

# **MICHIGAN'S INDIVIDUAL INCOME TAX**

## **1996**



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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 tax or a 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 1994, 1995, and 1996 has meant increased income tax revenues.

### **Returns and Revenue**

In 1996, Michigan's personal income tax generated \$5.2 billion in state revenues, after all credits and refunds were paid.

Net revenue increased \$383.0 million (8.0 percent) from 1995 levels. Adjusted gross income increased by \$12.8 billion (7.6 percent) from 1995 to 1996.

Over 4.2 million returns were filed for the 1996 tax year, approximately 45,900 (1.1 percent) 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 5.2 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**

Over 1.1 million Michigan homeowners, renters, and farmers received \$451.5 million in property tax credits, including farmland preservation credits, for 1996. The average property tax rebate was \$397.35. The total amount of property tax credits increased by \$22.6 million (5.3 percent) with 25,300 additional taxpayers benefiting compared to tax year 1995.

Senior citizens received over \$215.5 million in homestead property tax credits, an increase of \$5.1 million from tax year 1995. For the 392,200 senior citizens receiving homestead property tax credits, the average credit was \$549.55.

### **Home Heating Credit**

Home heating credits totaled \$42.6 million for tax year 1996 with 321,700 households qualifying for an average credit of \$132.40. Home heating credits increased \$9.2 million from 1995 with 29,900 additional taxpayers benefiting.

### **City Income Tax Credit**

In 1996, city income tax credits were claimed by 991,200 taxpayers and amounted to \$34.8 million. This was a \$0.9 million increase from the prior year with 4,200 more taxpayers claiming the credit.

### **College Contribution Credit**

Over \$20.5 million of 1996 credits were paid for contributions to Michigan colleges, libraries, museums and public broadcasting stations, a \$536,000 increase over tax year 1995. There were 258,400 taxpayers claiming this credit, an increase of 1,600 from 1995.

### **Community Foundation Credit**

For tax year 1996, 15,600 taxpayers claimed \$1.4 million in community foundation credits. This was an increase of 3,100 taxpayers and \$265,700 in credits from 1995.

### **Prescription Drug Credit**

For tax year 1996, 35,400 taxpayers claimed \$16.4 million in prescription drug credits. The number of taxpayers claiming the credit was basically unchanged (35,300 claimed the credit in 1995). Taxpayers received \$390,000 more in prescription drug credits in 1996 than in 1995.

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

There were 130,000 taxpayers who claimed a homeless shelter/food bank credit for \$8.7 million for tax year 1996. Compared to tax year 1995, this represented an increase of \$1.4 million with 17,100 more taxpayers claiming a credit.

### **Medical Care Savings Account Credit**

For tax year 1996, 4,600 taxpayers claimed \$95,600 in medical care savings account credits. Compared to tax year 1995, this represented a decrease of \$25,000 with 2,000 fewer taxpayers claiming a credit.

### **College Tuition Credit**

For tax year 1996, 114,400 taxpayers claimed \$12.2 million in tuition credits. Compared to tax year 1995, this represented an increase of \$4.2 million with 24,000 additional taxpayers claiming a credit.

## II. INTRODUCTION

This report summarizes information regarding the Michigan individual income tax and income tax exemptions and credits for tax year 1996. It is based on returns filed and processed in calendar year 1997.

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 levied by 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 1996 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 4.26 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 2.0 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 for tax year 1995. The exemption remained at \$2,400 in 1996 and increased to \$2,500 in 1997. Public Act 3 of 1995 indexed the personal exemption to inflation with the personal exemption rounded to the nearest \$100 after tax year 1997. Public Act 86 of 1997 increased the personal exemption by an additional \$200 starting in tax year 1998.

The Michigan individual income tax is a flat rate tax. The Michigan Constitution prohibits graduated income tax rates. Proposals to 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 1996, 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 Michigan colleges, and contributions to Michigan colleges and food banks.

In tax year 1996, 4.3 million MI-1040 returns were filed, which represented an increase of 45,900 from 1995. An additional 427,800 "CR-only" returns (which only claim a property tax credit or home heating credit) were filed for 1996, compared to 428,400 CR-only returns filed for 1995.

The personal income tax generated \$5.2 billion in net revenue in 1996, which is total revenue after all credits and refunds are paid. Income tax revenues increased \$383.0 million (8.0 percent) from 1995. The increase in income tax revenues was due to the overall increase in the price level (3.0 percent in 1996) 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. In 1996 taxpayers filed 4.3 million state income tax returns. 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 1996, 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 5.2 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. Taxpayers with adjusted gross income of less than \$8,000 on average 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 \$18.9 million in 1996 and prescription drug credits totaled \$16.4 million. Subtracting these credits reduces the effective rate by a marginal amount. The average effective tax rate was the same in 1996 and 1995. Exhibit 2 and Exhibit 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>
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
1996	4,260,200	180,087,338,060	42,272	4.40	2.88	5,177,919,400

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. 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 1996.<sup>1</sup> 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 7.6 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 1996, 30.7 percent of Michigan taxpayers itemized deductions on their federal income tax returns. Nationally, 29.4 percent of all taxpayers itemized deductions on their federal income tax returns. With federal deductibility, 30.7 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.

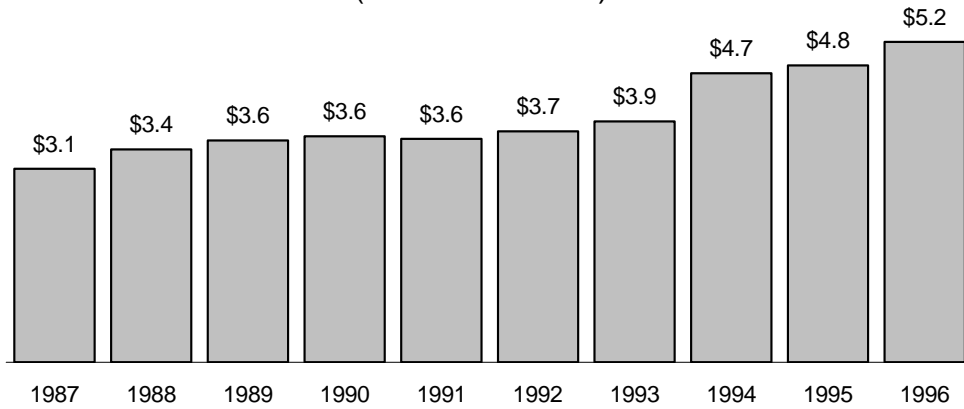
Michigan income tax revenues are slightly income elastic. The elasticity of income tax revenue before refunds was 1.06 for the period 1972 to 1997.<sup>2</sup> This means that for every 1 percent increase (decrease) in personal income, revenues increased (decreased) 1.06 percent. The income elasticity 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.

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<sup>1</sup> This exemption total includes special exemptions such as the senior exemption.

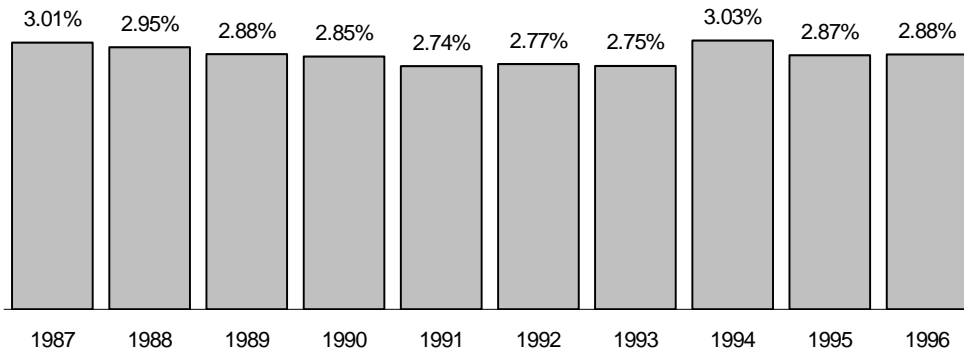
<sup>2</sup> The elasticity of income tax collections before refunds (gross collections) is important because 23 percent of gross collections is earmarked to go to the School Aid Fund.

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



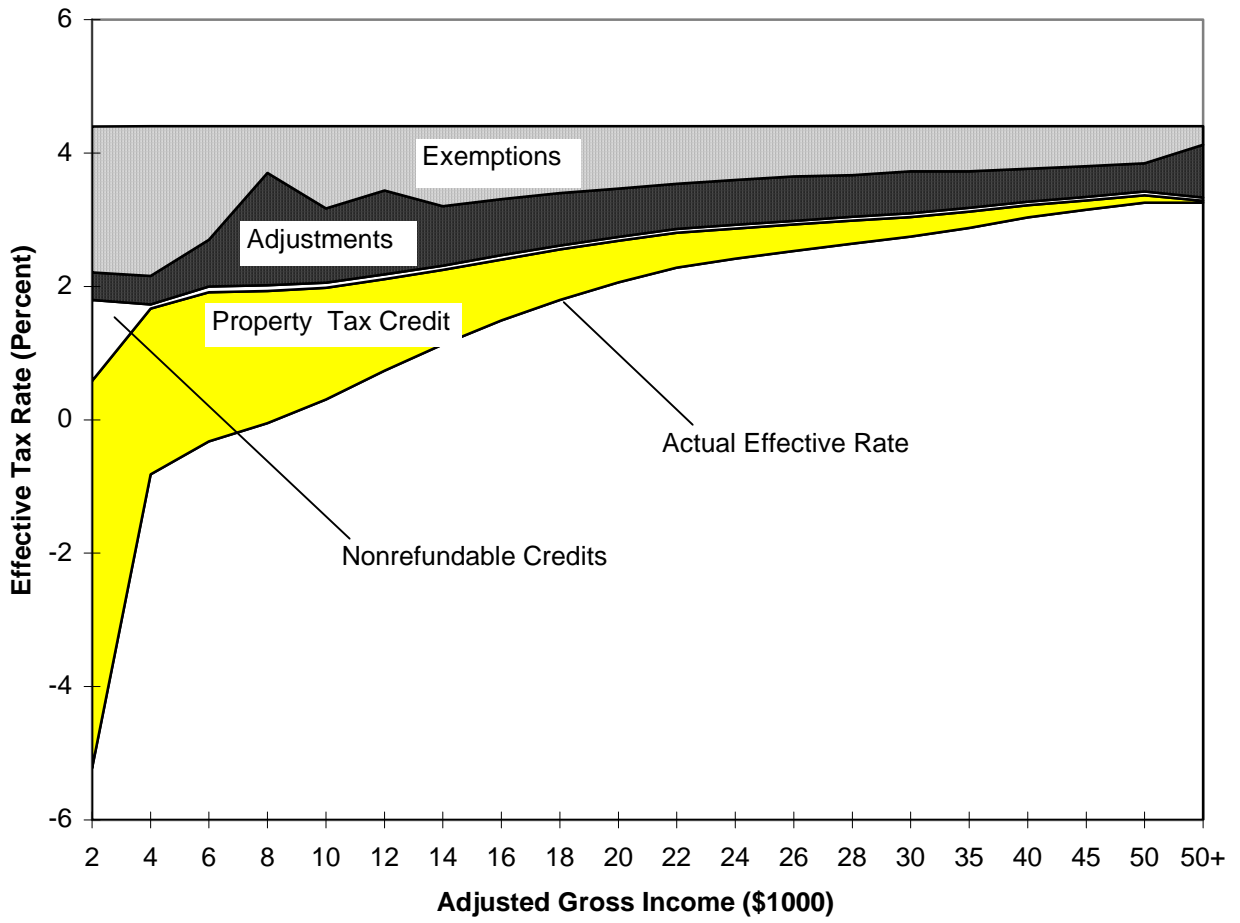
Source: Michigan Department of Treasury.

**Exhibit 3**  
**Individual Income Tax**  
**Effective Tax Rate**



Source: Michigan Department of Treasury.

**Exhibit 4  
Effective Income Tax Rate, 1996**



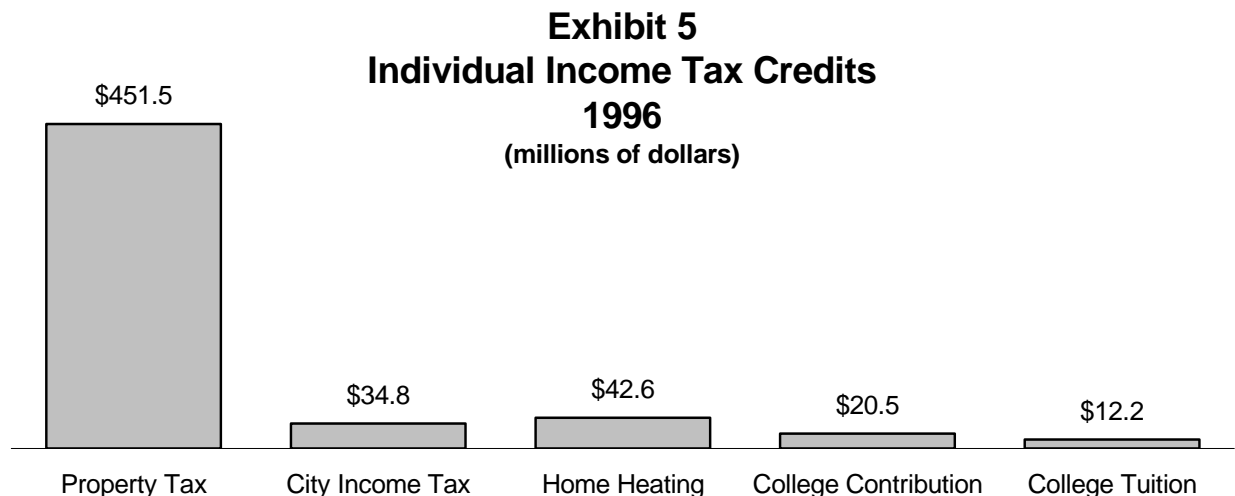
## V. INCOME TAX CREDITS

### 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 \$432.6 million of homestead property tax credits and \$18.9 million in farmland preservation property tax credits in 1997 (1996 returns). Michigan's property tax credit program is one of the largest property tax relief programs in the country. The \$451.5 million in total property tax credits represented an increase of \$22.6 million from a year ago, with 25,300 more taxpayers receiving assistance. Senior citizens received \$215.5 million of the credits, a \$5.1 million increase from 1995. 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 1996 homestead property tax credit was \$384.56 (excluding the farmland credit), a \$10.24 increase from the tax year 1995 average. Senior citizens' credits averaged \$549.55, a \$19.42 increase from 1995. 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	455,361	\$191,466,972	\$420.47
	\$10,001 - \$20,000	281,070	105,031,416	373.68
	\$20,001 - \$50,000	311,314	105,779,210	339.78
	Over \$50,000	<u>77,223</u>	<u>30,337,178</u>	<u>392.85</u>
Totals		1,124,968	\$432,614,776	\$384.56

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 2.7 percent of total AGI, taxpayers with AGI under \$10,000 received about 44.3 percent of the total homestead credits. On the other hand, taxpayers with AGI over \$50,000 accounted for 66.5 percent of total 1996 Michigan AGI, but received only 7.0 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. The program benefited approximately 11,400 farms in 1996, providing credits of \$18.9 million for an average credit of \$1,657.

Public Act 269 of 1982 provides a special tax credit for senior citizens with high rent burdens. For 1996, this alternate credit is the amount by which rent paid exceeds 40 percent of household income. In 1996, 13,700 senior citizens claimed an additional \$5.2 million using this alternate calculation. These amounts represent a decrease of 100 people claiming the credit. However, total credit payments were up by \$44,500 over 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 \$42.6 million for tax year 1996 with 321,700 households qualifying. This represented a \$9.2 million increase over the previous year with 29,900 more households receiving assistance. Prior to 1991, recipients of Aid to Families with Dependent Children or General Assistance were not eligible for this credit, but were provided comparable benefits from other state and local programs. Senior citizens received \$12.1 million of the \$42.6 million in home heating credits claimed in tax year 1996.

	<b><u>Number of Credits Allowed</u></b>	<b><u>Dollar Amount of Credits</u></b>	<b><u>Average Credit</u></b>
Senior Citizen	114,100	\$12,107,900	\$106.12
General	194,600	29,031,200	149.18
Handicapped	11,900	1,344,600	112.99
Veteran	<u>800</u>	<u>82,900</u>	<u>103.63</u>
Totals <sup>3</sup>	321,400	\$42,566,600	\$132.44

Approximately 38,300 taxpayers used the alternative calculation based on energy consumption claiming credits worth \$9.6 million. The average credit under the standard calculation was \$116.44 compared to \$250.90 under the alternative calculation.

### **City Income Tax Credit**

Partial credit is allowed for taxpayers who paid city income taxes to select 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:

<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 1996, 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 \$34.8 million for tax year 1996, a \$0.9 million increase from 1995, while the number of claimants increased by 4,200. 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.

<sup>3</sup> These totals are slightly different from the other reported totals because they come from an different home heating credit report.

<u>Adjusted Gross Income</u>		<u>Number of Credits Allowed</u>	<u>Dollar Amount of Credits</u>	<u>Average Credit</u>
Under	\$10,000	160,328	\$2,020,167	\$12.60
\$10,001 -	\$20,000	164,003	3,860,501	23.54
\$20,001 -	\$50,000	340,175	12,170,994	35.78
Over	\$50,000	<u>326,696</u>	<u>16,754,439</u>	<u>51.28</u>
Totals		991,202	\$34,806,101	\$35.12

### **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 1996, 258,400 taxpayers received \$20.5 million in credits. Credits increased \$535,800 from the prior year when 256,800 taxpayers received \$20.0 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 1996, 15,600 taxpayers claimed \$1.4 million in community foundation credits. This was an increase of 3,100 taxpayers and \$265,700 in credits from 1995.

### **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 1996, there were 35,400 taxpayers who claimed \$16.4 million in prescription drug credits. This was a marginal increase in taxpayers and \$0.4 million in credits from tax year 1995.

### **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 1996, 130,000 taxpayers claimed \$8.7 million in food bank credits. This represented an increase of 17,100 taxpayers and \$1.4 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 1996 were limited to \$6,330 for a joint return (\$3,165 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 1996, 4,600 taxpayers claimed \$95,600 in credits which represented a decrease of 2,000 taxpayers and \$25,000 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 adjusted gross 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 1996, 114,400 taxpayers claimed \$12.2 million in credits. This represented an increase of 24,000 taxpayers and \$4.2 million over tax year 1995.

## **VI. DESIGNATED CONTRIBUTIONS**

In 1996 taxpayers were able to designate \$3.00 of their tax liability for the State Campaign Fund which supports the state gubernatorial campaigns. In 1996, 459,400 taxpayers contributed \$1.4 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 1996, 57,251 filers contributed \$650,323 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 51,289 returns designating \$587,699 in Non-Game Wildlife Fund contributions in 1996.

## VII. INTERSTATE COMPARISONS

In 1996, Michigan along with five other states (Colorado, Illinois, Indiana, Massachusetts, and Pennsylvania) had a flat rate income tax.<sup>4</sup> 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 1996, Michigan ranked 13th highest in income taxes per person with Massachusetts ranking first overall. Michigan ranked 21st 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 2.53 percent, was 0.37 percentage points above the U.S. average, but 0.2 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.

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<sup>4</sup> Prior to 1996 Connecticut also had a flat rate income tax.

**Exhibit 6**  
**State Individual Income Taxes for FY 1996**  
**Per Person and Percent of Personal Income**

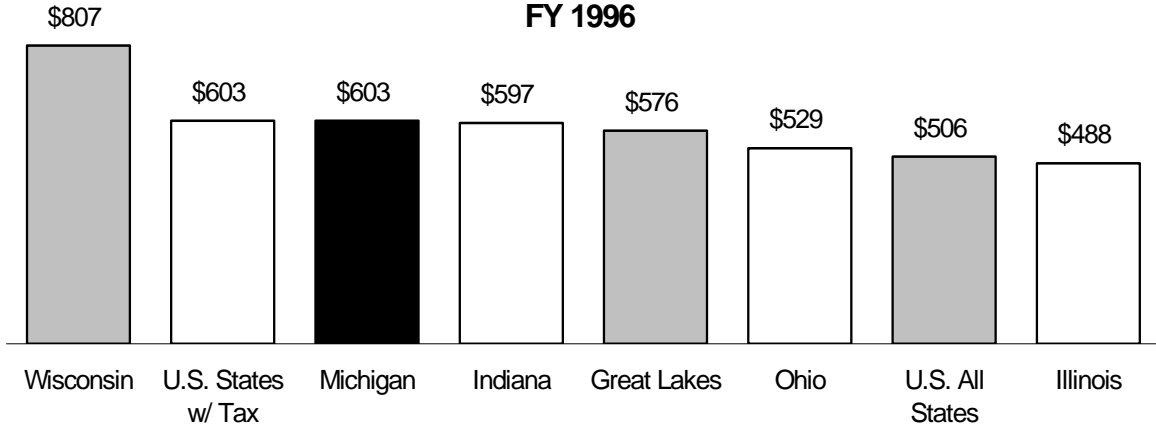
<u>State</u>	<u>Per Person Individual Income Taxes</u>	<u>Rank</u>	<u>Income Taxes as a Percent of Personal Income</u>	<u>Rank</u>
Alabama	\$368	37	1.88%	36
Alaska	No Tax	44	No Tax	44
Arizona	\$337	38	1.66%	38
Arkansas	\$464	31	2.54%	20
California	\$652	11	2.68%	14
Colorado	\$596	15	2.41%	26
Connecticut	\$800	8	2.43%	23
Delaware	\$873	5	3.33%	7
Florida	No Tax	44	No Tax	44
Georgia	\$579	18	2.62%	17
Hawaii	\$845	6	3.39%	6
Idaho	\$552	22	2.87%	10
Illinois	\$488	28	1.89%	35
Indiana	\$597	14	2.75%	13
Iowa	\$558	21	2.63%	16
Kansas	\$534	24	2.42%	25
Kentucky	\$534	23	2.83%	11
Louisiana	\$267	40	1.39%	40
Maine	\$573	19	2.82%	12
Maryland	\$689	9	2.59%	18
Massachusetts	\$1,102	1	3.84%	2
<b>Michigan</b>	<b>\$603</b>	<b>13</b>	<b>2.53%</b>	<b>21</b>
Minnesota	\$890	3	3.65%	3
Mississippi	\$274	39	1.62%	39
Missouri	\$511	26	2.32%	30
Montana	\$437	33	2.36%	27
Nebraska	\$510	27	2.33%	29
Nevada	No Tax	44	No Tax	44
New Hampshire	\$45	42	0.17%	42
New Jersey	\$592	16	1.97%	34
New Mexico	\$376	36	2.07%	33
New York	\$959	2	3.44%	5
North Carolina	\$674	10	3.17%	8
North Dakota	\$236	41	1.23%	41
Ohio	\$529	25	2.34%	28
Oklahoma	\$459	32	2.43%	24
Oregon	\$883	4	4.01%	1
Pennsylvania	\$433	34	1.82%	37
Rhode Island	\$588	17	2.46%	22
South Carolina	\$488	29	2.54%	19
South Dakota	No Tax	44	No Tax	44
Tennessee	\$22	43	0.10%	43
Texas	No Tax	44	No Tax	44
Utah	\$565	20	3.05%	9
Vermont	\$479	30	2.21%	32
Virginia	\$645	12	2.65%	15
Washington	No Tax	44	No Tax	44
West Virginia	\$412	35	2.32%	31
Wisconsin	\$807	7	3.59%	4
Wyoming	No Tax	44	No Tax	44
U.S. Average	\$506		2.16%	
U.S. Average for States With a General Income Tax	\$603		2.55%	

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

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

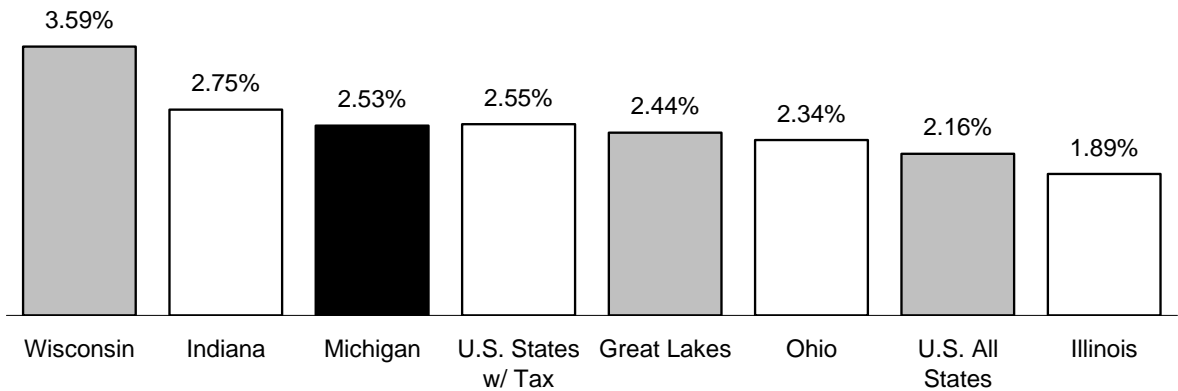
Compiled by: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

**Exhibit 7**  
**State Income Taxes Per Person**  
**Great Lakes Region**  
**FY 1996**



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 1996**



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.

	<b><u>State Average</u></b>	<b><u>High County</u></b>	<b><u>Low County</u></b>
Average AGI	\$42,260	\$54,633 Oakland	\$20,889 Lake
Percent Change in Average AGI 1995-1996	6.50%	23.21% Keweenaw	(12.56%) Wexford
Average Income Tax Before Credits	\$1,355	\$2,024 Oakland	\$550 Lake
Average Income Tax After Credits	\$1,227	\$1,860 Oakland	\$486 Lake
Income Tax Credits as a Percent of Tax Before Credits	9.47%	31.24% Huron	3.11% Luce
Ratio of Property Tax Credits to 1040s Filed	26.41%	36.26% Huron	8.64% Luce
Average Property Tax Credits	\$398	\$784 Huron	\$167 Keweenaw

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, \$2,100 in 1990, and then to \$2,400 for 1995 and 1996.

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.<sup>5</sup>

### 4. End Dividend Exclusion

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

### 5. Change Depreciation

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

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<sup>5</sup> 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.

## 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 1996, 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 1996.

### 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 1996.

## **X. 1996 PUBLIC ACTS INCOME TAX**

**Public Act 264** amended the Income Tax Act of 1967 to require an employer to deduct and withhold state income taxes for employees who elect the no-file option for state income tax returns, and to provide the Department of Treasury with a copy of an employee's exemption certificate. The act was tie-barred to Public Act 265.

**Public Act 265** amended the Income Tax Act of 1967 to allow eligible taxpayers to elect to forego filing an annual state income tax return. For tax years beginning after December 31, 1996, taxes are to be calculated by multiplying compensation by 4.4 percent. The act was tie-barred to Public Act 264.

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

**Public Act 448** amended the Income Tax Act of 1967 to provide a Michigan income tax deduction to individuals residing in a renaissance zone.

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

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

**Public Act 484** amended the Income Tax Act of 1967 to make numerous clarifying, technical, and administrative amendments.

**Public Act 568** amended the Income Tax Act of 1967 to allow taxpayers to have their income tax refunds directly deposited into a United States financial institution of their choice.

## **XI. DATA TABLES AND CHARTS**

**Exhibit 9**  
**Effective Rate of the Michigan**  
**Individual Income Tax, 1996**

<b>Adjusted Gross Income Class</b>	<b>Number of Returns Filed(1)</b>	<b>Adjusted Gross Income</b>	<b>Effective Exemptions(2)</b>	<b>Claimed Exemptions</b>	<b>Subtractions Minus Additions</b>	<b>Total Credits(3)</b>	<b>Effective Tax</b>	<b>Effective Tax as a % of Income</b>
Zero Income	476,767	\$0		51,151	(\$838,629,650)	\$127,765,047	(\$125,324,247)	
\$ 1 - 2,000	189,901	214,755,962	44,498	148,767	20,188,890	15,074,632	(11,212,670)	-5.2%
2,001 - 4,000	226,300	677,091,819	143,686	199,936	66,256,997	17,244,084	(5,540,543)	-0.8%
4,001 - 6,000	211,363	1,053,182,479	169,743	248,772	167,229,817	24,480,407	(3,423,363)	-0.3%
6,001 - 8,000	189,742	1,325,785,010	87,655	282,714	507,806,336	27,421,769	(687,127)	-0.1%
8,001 - 10,000	180,393	1,620,386,067	188,683	311,777	410,718,256	28,397,783	4,902,676	0.3%
10,001 - 12,000	169,701	1,866,151,619	169,770	317,594	533,719,639	26,949,016	13,750,253	0.7%
12,001 - 14,000	160,553	2,086,413,856	236,823	317,182	421,936,418	24,667,674	23,560,861	1.1%
14,001 - 16,000	154,353	2,314,127,757	239,739	312,628	441,403,042	22,606,760	34,476,733	1.5%
16,001 - 18,000	145,988	2,480,836,412	234,813	298,626	443,576,932	20,288,963	44,554,205	1.8%
18,001 - 20,000	136,717	2,596,587,117	229,656	281,230	426,967,131	17,688,334	53,523,269	2.1%
20,001 - 22,000	127,962	2,685,130,235	219,160	264,733	411,960,747	15,564,477	61,311,697	2.3%
22,001 - 24,000	120,270	2,764,122,240	210,491	250,130	423,252,699	14,017,450	66,752,929	2.4%
24,001 - 26,000	107,764	2,693,011,504	191,649	226,433	406,821,698	12,132,136	68,222,101	2.5%
26,001 - 28,000	101,537	2,739,701,040	189,894	217,141	387,863,110	11,078,808	72,349,302	2.6%
28,001 - 30,000	95,261	2,762,485,215	176,334	209,002	394,586,398	9,664,328	75,902,377	2.7%
30,001 - 35,000	221,125	7,172,201,913	458,606	508,508	890,496,167	21,615,333	206,350,971	2.9%
35,001 - 40,000	196,737	7,370,972,924	443,572	483,499	825,965,041	17,586,727	223,552,451	3.0%
40,001 - 45,000	181,728	7,718,595,921	437,708	473,150	802,413,686	14,822,740	243,267,342	3.2%
45,001 - 50,000	171,645	8,151,322,569	426,408	461,057	785,031,163	13,780,218	265,307,923	3.3%
Over 50,000	<u>1,122,134</u>	<u>119,794,476,401</u>	<u>3,111,252</u>	<u>3,426,994</u>	<u>21,571,654,728</u>	<u>91,601,956</u>	<u>3,901,653,983</u>	<u>3.3%</u>
Totals	4,687,941	\$180,087,338,060	7,610,138	9,291,024	\$29,501,219,245	\$574,448,642	\$5,213,251,123	2.9%

(1) Includes 427,764 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, 1996**

<u>Adjusted Gros 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	156,653	\$8,215,979,694	413,061	439,246	\$716,380,876	\$12,702,189	\$273,660,943	3.3%
55,001 - 60,000	137,580	7,906,997,216	377,547	402,161	696,999,196	11,217,647	266,153,333	3.4%
60,001 - 65,000	119,751	7,480,486,273	338,894	360,225	626,239,695	9,874,229	255,925,406	3.4%
65,001 - 70,000	102,682	6,924,081,216	268,012	315,469	671,902,741	8,690,058	238,103,729	3.4%
70,001 - 75,000	89,154	6,458,228,071	257,199	273,563	543,962,037	7,481,336	225,586,129	3.5%
75,001 - 80,000	72,986	5,648,585,854	215,078	228,774	456,387,185	5,289,386	200,455,122	3.5%
80,001 - 85,000	62,355	5,138,762,949	185,027	197,733	397,588,210	3,541,511	185,531,332	3.6%
85,001 - 90,000	53,158	4,647,249,888	158,472	169,293	346,331,444	3,197,946	169,307,786	3.6%
90,001 - 95,000	44,199	4,086,005,131	131,194	137,873	304,130,767	2,696,335	149,852,067	3.7%
95,001 - 100,000	37,156	3,620,411,399	109,831	116,491	275,998,419	2,574,556	132,981,422	3.7%
Over 100,000	<u>246,460</u>	<u>59,667,688,710</u>	<u>656,937</u>	<u>786,166</u>	<u>16,535,734,158</u>	<u>24,336,764</u>	<u>1,804,096,714</u>	<u>3.0%</u>
Totals	1,122,134	\$119,794,476,401	3,111,252	3,426,994	\$21,571,654,728	\$91,601,956	\$3,901,653,983	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 Percentage of AGI**  
**Individual Income Tax, 1996 (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	49.7%	9.4%	27.6%	131.9%
2,001 - 4,000	50.9%	9.8%	1.4%	56.5%
4,001 - 6,000	38.7%	15.9%	1.9%	50.9%
6,001 - 8,000	15.9%	38.3%	1.9%	45.1%
8,001 - 10,000	27.9%	25.3%	1.7%	38.1%
10,001 - 12,000	21.8%	28.6%	1.6%	31.2%
12,001 - 14,000	27.2%	20.2%	1.5%	25.4%
14,001 - 16,000	24.9%	19.1%	1.4%	20.8%
16,001 - 18,000	22.7%	17.9%	1.4%	17.2%
18,001 - 20,000	21.2%	16.4%	1.3%	14.2%
20,001 - 22,000	19.6%	15.3%	1.3%	11.9%
22,001 - 24,000	18.3%	15.3%	1.3%	10.2%
24,001 - 26,000	17.1%	15.1%	1.3%	9.0%
26,001 - 28,000	16.6%	14.2%	1.3%	7.9%
28,001 - 30,000	15.3%	14.3%	1.3%	6.7%
30,001 - 35,000	15.3%	12.4%	1.3%	5.6%
35,001 - 40,000	14.4%	11.2%	1.2%	4.2%
40,001 - 45,000	13.6%	10.4%	1.2%	3.1%
45,001 - 50,000	12.6%	9.6%	1.3%	2.5%
Over 50,000	<u>6.2%</u>	<u>18.0%</u>	<u>1.2%</u>	<u>0.6%</u>
Totals	10.1%	16.4%	1.3%	5.5%

- (1) In 1996, \$42.6 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 1996 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, and the tuition tax credit.

**Exhibit 11**  
**Distribution of the Number of Exemptions Claimed on 1996 MI-1040 Returns (1)**  
**Individual Income Tax, 1996**

<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	25,509	8,556	8,616	2,374	2,816	743	466	49,080	51,151
\$ 1 - 2,000	103,150	50,704	21,015	7,698	5,320	1,188	817	189,892	148,767
2,001 - 4,000	114,297	59,863	31,168	10,901	7,426	1,568	1,070	226,293	199,936
4,001 - 6,000	75,746	66,678	43,455	12,456	9,748	2,033	1,237	211,353	248,772
6,001 - 8,000	41,572	67,801	48,530	14,925	13,472	2,424	1,010	189,734	282,714
8,001 - 10,000	24,108	67,797	50,023	16,615	17,615	2,959	1,262	180,379	311,777
10,001 - 12,000	14,225	68,294	45,352	16,796	20,049	3,417	1,561	169,694	317,594
12,001 - 14,000	8,102	66,352	41,821	17,984	21,267	3,486	1,534	160,546	317,182
14,001 - 16,000	4,761	65,540	39,642	17,701	21,794	3,426	1,485	154,349	312,628
16,001 - 18,000	2,936	64,549	36,115	16,268	20,745	3,774	1,599	145,986	298,626
18,001 - 20,000	1,926	61,713	32,633	16,542	18,251	3,961	1,688	136,714	281,230
20,001 - 22,000	947	59,656	28,812	15,367	17,873	3,641	1,665	127,961	264,733
22,001 - 24,000	686	55,291	27,773	15,544	15,683	3,561	1,732	120,270	250,130
24,001 - 26,000	487	49,246	24,780	13,671	14,308	3,761	1,511	107,764	226,433
26,001 - 28,000	319	44,528	24,816	13,010	13,500	3,795	1,568	101,536	217,141
28,001 - 30,000	289	40,187	23,695	12,569	12,719	3,886	1,916	95,261	209,002
30,001 - 35,000	315	85,147	56,156	31,021	33,894	9,867	4,725	221,125	508,508
35,001 - 40,000	148	65,220	51,817	29,529	34,156	10,814	5,052	196,736	483,499
40,001 - 45,000	119	50,739	50,392	29,061	33,593	12,348	5,476	181,728	473,150
45,001 - 50,000	50	41,525	48,588	29,623	34,711	12,693	4,454	171,644	461,057
<u>Over 50,000</u>	<u>519</u>	<u>115,826</u>	<u>353,584</u>	<u>218,295</u>	<u>293,429</u>	<u>103,977</u>	<u>36,502</u>	<u>1,122,132</u>	<u>3,426,994</u>
Totals	420,211	1,255,212	1,088,783	557,950	662,369	197,322	78,330	4,260,177	9,291,024

(1) Values in this table are based on a sample of 4,260,177 MI-1040 tax returns on file and include special exemptions such as the senior or deaf exemptions.

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



**Exhibit 12**  
**Distribution of Credits Claimed (1)**  
**Individual Income Tax, 1996**

	<u>General Property Tax Credit</u>			<u>City Income Tax Credit</u>			<u>College Contribution Credit</u>				
	<u>Adjusted Gross Income</u>	<u>Number of MI-1040s Filed</u>	<u>% of Total MI-1040s Filed (2)</u>	<u>Number Claiming Credit</u>	<u>AGI Group % of MI-1040s Filed</u>	<u>\$ Amount of Credit</u>	<u>Number Claiming Credit</u>	<u>AGI Group % of MI-1040s Filed</u>	<u>\$ Amount of Credit</u>	<u>Number Claiming Credit</u>	<u>AGI Group % of MI-1040s Filed</u>
Zero Income	49,080	1.2%	9,278	1.4%	\$5,575,505	1,138	0.1%	\$96,254	336	0.1%	\$26,277
\$ 1 - 2,000	189,892	4.5%	18,097	2.7%	5,023,749	14,571	1.5%	77,669	357	0.1%	14,947
2,001 - 4,000	226,293	5.3%	26,851	4.1%	7,348,317	35,505	3.6%	290,939	1,073	0.4%	47,163
4,001 - 6,000	211,353	5.0%	36,436	5.5%	10,593,575	38,421	3.9%	447,218	1,499	0.6%	78,417
6,001 - 8,000	189,734	4.5%	37,850	5.7%	11,498,589	35,784	3.6%	524,362	2,121	0.8%	106,281
8,001 - 10,000	180,379	4.2%	38,178	5.8%	11,644,960	34,909	3.5%	583,725	2,312	0.9%	117,255
10,001 - 12,000	169,694	4.0%	38,385	5.8%	11,621,313	34,477	3.5%	670,329	2,991	1.2%	141,502
12,001 - 14,000	160,546	3.8%	37,572	5.7%	11,133,784	33,158	3.3%	724,217	3,465	1.3%	183,291
14,001 - 16,000	154,349	3.6%	37,388	5.7%	10,793,759	33,323	3.4%	789,949	3,810	1.5%	213,781
16,001 - 18,000	145,986	3.4%	36,155	5.5%	10,215,205	32,120	3.2%	821,889	3,921	1.5%	227,188
18,001 - 20,000	136,714	3.2%	33,853	5.1%	9,347,520	30,925	3.1%	854,117	3,708	1.4%	208,646
20,001 - 22,000	127,961	3.0%	32,096	4.9%	8,865,767	29,922	3.0%	886,840	3,836	1.5%	218,614
22,001 - 24,000	120,270	2.8%	28,584	4.3%	7,980,735	28,372	2.9%	868,560	4,043	1.6%	231,236
24,001 - 26,000	107,764	2.5%	25,484	3.9%	7,008,762	26,241	2.6%	807,639	3,747	1.4%	231,074
26,001 - 28,000	101,536	2.4%	22,333	3.4%	6,317,733	24,407	2.5%	807,467	4,287	1.7%	262,220
28,001 - 30,000	95,261	2.2%	19,848	3.0%	5,618,364	23,568	2.4%	798,345	4,228	1.6%	263,676
30,001 - 35,000	221,125	5.2%	42,515	6.4%	12,199,182	56,535	5.7%	2,005,667	10,848	4.2%	663,436
35,001 - 40,000	196,736	4.6%	32,398	4.9%	9,736,308	51,790	5.2%	1,970,871	11,322	4.4%	748,334
40,001 - 45,000	181,728	4.3%	24,669	3.7%	7,742,006	49,041	4.9%	1,931,731	12,559	4.9%	796,151
45,001 - 50,000	171,644	4.0%	19,933	3.0%	6,779,459	50,299	5.1%	2,093,874	13,101	5.1%	855,129
Over 50,000	<u>1,122,132</u>	<u>26.3%</u>	<u>63,061</u>	<u>9.5%</u>	<u>22,953,359</u>	<u>326,696</u>	<u>33.0%</u>	<u>16,754,439</u>	<u>164,865</u>	<u>63.8%</u>	<u>14,905,713</u>
Totals	4,260,177	100.0%	660,964	100.0%	\$199,997,951	991,202	100.0%	\$34,806,101	258,429	100.0%	\$20,540,331

(1) Values in this table are based on a sample of 4,260,177 correct 1996 MI-1040 tax returns on file.

(2) 28,680 general property tax credits for a total of \$8,125,409 were claimed on MI-1040CR-4 returns which were filed without an MI-1040.

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

	1993			1994			1995			1996		
	<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	1,122.3	\$517,887.7	\$461.45	662.3	\$194,591.9	\$293.81	658.2	\$191,569.7	\$291.05	689.6	\$208,123.4	\$301.80
Senior Citizen(1)												
Standard	549.2	434,379.0	790.93	400.9	207,100.4	516.59	396.9	205,228.1	517.08	392.2	210,308.9	536.23
Low Income Rent	19.3	8,198.1	424.77	15.1	6,110.3	404.66	13.8	5,180.7	375.41	13.7	5,225.2	381.40
Veteran	16.2	3,527.6	217.75	16.7	2,139.0	128.08	17.0	2,163.9	127.29	15.6	1,999.7	128.19
Blind	1.4	305.0	217.86	1.6	205.6	128.50	1.7	210.1	123.59	1.5	191.3	127.53
Disabled(2)	31.4	12,052.5	383.84	23.9	6,358.4	266.04	25.1	6,981.5	278.15	26.0	6,766.3	260.24
Farmland & Solar	<u>15.1</u>	<u>64,689.3</u>	<u>4,284.06</u>	<u>13.7</u>	<u>18,883.9</u>	<u>1,378.39</u>	<u>12.1</u>	<u>17,594.4</u>	<u>1,456.24</u>	<u>11.4</u>	<u>18,895.2</u>	<u>1,657.47</u>
Total Property Tax Credits	1,735.6	\$1,041,039.2	\$599.82	1,119.1	\$435,389.5	\$389.05	1,111.0	\$428,928.4	\$386.08	1,136.3	\$451,510.0	\$397.35
City Income Tax Credit	903.9	\$30,229.9	\$33.44	932.4	\$32,700.8	\$35.07	987.0	\$33,879.0	\$34.33	991.2	\$34,806.1	\$35.12
College Contribution Credit	253.5	\$19,102.2	\$75.35	244.9	\$19,144.1	\$78.17	256.8	\$20,004.5	\$77.90	258.4	\$20,540.3	\$79.49
Home Heating Credit	410.0	\$76,875.5	\$187.50	409.5	\$77,571.0	\$189.43	291.8	\$33,428.9	\$114.56	321.7	\$42,592.0	\$132.40
Credit for Income Tax Paid to Another State	32.8	\$16,020.6	\$488.43	34.8	\$17,354.0	\$498.68	37.1	\$19,437.5	\$523.92	37.5	\$22,155.7	\$590.82
Prescription Drug Credit	38.2	\$16,760.9	\$438.77	39.5	\$17,771.8	\$449.92	35.3	\$16,047.0	\$455.07	35.4	\$16,436.6	\$464.31
Community Foundation Credit	9.9	\$811.5	\$81.97	11.5	\$995.0	\$86.52	12.5	\$1,109.6	\$88.77	15.6	\$1,375.3	\$88.16
Medical Care Savings Account Credit				5.6	\$89.4	\$15.96	6.6	\$120.6	\$18.27	4.6	\$95.6	\$20.78
Homeless/Food Bank Credit	82.3	\$5,031.4	\$61.13	95.4	\$6,226.3	\$65.27	112.9	\$7,235.4	\$64.09	130.0	\$8,667.3	\$66.67
College Tuition Credit							90.4	\$8,026.5	\$88.79	114.4	\$12,213.5	\$106.76

(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, 1996**

	<u>General</u>			<u>Senior Citizens (2)</u>			<u>Veterans</u>			<u>Handicapped(3)</u>		
	<u>Adjusted Gross Income</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>
Zero Income(4)	37,902	5.5%	\$13,686,900	128,524	32.8%	\$65,776,977	3,255	20.8%	\$472,713	19,506	70.9%	\$5,185,094
\$ 1 - 2,000	18,101	2.6%	5,024,429	11,752	3.0%	7,266,604	128	0.8%	16,856	683	2.5%	156,339
2,001 - 4,000	26,855	3.9%	7,349,192	15,529	4.0%	9,326,156	190	1.2%	27,417	489	1.8%	116,273
4,001 - 6,000	36,444	5.3%	10,595,637	21,931	5.6%	12,722,336	343	2.2%	43,954	924	3.4%	219,935
6,001 - 8,000	37,858	5.5%	11,501,388	26,179	6.7%	14,595,058	388	2.5%	52,236	888	3.2%	166,174
8,001 - 10,000	38,189	5.5%	11,648,380	28,037	7.1%	15,274,993	452	2.9%	58,570	814	3.0%	183,361
10,001 - 12,000	38,389	5.6%	11,622,289	24,989	6.4%	13,784,084	626	4.0%	80,851	632	2.3%	126,638
12,001 - 14,000	37,577	5.4%	11,134,055	21,874	5.6%	12,022,847	617	3.9%	80,856	394	1.4%	79,120
14,001 - 16,000	37,391	5.4%	10,793,940	18,764	4.8%	10,198,419	504	3.2%	64,135	285	1.0%	82,339
16,001 - 18,000	36,157	5.2%	10,215,764	15,095	3.8%	8,416,223	525	3.4%	65,679	412	1.5%	90,556
18,001 - 20,000	33,855	4.9%	9,347,930	12,169	3.1%	6,686,224	512	3.3%	63,652	303	1.1%	75,815
20,001 - 22,000	32,097	4.7%	8,865,796	9,366	2.4%	5,053,138	442	2.8%	53,987	274	1.0%	50,757
22,001 - 24,000	28,584	4.1%	7,980,735	7,777	2.0%	4,342,333	402	2.6%	51,467	333	1.2%	74,229
24,001 - 26,000	25,484	3.7%	7,008,762	6,337	1.6%	3,568,963	388	2.5%	53,424	59	0.2%	14,862
26,001 - 28,000	22,334	3.2%	6,317,832	5,517	1.4%	3,114,336	370	2.4%	51,839	157	0.6%	28,575
28,001 - 30,000	19,848	2.9%	5,618,364	4,308	1.1%	2,433,571	368	2.4%	43,694	161	0.6%	21,668
30,001 - 35,000	42,515	6.2%	12,199,182	9,035	2.3%	5,307,060	820	5.2%	99,643	253	0.9%	54,424
35,001 - 40,000	32,398	4.7%	9,736,308	6,106	1.6%	3,716,175	785	5.0%	98,485	235	0.9%	39,425
40,001 - 45,000	24,669	3.6%	7,742,006	4,531	1.2%	2,754,991	762	4.9%	88,000	167	0.6%	52,405
45,001 - 50,000	19,934	2.9%	6,779,653	3,703	0.9%	2,262,294	744	4.8%	89,581	51	0.2%	11,246
Over 50,000	<u>63,063</u>	<u>9.1%</u>	<u>22,954,818</u>	<u>10,658</u>	<u>2.7%</u>	<u>6,911,356</u>	<u>3,024</u>	<u>19.3%</u>	<u>342,616</u>	<u>478</u>	<u>1.7%</u>	<u>128,388</u>
Totals	689,644	100.0%	\$208,123,360	392,181	100.0%	\$215,534,138	15,645	100.0%	\$1,999,655	27,498	100.0%	\$6,957,623

- (1) Values in this table are based on a sample of the 4,687,941 MI-1040 and MI-1040CR returns.  
(2) Includes Senior Citizen Low Income Rent Credits.  
(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, 1996**

<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	815	\$1,605,285	\$864,488	\$740,797
1,001 - 2,000	455	605,210	342,697	262,512
2,001 - 3,000	880	734,916	602,879	132,037
3,001 - 4,000	1,970	1,366,130	1,210,424	155,705
4,001 - 5,000	4,100	2,761,546	2,407,989	353,557
5,001 - 6,000	13,134	8,368,913	6,812,168	1,556,745
6,001 - 7,000	13,186	9,188,330	6,415,784	2,772,546
7,001 - 8,000	13,634	10,698,023	6,968,600	3,729,423
8,001 - 9,000	14,928	12,527,333	7,889,621	4,637,712
9,001 - 10,000	14,676	13,317,575	7,950,806	5,366,769
10,001 - 11,000	14,301	13,615,559	7,601,190	6,014,369
11,001 - 12,000	14,145	13,995,901	7,775,910	6,219,991
12,001 - 13,000	14,360	14,827,799	7,905,118	6,922,681
13,001 - 14,000	14,126	15,381,857	7,979,843	7,402,014
14,001 - 15,000	14,583	16,136,601	7,924,895	8,211,706
15,001 - 16,000	14,045	16,991,215	7,693,297	9,297,918
16,001 - 17,000	14,062	16,701,640	7,682,754	9,018,886
17,001 - 18,000	13,356	16,357,494	7,266,054	9,091,440
18,001 - 19,000	13,182	16,997,215	7,100,881	9,896,334
19,001 - 20,000	12,362	15,923,412	6,659,569	9,263,843
20,001 - 21,000	11,802	15,653,981	6,329,448	9,324,533
21,001 - 22,000	11,597	15,791,738	6,079,752	9,711,985
22,001 - 23,000	10,781	15,530,432	5,983,336	9,547,095
23,001 - 24,000	10,828	15,292,966	5,635,982	9,656,984
24,001 - 25,000	9,904	14,476,315	5,167,037	9,309,278
25,001 - 26,000	9,041	13,651,046	4,839,913	8,811,133
26,001 - 27,000	8,847	13,593,055	4,569,927	9,023,128
27,001 - 28,000	8,898	13,668,176	4,413,730	9,254,446
28,001 - 29,000	7,789	12,718,326	4,048,579	8,669,746
29,001 - 30,000	7,340	12,161,136	3,813,270	8,347,866
30,001 - 35,000	29,291	51,622,997	15,260,327	36,362,671
35,001 - 40,000	19,111	38,165,142	10,327,016	27,838,126
40,001 - 45,000	12,852	28,103,496	6,862,644	21,240,851
45,001 - 50,000	7,907	19,594,354	4,592,068	15,002,286
Over 50,000	<u>18,534</u>	<u>57,106,399</u>	<u>10,479,094</u>	<u>46,627,305</u>
Totals	400,822	\$555,231,510	\$215,457,091	\$339,774,419

(1) Includes Senior Citizen Low Income Rent Credits.

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

**Exhibit 16**

**General Property Tax Credits on MI-1040CR Returns  
Individual Income Tax, 1996**

<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	6,707	\$8,205,450	\$3,953,845	\$4,251,605
1,001 - 2,000	4,500	3,729,188	1,908,734	1,820,454
2,001 - 3,000	6,547	4,981,701	2,393,201	2,588,499
3,001 - 4,000	8,897	6,576,553	2,951,263	3,625,290
4,001 - 5,000	13,518	10,079,689	4,184,507	5,895,182
5,001 - 6,000	23,019	16,776,437	6,636,797	10,139,640
6,001 - 7,000	20,576	16,126,958	5,958,713	10,168,245
7,001 - 8,000	22,445	18,230,113	6,384,566	11,845,547
8,001 - 9,000	24,429	20,330,659	6,966,628	13,364,031
9,001 - 10,000	23,752	20,514,412	6,797,270	13,717,143
10,001 - 11,000	23,496	21,165,616	6,756,238	14,409,378
11,001 - 12,000	23,176	21,511,036	6,709,250	14,801,786
12,001 - 13,000	22,201	21,181,825	6,453,020	14,728,804
13,001 - 14,000	21,200	21,045,299	6,052,039	14,993,261
14,001 - 15,000	22,063	22,117,813	6,162,434	15,955,380
15,001 - 16,000	20,570	21,445,557	5,818,008	15,627,548
16,001 - 17,000	20,453	21,909,649	5,651,599	16,258,050
17,001 - 18,000	20,383	22,484,685	5,580,221	16,904,464
18,001 - 19,000	19,157	21,555,962	5,239,218	16,316,744
19,001 - 20,000	18,324	21,138,171	4,971,176	16,166,995
20,001 - 21,000	18,379	22,034,357	4,946,714	17,087,643
21,001 - 22,000	17,156	20,844,371	4,673,362	16,171,010
22,001 - 23,000	15,425	19,535,509	4,207,107	15,328,402
23,001 - 24,000	15,146	20,052,996	4,216,364	15,836,632
24,001 - 25,000	15,415	20,275,666	4,073,502	16,202,164
25,001 - 26,000	13,748	18,725,401	3,693,977	15,031,424
26,001 - 27,000	13,307	18,611,642	3,627,296	14,984,346
27,001 - 28,000	12,206	17,758,181	3,421,723	14,336,457
28,001 - 29,000	11,950	17,463,584	3,166,877	14,296,708
29,001 - 30,000	10,258	15,642,385	2,935,810	12,706,575
30,001 - 35,000	48,496	78,183,553	13,125,762	65,057,791
35,001 - 40,000	36,641	66,690,188	10,226,446	56,463,742
40,001 - 45,000	28,520	57,426,544	8,207,646	49,218,898
45,001 - 50,000	22,806	49,985,998	7,049,331	42,936,667
Over 50,000	<u>75,616</u>	<u>209,383,294</u>	<u>23,028,039</u>	<u>186,355,256</u>
Totals	720,482	\$993,720,442	\$208,128,680	\$785,591,761

**Exhibit 17**

**Distribution of Home Heating Credits Claimed on MI-1040CR-7 Returns  
Individual Income Tax, 1996**

<u>Household Income</u>	<b>Senior Citizens MI-1040CR-1</b>		<b>General MI-1040CR-4</b>		<b>Handicapped(1) MI-1040CR-2 &amp; CR-3</b>		<b>Veterans MI-1040CR-2</b>	
	<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	555	\$206,132	6,064	\$1,710,078	78	\$12,743	79	\$8,160
1,001 - 2,000	366	110,415	3,942	994,540	20	4,660	0	0
2,001 - 3,000	752	185,575	5,991	1,337,160	70	11,923	1	548
3,001 - 4,000	1,905	413,882	8,212	1,676,652	153	26,847	3	248
4,001 - 5,000	4,315	796,386	14,652	2,803,204	421	64,586	22	2,972
5,001 - 6,000	16,107	2,338,062	30,232	4,688,484	5,848	670,594	133	15,682
6,001 - 7,000	16,241	2,071,543	20,674	3,120,584	1,492	166,374	138	14,788
7,001 - 8,000	15,882	1,687,258	19,214	2,600,010	964	97,024	129	11,743
8,001 - 9,000	15,885	1,448,149	17,133	2,210,947	970	103,359	97	9,142
9,001 - 10,000	13,633	957,829	14,850	1,913,247	686	65,124	44	3,808
Over 10,000	<u>28,479</u>	<u>1,892,660</u>	<u>53,681</u>	<u>5,976,258</u>	<u>1,152</u>	<u>121,340</u>	<u>191</u>	<u>15,804</u>
Totals	114,120	\$12,107,891	194,645	\$29,031,164	11,854	\$1,344,574	837	\$82,895
Average Credit		\$106.10		\$149.15		\$113.43		\$99.04

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

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

**Exhibit 18**  
**1996 Income Tax Collections**  
**by County**

<u>County</u>	<u>Property Tax</u> <u>Credits</u>	<u>Home Heating</u> <u>Credits</u>	<u>Tax After</u> <u>Credits</u>	<u>Percent of</u> <u>Total Tax</u>
Alcona	\$288,818	\$98,140	\$2,184,134	0.0%
Alger	141,736	73,300	2,951,825	0.1%
Allegan	3,023,864	310,605	37,960,968	0.7%
Alpena	1,146,640	240,135	12,068,491	0.2%
Antrim	927,003	107,552	8,309,172	0.2%
Arenac	619,585	178,650	4,456,884	0.1%
Baraga	125,326	67,315	2,254,359	0.0%
Barry	1,330,459	135,146	19,962,109	0.4%
Bay	5,361,907	555,920	47,588,444	0.9%
Benzie	407,953	77,944	3,809,653	0.1%
Berrien	5,555,605	823,770	69,372,854	1.3%
Branch	1,612,709	210,046	14,146,116	0.3%
Calhoun	4,992,319	653,562	56,159,299	1.1%
Cass	1,414,948	207,861	14,507,653	0.3%
Charlevoix	786,833	118,334	11,958,078	0.2%
Cheboygan	643,321	166,988	6,975,205	0.1%
Chippewa	634,294	208,969	12,087,155	0.2%
Clare	591,294	293,802	8,201,349	0.2%
Clinton	2,284,748	144,437	28,713,296	0.6%
Crawford	228,873	91,122	2,820,687	0.1%
Delta	896,160	300,450	13,688,264	0.3%
Dickinson	715,599	117,376	8,609,598	0.2%
Eaton	2,861,574	209,780	43,234,143	0.8%
Emmet	1,199,463	138,866	17,401,788	0.3%
Genesee	11,914,924	2,042,060	215,097,220	4.2%
Gladwin	770,797	217,020	7,570,978	0.1%
Gogebic	260,728	156,726	4,509,992	0.1%
Grand Traverse	2,215,992	166,332	24,792,015	0.5%
Gratiot	1,735,426	252,758	15,385,305	0.3%
Hillsdale	1,429,771	275,409	15,487,581	0.3%
Houghton	512,610	243,677	9,212,886	0.2%
Huron	4,635,004	348,166	10,109,250	0.2%
Ingham	16,136,286	918,403	161,648,193	3.1%
Ionia	1,980,103	207,630	24,905,090	0.5%
Iosco	620,347	192,013	6,144,700	0.1%
Iron	201,575	133,474	2,883,056	0.1%
Isabella	1,285,314	216,946	21,568,828	0.4%
Jackson	4,425,988	549,422	72,800,091	1.4%
Kalamazoo	8,410,641	602,529	104,786,063	2.0%
Kalkaska	284,257	74,778	4,414,438	0.1%
Kent	16,257,233	1,303,298	216,466,523	4.2%
Keweenaw	16,507	15,988	524,293	0.0%
Lake	167,984	140,378	1,279,993	0.0%
Lapeer	2,066,621	214,176	43,386,023	0.8%
Leelanau	889,546	56,262	5,381,887	0.1%

**Exhibit 18 (1996 cont.)**

<u>County</u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>	<u>Tax After Credits</u>	<u>Percent of Total Tax</u>
Lenawee	\$4,290,433	\$321,482	\$43,894,883	0.8%
Livingston	4,411,262	169,867	97,082,682	1.9%
Luce	40,050	47,838	1,622,887	0.0%
Mackinac	275,120	83,286	4,552,383	0.1%
Macomb	42,817,723	1,375,029	426,972,535	8.2%
Manistee	558,301	166,671	6,951,411	0.1%
Marquette	1,400,513	298,806	24,500,410	0.5%
Mason	1,075,765	198,359	7,863,509	0.2%
Mecosta	751,432	197,241	9,736,635	0.2%
Menominee	580,705	190,017	8,525,082	0.2%
Midland	1,334,489	201,810	32,248,533	0.6%
Missaukee	497,207	103,657	3,242,035	0.1%
Monroe	3,392,926	272,891	55,331,407	1.1%
Montcalm	2,214,169	389,335	22,409,504	0.4%
Montmorency	146,969	96,120	3,019,582	0.1%
Muskegon	5,002,657	905,659	51,810,228	1.0%
Newaygo	1,235,111	254,355	12,706,937	0.2%
Oakland	88,174,855	2,258,293	1,165,637,559	22.5%
Oceana	786,480	191,755	6,824,742	0.1%
Ogemaw	515,928	191,221	5,165,818	0.1%
Ontonagon	106,591	74,004	2,013,025	0.0%
Osceola	789,433	220,204	6,519,857	0.1%
Oscoda	81,230	69,624	1,493,154	0.0%
Otsego	429,221	84,268	10,928,552	0.2%
Ottawa	7,311,969	340,340	123,069,912	2.4%
Presque Isle	465,792	158,552	5,092,588	0.1%
Roscommon	717,012	214,882	5,740,736	0.1%
Saginaw	7,106,752	1,252,762	87,703,281	1.7%
St. Clair	7,107,540	501,312	95,445,014	1.8%
St. Joseph	1,842,294	250,936	23,310,915	0.4%
Sanilac	2,938,658	354,562	13,326,052	0.3%
Schoolcraft	130,951	88,129	2,330,832	0.0%
Shiawassee	2,544,525	291,487	34,548,893	0.7%
Tuscola	3,573,928	307,945	23,430,520	0.5%
Van Buren	3,163,044	451,839	27,573,934	0.5%
Washtenaw	20,127,594	493,493	207,574,079	4.0%
Wayne (excl. Detroit)	74,811,820	2,800,954	659,098,504	12.7%
Wexford	849,184	221,121	8,314,131	0.2%
Outside Michigan	11,215,014	632,562	261,944,365	5.1%
Detroit	<u>28,730,155</u>	<u>11,900,631</u>	<u>175,696,306</u>	<u>3.4%</u>
Totals	\$447,553,487	\$42,480,814	\$5,183,029,341	100.0%



**Exhibit 19**  
**1996 Income Tax Data by County**

<u>County</u>	<u>1996 Adjusted Gross Income (Millions)</u>	<u>Average</u>		<u>Percent Change Average AGI 1995-96</u>	<u>Income Tax Revenue Before Credits</u>		<u>Average Income Tax Before Credits</u>		<u>Average Income Tax After Credits</u>		<u>Credits as a % of Tax Before Credits</u>		<u>Ratio of Property Tax Credits to 1040s</u>		<u>Average Property Tax Credit (1)</u>	
		<u>AGI</u>	<u>AGI</u>		<u>Rank</u>	<u>Rank</u>	<u>Rank</u>	<u>Rank</u>	<u>Rank</u>	<u>Rank</u>	<u>Rank</u>	<u>Rank</u>	<u>Rank</u>	<u>Rank</u>	<u>Rank</u>	
Alcona	\$105.4	\$24,425	\$24,183	1.00%	\$2,594,692	76	\$601	81	\$529	82	12.04%	9	25.03%	21	\$267	63
Alger	108.2	28,684	26,984	6.30%	3,208,353	74	851	57	802	50	5.71%	75	17.08%	76	220	77
Allegan	1,204.5	33,445	32,374	3.31%	41,665,970	22	1,157	21	1,063	21	8.15%	51	20.36%	56	412	15
Alpena	435.6	28,253	27,186	3.93%	13,588,606	44	881	52	798	52	9.42%	34	26.77%	12	278	59
Antrim	297.1	34,705	29,576	17.34%	9,458,520	52	1,105	27	983	31	11.01%	19	28.12%	8	385	21
Arenac	176.3	23,765	24,913	-4.61%	5,306,044	66	715	74	625	78	12.64%	7	24.96%	24	335	42
Baraga	79.9	25,859	24,357	6.17%	2,471,023	78	800	62	751	57	6.04%	74	17.02%	77	238	71
Barry	629.3	35,309	34,052	3.69%	21,625,967	34	1,213	18	1,128	18	7.07%	58	19.58%	61	381	22
Bay	1,604.7	32,943	30,459	8.16%	54,135,227	18	1,111	25	988	29	11.07%	17	30.74%	4	358	34
Benzie	151.8	27,586	26,381	4.57%	4,342,309	70	789	63	707	65	10.47%	22	22.25%	42	333	43
Berrien	2,282.9	32,492	31,824	2.10%	76,561,763	14	1,090	29	999	26	8.31%	49	23.94%	27	330	44
Branch	480.9	30,112	27,889	7.97%	16,140,491	40	1,011	38	899	37	11.05%	18	22.47%	37	449	8
Calhoun	1,898.0	33,129	31,254	6.00%	63,169,817	16	1,103	28	992	27	10.06%	27	25.76%	18	338	41
Cass	503.9	30,314	28,847	5.09%	16,631,115	39	1,000	40	885	43	11.52%	12	20.05%	58	425	13
Charlevoix	392.3	33,524	32,364	3.59%	12,970,504	46	1,108	26	1,032	23	6.89%	61	20.47%	53	328	45
Cheboygan	268.0	25,798	24,627	4.76%	7,861,424	58	757	70	687	70	9.15%	37	19.74%	60	314	50
Chippewa	419.8	27,306	26,079	4.71%	13,202,977	45	859	55	800	51	6.87%	62	17.24%	74	239	70
Clare	306.2	25,698	23,390	9.87%	9,179,160	55	770	68	713	63	7.45%	56	20.34%	57	244	69
Clinton	907.4	38,216	35,300	8.26%	31,645,528	25	1,333	12	1,215	11	8.81%	43	22.59%	35	426	12
Crawford	109.8	24,986	23,693	5.46%	3,197,613	75	728	73	663	74	8.94%	41	22.71%	33	229	75
Delta	474.1	29,404	29,596	-0.65%	15,038,336	42	933	47	868	44	6.98%	59	21.46%	45	259	67
Dickinson	301.7	33,455	31,109	7.54%	9,544,058	50	1,058	32	968	33	8.56%	46	25.76%	19	308	52
Eaton	1,351.5	37,555	37,179	1.01%	46,984,169	20	1,306	14	1,207	12	7.53%	55	21.75%	44	366	28
Emmet	551.3	36,068	33,709	7.00%	18,991,880	35	1,242	16	1,147	15	7.64%	54	22.42%	38	350	38
Genesee	6,839.7	35,842	35,530	0.88%	232,958,772	5	1,221	17	1,138	16	6.79%	65	21.86%	43	286	57
Gladwin	287.6	27,135	26,517	2.33%	8,622,386	56	814	60	735	59	9.68%	31	25.01%	22	291	54
Gogebic	166.2	26,302	25,607	2.72%	4,981,512	67	788	64	739	58	6.32%	71	19.58%	62	211	78
Grand Traverse	823.3	31,840	31,937	-0.31%	27,477,210	29	1,063	31	965	34	9.17%	36	24.44%	25	351	37
Gratiot	523.4	30,021	29,743	0.93%	17,530,272	37	1,005	39	897	39	10.79%	21	20.59%	52	483	6
Hillsdale	532.5	29,277	29,307	-0.10%	17,578,350	36	966	45	867	45	10.33%	23	20.83%	49	377	25
Houghton	325.0	26,309	23,692	11.05%	10,146,636	49	821	59	766	56	6.80%	64	17.85%	70	232	72
Huron	469.1	28,779	26,441	8.84%	15,209,058	41	933	46	642	77	31.24%	1	36.26%	1	784	1
Ingham	5,216.8	37,259	36,149	3.07%	183,088,725	7	1,308	13	1,161	14	11.21%	15	32.13%	2	359	33
Ionia	809.0	31,927	30,172	5.82%	27,504,931	28	1,085	30	991	28	8.70%	44	19.74%	59	396	19
Iosco	265.4	25,225	25,687	-1.80%	7,021,379	61	667	79	602	79	9.75%	30	23.23%	30	254	68
Iron	117.1	25,280	24,107	4.87%	3,294,999	72	711	75	651	75	8.45%	48	22.33%	40	195	80
Isabella	694.0	34,138	32,204	6.01%	23,335,257	33	1,148	22	1,072	20	6.64%	69	17.59%	72	359	31
Jackson	2,295.7	34,696	33,282	4.25%	79,090,883	13	1,195	19	1,109	19	7.26%	57	20.83%	50	321	47
Kalamazoo	3,295.9	38,811	36,785	5.51%	115,166,708	9	1,356	10	1,241	9	8.49%	47	28.57%	7	347	39
Kalkaska	148.9	27,984	24,161	15.82%	4,814,289	69	905	48	844	46	6.75%	66	18.79%	67	284	58
Kent	6,710.5	37,469	37,611	-0.38%	238,884,645	4	1,334	11	1,216	10	8.84%	42	26.26%	14	346	40
Keweenaw	19.4	25,447	20,654	23.21%	563,580	83	738	71	707	64	4.13%	82	12.96%	82	167	83
Lake	61.1	20,889	20,603	1.39%	1,606,776	82	550	83	486	83	11.60%	11	25.01%	23	230	74
Lapeer	1,317.3	39,140	37,040	5.67%	46,232,979	21	1,374	9	1,295	7	5.69%	76	17.48%	73	351	36
Leelanau	219.5	33,392	31,337	6.56%	6,439,289	63	980	44	827	48	15.55%	4	27.86%	9	486	5

**Exhibit 19 (1996 cont.)**

County	1996	1996	1995	Percent	Income	Average		Average		Credits	Ratio of		Average			
	Adjusted					Average	Average	Change	Tax		Rank	Income	Rank	Income	Rank	Property
	Gross	AGI	AGI	AGI	Revenue	Credits	Tax	Credits	After	Rank	as a %	Tax	Filed	Rank	Tax	Rank
	Income			1995-96	Before		Before				of Tax	Credits			Credit (1)	
	(Millions)				Credits		Credits		Credits		Before	Rank	Rank	Rank	Rank	Rank
Lenawee	\$1,448.5	\$34,583	\$33,390	3.57%	\$49,759,339	19	\$1,188	20	\$1,056	22	11.14%	16	22.93%	32	\$447	9
Livingston	2,804.2	49,163	46,034	6.80%	102,822,098	11	1,803	2	1,705	2	5.42%	78	19.17%	63	404	17
Luce	60.1	24,380	24,032	1.45%	1,724,392	80	700	77	678	71	3.11%	83	8.64%	83	188	82
Mackinac	157.1	27,581	25,016	10.25%	4,941,437	68	868	53	814	49	6.19%	72	18.17%	69	266	65
Macomb	13,391.4	40,457	38,177	5.97%	476,443,821	2	1,439	7	1,294	8	10.09%	26	29.83%	5	434	11
Manistee	250.9	27,784	25,916	7.20%	7,789,195	59	862	54	788	53	8.62%	45	22.94%	31	269	62
Marquette	813.2	32,023	30,155	6.19%	26,641,346	30	1,049	33	977	32	6.91%	60	20.43%	55	270	60
Mason	290.5	27,918	26,611	4.91%	9,217,290	54	886	51	775	55	12.54%	8	27.75%	10	373	26
Mecosta	354.3	27,819	27,415	1.47%	10,933,930	48	859	56	780	54	9.15%	38	18.38%	68	321	48
Menominee	318.4	30,273	29,292	3.35%	9,354,984	53	890	49	829	47	6.84%	63	19.01%	65	290	55
Midland	982.5	45,611	42,914	6.29%	34,191,750	24	1,587	5	1,506	4	5.09%	80	20.44%	54	303	53
Missaukee	122.9	25,584	24,515	4.36%	3,874,018	71	807	61	697	67	13.64%	6	23.66%	28	438	10
Monroe	1,911.7	40,201	37,571	7.00%	67,001,325	15	1,409	8	1,169	13	17.01%	3	18.81%	66	379	23
Montcalm	755.5	29,763	27,272	9.13%	25,230,233	32	994	41	898	38	9.64%	32	21.32%	46	409	16
Montmorency	122.8	25,338	22,400	13.11%	3,288,383	73	679	78	643	76	5.25%	79	15.74%	78	193	81
Muskegon	1,785.6	30,002	30,913	-2.95%	58,784,040	17	988	43	886	42	10.32%	24	26.34%	13	319	49
Newaygo	440.9	30,388	28,208	7.73%	14,372,429	43	991	42	893	41	9.82%	29	23.23%	29	366	27
Oakland	34,308.3	54,633	51,829	5.41%	1,271,293,269	1	2,024	1	1,860	1	8.13%	52	28.58%	6	491	4
Oceana	252.6	26,270	25,429	3.31%	7,916,464	57	823	58	730	61	11.37%	14	22.65%	34	361	30
Ogemaw	204.6	26,401	23,607	11.83%	5,918,391	64	764	69	691	69	9.48%	33	21.26%	47	313	51
Ontonagon	78.0	25,032	25,295	-1.04%	2,210,890	79	709	76	669	72	5.60%	77	14.82%	79	231	73
Osceola	245.7	25,367	25,366	0.01%	7,609,266	60	786	65	696	68	11.42%	13	22.40%	39	364	29
Oscoda	62.4	21,743	20,705	5.02%	1,665,706	81	580	82	544	81	6.18%	73	14.42%	80	196	79
Otsego	361.3	32,276	31,736	1.70%	11,579,148	47	1,034	35	984	30	4.89%	81	14.21%	81	270	61
Ottawa	3,674.7	41,844	39,593	5.69%	132,214,700	8	1,506	6	1,405	6	6.66%	68	20.75%	51	401	18
Presque Isle	196.8	25,038	23,587	6.15%	5,769,393	65	734	72	668	73	8.98%	39	22.25%	41	266	64
Roscommon	258.5	24,519	23,323	5.12%	6,737,233	62	639	80	565	80	11.60%	10	25.89%	17	263	66
Saginaw	2,921.3	33,614	32,059	4.85%	98,164,438	12	1,130	23	1,024	25	9.38%	35	25.22%	20	324	46
St. Clair	2,917.2	44,574	45,064	-1.09%	104,546,860	10	1,597	4	1,466	5	8.23%	50	26.10%	16	416	14
St. Joseph	772.5	30,400	28,885	5.25%	25,879,915	31	1,018	37	927	35	8.96%	40	19.14%	64	379	24
Sanilac	524.5	27,843	26,872	3.61%	16,755,487	38	889	50	726	62	18.35%	2	27.65%	11	564	3
Schoolcraft	86.4	26,130	27,277	-4.20%	2,582,466	77	781	67	731	60	6.33%	70	17.72%	71	223	76
Shiawassee	1,107.3	32,693	32,502	0.59%	37,851,947	23	1,118	24	1,029	24	7.96%	53	21.05%	48	357	35
Tuscola	829.6	31,266	30,008	4.19%	27,606,697	27	1,040	34	895	40	14.01%	5	22.52%	36	598	2
Van Buren	929.1	30,229	29,339	3.03%	31,492,671	26	1,025	36	912	36	11.01%	20	26.12%	15	394	20
Washtenaw	6,375.6	46,836	44,101	6.20%	231,155,221	6	1,698	3	1,528	3	9.99%	28	30.86%	3	479	7
Wayne (incl. Detroit)	28,226.5	36,192	34,995	3.42%	976,508,491	3	1,252	15	1,089	17	13.01%	67	33.67%	75	394	32
Detroit	7,128.5	24,420	24,657	-0.96%	229,759,705		787		643		18.35%		35.60%		276	
Wexford	307.3	25,430	29,083	-12.56%	9,494,262	51	786	66	706	66	10.10%	25	24.31%	26	289	56
<u>Outside Michigan</u>	<u>23,182.2</u>	<u>98,719</u>	<u>85,687</u>	<u>15.21%</u>	<u>279,531,644</u>		<u>1,190</u>		<u>1,118</u>		<u>6.07%</u>		<u>14.15%</u>		<u>338</u>	
Totals	\$180,011.0	\$42,260	\$39,680	6.50%	\$5,771,918,752		\$1,355		\$1,227		9.47%		26.41%		\$398	

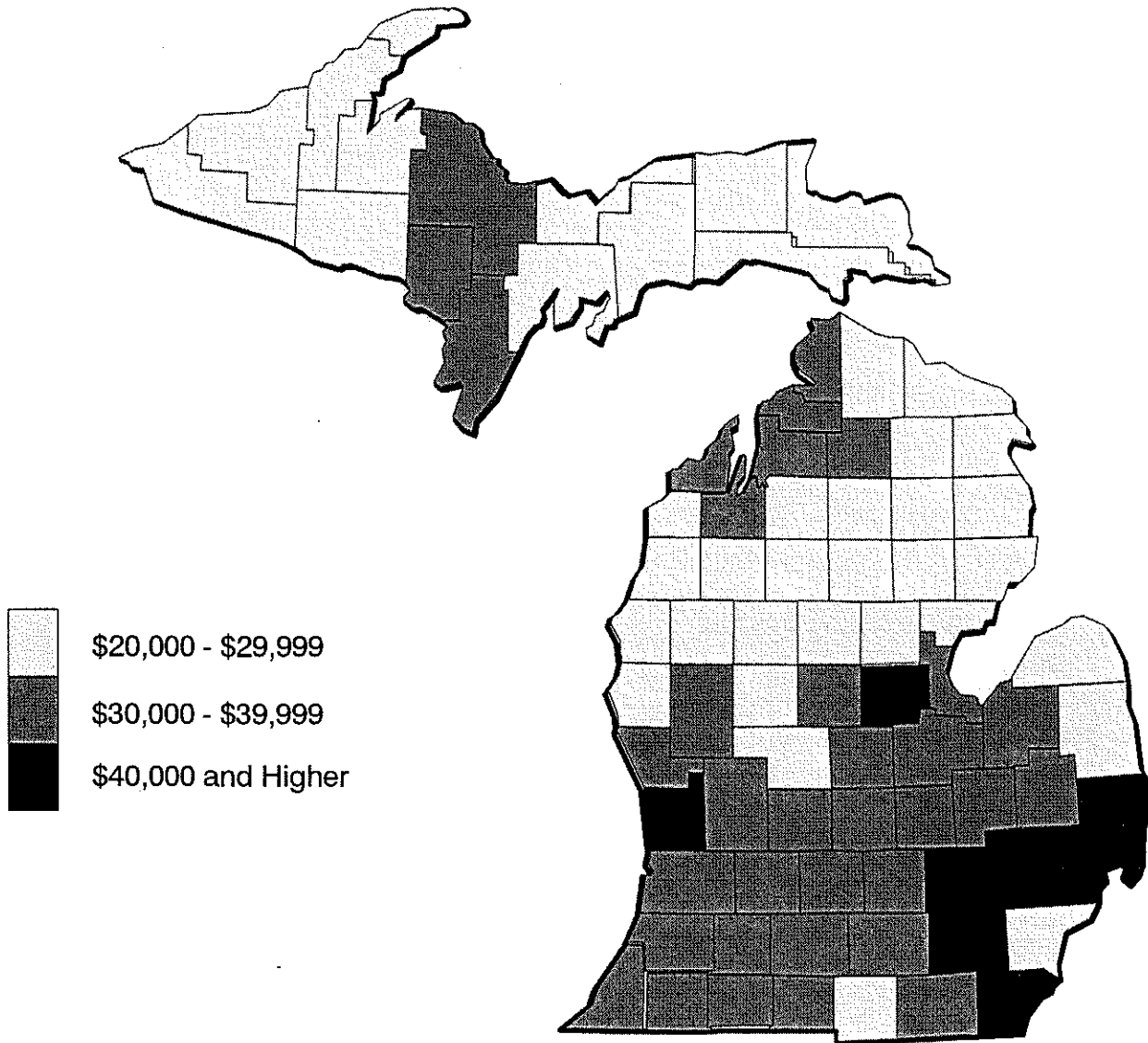
(1) Includes Farmland Preservation (PA 116 Credits) credits.

**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%
1996	4.40%
1997	4.40%

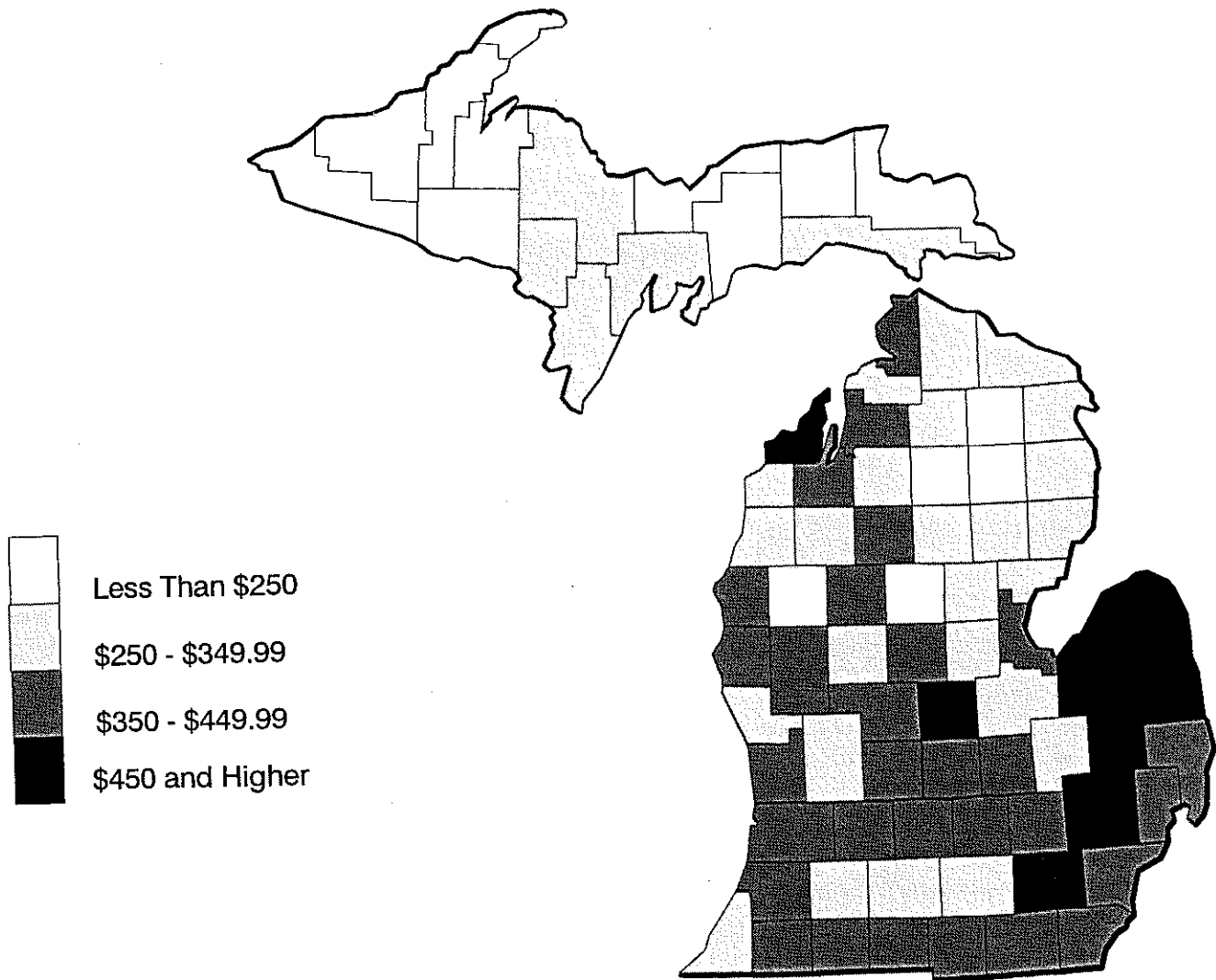
*Exhibit 21*  
Average Adjusted Gross Income by County  
1996



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

Exhibit 22

Average Property Tax Credits by County  
1996



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