>	<u>High County</u>	<u>Low County</u>
Average AGI	\$39,699	\$51,829 Oakland	\$20,603 Lake
Percent Change in Average AGI 1994-1995	8.73%	38.48% Antrim	(38.92%) Roscommon
Average Income Tax Before Credits	\$1,294	\$1,914 Oakland	\$535 Oscoda
Average Income Tax After Credits	\$1,138	\$1,709 Oakland	\$456 Lake
Income Tax Credits as a Percent of Tax Before Credits	12.0%	37.4% Huron	6.4% Otsego
Ratio of Property Tax Credits to 1040s Filed	26.1%	36.8% Huron	12.0% Keweenaw
Average Property Tax Credits	\$388	\$765 Huron	\$149 Luce

Average AGI and income tax are calculated using the number of 1040s reporting positive AGI. Property tax credits include farmland preservation (Public Act 116) credits.

IX. FEDERAL TAX REFORM ACT OF 1986

Since the starting point for calculating Michigan income tax is federal AGI, revenue can be influenced by changes in federal tax law. The Michigan income tax base increased due to significant changes in federal tax law in 1986. In response, the personal exemption was raised over a period of years from \$1,500 in 1986 to \$1,600 in 1987, \$1,800 in 1988, \$2,000 in 1989, rose to \$2,100 in 1990, and then to \$2,400 in 1995.

Following are the six federal tax reform changes to which Michigan conformed.

1. Restrict IRAs

The Tax Reform Act of 1986 reduced or eliminated the allowable IRA deduction for active participants in an employer-maintained retirement plan with income over a limit. The phase-out of the deduction begins for a single person at \$25,000 income, \$40,000 for a joint return. The IRA deduction is zero when AGI is \$10,000 more than the phase-out amount. The Taxpayer Relief Act of 1997 increased the AGI limits. Starting in tax year 1998, the phase-out of the IRA deduction will begin at \$30,000 for a single person, \$50,000 for a joint return. These levels will be increased each year until 2007 when they will be \$50,000 for a single person, \$80,000 for a joint return.

2. Limit Tax Shelters

Deductions from tax shelters (losses from “passive activities”) now may only be used to offset income from passive activities.

3. Eliminate Capital Gains Exclusion

Beginning in 1987, the 60 percent long-term capital gains deduction was repealed. All capital gains were taxed as ordinary income. The Taxpayer Relief Act of 1997 reduced the tax rate on capital gains. Starting in 1997, the maximum long-term capital gain tax rate is 20 percent.⁶

4. End Dividend Exclusion

Beginning in 1987, the exclusion of the first \$100 of dividend income (\$200 on a joint return) is eliminated.

⁶ Although the Taxpayer Relief Act of 1997 generally lowered the tax rate on capital gains, it also greatly complicated the calculation of the tax rate on capital gains. For 1997 and later years there are 5 tax rates which may apply to capital gains. The rates depend on the type of asset sold and the length of time the asset was held prior to sale.

5. Change Depreciation

Depreciation allowances on real property generally are slowed while depreciation allowances on personal property are generally accelerated.

6. Limit Deductible Expenses

Moving expenses and employee business expenses not reimbursed by an employer are no longer deductible as an adjustment to gross income. These expenses now may be taken as itemized deductions for federal income taxes. They are not deductible for Michigan income taxes as Michigan does not allow itemized deductions. Note: Moving expenses were restored as an adjustment to income beginning with the 1994 tax year.

The three changes modified are:

1. Eliminate Personal Exemption for Dependents

A person eligible to be claimed as a dependent on another person's return may no longer claim a personal exemption on his/her federal return. For 1995, if these persons have an AGI of \$1,500 or less, they are exempt from Michigan income tax. Other dependents may claim on their Michigan income tax return an exemption of \$1,000 in 1995.

2. Eliminate Double Personal Exemption for Senior Citizens and the Blind

Michigan law offsets the federal elimination of the double exemption for the blind by providing a special personal exemption for these persons. The special exemption is for the amount necessary to provide a \$3,000 total exemption for the elderly and blind, the amount of exemption received prior to 1987. Therefore, after the reforms the exemption was \$900.

3. Tax All Unemployment Compensation

Prior to 1987 unemployment compensation was exempt from federal income tax if AGI plus unemployment compensation was less than \$12,000 for a single person or \$18,000 for a joint return. All or a portion of unemployment was taxable at incomes over the threshold. Now all unemployment compensation is subject to federal income tax. Michigan law modifies the change by providing a special personal exemption if 50 percent or more of adjusted gross income is from unemployment compensation. The special exemption was \$900 in 1995.

X. 1995 PUBLIC ACTS INCOME TAX

Public Act 2 amended the Income Tax Act of 1967 to increase the personal exemption to \$2,400 for tax years 1995 and 1996, and to \$2,500 for tax years beginning after 1996. Public Act 2 also provided for a further increase in the personal exemption of up to \$250 (which was not implemented) based on the results of the May 1995 revenue estimating conference.

Public Act 3 amended the Income Tax Act of 1967 to index the personal exemption to inflation. For tax years after 1997, the personal exemption will be adjusted in \$100 increments based on the change from one year to the next in the U.S. consumer price index.

Public Act 7 amended the Income Tax Act of 1967 to provide that for 1995 and thereafter a resident of Michigan with a household income of \$200,000 or less may claim a credit for 4 percent of tuition and fees paid to a qualified institution of higher learning. The credit cannot exceed \$250 for each student for each tax year. The credit is available only if the college or university promises by July 1 not to increase tuition in the ensuing academic year by more than the increase in the U.S. Consumer Price Index in the preceding calendar year.

Public Act 194 amended the Income Tax Act of 1967 to increase the percentage of gross collections before refunds from the income tax that are earmarked to the state school aid fund from 14.4 percent to 23 percent, beginning with fiscal year 1996-97.

Public Act 230 amended the Income Tax Act of 1967 to increase the maximum deduction senior citizens may take for interest, dividends, and capital gains, from \$1,000 to \$3,500 for a single return and from \$2,000 to \$7,000 for a joint return. The maximum deduction is reduced by the amount of pension income deducted.

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

Public Act 244 amended the Income Tax Act of 1967 to provide that foster grandparent stipends received by a person 60 years old or older are excluded from household income when calculating the homestead property tax credit.

Public Act 245 amended the Income Tax Act of 1967 to create the Headlee Amendment Refund. For the tax year 1995 only, a taxpayer may claim a credit against the income tax equal to 2.67 percent of the tax on income attributable to the period from January 1, 1995 through September 30, 1995. This credit was annualized as a 2 percent credit against 1995 income tax liability.

Public Act 291 amended the Income Tax Act of 1967 to increase the maximum deduction senior citizens may take for interest, dividends, and capital gains income up to \$7,500 for a single return and \$15,000 for a joint return, beginning with the 1998 tax year (see Public Act 230).

XI. DATA TABLES AND CHARTS

Exhibit 9

**Effective Rate of the Michigan
Individual Income Tax, 1995**

<u>Adjusted Gross Income Class</u>	<u>Number of Returns Filed(1)</u>	<u>Adjusted Gross Income</u>	<u>Effective Exemptions(2)</u>	<u>Claimed Exemptions</u>	<u>Subtractions Minus Additions</u>	<u>Total Credits(3)</u>	<u>Effective Tax</u>	<u>Effective Tax as a % of Income</u>
Zero Income	480,238			47,955	(\$883,533,856)	\$118,184,153	(\$116,051,775)	
\$ 1 - 2,000	199,622	\$223,403,333	41,599	143,304	23,959,701	15,291,150	(10,908,464)	-4.9%
2,001 - 4,000	231,111	691,840,838	144,342	202,813	76,566,644	17,313,406	(5,483,804)	-0.8%
4,001 - 6,000	212,727	1,059,226,338	160,240	251,404	195,911,980	23,910,929	(2,846,453)	-0.3%
6,001 - 8,000	193,243	1,350,986,461	131,361	287,391	413,736,931	27,163,677	203,592	0.0%
8,001 - 10,000	184,679	1,660,116,210	160,306	322,245	502,500,810	28,057,609	5,949,175	0.4%
10,001 - 12,000	173,018	1,901,875,827	164,427	323,359	560,217,826	26,680,649	14,988,779	0.8%
12,001 - 14,000	162,293	2,107,195,085	238,436	322,497	429,418,029	24,473,774	24,169,616	1.1%
14,001 - 16,000	155,873	2,337,249,302	233,729	314,784	463,363,015	22,206,379	35,562,824	1.5%
16,001 - 18,000	150,263	2,553,713,710	243,894	308,599	453,157,885	20,480,377	46,188,915	1.8%
18,001 - 20,000	138,052	2,621,235,754	233,431	287,846	430,172,007	18,325,264	53,431,278	2.0%
20,001 - 22,000	126,874	2,662,436,312	218,980	265,400	412,262,036	16,249,940	59,633,487	2.2%
22,001 - 24,000	122,784	2,822,180,877	205,278	259,269	468,957,703	14,583,969	67,280,541	2.4%
24,001 - 26,000	111,123	2,777,537,635	183,330	238,594	438,893,759	12,864,787	70,675,898	2.5%
26,001 - 28,000	101,377	2,737,378,508	192,953	219,612	368,302,465	11,621,422	72,242,066	2.6%
28,001 - 30,000	95,097	2,758,025,832	186,028	209,202	347,887,907	10,542,450	75,859,056	2.8%
30,001 - 35,000	215,213	6,987,424,127	455,895	503,398	832,445,616	23,680,379	198,996,188	2.8%
35,001 - 40,000	197,589	7,401,743,034	456,287	495,419	785,359,331	20,892,792	222,044,140	3.0%
40,001 - 45,000	183,130	7,776,125,855	449,604	485,755	781,381,544	19,122,496	241,168,068	3.1%
45,001 - 50,000	167,496	7,953,162,304	434,352	462,084	655,924,662	17,839,629	257,371,269	3.2%
Over 50,000	<u>1,040,857</u>	<u>106,925,076,193</u>	<u>2,980,506</u>	<u>3,204,441</u>	<u>16,363,841,163</u>	<u>151,848,130</u>	<u>3,518,104,746</u>	<u>3.3%</u>
Totals	4,642,659	\$167,307,933,535	7,514,976	9,155,371	\$24,120,727,158	\$641,333,361	\$4,828,579,142	2.9%

(1) Includes 428,376 credit only returns.

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

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

**Exhibit 9a
Breakdown of Upper Income Filers
Individual Income Tax, 1995**

<u>Adjusted Gross Income Class</u>	<u>Number of Returns</u>	<u>Adjusted Gross Income</u>	<u>Effective Exemptions(1)</u>	<u>Claimed Exemptions</u>	<u>Subtractions Minus Additions</u>	<u>Total Tax Credits(2)</u>	<u>Effective Tax</u>	<u>Effective Tax as a % of Income</u>
\$50,001 - 55,000	152,728	\$8,009,973,482	413,662	438,967	\$665,088,482	\$17,310,495	\$262,181,782	3.3%
55,001 - 60,000	133,039	7,644,061,630	366,299	392,834	628,371,684	15,507,312	254,501,878	3.3%
60,001 - 65,000	113,859	7,103,921,353	326,640	348,702	578,521,968	13,902,543	238,721,803	3.4%
65,001 - 70,000	97,753	6,593,188,226	287,802	303,595	483,252,186	12,583,143	225,862,100	3.4%
70,001 - 75,000	81,312	5,890,061,070	238,271	251,460	440,943,863	10,983,959	203,615,736	3.5%
75,001 - 80,000	70,198	5,436,472,780	210,395	221,136	374,931,550	9,043,393	191,446,719	3.5%
80,001 - 85,000	56,501	4,656,396,836	166,120	179,374	361,104,569	6,761,375	164,689,192	3.5%
85,001 - 90,000	47,432	4,147,461,543	142,264	149,631	282,678,105	5,636,871	149,390,550	3.6%
90,001 - 95,000	38,423	3,554,837,304	113,800	120,494	242,229,871	4,977,607	128,759,813	3.6%
95,001 - 100,000	32,714	3,187,643,187	97,039	103,172	240,031,466	4,518,647	114,928,915	3.6%
Over 100,000	<u>216,898</u>	<u>50,701,058,782</u>	<u>618,213</u>	<u>695,076</u>	<u>12,066,687,419</u>	<u>50,622,785</u>	<u>1,584,006,258</u>	<u>3.1%</u>
Totals	1,040,857	\$106,925,076,193	2,980,506	3,204,441	\$16,363,841,163	\$151,848,130	\$3,518,104,746	3.3%

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

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

Exhibit 10
Tax Base Deductions as a Percent of AGI
Individual Income Tax, 1995 (1)

<u>Adjusted Gross Income Class</u>	<u>Effective Exemptions</u>	<u>Subtractions Minus Additions</u>	<u>Non-Refundable Credits(2,3)</u>	<u>Property Tax Credits</u>
Zero Income				
\$ 1 - 2,000	44.7%	10.7%	32.0%	123.6%
2,001 - 4,000	50.1%	11.1%	1.9%	55.0%
4,001 - 6,000	36.3%	18.5%	2.5%	48.8%
6,001 - 8,000	23.3%	30.6%	2.5%	43.2%
8,001 - 10,000	23.2%	30.3%	2.4%	36.0%
10,001 - 12,000	20.7%	29.5%	2.4%	29.4%
12,001 - 14,000	27.2%	20.4%	2.4%	24.0%
14,001 - 16,000	24.0%	19.8%	2.5%	19.1%
16,001 - 18,000	22.9%	17.7%	2.5%	15.7%
18,001 - 20,000	21.4%	16.4%	2.5%	13.4%
20,001 - 22,000	19.7%	15.5%	2.5%	11.3%
22,001 - 24,000	17.5%	16.6%	2.5%	9.2%
24,001 - 26,000	15.8%	15.8%	2.6%	8.0%
26,001 - 28,000	16.9%	13.5%	2.6%	7.1%
28,001 - 30,000	16.2%	12.6%	2.6%	6.1%
30,001 - 35,000	15.7%	11.9%	2.6%	5.1%
35,001 - 40,000	14.8%	10.6%	2.7%	3.8%
40,001 - 45,000	13.9%	10.0%	2.8%	2.8%
45,001 - 50,000	13.1%	8.2%	2.7%	2.4%
Over 50,000	<u>6.7%</u>	<u>15.3%</u>	<u>2.6%</u>	<u>0.6%</u>
Totals	10.8%	14.4%	2.7%	5.6%

- (1) In 1995, \$33.4 million in home heating credits were paid to individuals. Adjusted gross income is not available for home-heating credit recipients.
- (2) Non-refundable credits and property tax credits are divided by the tax rate (4.4%) to determine the equivalent income tax deduction.
- (3) Non-refundable credits for 1995 are: the city income tax credit, the medical care savings account credit, the college contribution credit, the homeless shelter/food bank contribution credit, the other state tax credit, the tuition tax credit, and the Headlee Amendment Refund.

Exhibit 11
Distribution of the Number of Exemptions Claimed on 1995 MI-1040 Returns(1)
Individual Income Tax, 1995

<u>Adjusted Gross Income</u>	<u>Zero Exemptions</u>	<u>One Exemption</u>	<u>Two Exemptions</u>	<u>Three Exemptions</u>	<u>Four Exemptions</u>	<u>Five Exemptions</u>	<u>Six Exemptions and Over</u>	<u>Total Returns</u>	<u>Total Exemptions(2)</u>
Zero Income	29,151	8,118	7,752	2,140	2,782	741	440	51,124	47,955
\$ 1 - 2,000	118,800	44,005	22,057	7,253	5,583	1,208	722	199,628	143,304
2,001 - 4,000	118,142	59,674	32,368	10,370	7,733	1,770	1,073	231,130	202,813
4,001 - 6,000	75,272	67,899	43,660	12,716	10,163	1,923	1,110	212,743	251,404
6,001 - 8,000	41,087	71,837	48,366	14,801	13,716	2,329	1,130	193,266	287,391
8,001 - 10,000	23,140	69,811	52,422	16,535	18,582	2,924	1,291	184,705	322,245
10,001 - 12,000	13,240	70,107	48,045	17,166	19,799	3,160	1,524	173,041	323,359
12,001 - 14,000	7,104	68,082	42,028	18,123	22,028	3,393	1,559	162,317	322,497
14,001 - 16,000	4,304	68,144	38,911	17,573	21,806	3,626	1,535	155,899	314,784
16,001 - 18,000	2,182	67,035	36,961	17,248	21,552	3,747	1,565	150,290	308,599
18,001 - 20,000	1,229	62,477	32,618	16,388	19,538	3,979	1,846	138,075	287,846
20,001 - 22,000	779	58,491	28,494	16,070	17,444	3,692	1,925	126,895	265,400
22,001 - 24,000	667	55,658	28,213	15,557	16,773	4,072	1,866	122,806	259,269
24,001 - 26,000	315	48,693	26,872	14,404	15,097	3,885	1,876	111,142	238,594
26,001 - 28,000	385	42,991	25,285	13,409	13,937	3,820	1,568	101,395	219,612
28,001 - 30,000	142	39,731	23,757	12,654	13,215	4,085	1,530	95,114	209,202
30,001 - 35,000	321	80,499	54,751	30,980	33,073	10,633	5,000	215,257	503,398
35,001 - 40,000	168	60,485	54,171	31,514	34,214	12,176	4,902	197,630	495,419
40,001 - 45,000	67	47,377	51,205	30,362	35,900	13,269	4,991	183,171	485,755
45,001 - 50,000	46	35,813	49,578	29,689	34,493	12,668	5,248	167,535	462,084
Over 50,000	<u>451</u>	<u>101,167</u>	<u>324,551</u>	<u>206,854</u>	<u>275,173</u>	<u>98,775</u>	<u>34,149</u>	<u>1,041,120</u>	<u>3,204,441</u>
Totals	436,992	1,228,094	1,072,065	551,806	652,601	195,875	76,850	4,214,283	9,155,371

(1) Values in this table are based on a sample of the 4,214,283 MI-1040 tax returns on file and include special exemptions such as the senior or deaf exemptions.

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

Exhibit 12
Distribution of Credits Claimed (1)
Individual Income Tax, 1995

Adjusted Gross Income	<u>General Property Tax Credit (2)</u>					<u>City Income Tax Credit</u>			<u>College Contribution Credit</u>		
	Number of MI-1040s Filed	% of Total MI-1040s Filed	Number Claiming Credit	AGI Group % of MI-1040s Filed	\$ Amount of Credit	Number Claiming Credit	AGI Group % of MI-1040s Filed	\$ Amount of Credit	Number Claiming Credit	AGI Group % of MI-1040s Filed	\$ Amount of Credit
Zero Income	51,124	1.2%	9,631	1.5%	\$5,269,624	627	0.1%	\$16,255	269	0.1%	\$20,611
\$ 1 - 2,000	199,628	4.7%	18,514	3.0%	4,753,858	13,479	1.4%	54,014	337	0.1%	14,926
2,001 - 4,000	231,130	5.5%	27,662	4.4%	7,157,760	36,092	3.7%	266,679	854	0.3%	32,507
4,001 - 6,000	212,743	5.0%	34,180	5.5%	9,643,056	37,847	3.8%	403,446	1,699	0.7%	67,234
6,001 - 8,000	193,266	4.6%	35,496	5.7%	10,305,093	36,094	3.7%	491,936	2,139	0.8%	94,082
8,001 - 10,000	184,705	4.4%	37,625	6.0%	11,039,167	34,351	3.5%	565,718	2,782	1.1%	128,784
10,001 - 12,000	173,041	4.1%	36,925	5.9%	10,682,181	35,004	3.5%	655,379	3,122	1.2%	151,446
12,001 - 14,000	162,317	3.9%	35,435	5.7%	10,356,347	33,483	3.4%	699,306	3,741	1.5%	195,688
14,001 - 16,000	155,899	3.7%	35,860	5.7%	9,827,269	33,062	3.3%	781,819	3,566	1.4%	186,142
16,001 - 18,000	150,290	3.6%	35,778	5.7%	9,422,240	32,805	3.3%	822,466	4,351	1.7%	266,464
18,001 - 20,000	138,075	3.3%	32,635	5.2%	8,804,894	31,139	3.2%	826,047	4,209	1.6%	251,440
20,001 - 22,000	126,895	3.0%	30,080	4.8%	7,979,819	29,384	3.0%	856,191	4,039	1.6%	229,096
22,001 - 24,000	122,806	2.9%	27,940	4.5%	7,337,269	29,069	2.9%	866,751	4,487	1.7%	260,273
24,001 - 26,000	111,142	2.6%	24,049	3.8%	6,413,383	26,775	2.7%	825,364	4,781	1.9%	263,195
26,001 - 28,000	101,395	2.4%	20,803	3.3%	5,793,116	25,556	2.6%	825,124	4,181	1.6%	235,290
28,001 - 30,000	95,114	2.3%	19,515	3.1%	5,085,659	23,966	2.4%	796,476	4,192	1.6%	243,404
30,001 - 35,000	215,257	5.1%	38,619	6.2%	10,780,130	55,722	5.6%	1,927,963	12,023	4.7%	755,182
35,001 - 40,000	197,630	4.7%	29,756	4.8%	8,668,237	53,327	5.4%	1,960,257	11,444	4.5%	739,526
40,001 - 45,000	183,171	4.3%	22,224	3.6%	6,859,715	51,984	5.3%	2,071,597	12,859	5.0%	829,646
45,001 - 50,000	167,535	4.0%	17,751	2.8%	6,094,147	49,711	5.0%	2,002,494	12,140	4.7%	809,453
Over 50,000	<u>1,041,120</u>	<u>24.7%</u>	<u>55,300</u>	<u>8.8%</u>	<u>20,476,794</u>	<u>317,687</u>	<u>32.2%</u>	<u>16,170,592</u>	<u>159,598</u>	<u>62.1%</u>	<u>14,234,114</u>
Totals	4,214,283	100.0%	625,778	100.0%	\$182,749,758	987,164	100.0%	\$33,885,874	256,813	100.0%	\$20,008,503

(1) Values in this table are based on a sample of the 4,214,283 returns on file.

(2) 32,448 general property tax credits for a total of \$8,820,000 were claimed on MI-1040CR-4 returns which were filed without a MI-1040.

Exhibit 13
Four-Year Comparison of
Individual Income Tax Credits
(Number and Amount in Thousands)

	1992			1993			1994			1995		
	<u>Number</u>	<u>Amount</u>	<u>Average</u>	<u>Number</u>	<u>Amount</u>	<u>Average</u>	<u>Number</u>	<u>Amount</u>	<u>Average</u>	<u>Number</u>	<u>Amount</u>	<u>Average</u>
Property Tax Credits												
General	1,081.2	\$468,983.7	\$433.76	1,122.3	\$517,887.7	\$461.45	662.3	\$194,591.9	\$293.81	658.2	\$191,569.7	\$291.05
Senior Citizen(1)												
Standard	533.7	399,201.6	747.99	549.2	434,379.0	790.93	400.9	207,100.4	516.59	396.9	205,228.1	517.08
Low Income Rent	17.7	7,303.7	412.64	19.3	8,198.1	424.77	15.1	6,110.3	404.66	13.8	5,180.7	375.41
Veteran	16.1	3,565.2	221.44	16.2	3,527.6	217.75	16.7	2,139.0	128.08	17.0	2,163.9	127.29
Blind	1.6	363.6	227.25	1.4	305.0	217.86	1.6	205.6	128.50	1.7	210.1	123.59
Disabled(2)	32.6	11,940.8	366.28	31.4	12,052.5	383.84	23.9	6,358.4	266.04	25.1	6,981.5	278.15
Farmland & Solar	<u>15.3</u>	<u>60,452.1</u>	3,951.12	<u>15.1</u>	<u>64,689.3</u>	4,284.06	<u>13.7</u>	<u>18,883.9</u>	1,378.39	<u>12.1</u>	<u>17,594.4</u>	1,454.08
Total Property Tax Credits	1,680.5	\$951,810.7	\$566.39	1,735.6	\$1,041,039.2	\$599.82	1,119.1	\$435,389.5	\$389.05	1,111.0	\$428,928.4	\$386.07
City Income Tax Credit	901.3	\$30,817.6	\$34.19	903.9	\$30,229.9	\$33.44	932.4	\$32,700.8	\$35.07	987.0	\$33,879.0	\$34.33
College Contribution Credit	255.1	\$18,659.7	\$73.15	253.5	\$19,102.2	\$75.35	244.9	\$19,144.1	\$78.17	256.8	\$20,004.5	\$77.90
Home Heating Credit	402.7	\$75,924.6	\$188.54	410.0	\$76,875.5	\$187.50	409.5	\$77,571.0	\$189.43	291.8	\$33,428.9	\$114.56
Credit for Income Tax Paid to Another State	30.4	\$14,654.4	\$482.05	32.8	\$16,020.6	\$488.43	34.8	\$17,354.0	\$498.68	37.1	\$19,437.5	\$523.92
Prescription Drug Credit	34.5	\$14,856.2	\$430.61	38.2	\$16,760.9	\$438.77	39.5	\$17,771.8	\$449.92	35.3	\$16,047.0	\$455.07
Community Foundation Credit	9.9	\$836.8	\$84.53	9.9	\$811.5	\$81.97	11.5	\$995.0	\$86.52	12.5	\$1,109.6	\$88.77
Medical Care Savings Account Credit							5.6	\$89.4	\$15.96	6.6	\$120.6	\$18.27
Homeless/Food Bank Credit	62.7	\$3,313.8	\$52.85	82.3	\$5,031.4	\$61.13	95.4	\$6,226.3	\$65.27	112.9	\$7,235.4	\$64.09
College Tuition Credit										90.4	\$8,026.5	\$88.79

- (1) The low income rent credit amount represents an amount over the standard senior credit. Therefore the number of filers listed for the standard 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 of property tax credits.
- (2) This category includes credits for paraplegic, quadriplegic and totally disabled.

Exhibit 14
Distribution of Property Tax Credits Claimed (1)
Individual Income Tax, 1995

<u>Adjusted Gross Income</u>	<u>General</u>			<u>Senior Citizens (2)</u>			<u>Veterans</u>			<u>Handicapped(3)</u>		
	<u>Number of Credits Allowed</u>	<u>% of Total Credits Allowed</u>	<u>\$ Amount of Credit</u>	<u>Number of Credits Allowed</u>	<u>% of Total Credits Allowed</u>	<u>\$ Amount of Credit</u>	<u>Number of Credits Allowed</u>	<u>% of Total Credits Allowed</u>	<u>\$ Amount of Credit</u>	<u>Number of Credits Allowed</u>	<u>% of Total Credits Allowed</u>	<u>\$ Amount of Credit</u>
Zero Income(4)	42,178	6.4%	\$14,107,448	134,303	33.8%	\$65,705,909	3,576	21.1%	\$513,838	16,631	62.0%	\$4,389,810
\$ 1 - 2,000	18,515	2.8%	4,754,219	11,689	2.9%	7,032,276	145	0.9%	19,612	1,144	4.3%	339,608
2,001 - 4,000	27,661	4.2%	7,157,855	16,116	4.1%	9,287,031	179	1.1%	22,585	934	3.5%	263,151
4,001 - 6,000	34,176	5.2%	9,642,529	22,637	5.7%	12,769,322	314	1.9%	41,506	1,008	3.8%	292,106
6,001 - 8,000	35,492	5.4%	10,304,110	27,748	7.0%	15,066,884	376	2.2%	47,592	839	3.1%	233,854
8,001 - 10,000	37,619	5.7%	11,037,887	28,852	7.3%	14,930,890	542	3.2%	71,639	939	3.5%	282,084
10,001 - 12,000	36,920	5.6%	10,681,249	26,256	6.6%	13,695,474	606	3.6%	72,804	747	2.8%	182,883
12,001 - 14,000	35,429	5.4%	10,355,054	22,100	5.6%	11,631,982	783	4.6%	103,688	789	2.9%	199,679
14,001 - 16,000	35,853	5.4%	9,826,019	18,147	4.6%	9,614,493	638	3.8%	78,786	579	2.2%	142,607
16,001 - 18,000	35,772	5.4%	9,420,968	15,572	3.9%	7,997,387	631	3.7%	85,954	488	1.8%	130,685
18,001 - 20,000	32,629	5.0%	8,803,630	12,124	3.1%	6,516,687	538	3.2%	65,446	291	1.1%	108,118
20,001 - 22,000	30,074	4.6%	7,978,721	9,406	2.4%	5,151,842	502	3.0%	67,274	310	1.2%	77,963
22,001 - 24,000	27,935	4.2%	7,336,263	7,316	1.8%	3,958,031	476	2.8%	60,307	342	1.3%	72,441
24,001 - 26,000	24,043	3.7%	6,412,557	5,784	1.5%	3,180,267	503	3.0%	67,136	208	0.8%	64,087
26,001 - 28,000	20,799	3.2%	5,792,320	4,695	1.2%	2,659,338	396	2.3%	53,660	154	0.6%	37,284
28,001 - 30,000	19,511	3.0%	5,085,024	3,872	1.0%	2,187,750	461	2.7%	53,594	137	0.5%	45,139
30,001 - 35,000	38,612	5.9%	10,778,809	7,982	2.0%	4,597,767	835	4.9%	104,008	286	1.1%	72,028
35,001 - 40,000	29,750	4.5%	8,667,225	5,617	1.4%	3,440,389	718	4.2%	87,940	242	0.9%	52,289
40,001 - 45,000	22,220	3.4%	6,858,981	4,095	1.0%	2,674,558	819	4.8%	97,071	173	0.6%	41,739
45,001 - 50,000	17,747	2.7%	6,093,420	2,997	0.8%	2,036,356	759	4.5%	92,138	99	0.4%	27,069
Over 50,000	<u>55,291</u>	<u>8.4%</u>	<u>20,475,426</u>	<u>9,575</u>	<u>2.4%</u>	<u>6,274,119</u>	<u>3,160</u>	<u>18.6%</u>	<u>357,284</u>	<u>482</u>	<u>1.8%</u>	<u>137,013</u>
Totals	658,226	100.0%	\$191,569,714	396,883	100.0%	\$210,408,752	16,957	100.0%	\$2,163,862	26,822	100.0%	\$7,191,637

- (1) Values in this table are based on a sample of the 4,642,659 MI-1040 and MI-1040CR returns.
(2) Senior Citizen Low Income Rent Credits are included in the reported amounts.
(3) Includes blind, paraplegic, quadriplegic, and totally disabled.
(4) Represents those individuals who had no taxable income, but did receive a property tax credit.

Exhibit 15

**Senior Citizen Property Tax Credits Claimed on MI-1040CR Returns
Individual Income Tax, 1995**

<u>Household Income</u>	<u>Number of Returns</u>	<u>Property Tax Paid</u>	<u>Property Tax Credit (1)</u>	<u>Property Tax Paid After Credit</u>
\$1,000 and below	1,061	\$2,050,788	\$1,207,789	\$842,999
1,001 - 2,000	491	460,062	351,588	108,474
2,001 - 3,000	968	759,380	612,150	147,230
3,001 - 4,000	2,291	1,556,924	1,355,502	201,422
4,001 - 5,000	4,867	3,175,587	2,701,237	474,350
5,001 - 6,000	16,182	9,759,351	7,937,604	1,821,747
6,001 - 7,000	12,871	9,024,651	6,204,295	2,820,356
7,001 - 8,000	14,883	11,511,906	7,320,548	4,191,359
8,001 - 9,000	16,005	13,052,603	8,082,434	4,970,169
9,001 - 10,000	15,094	13,086,623	7,806,630	5,279,993
10,001 - 11,000	14,964	14,343,976	7,820,262	6,523,713
11,001 - 12,000	14,994	14,998,331	7,929,634	7,068,696
12,001 - 13,000	14,926	15,008,524	7,827,688	7,180,836
13,001 - 14,000	15,076	16,018,426	8,054,465	7,963,961
14,001 - 15,000	14,864	16,491,091	7,817,835	8,673,256
15,001 - 16,000	15,107	16,783,140	7,768,273	9,014,867
16,001 - 17,000	14,258	16,697,386	7,507,407	9,189,979
17,001 - 18,000	14,198	18,041,618	7,251,343	10,790,275
18,001 - 19,000	13,641	16,689,967	6,917,281	9,772,686
19,001 - 20,000	12,929	16,174,317	6,589,344	9,584,973
20,001 - 21,000	12,535	16,231,816	6,240,858	9,990,958
21,001 - 22,000	11,624	15,565,556	5,847,759	9,717,797
22,001 - 23,000	11,221	15,306,939	5,629,039	9,677,899
23,001 - 24,000	10,866	15,345,260	5,359,931	9,985,329
24,001 - 25,000	10,111	14,527,877	4,986,002	9,541,875
25,001 - 26,000	9,384	13,812,839	4,624,125	9,188,714
26,001 - 27,000	9,173	13,645,237	4,457,560	9,187,677
27,001 - 28,000	8,307	12,736,632	4,008,227	8,728,406
28,001 - 29,000	7,316	11,717,670	3,688,342	8,029,328
29,001 - 30,000	6,991	11,444,283	3,441,799	8,002,485
30,001 - 35,000	27,318	47,811,164	13,751,396	34,059,768
35,001 - 40,000	18,091	35,518,888	9,417,303	26,101,585
40,001 - 45,000	11,438	24,788,527	6,092,924	18,695,603
45,001 - 50,000	7,617	18,392,985	4,337,037	14,055,948
Over 50,000	<u>16,948</u>	<u>52,913,229</u>	<u>9,391,834</u>	<u>43,521,394</u>
Totals	408,610	\$545,443,554	\$210,337,445	\$335,106,109

(1) Includes Senior Citizen Low Income Rent Credits.

Exhibit 16

**General Property Tax Credits on MI-1040CR Returns
Individual Income Tax, 1995**

<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	8,996	\$11,444,743	\$6,556,414	\$4,888,329
1,001 - 2,000	4,500	3,528,229	1,749,047	1,779,182
2,001 - 3,000	6,300	4,507,728	2,163,033	2,344,695
3,001 - 4,000	9,131	6,643,204	2,910,732	3,732,472
4,001 - 5,000	12,920	9,482,142	3,822,643	5,659,500
5,001 - 6,000	23,451	16,380,021	6,376,617	10,003,404
6,001 - 7,000	20,531	15,598,278	5,536,292	10,061,986
7,001 - 8,000	22,660	17,859,486	6,095,894	11,763,592
8,001 - 9,000	23,159	19,183,789	6,353,943	12,829,846
9,001 - 10,000	22,827	19,386,062	6,252,383	13,133,679
10,001 - 11,000	23,681	20,584,233	6,385,360	14,198,874
11,001 - 12,000	22,539	20,419,876	6,202,042	14,217,834
12,001 - 13,000	21,635	20,379,717	6,072,133	14,307,583
13,001 - 14,000	20,439	19,952,240	5,753,276	14,198,964
14,001 - 15,000	20,787	20,538,152	5,739,034	14,799,118
15,001 - 16,000	19,794	19,910,193	5,214,512	14,695,681
16,001 - 17,000	20,964	21,502,440	5,290,561	16,211,879
17,001 - 18,000	19,130	20,614,951	5,093,496	15,521,456
18,001 - 19,000	18,643	20,466,259	4,808,258	15,658,001
19,001 - 20,000	18,887	21,155,979	4,766,441	16,389,538
20,001 - 21,000	17,334	20,387,705	4,493,821	15,893,884
21,001 - 22,000	16,319	19,504,753	4,162,096	15,342,657
22,001 - 23,000	16,113	19,665,491	4,086,776	15,578,715
23,001 - 24,000	15,630	19,714,767	3,923,194	15,791,574
24,001 - 25,000	14,108	18,515,650	3,481,121	15,034,529
25,001 - 26,000	13,602	18,116,276	3,464,843	14,651,433
26,001 - 27,000	12,484	17,086,563	3,178,797	13,907,767
27,001 - 28,000	10,912	15,374,245	2,788,253	12,585,992
28,001 - 29,000	11,307	16,182,333	2,721,303	13,461,030
29,001 - 30,000	10,629	15,590,704	2,632,308	12,958,396
30,001 - 35,000	44,397	71,896,125	11,601,188	60,294,937
35,001 - 40,000	34,725	61,950,175	9,155,542	52,794,633
40,001 - 45,000	26,298	51,819,173	7,310,506	44,508,667
45,001 - 50,000	20,594	45,343,559	6,192,016	39,151,542
Over 50,000	<u>70,833</u>	<u>193,218,521</u>	<u>20,247,728</u>	<u>172,970,792</u>
Totals	696,259	\$933,903,764	\$192,581,603	\$741,322,161

Exhibit 17

**Distribution of Home Heating Credits Claimed on MI-1040CR-7 Returns
Individual Income Tax, 1995**

<u>Household Income</u>	Senior Citizens MI-1040CR-1		General MI-1040CR-4		Handicapped(1) MI-1040CR-2 & CR-3		Veterans MI-1040CR-2	
	<u>Number of Returns</u>	<u>Home Heating Credit</u>	<u>Number of Returns</u>	<u>Home Heating Credit</u>	<u>Number of Returns</u>	<u>Home Heating Credit</u>	<u>Number of Returns</u>	<u>Home Heating Credit</u>
\$ 1,000 and below	817	\$256,707	7,816	\$2,020,814	59	\$9,726	53	\$3,866
1,001 - 2,000	315	75,634	3,802	801,637	13	2,911	1	217
2,001 - 3,000	773	152,879	5,593	1,021,972	65	11,962	1	188
3,001 - 4,000	2,074	362,308	7,879	1,306,058	141	20,471	6	479
4,001 - 5,000	4,824	707,232	14,848	2,283,662	353	46,998	22	2,531
5,001 - 6,000	19,259	2,241,068	31,661	4,002,407	3,590	356,839	124	12,661
6,001 - 7,000	14,769	1,503,730	19,024	2,429,774	685	67,638	105	9,790
7,001 - 8,000	16,077	1,377,898	17,569	2,041,201	593	56,148	101	7,496
8,001 - 9,000	15,391	1,128,371	14,146	1,617,849	647	60,597	65	4,241
9,001 - 10,000	12,302	692,214	12,527	1,388,140	430	35,626	30	2,558
Over 10,000	<u>22,670</u>	<u>1,341,665</u>	<u>39,315</u>	<u>3,832,561</u>	<u>767</u>	<u>77,962</u>	<u>133</u>	<u>9,588</u>
Totals	109,271	\$9,839,706	174,180	\$22,746,075	7,343	\$746,878	641	\$53,615
Average Credit		\$90.05		\$130.59		\$101.71		\$83.64

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

Exhibit 18
1995 Income Tax Collections
by County

<u>County Name</u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>	<u>Tax After Credits</u>	<u>Percent of Total Tax</u>
Alcona	\$266,584	\$80,904	\$2,110,476	0.0%
Alger	162,754	62,380	3,168,734	0.1%
Allegan	2,820,566	250,303	36,552,971	0.8%
Alpena	925,281	207,302	10,843,919	0.2%
Antrim	793,091	87,485	5,837,077	0.1%
Arenac	556,099	143,509	4,233,424	0.1%
Baraga	111,446	55,582	2,100,671	0.0%
Barry	1,216,252	108,934	19,473,834	0.4%
Bay	5,013,215	454,008	38,452,194	0.8%
Benzie	405,011	68,648	4,042,983	0.1%
Berrien	5,341,307	655,619	68,136,808	1.4%
Branch	1,764,504	156,920	12,826,923	0.3%
Calhoun	4,591,437	540,509	48,507,808	1.0%
Cass	1,491,208	174,772	13,270,421	0.3%
Charlevoix	677,392	99,581	10,162,237	0.2%
Cheboygan	497,178	138,792	6,693,067	0.1%
Chippewa	571,378	170,996	10,009,199	0.2%
Clare	638,788	225,701	6,846,535	0.1%
Clinton	1,985,815	121,550	24,340,458	0.5%
Crawford	176,020	65,337	2,475,280	0.1%
Delta	845,246	250,134	14,338,708	0.3%
Dickinson	928,950	105,070	10,047,668	0.2%
Eaton	2,766,629	167,250	39,183,283	0.8%
Emmet	1,111,498	123,944	15,423,062	0.3%
Genesee	11,295,324	1,589,776	219,812,412	4.6%
Gladwin	657,034	182,545	6,296,288	0.1%
Gogebic	292,822	133,754	5,161,563	0.1%
Grand Traverse	2,155,554	132,592	24,293,121	0.5%
Gratiot	1,640,291	204,558	15,078,597	0.3%
Hillsdale	1,306,232	225,126	15,574,674	0.3%
Houghton	478,272	211,699	8,125,138	0.2%
Huron	4,663,829	281,639	8,879,062	0.2%
Ingham	15,479,782	740,699	152,703,809	3.2%
Ionia	1,690,331	168,042	21,333,877	0.4%
Iosco	567,198	157,473	6,120,537	0.1%
Iron	249,242	106,812	3,132,401	0.1%
Isabella	1,175,949	174,713	18,015,579	0.4%
Jackson	4,102,845	452,674	67,869,829	1.4%
Kalamazoo	8,311,452	462,596	109,866,218	2.3%
Kalkaska	241,877	65,991	3,043,785	0.1%
Kent	15,374,860	994,256	239,221,922	5.0%
Keweenaw	19,465	14,844	355,618	0.0%
Lake	203,099	113,004	1,331,368	0.0%
Lapeer	1,914,919	175,170	40,768,314	0.8%

Exhibit 18 (Cont.)

<u>County Name</u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>	<u>Tax After Credits</u>	<u>Percent of Total Tax</u>
Leelanau	\$849,197	\$45,725	\$5,732,982	0.1%
Lenawee	4,075,755	268,915	41,190,365	0.9%
Livingston	4,060,729	133,539	86,230,998	1.8%
Luce	61,591	42,638	1,820,974	0.0%
Mackinac	259,908	69,223	3,351,568	0.1%
Macomb	40,945,744	1,109,034	364,675,458	7.6%
Manistee	633,987	143,274	7,191,668	0.1%
Marquette	1,368,492	238,947	22,091,490	0.5%
Mason	849,673	157,563	7,984,785	0.2%
Mecosta	838,060	161,642	9,634,672	0.2%
Menominee	647,705	156,651	8,707,434	0.2%
Midland	1,150,775	180,299	29,339,763	0.6%
Missaukee	491,928	90,060	3,224,196	0.1%
Monroe	3,458,169	237,439	49,242,969	1.0%
Montcalm	1,972,102	309,529	19,769,010	0.4%
Montmorency	126,808	81,556	1,992,874	0.0%
Muskegon	4,935,518	650,559	60,564,968	1.3%
Newaygo	1,140,736	195,247	12,504,631	0.3%
Oakland	84,448,223	1,870,638	1,005,810,512	21.0%
Oceana	830,153	165,756	6,948,467	0.1%
Ogemaw	462,144	159,421	4,119,667	0.1%
Ontonagon	109,495	61,927	2,731,034	0.1%
Osceola	649,805	170,358	6,848,135	0.1%
Oscoda	81,078	56,300	1,184,072	0.0%
Otsego	359,430	71,095	10,852,467	0.2%
Ottawa	7,260,519	273,449	127,135,081	2.6%
Presque Isle	403,982	128,401	3,705,380	0.1%
Roscommon	593,094	169,952	4,929,499	0.1%
Saginaw	6,769,378	1,006,756	69,357,096	1.4%
St. Clair	6,768,200	422,785	92,548,086	1.9%
St. Joseph	1,743,469	187,057	22,423,943	0.5%
Sanilac	2,519,755	278,520	13,169,377	0.3%
Schoolcraft	146,849	78,789	2,827,065	0.1%
Shiawassee	2,448,859	233,761	34,773,388	0.7%
Tuscola	3,220,868	248,638	21,240,714	0.4%
Van Buren	3,078,485	350,413	26,406,759	0.6%
Washtenaw	20,371,905	393,343	187,298,829	3.9%
Wayne (excl. Detroit)	71,860,988	2,146,135	615,420,924	12.8%
Wexford	771,505	183,019	10,093,107	0.2%
Outside Michigan	9,594,877	451,061	230,555,281	4.8%
Detroit	<u>27,035,898</u>	<u>8,888,869</u>	<u>186,394,923</u>	<u>3.9%</u>
Totals	\$426,873,862	\$33,371,476	\$4,798,086,463	100.0%

Exhibit 19

1995 Income Tax Data by County

County	1995	1995	1994	Percent	Income		Average		Average		Credits		Property		Average		
	Adjusted				Average	Average	Change	Tax	Rank	Income	Rank	Income	Rank	as a %	Rank	Tax	Rank
	(Millions)	AGI	AGI	1994-95	Revenue		Before		After		of Tax	Filed		Credit (1)			
					Before	Rank	Credits	Rank	Credits	Rank	Before	Rank	Rank	Rank	Rank	Rank	Rank
Alcona	\$99.3	\$24,183	\$18,560	30.30%	\$2,527,812	77	\$616	78	\$514	78	16.5%	8	22.7%	34	\$287	53	
Alger	117.6	26,984	26,189	3.04%	3,491,256	72	801	56	727	51	9.2%	74	15.5%	78	241	68	
Allegan	1,176.9	32,374	30,108	7.53%	40,737,791	22	1,121	21	1,006	20	10.3%	60	20.2%	53	384	18	
Alpena	379.9	27,186	26,984	0.75%	12,345,273	44	884	47	776	46	12.2%	41	25.9%	15	256	62	
Antrim	252.8	29,576	21,358	38.48%	6,918,765	61	809	54	683	59	15.6%	13	25.2%	19	368	25	
Arenac	172.0	24,913	25,078	-0.66%	5,077,205	65	735	66	613	69	16.6%	7	22.5%	38	359	28	
Baraga	79.7	24,357	19,892	22.45%	2,328,425	78	711	70	642	68	9.8%	69	15.4%	79	221	74	
Barry	624.9	34,052	34,523	-1.37%	21,422,023	33	1,167	17	1,061	15	9.1%	75	18.8%	67	352	30	
Bay	1,355.8	30,459	26,454	15.14%	45,253,919	19	1,017	33	864	36	15.0%	17	30.7%	5	367	26	
Benzie	159.5	26,381	24,112	9.41%	4,652,786	67	770	61	669	61	13.1%	32	24.7%	22	271	55	
Berrien	2,247.1	31,824	33,410	-4.75%	76,328,599	13	1,081	23	965	23	10.7%	54	23.3%	29	324	41	
Branch	469.4	27,889	26,444	5.46%	15,272,630	41	907	45	762	48	16.0%	11	22.5%	37	465	7	
Calhoun	1,699.0	31,254	29,217	6.97%	56,017,327	17	1,030	27	892	32	13.4%	28	25.6%	16	330	38	
Cass	483.8	28,847	24,826	16.20%	15,699,222	40	936	42	791	45	15.5%	14	19.9%	60	448	9	
Charlevoix	354.0	32,364	31,212	3.69%	11,250,398	48	1,029	29	929	27	9.7%	72	20.1%	56	308	45	
Cheboygan	256.1	24,627	23,248	5.93%	7,547,842	58	726	69	644	66	11.3%	47	18.0%	69	266	59	
Chippewa	361.9	26,079	25,194	3.51%	11,135,911	49	802	55	721	53	10.1%	64	17.6%	73	234	70	
Clare	267.7	23,390	20,321	15.10%	7,942,847	56	694	73	598	72	13.8%	22	24.0%	26	232	72	
Clinton	792.2	35,300	34,591	2.05%	27,422,897	26	1,222	14	1,085	14	11.2%	51	22.3%	39	397	14	
Crawford	99.9	23,693	26,058	-9.08%	2,820,294	76	669	76	587	74	12.2%	40	19.2%	64	218	75	
Delta	491.1	29,596	27,588	7.28%	15,907,153	39	959	40	864	35	9.9%	68	20.0%	57	254	64	
Dickinson	346.8	31,109	27,027	15.10%	11,387,490	46	1,021	30	901	30	11.8%	44	27.9%	10	299	49	
Eaton	1,256.1	37,179	33,665	10.44%	43,626,861	21	1,291	12	1,160	11	10.2%	62	21.6%	42	379	20	
Emmet	511.5	33,709	29,546	14.09%	17,186,987	37	1,133	20	1,016	19	10.3%	61	22.5%	36	325	40	
Genesee	7,072.9	35,530	33,250	6.86%	241,189,468	5	1,212	15	1,104	12	8.9%	76	21.1%	47	269	56	
Gladwin	256.9	26,517	21,279	24.61%	7,354,738	59	759	63	650	63	14.4%	19	26.3%	14	257	61	
Gogebic	190.5	25,607	23,086	10.92%	5,755,185	64	774	60	694	57	10.3%	59	19.4%	62	203	79	
Grand Traverse	829.5	31,937	25,802	23.78%	27,379,661	27	1,054	26	935	26	11.3%	49	25.0%	20	332	37	
Gratiot	517.7	29,743	27,382	8.62%	17,423,600	36	1,001	34	866	34	13.5%	27	20.4%	51	461	8	
Hillsdale	539.7	29,307	28,205	3.90%	17,773,599	35	965	39	846	39	12.4%	39	20.2%	55	352	31	
Houghton	297.0	23,692	24,605	-3.71%	9,100,901	53	726	68	648	64	10.7%	56	17.6%	74	217	76	
Huron	438.0	26,441	24,491	7.96%	14,176,387	43	856	50	536	77	37.4%	1	36.8%	1	765	1	
Ingham	5,075.1	36,149	33,635	7.48%	176,732,804	7	1,259	13	1,088	13	13.6%	24	31.1%	4	354	29	
Ionia	709.8	30,172	28,259	6.77%	23,998,810	31	1,020	31	907	29	11.1%	52	18.0%	71	400	13	
Iosco	260.0	25,687	20,393	25.96%	7,048,369	60	696	72	605	71	13.2%	30	22.9%	32	245	67	
Iron	127.2	24,107	20,044	20.27%	3,581,790	71	679	75	594	73	12.5%	37	24.1%	25	196	80	
Isabella	606.5	32,204	31,536	2.12%	20,011,332	34	1,063	25	957	25	10.0%	66	20.2%	52	309	44	
Jackson	2,183.0	33,282	31,108	6.99%	75,105,834	14	1,145	19	1,035	17	9.6%	73	20.0%	58	312	43	
Kalamazoo	3,476.6	36,785	35,231	4.41%	122,510,536	9	1,296	10	1,162	10	10.3%	58	26.4%	13	333	36	
Kalkaska	113.7	24,161	28,407	-14.95%	3,460,287	73	735	67	647	65	12.0%	42	17.7%	72	291	52	
Kent	7,556.2	37,611	36,915	1.89%	265,668,032	4	1,322	8	1,191	8	10.0%	67	24.4%	24	314	42	
Keweenaw	15.1	20,654	22,973	-10.09%	400,859	83	547	81	485	80	11.3%	48	12.0%	83	221	73	
Lake	60.2	20,603	19,645	4.88%	1,692,658	81	579	80	456	83	21.3%	2	29.8%	7	234	71	
Lapeer	1,266.1	37,040	40,120	-7.68%	44,279,549	20	1,295	11	1,193	7	7.9%	80	17.1%	75	327	39	
Leelanau	226.2	31,337	35,805	-12.48%	6,881,191	62	953	41	794	43	16.7%	6	24.5%	23	479	4	

Exhibit 19 (Cont.)

County	1995	1995	1994	Percent	Income	Average		Average		Credits		Ratio of		Average		
	Adjusted					Average	Average	Change	Tax	Rank	Income	Rank	as a %	Property	Property	Rank
	Gross	AGI	AGI	Average	Revenue		Tax		Income		of Tax	Property		Tax		
	Income			AGI	Before	Rank	Before	Rank	After	Rank	Before	File	Rank	Credit (1)	Rank	
	(Millions)			1994-95	Credits		Credits		Credits		Credits	Filed		Credit (1)		
Lenawee	1,380.5	\$33,390	\$30,129	10.82%	\$47,924,321	18	\$1,159	18	\$996	22	14.1%	20	22.2%	40	\$444	10
Livingston	2,549.2	46,034	42,109	9.32%	93,096,355	11	1,681	2	1,557	2	7.4%	82	18.6%	68	393	16
Luce	68.1	24,032	18,663	28.77%	1,985,047	80	701	71	643	67	8.3%	78	14.6%	80	149	83
Mackinac	125.3	25,016	21,867	14.40%	3,780,968	70	755	64	669	60	11.4%	46	20.5%	50	254	65
Macomb	11,886.3	38,177	35,150	8.61%	419,306,856	3	1,347	7	1,171	9	13.0%	33	30.3%	6	434	11
Manistee	268.0	25,916	21,820	18.78%	8,234,188	54	796	58	696	56	12.7%	36	23.0%	31	267	58
Marquette	759.3	30,155	28,207	6.91%	24,480,808	30	972	37	877	33	9.8%	71	21.3%	44	255	63
Mason	291.5	26,611	25,691	3.58%	9,252,043	52	845	51	729	50	13.7%	23	25.2%	17	307	46
Mecosta	364.6	27,415	26,793	2.32%	11,088,866	50	834	52	725	52	13.1%	31	21.3%	45	295	50
Menominee	322.2	29,292	29,424	-0.45%	9,753,918	51	887	46	792	44	10.7%	55	19.4%	63	304	47
Midland	905.1	42,914	39,146	9.62%	31,695,738	24	1,503	5	1,391	4	7.4%	81	19.0%	65	287	54
Missaukee	129.0	24,515	19,579	25.21%	3,921,724	69	745	65	613	70	17.8%	5	23.6%	28	397	15
Monroe	1,784.7	37,571	37,937	-0.96%	62,040,476	16	1,306	9	1,037	16	20.6%	3	19.9%	59	366	27
Montcalm	700.8	27,272	27,677	-1.46%	22,701,734	32	883	48	769	47	12.9%	34	20.6%	48	372	23
Montmorency	93.8	22,400	24,097	-7.04%	2,263,628	79	540	82	476	81	12.0%	43	16.4%	76	184	82
Muskegon	2,082.0	30,913	27,480	12.49%	68,616,360	15	1,019	32	899	31	11.7%	45	24.9%	21	294	51
Newaygo	435.8	28,208	45,473	-37.97%	14,286,194	42	925	43	809	42	12.5%	38	21.7%	41	340	34
Oakland	30,504.9	51,829	46,769	10.82%	1,126,354,339	1	1,914	1	1,709	1	10.7%	57	29.3%	8	490	3
Oceana	265.0	25,429	26,780	-5.04%	8,196,010	55	786	59	667	62	15.2%	16	21.2%	46	376	21
Ogemaw	168.9	23,607	21,039	12.21%	4,872,375	66	681	74	576	75	15.4%	15	21.6%	43	300	48
Ontonagon	98.2	25,295	22,622	11.81%	2,974,495	75	766	62	703	54	8.2%	79	13.4%	81	211	77
Osceola	251.7	25,366	21,707	16.85%	7,923,744	57	798	57	690	58	13.6%	25	18.9%	66	347	32
Oscoda	52.8	20,705	25,775	-19.67%	1,363,850	82	535	83	465	82	13.2%	29	15.5%	77	205	78
Otsego	357.3	31,736	27,727	14.46%	11,595,496	45	1,030	28	964	24	6.4%	83	13.3%	82	241	69
Ottawa	3,883.3	39,593	38,345	3.25%	138,979,576	8	1,417	6	1,296	6	8.5%	77	19.8%	61	374	22
Presque Isle	155.3	23,587	21,057	12.02%	4,359,315	68	662	77	563	76	15.0%	18	23.2%	30	265	60
Roscommon	233.2	23,323	38,185	-38.92%	5,871,304	63	587	79	493	79	16.0%	10	23.6%	27	251	66
Saginaw	2,405.3	32,059	31,337	2.30%	80,225,800	12	1,069	24	924	28	13.5%	26	27.0%	11	335	35
St. Clair	2,841.4	45,064	39,190	14.99%	102,978,817	10	1,633	3	1,468	3	10.1%	63	26.5%	12	405	12
St. Joseph	753.8	28,885	25,734	12.24%	25,221,557	29	967	38	859	37	11.1%	53	18.0%	70	371	24
Sanilac	507.1	26,872	26,184	2.63%	16,409,163	38	869	49	698	55	19.7%	4	27.9%	9	478	5
Schoolcraft	103.1	27,277	25,574	6.66%	3,133,324	74	829	53	748	49	9.8%	70	20.2%	54	193	81
Shiawassee	1,126.9	32,502	28,741	13.09%	38,660,828	23	1,115	22	1,003	21	10.1%	65	20.5%	49	345	33
Tuscola	762.9	30,008	31,181	-3.76%	25,437,506	28	1,001	35	835	40	16.5%	9	22.6%	35	562	2
Van Buren	911.0	29,339	27,290	7.51%	30,669,426	25	988	36	850	38	13.9%	21	25.2%	18	393	17
Washtenaw	5,938.3	44,101	44,240	-0.31%	214,982,786	6	1,597	4	1,391	5	12.9%	35	32.1%	3	472	6
Wayne (incl. Detroit)	27,539.7	34,995	32,986	6.09%	952,598,653	2	1,210	16	1,019	18	15.8%	12	32.8%	2	384	19
Detroit	7,411.0	24,657	24,654	0.01%	240,529,665		800		620		22.5%		33.6%		267	
Wexford	360.0	29,083	21,818	33.30%	11,372,130	47	919	44	815	41	11.2%	50	22.7%	33	268	57
Outside Michigan	18,147.5	85,687	73,820	16.08%	249,759,969		1,179		1,089		7.7%		13.6%		332	
Totals	167,386.7	\$39,699	\$36,512	8.73%	\$5,454,196,993		\$1,294		\$1,138		12.0%		26.1%		\$388	

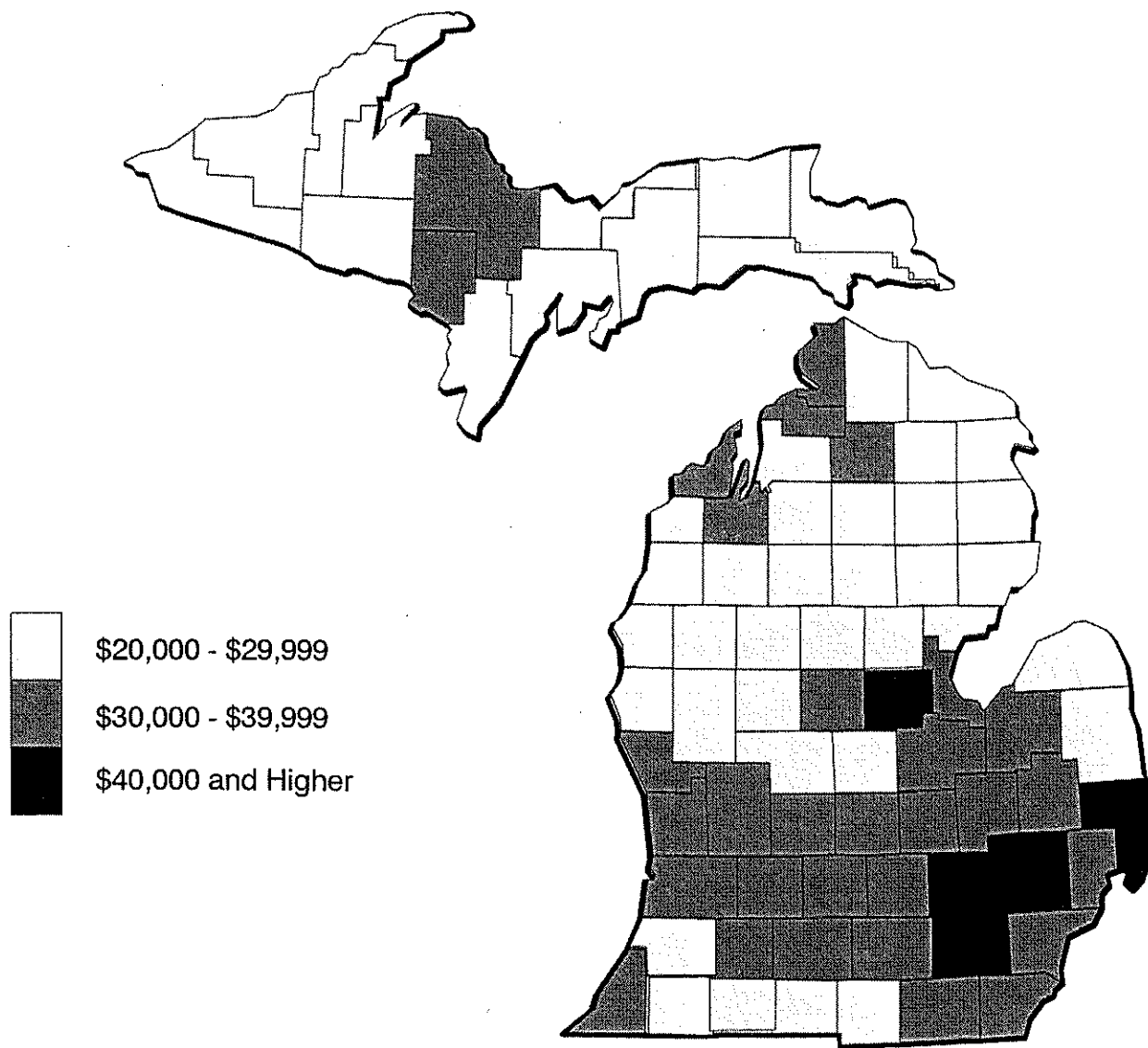
(1) Includes Farmland Preservation (PA 116 Credits) credits.

Exhibit 20

Average Annual Individual Income Tax Rates

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

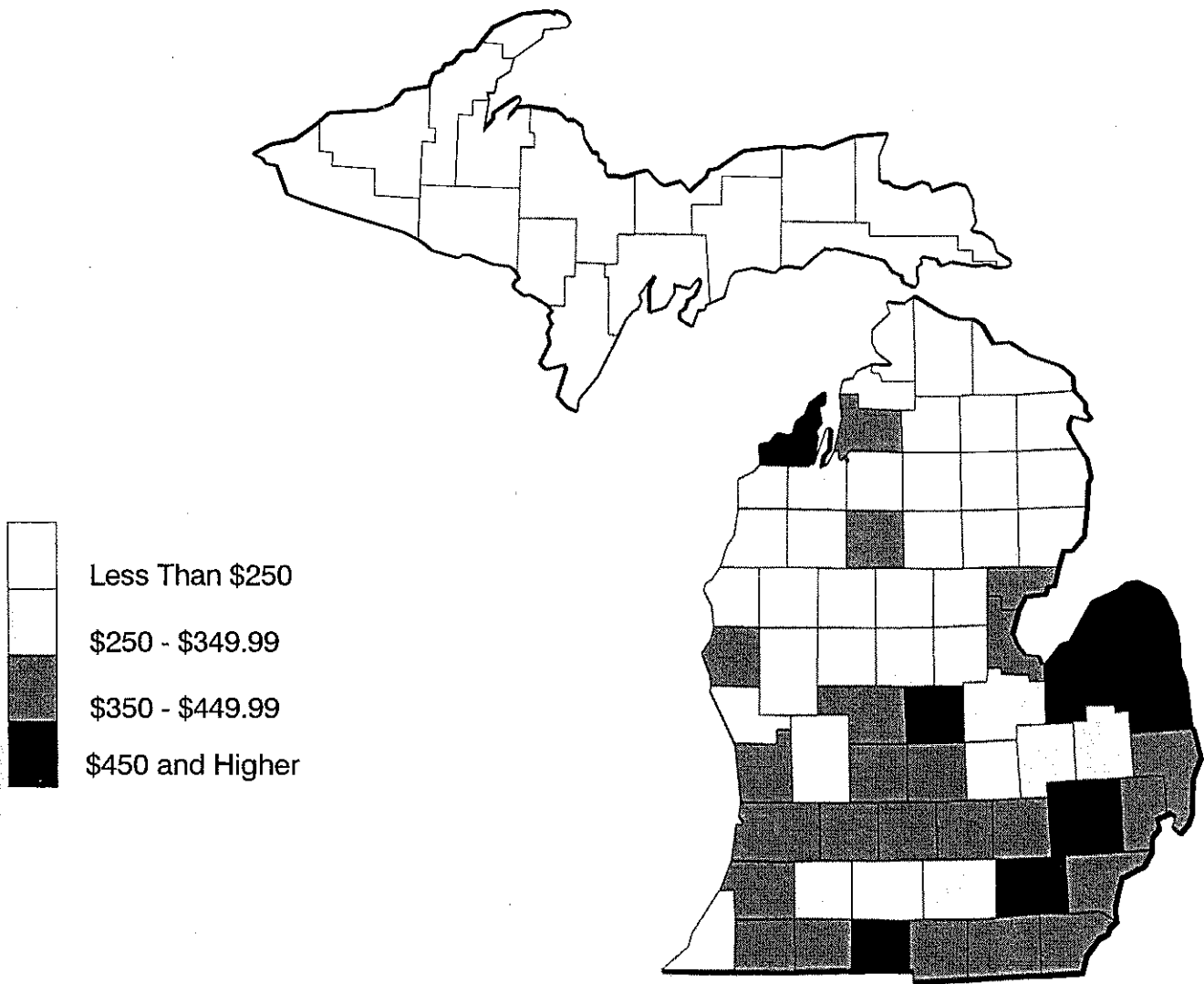
Exhibit 21
Average Adjusted Gross Income by County
1995



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

Exhibit 22

Average Property Tax Credits by County
1995



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