

MICHIGAN'S INDIVIDUAL INCOME TAX

1997



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This report was prepared by Scott Darragh, assisted by Jeffrey Guilfoyle, and under the direction of Mark Haas, Director, and Howard Heideman, Manager of Tax Policy Analysis, Michigan Department of Treasury, Office of Revenue and Tax Analysis. Robert J. Ballard of the Budget and Accounting Division collected the income tax sample. Karen Yurchak of Information Services provided editorial assistance.

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I. EXECUTIVE SUMMARY

Returns and Revenue

For the tax year 1997, Michigan's personal income tax generated more than \$5.5 billion in state revenues after all credits and refunds were paid.

Net revenue increased \$362.7 million (7.0 percent) from 1996 levels. Adjusted gross income (AGI) increased by \$10.7 billion (6.0 percent) from 1996 to 1997¹.

Over 4.3 million returns were filed for the 1997 tax year, approximately 48,400 (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 6.9 percent for filers with an AGI under \$2,000 to positive 3.2 percent for taxpayers with an AGI 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 \$462.7 million in property tax credits, including farmland preservation credits, for 1997. The average property tax credit was \$405.49. The total amount of property tax credits increased by \$11.2 million (2.5 percent) with 4,800 additional taxpayers benefiting compared to tax year 1996.

Senior citizens received over \$216.7 million in homestead property tax credits, an increase of \$1.2 million from tax year 1996. For the 387,000 senior citizens receiving homestead property tax credits, the average credit was \$559.92.

Home Heating Credit

Home heating credits totaled \$44.3 million for tax year 1997 with 312,600 households qualifying for an average credit of \$141.79. Home heating credits increased \$1.7 million from 1996 although 9,100 fewer taxpayers claimed the credit.

City Income Tax Credit

In 1997, city income tax credits were claimed by more than 1 million taxpayers amounting to \$36.8 million in total credits. This was a \$2.0 million increase from the prior year with an additional 24,100 taxpayers claiming the credit.

¹ The AGI above includes returns reporting a negative AGI totaling a negative \$1.657 billion. AGI data for these returns were not available prior to 1997. If these returns had been excluded, AGI would have grown by \$12.4 billion or 6.9 percent. The new data for negative AGI returns are used throughout this report unless otherwise noted.

College Contribution Credit

Over \$21.5 million of 1997 credits were paid for contributions to Michigan colleges, libraries, museums and public broadcasting stations, a \$1.0 million increase over tax year 1996. There were 265,400 taxpayers claiming this credit, an increase of 7,000 from 1996.

Community Foundation Credit

For tax year 1997, 18,900 taxpayers claimed \$1.8 million in community foundation credits. This was an increase of 3,300 taxpayers and \$397,000 in credits from 1996.

Prescription Drug Credit

Taxpayers claimed 34,200 prescription drug credits totaling \$16.2 million for tax year 1997. This was a \$199,000 decrease from the prior year with 1,200 fewer taxpayers claiming the credit.

Homeless Shelter/Food Bank Credit

Taxpayers claimed 147,600 homeless shelter/food bank credits totaling \$10.2 million for tax year 1997. Compared with tax year 1996, this represented an increase of \$1.5 million with 17,600 more taxpayers claiming a credit.

College Tuition Credit

For tax year 1997, 106,800 taxpayers claimed \$12.1 million in tuition credits. Compared with tax year 1996, this was a decrease of \$120,000 with 7,600 fewer taxpayers claiming a credit.

Tax Law Changes

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 strong economy since 1994 has meant increased income tax revenues.

Public Acts 1 through 6 of 1999 reduced the Michigan income tax rate over a period of 5 years from 4.4 percent to 3.9 percent, beginning in tax year 2000. The tax rate will fall by 0.1 percentage points each year from 2000 to 2004. There will also be a change in the percentage of income tax revenue earmarked to the School Aid Fund (SAF). Since October 1, 1996, 23 percent of gross collections before refunds have been allocated to the SAF. Beginning January 1, 2000, the percentage of gross collections earmarked to the SAF will equal 1.012 percent divided by the income tax rate. The new formula will increase the percentage of income tax revenues allocated to school aid as the income tax rate declines.

II. INTRODUCTION

This report summarizes information regarding the Michigan individual income tax and income tax exemptions and credits for tax year 1997. It is based on returns filed and processed in calendar year 1998.

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. Sections X through XII summarize the Michigan Public Acts of 1997, 1998, and the first half of 1999 that affect the Michigan income tax.

Section XIII 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 4.31 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. Beginning on January 1, 2000, the income tax rate will decline by 0.1 percentage point each year through 2004, bringing the rate down to 3.9 percent.

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 further 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 and the School Aid Fund (SAF). Beginning in fiscal year 1996-97, 23 percent of gross income tax collections are allocated to the SAF with the remainder of net income tax revenue allocated to GF/GP. Beginning in the 2000 tax year the percentage allocated to the SAF will equal 1.012 percent divided by the income tax rate.

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, social security benefits, most pension income, and income attributable to another state). In 1997, a \$2,500 per person personal exemption was allowed, while an extra \$900 exemption was provided for senior citizens, filers with particular disabilities, 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.

For tax year 1997, 4.3 million MI-1040 returns were filed, which represented an increase of 48,400 from 1996. An additional 394,462 "CR-only" returns were filed for 1997 compared to approximately 427,800 CR-only returns filed for 1996. These returns only claim a property tax credit or home heating credit. For tax year 1997, 59,099 returns claimed only a home heating credit, 158,667 claimed only a property tax credit, and 88,348 claimed both and were counted twice each.

The personal income tax generated \$5.5 billion in net revenue for tax year 1997, which is total revenue after all credits and refunds are paid. Income tax revenues increased \$362.7 million (7.0 percent) from 1996. The increase in income tax revenues was due to the overall increase in the price level (2.3 percent in 1997) and to economic growth in Michigan. AGI increased by \$10.7 billion (6.0 percent) from 1996 to 1997.

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

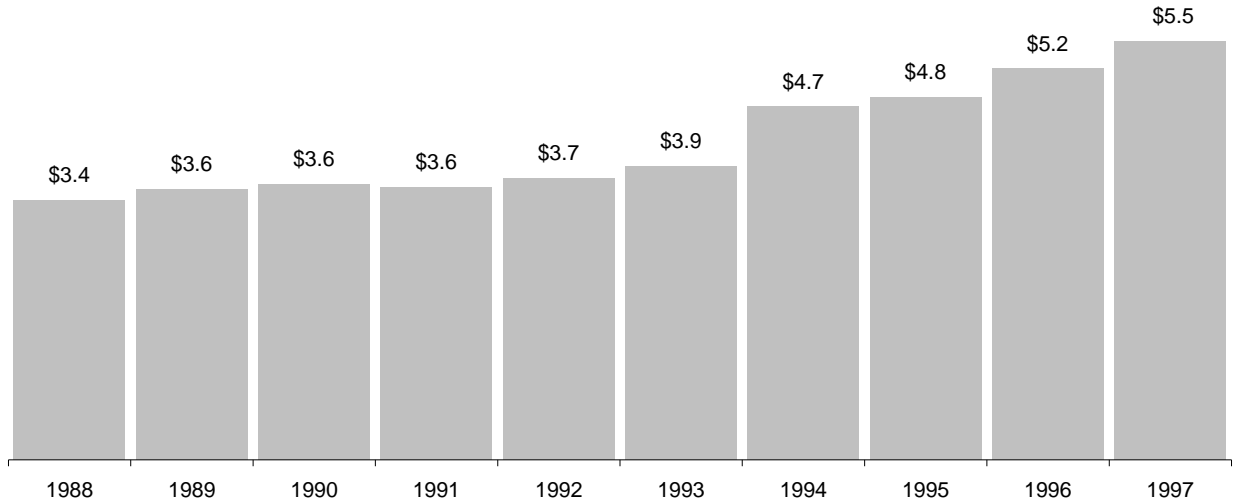
Even though the nominal personal income tax was levied at a flat 4.4 percent in 1997, exemptions and credits helped to lessen the relative burden on taxpayers with lower adjusted gross incomes. As shown in Exhibit 10, the effective tax rate varied from negative 6.9 percent for taxpayers in the \$0 - \$2,000 AGI group to positive 3.2 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 10 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 \$17.7 million in 1997 and prescription drug credits totaled \$16.2 million. Subtracting these credits reduces the effective rate by a marginal amount. The average effective tax rate was nearly the same in 1997 and 1996. 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>
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	167,307,933,500	39,700	4.40	2.87	4,794,937,300
1996	4,260,200	180,087,338,100	42,272	4.40	2.88	5,177,919,400
1997	4,308,600	190,806,002,400	44,285	4.40	2.90 ²	5,540,653,700

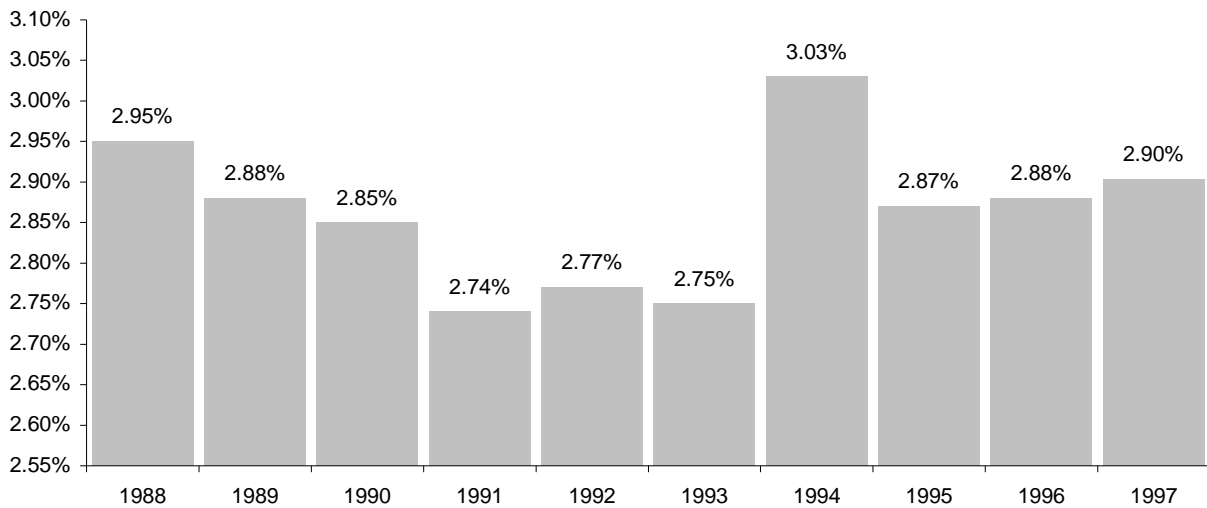
² The effective tax rate for tax year 1997 excluding returns reporting a negative AGI is 2.88 percent. This is the same as in tax year 1996.

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, Office of Revenue and Tax Analysis

Exhibit 12 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, college tuition, 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 12. The \$2,500 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 8.5 million personal exemptions for the income tax in 1997. 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 more than 7.9 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.

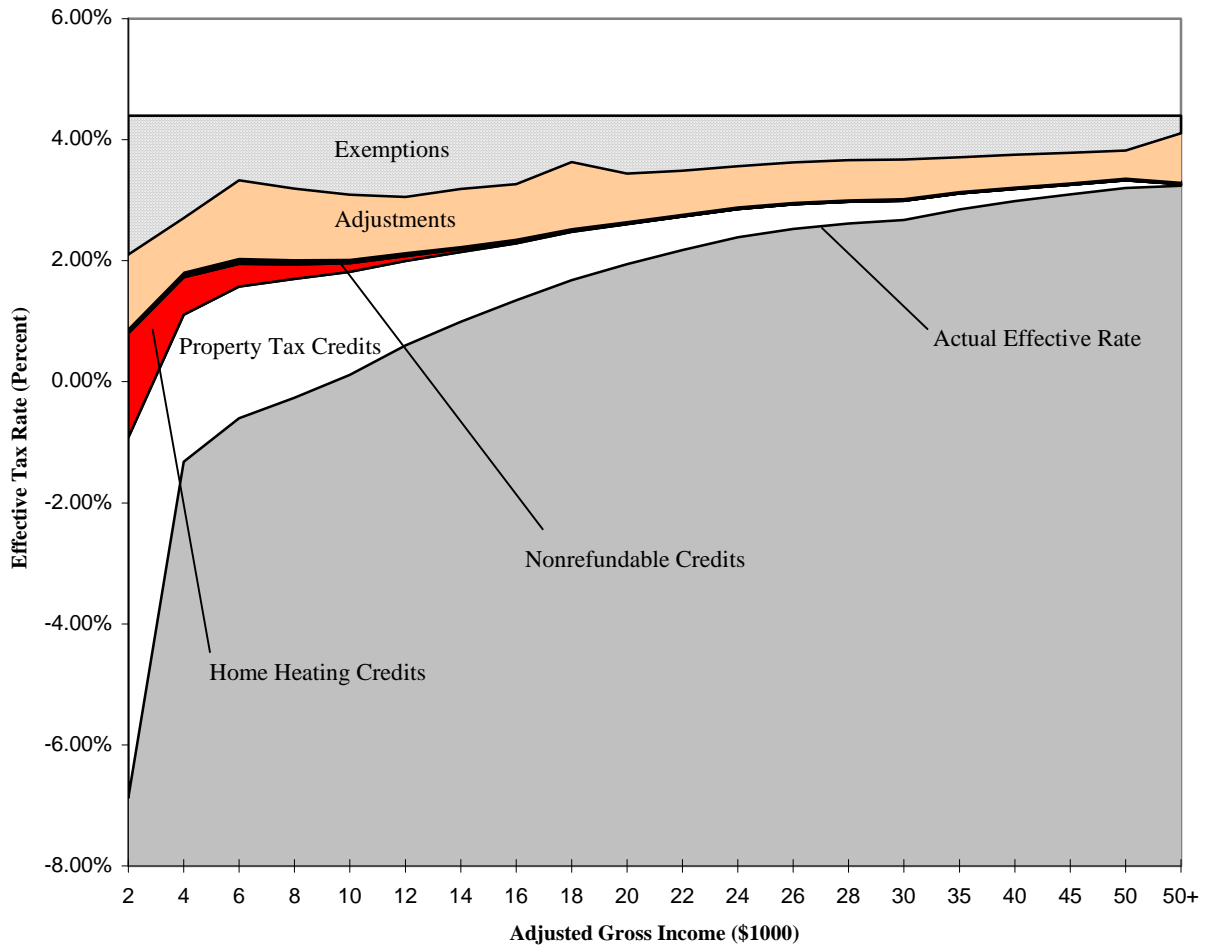
The tax data overstate the aggregate effective rate, since taxpayers who itemize deductions on their federal returns may deduct their state income tax. For tax year 1997, 31.7 percent of Michigan taxpayers itemized deductions on their federal income tax returns. Nationally, 30.0 percent of all taxpayers itemized deductions on their federal income tax returns³. With federal deductibility, 31.7 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 1997.⁴ 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.

³ Information on itemized deductions was obtained from *Statistics of Income Bulletin, Spring 1999*, published by the Internal Revenue Service.

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, 1997**



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

V. INCOME TAX CREDITS

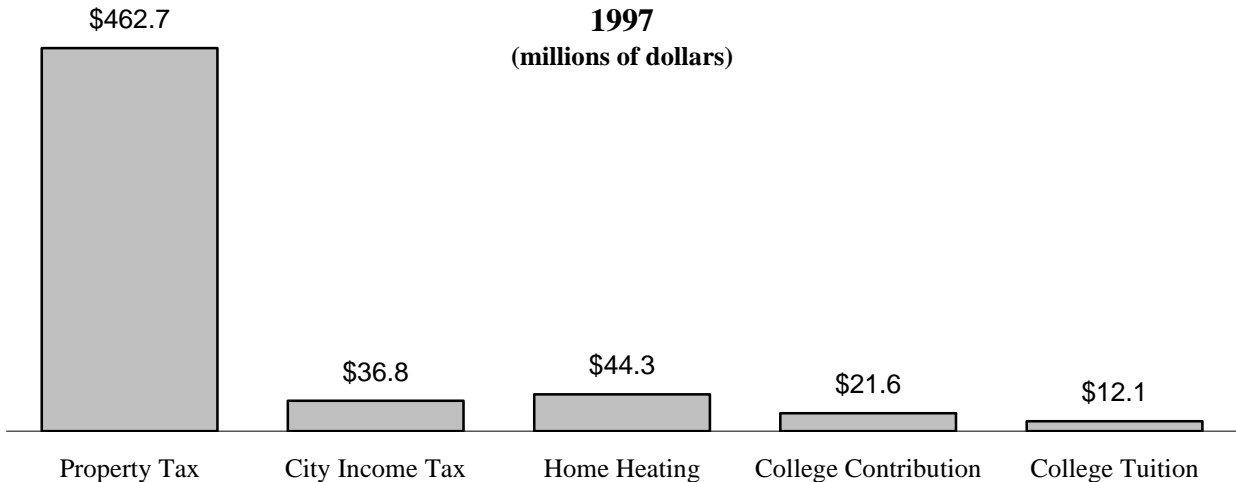
Property Tax Credit

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 \$445.0 million of homestead property tax credits and \$17.7 million in farmland preservation property tax credits in 1998 (1997 returns). Michigan’s property tax credit program is one of the largest property tax relief programs in the country. The \$462.7 million in total property tax credits represented an increase of \$11.2 million from a year ago, with 4,800 more taxpayers receiving assistance. Senior citizens received \$216.7 million of the credits, a \$1.2 million increase from 1996. Exhibit 5 illustrates the amount of money paid to taxpayers for property tax credits compared to other credits.

Exhibit 5
Individual Income Tax Credits
1997
(millions of dollars)



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

The average 1997 homestead property tax credit was \$392.76 (excluding the farmland credit), a \$8.20 increase from the tax year 1996 average. Senior citizens' credits averaged \$559.96, a \$10.41 increase from 1996. Following is a summary of the number of credits received by taxpayers, according to adjusted gross income levels.

	<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	\$186,000,124	\$420.47
	\$10,001 - \$20,000	281,070	108,160,693	373.68
	\$20,001 - \$50,000	311,314	115,359,286	339.78
Over	\$50,000	<u>77,223</u>	<u>35,448,747</u>	392.85
Totals		1,132,928	\$444,968,849	\$392.76

The table above and Exhibit 12 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 2.5 percent of total AGI, taxpayers with AGI under \$10,000 received about 41.8 percent of the total homestead credits. On the other hand, taxpayers with AGI over \$50,000 accounted for 68.9 percent of total 1997 Michigan AGI, but received only 8.0 percent of total homestead credits.

The farmland preservation program, originally Public Act 116 of 1974 which was replaced by Public Act 451 of 1994 (part 361 of chapter 1, article III of the Natural Resources and Environmental Protection Act), 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 8,200 farms in 1997, providing credits of \$17.7 million for an average credit of \$2,150.

Public Act 269 of 1982 provides a special tax credit for senior citizens with high rent burdens. For 1997, this alternate credit is the amount by which rent paid exceeds 40 percent of household income. For 1997, 12,700 senior citizens claimed an additional \$4.6 million using this alternate calculation. These amounts represent a decrease of \$581,100 from a year ago with 1,000 fewer people claiming the credit. The amount of this credit is included in the senior citizens' homestead property tax credit statistics, but shown separately in Exhibit 15.

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 citizens, disabled and blind individuals are entitled to extra exemptions.

Home heating credits totaled \$44.3 million for tax year 1997 with 312,600 households qualifying. This represented a \$1.7 million increase over the previous year with 9,100 fewer households receiving assistance. Prior to 1991, recipients of Aid to Families with Dependent Children or General Assistance were not eligible for this credit, but were provided comparable benefits from other state and local programs. Senior citizens received \$12.1 million of the \$42.6 million in home heating credits claimed for tax year 1997.

	<u>Number of Credits Allowed</u>	<u>Dollar Amount of Credits</u>	<u>Average Credit</u>
Senior Citizen	80,800	\$9,370,300	\$115.97
General	213,400	32,621,600	152.87
Handicapped	17,300	2,210,200	127.76
Veteran	<u>1,000</u>	<u>113,200</u>	113.20
Totals ⁵	312,500	\$44,315,300	\$141.76

Approximately 38,500 taxpayers used the alternative calculation based on energy consumption claiming credits worth \$10.3 million. The average credit under the standard calculation was \$122.99 compared to \$268.38 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:

<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 1997, 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 \$36.8 million for tax year 1997, a \$2.0 million increase from 1996, while the number of claimants increased by 24,100. 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.

⁵ These totals are slightly different from the other reported totals because they come from a 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	160,100	\$2,081,900	\$13.00
\$10,001 -	\$20,000	162,700	3,898,500	23.96
\$20,001 -	\$50,000	344,700	12,439,100	36.09
Over	\$50,000	<u>347,800</u>	<u>18,379,900</u>	52.85
Totals		1,015,300	\$36,799,400	\$36.24

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 1997, 265,400 taxpayers received more than \$21.5 million in credits. Credits increased \$1.0 million from the prior year when 258,400 taxpayers received \$20.5 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). For tax year 1997, 18,900 taxpayers claimed \$1.8 million in community foundation credits. This was an increase of 3,300 taxpayers and \$397,000 in credits from 1996.

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 \$600 per senior, or \$1,200 for a joint return with two seniors. State law limits the total amount for all prescription drug credits and grants under a pharmaceutical assistance program to \$20 million. For tax year 1997, 34,200 taxpayers claimed \$16.2 million in prescription drug credits. This was a decrease from tax year 1996 of 1,200 claimants totaling \$200,000 less in total credits paid.

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 1997, 147,600 taxpayers claimed \$10.2 million in food bank credits. This represented an increase of 17,600 taxpayers and \$1.6 million in credits claimed over the previous tax year.

Medical Care Savings Account Credit

The medical care savings account credit was established with a provision that the credit would only be available if no federal income tax deduction or credit for contributions to a medical care savings account existed. For 1997 a federal deduction for medical savings account contributions became available and, as a result, the Michigan medical care savings account credit was eliminated.

College Tuition and Fees Credit

Created by Public Act 7 of 1996, the college tuition and fees credit allows filers with adjusted gross income less than \$200,000 to claim a credit equal to 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 and fees will not increase by more than the rate of inflation. For tax year 1997, 106,800 taxpayers claimed the credit, 7,600 less than in 1996. The \$12.1 million in credits for 1997 represented a decrease of \$119,800 from tax year 1996.

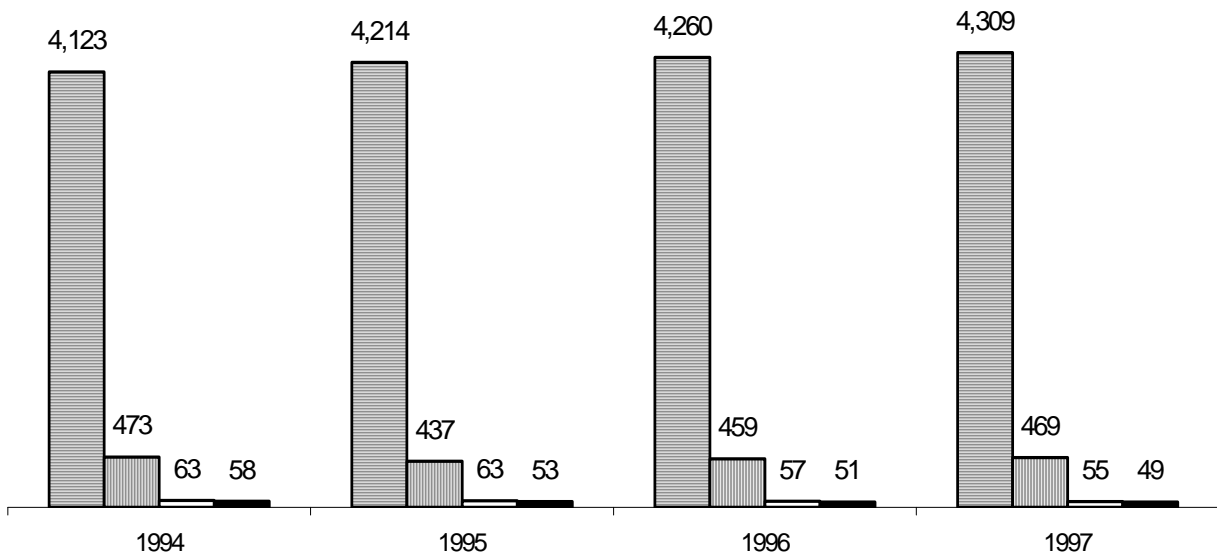
VI. DESIGNATED CONTRIBUTIONS

For the 1997 tax year, taxpayers were able to designate \$3.00 of their tax liability for the State Campaign Fund which supports the state gubernatorial campaigns. For 1997, 469,100 taxpayers contributed \$1.4 million to the State Campaign Fund. On average, there is 1 designation for every 10 returns.

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. For 1997, 54,639 filers contributed \$629,652 toward the CTF. On average, there is 1 contribution for every 79 returns.

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 49,037 returns designating \$576,840 in Non-Game Wildlife Fund contributions for 1997. On average, there is 1 contribution for every 88 returns.

Exhibit 6
Returns Designating Contributions
(thousands)



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

■ Number of MI-1040's	■ State Campaign Fund	■ Children's Trust Fund	■ Non-Game Wildlife Fund
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VII. INTERSTATE COMPARISONS

In 1997, Michigan along with five other states (Colorado, Illinois, Indiana, Massachusetts, and Pennsylvania) had a flat rate income tax. Seven states (Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming) had no state personal income tax. Two states (New Hampshire and Tennessee) taxed only dividend and interest income. All of the other states had a graduated income tax system. A state-by-state comparison of the income tax burden per person and tax revenue as a percent of personal income is shown in Exhibit 7. Exhibits 8 and 9 compare Michigan's income tax with the taxes of other states in the Great Lakes region.

In fiscal year 1997, Michigan ranked 14th highest in income taxes per person with Massachusetts ranking first overall. Michigan ranked 19th 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 2.65 percent, was 0.44 percentage points above the U.S. average, but 0.04 percentage points below the average for the 41 states with a general income tax. In fact, income taxes as a percent of personal income are virtually unchanged from 1994, when they were 2.64 percent. The above calculations use U.S. Bureau of Economic Analysis July 1999 estimates of quarterly state personal income, compiled by the Office of Revenue and Tax Analysis for each state's fiscal year.

Consistent economic growth from 1994 through 1997 has resulted in increased income tax collections on a per capita basis. Over the preceding four years, collections per person have risen from \$585 in fiscal year 1994 to \$654 in fiscal year 1997. While total collections have increased, the income tax burden in Michigan has been declining relative to that in other states over this period. In fiscal year 1994, Michigan ranked 11th highest in per capita income taxes and 14th highest in income taxes as a percent of personal income. For fiscal year 1997, Michigan ranked 14th and 19th, respectively.

Exhibit 7
State Individual Income Taxes for FY 1997
Per Person and Percent of Personal Income

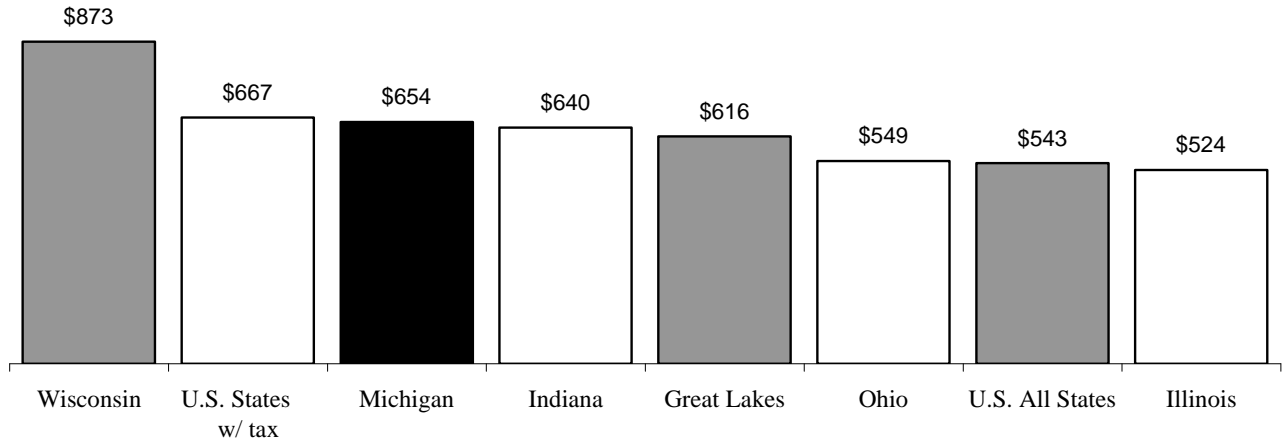
<u>State</u>	<u>Per Person</u>		<u>Income Taxes</u>	
	<u>Individual</u>	<u>Rank</u>	<u>as a Percent</u>	<u>Rank</u>
	<u>Income Taxes</u>		<u>of Personal Income</u>	
Alabama	\$390	37	1.91%	35
Alaska	No Tax	44	No Tax	44
Arizona	\$366	38	1.73%	39
Arkansas	\$494	33	2.58%	22
California	\$723	11	2.83%	11
Colorado	\$658	13	2.53%	25
Connecticut	\$859	7	2.46%	27
Delaware	\$902	5	3.26%	7
Florida	No Tax	44	No Tax	44
Georgia	\$633	17	2.73%	16
Hawaii	\$819	8	3.24%	8
Idaho	\$589	21	2.96%	9
Illinois	\$524	29	1.94%	34
Indiana	\$640	16	2.82%	12
Iowa	\$602	19	2.67%	17
Kansas	\$582	22	2.50%	26
Kentucky	\$564	24	2.82%	13
Louisiana	\$358	39	1.79%	38
Maine	\$621	18	2.90%	10
Maryland	\$740	9	2.65%	18
Massachusetts	\$1,175	1	3.87%	3
Michigan	\$654	14	2.65%	19
Minnesota	\$1,020	2	3.98%	2
Mississippi	\$290	40	1.64%	40
Missouri	\$562	25	2.44%	28
Montana	\$494	32	2.57%	23
Nebraska	\$566	23	2.43%	30
Nevada	No Tax	44	No Tax	44
New Hampshire	\$45	42	0.17%	42
New Jersey	\$599	20	1.90%	36
New Mexico	\$434	35	2.30%	33
New York	\$967	4	3.30%	5
North Carolina	\$734	10	3.26%	6
North Dakota	\$255	41	1.26%	41
Ohio	\$549	27	2.32%	32
Oklahoma	\$511	30	2.59%	21
Oregon	\$1,009	3	4.33%	1
Pennsylvania	\$464	34	1.84%	37
Rhode Island	\$648	15	2.59%	20
South Carolina	\$510	31	2.55%	24
South Dakota	No Tax	44	No Tax	44
Tennessee	\$24	43	0.11%	43
Texas	No Tax	44	No Tax	44
Utah	\$546	28	2.80%	14
Vermont	\$549	26	2.43%	29
Virginia	\$702	12	2.76%	15
Washington	No Tax	44	No Tax	44
West Virginia	\$433	36	2.34%	31
Wisconsin	\$873	6	3.71%	4
Wyoming	No Tax	44	No Tax	44
U.S. Average	\$543		2.21%	
U.S. Average for States With a General Income Tax	\$667		2.69%	

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

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

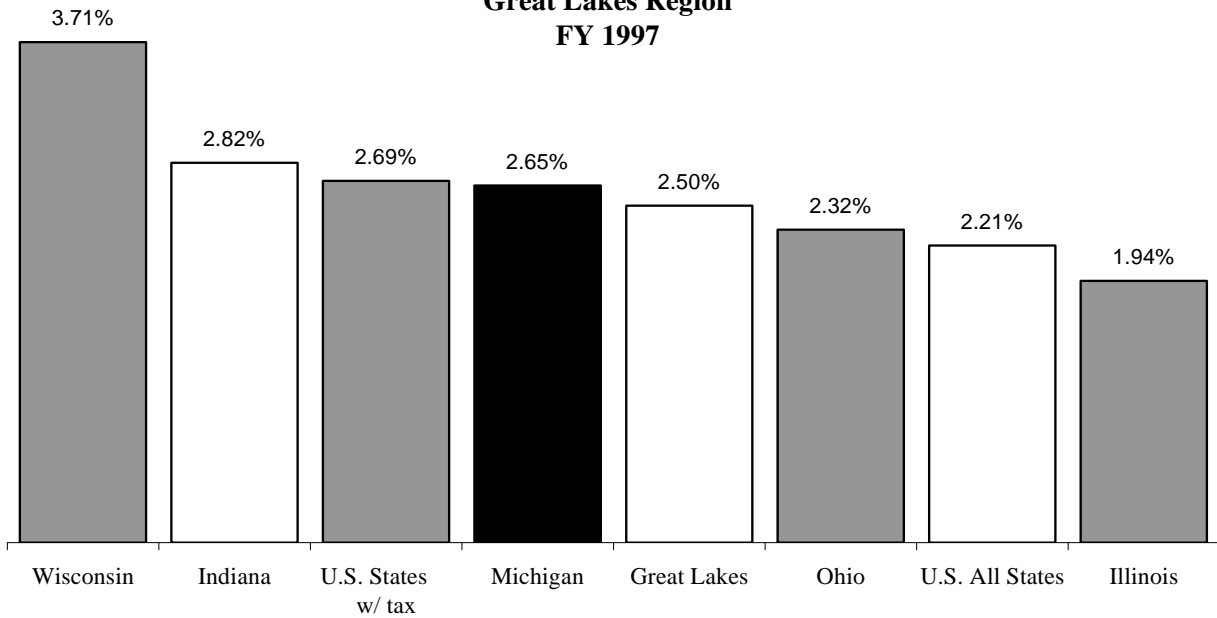
Prepared By: Office of Revenue and Tax Analysis, Michigan Department of Treasury.

**Exhibit 8
State Income Taxes Per Person
Great Lakes Region
FY 1997**



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

**Exhibit 9
State Income Taxes
Percent of Personal Income
Great Lakes Region
FY 1997**



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

VIII. GEOGRAPHIC PATTERN OF TAX AND CREDITS

Exhibit 20 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 21 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 21.

	<u>State Average</u>	<u>High County</u>	<u>Low County</u>
Average AGI	\$44,286	\$59,192 Oakland	\$22,252 Lake
Percent Change in Average AGI 1996-1997	4.79%	25.17% Leelanau	(18.15%) St. Clair
Average Income Tax Before Credits	\$1,425	\$2,206 Oakland	\$597 Lake
Average Income Tax After Credits	\$1,294	\$2,037 Oakland	\$485 Lake
Income Tax Credits as a Percent of Tax Before Credits	9.2%	27.7% Huron	5.0% Midland
Ratio of Property Tax Credits to 1040s Filed	26.5%	34.4% Huron	10.4% Luce
Average Property Tax Credits	\$406	\$815 Huron	\$159 Keweenaw

Property tax credits include farmland preservation 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 1996 and \$2,500 in 1997.

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 and revised the exclusion rules on gains from the sale of a primary residence. Taxpayers may now exclude from AGI a gain of up to \$250,000 (\$500,000 for a joint return) on the sale of a home as long as they have owned and lived in the home for at least two years. Also, beginning in 1997, the maximum long-term capital gain tax rate in most situations 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. Since Michigan does not allow itemized deductions, moving expenses are not deductible for Michigan income taxes. Note: Moving expenses were restored as an adjustment to income beginning with the 1994 tax year.

Michigan modified three changes in federal law. The modifications 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 1997, 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 1997.

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 equal to the amount necessary to provide in 1990 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 1997.

X. 1997 PUBLIC ACTS - INCOME TAX

Public Act 81 amended the Income Tax Act of 1967 to create a special exemption for young children. For the 1998 tax year and following, a taxpayer may claim a \$600 exemption for each dependent child who is younger than 7 years of age or a \$300 exemption for each dependent child who is older than 6 and younger than 13 years of age.

Public Act 82 amended the Income Tax Act of 1967 to increase the tuition tax credit to 8 percent of the tuition paid to an eligible college or university and increased the maximum credit to \$375 per year.

Public Act 86 amended the Income Tax Act of 1967 to increase the personal exemption by \$200 beginning with the 1998 tax year.

XI. 1998 PUBLIC ACTS - INCOME TAX

Public Act 19 amended the Income Tax Act of 1967 to extend to tax years 1989 and 1990 a credit for taxpayers who have repaid money claimed as income in a previous year. Previously, the credit had been available only for tax years after 1990.

Public Act 500 amended the City Income Tax Act of 1964 to revise the population threshold necessary for Detroit to levy an income tax at 3 percent for residents and 1.5 percent for nonresidents. The new threshold is 750,000, lower than the previous threshold of 1,000,000. The act will also lower the maximum Detroit income tax rates. The reduction is phased in over a 10-year period beginning on July 1, 1999. When fully implemented in July 2008, the maximum rates will be 2 percent for residents and 1 percent for nonresidents. The rate reduction is contingent upon employment and revenue stability within the city, as defined in the act.

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

XII. 1999 PUBLIC ACTS – INCOME TAX

Public Act 1 amends the Income Tax Act of 1967 to change the percentage of gross receipts allocated to the School Aid Fund for tax years following the 1999 tax year. The new percentage is equal to 1.012 percent divided by the current income tax rate. The percentage had been 23 percent of gross receipts.

Public Acts 2 through 6 amend the Income Tax Act of 1967 to lower the income tax rate by 0.1 percentage point each year beginning in the 2000 tax year and continuing through the 2004 tax year. For the 2004 tax year and following, the tax rate will be 3.9 percent.

XIII. DATA TABLES AND CHARTS

Exhibit 10

**Effective Rate of the Michigan
Individual Income Tax, 1997**

<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>
Less than \$1 (4)	419,785	(\$1,657,377,772)		41,219	(\$942,668,025)	\$107,181,589	(\$98,101,740)	
\$ 1 - 2,000	177,295	202,684,309	42,316	108,874	55,951,216	15,724,302	(13,922,769)	-6.9%
2,001 - 4,000	220,476	660,460,790	101,860	154,476	132,082,525	20,765,053	(8,721,017)	-1.3%
4,001 - 6,000	204,623	1,019,624,525	99,496	193,927	296,057,225	27,035,515	(6,143,118)	-0.6%
6,001 - 8,000	186,233	1,301,280,406	142,877	219,138	343,843,107	29,827,641	(3,416,918)	-0.3%
8,001 - 10,000	176,589	1,588,894,841	188,714	241,725	382,121,077	30,538,024	1,801,533	0.1%
10,001 - 12,000	167,141	1,836,897,998	224,597	247,248	380,923,927	28,353,080	11,004,105	0.6%
12,001 - 14,000	158,725	2,062,693,229	228,055	252,301	439,352,565	25,891,370	20,449,614	1.0%
14,001 - 16,000	154,828	2,321,672,462	239,722	255,711	473,971,514	23,645,192	31,284,249	1.3%
16,001 - 18,000	145,895	2,479,357,767	173,764	246,687	613,364,996	21,300,768	41,688,851	1.7%
18,001 - 20,000	135,963	2,582,011,470	225,735	236,689	457,706,377	18,491,253	50,147,270	1.9%
20,001 - 22,000	128,624	2,700,040,483	224,374	230,968	434,332,732	16,265,019	58,744,987	2.2%
22,001 - 24,000	117,962	2,713,289,366	206,302	214,840	408,042,948	14,025,264	64,712,372	2.4%
24,001 - 26,000	111,737	2,791,662,440	196,816	202,707	412,294,923	12,588,059	70,454,390	2.5%
26,001 - 28,000	106,433	2,870,415,980	193,133	200,671	420,841,548	11,434,042	75,102,589	2.6%
28,001 - 30,000	96,528	2,798,907,784	185,470	188,995	401,308,826	10,282,458	74,810,211	2.7%
30,001 - 35,000	225,808	7,323,609,878	458,524	459,725	922,552,301	22,554,044	208,654,850	2.8%
35,001 - 40,000	202,240	7,576,533,817	447,599	446,721	897,597,824	18,572,838	226,064,476	3.0%
40,001 - 45,000	187,958	7,973,847,397	446,854	444,091	881,666,749	15,998,081	246,903,912	3.1%
45,001 - 50,000	172,665	8,195,258,225	433,198	431,148	825,611,727	14,182,588	262,430,073	3.2%
Over 50,000	<u>1,205,497</u>	<u>131,464,237,011</u>	<u>3,501,005</u>	<u>3,486,254</u>	<u>23,856,496,815</u>	<u>88,952,802</u>	<u>4,260,677,218</u>	<u>3.2%</u>
Totals	4,703,037	\$190,806,002,405	7,960,410	8,504,573	\$32,093,452,896	\$573,608,981	\$5,574,625,137	2.9%

(1) Includes 394,462 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.

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

Exhibit 11

**Breakdown of Upper Income Filers
Individual Income Tax, 1997**

Adjusted Gross Income Class	Number of Returns Filed	Adjusted Gross Income	Effective Exemptions (1)	Claimed Exemptions	Subtractions Minus Additions	Total Credits (2)	Effective Tax	Effective Tax as a % of Income
\$50,000 - 55,000	160,135	\$8,398,554,694	422,223	420,140	\$834,866,444	\$13,328,580	\$273,029,143	3.3%
55,001 - 60,000	144,964	8,327,160,019	401,427	398,738	780,817,341	12,375,213	275,506,861	3.3%
60,001 - 65,000	128,620	8,032,617,514	365,108	360,175	737,125,075	9,992,779	270,847,039	3.4%
65,001 - 70,000	109,682	7,397,256,828	320,021	317,754	649,586,002	9,280,096	252,415,142	3.4%
70,001 - 75,000	92,777	6,717,616,346	277,179	274,457	572,865,892	7,907,487	231,971,892	3.5%
75,000 - 80,000	80,876	6,262,105,445	243,029	240,827	522,053,832	5,524,900	220,304,235	3.5%
80,001 - 85,000	68,424	5,639,061,235	206,945	205,237	470,247,185	3,735,088	200,928,756	3.6%
85,001 - 90,000	57,025	4,985,232,274	179,173	174,712	415,273,970	2,463,357	178,905,753	3.6%
90,001 - 95,000	47,144	4,358,712,648	145,033	142,136	344,149,957	2,348,525	158,338,610	3.6%
95,001 - 100,000	39,865	3,883,346,784	121,672	119,485	310,167,067	2,168,331	141,667,640	3.6%
Over 100,000	<u>275,985</u>	<u>67,462,573,224</u>	<u>819,195</u>	<u>832,593</u>	<u>18,219,344,051</u>	<u>19,828,445</u>	<u>2,056,762,148</u>	<u>3.0%</u>
Totals	1,205,497	\$131,464,237,011	3,501,005	3,486,254	\$23,856,496,815	\$88,952,802	\$4,260,677,218	3.2%

(1) Since the value of some taxpayers' exemptions exceed their income, "effective exemptions" are defined as those exemptions that offset income. Effective exemptions exceed claimed exemptions due to the special exemptions for seniors and taxpayers with certain disabilities.

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

Exhibit 12

Tax Base Deductions as a Percent of AGI Individual Income Tax, 1997

<u>Adjusted Gross Income Class</u>	<u>Effective Exemptions</u>	<u>Subtractions Minus Additions</u>	<u>Non-Refundable Credits(1)</u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>
Less than \$1					
\$ 1 - 2,000	52.2%	27.6%	2.2%	135.3%	39.0%
2,001 - 4,000	38.6%	20.0%	2.5%	55.2%	14.0%
4,001 - 6,000	24.4%	29.0%	2.5%	49.4%	8.5%
6,001 - 8,000	27.4%	26.4%	2.3%	44.6%	5.4%
8,001 - 10,000	29.7%	24.0%	1.9%	38.7%	3.2%
10,001 - 12,000	30.6%	20.7%	1.7%	31.8%	1.8%
12,001 - 14,000	27.6%	21.3%	1.4%	26.2%	1.0%
14,001 - 16,000	25.8%	20.4%	1.3%	21.4%	0.5%
16,001 - 18,000	17.5%	24.7%	1.3%	18.1%	0.3%
18,001 - 20,000	21.9%	17.7%	1.2%	15.0%	0.2%
20,001 - 22,000	20.8%	16.1%	1.1%	12.6%	0.1%
22,001 - 24,000	19.0%	15.0%	1.2%	10.7%	0.0%
24,001 - 26,000	17.6%	14.8%	1.1%	9.3%	0.0%
26,001 - 28,000	16.8%	14.7%	1.0%	8.1%	0.0%
28,001 - 30,000	16.6%	14.3%	1.2%	7.3%	0.0%
30,001 - 35,000	15.7%	12.6%	1.2%	5.9%	0.0%
35,001 - 40,000	14.8%	11.8%	1.1%	4.6%	0.0%
40,001 - 45,000	14.0%	11.1%	1.1%	3.6%	0.0%
45,001 - 50,000	13.2%	10.1%	1.2%	2.8%	0.0%
Over 50,000	<u>6.7%</u>	<u>18.1%</u>	<u>1.0%</u>	<u>0.6%</u>	<u>0.0%</u>
Overall Percent	10.4%	16.8%	0.9%	5.3%	0.5%

(1) Non-refundable credits, home heating credits, and property tax credits are divided by the tax rate (4.4%) to determine the equivalent income tax deduction. Non-refundable credits for 1997 are: the city income tax credit, the college contribution credit, the homeless shelter/food bank contribution credit, the other state tax credit, and the tuition tax credit.

Exhibit 13
Distribution of the Number of Exemptions Claimed on 1997 MI-1040 Returns(1)
Individual Income Tax, 1997

<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	2,100	13,027	6,620	1,367	1,086	663	456	25,323	41,219
\$ 1 - 2,000	102,769	54,452	11,486	5,168	2,179	704	530	177,295	108,874
2,001 - 4,000	122,400	64,722	19,227	8,613	3,602	1,148	759	220,476	154,476
4,001 - 6,000	83,173	77,991	26,041	10,596	4,208	1,511	1,097	204,623	193,927
6,001 - 8,000	48,837	87,979	29,589	12,282	4,593	1,926	1,019	186,233	219,138
8,001 - 10,000	29,309	90,892	33,779	13,231	5,898	2,164	1,310	176,589	241,725
10,001 - 12,000	19,214	87,062	37,958	13,303	6,056	2,325	1,216	167,141	247,248
12,001 - 14,000	11,201	83,351	40,252	13,858	6,317	2,281	1,457	158,725	252,301
14,001 - 16,000	6,869	81,633	42,443	13,176	6,502	2,865	1,333	154,828	255,711
16,001 - 18,000	4,460	76,912	40,971	12,873	6,769	2,595	1,309	145,895	246,687
18,001 - 20,000	2,939	71,518	37,986	12,357	6,853	2,699	1,603	135,963	236,689
20,001 - 22,000	2,152	65,888	36,569	12,159	7,186	2,960	1,703	128,624	230,968
22,001 - 24,000	1,505	60,662	32,800	11,301	6,958	3,130	1,599	117,962	214,840
24,001 - 26,000	1,050	58,576	30,366	10,677	6,925	2,649	1,489	111,737	202,707
26,001 - 28,000	999	54,404	28,078	10,228	7,677	3,284	1,757	106,433	200,671
28,001 - 30,000	516	46,320	27,579	9,535	7,645	3,075	1,851	96,528	188,995
30,001 - 35,000	1,006	103,331	62,468	25,268	20,777	9,017	3,923	225,808	459,725
35,001 - 40,000	608	79,432	59,742	24,872	23,481	9,679	4,410	202,240	446,721
40,001 - 45,000	525	63,822	56,823	25,465	25,464	11,254	4,586	187,958	444,091
45,001 - 50,000	351	49,869	53,787	25,616	27,083	11,538	4,405	172,665	431,148
<u>Over 50,000</u>	<u>1,094</u>	<u>158,255</u>	<u>432,142</u>	<u>208,653</u>	<u>261,496</u>	<u>107,505</u>	<u>36,321</u>	<u>1,205,497</u>	<u>3,486,254</u>
Totals	443,102	1,530,125	1,146,734	480,630	448,786	185,003	74,133	4,308,575	8,504,573

(1) Values in this table are based on a sample of 4,308,575 MI-1040 tax returns on file.

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

Exhibit 14
Distribution of Credits Claimed(1)
Individual Income Tax, 1997

Adjusted Gross Income Class	<u>General Property Tax Credit</u>					<u>City Income Tax Credit</u>			<u>College Contribution Credit</u>		
	Number of MI-1040s Filed	% of Total MI-1040s Filed(2)	AGI Group		\$ Amount of Credit	AGI Group		\$ Amount of Credit	AGI Group		\$ Amount of Credit
			Number Claiming Credit	% of MI-1040s Filed		Number Claiming Credit	% of MI-1040s Filed		Number Claiming Credit	% of MI-1040s Filed	
Less than \$1	25,323	0.6%	9,176	1.4%	\$6,019,456	1,218	0.1%	\$107,669	383	0.1%	\$31,235
\$ 1 - 2,000	177,295	4.1%	15,292	2.3%	4,491,498	15,833	1.6%	90,659	384	0.1%	18,527
2,001 - 4,000	220,476	5.1%	25,106	3.7%	6,926,535	35,985	3.5%	311,614	824	0.3%	33,146
4,001 - 6,000	204,623	4.7%	34,079	5.1%	10,001,693	37,299	3.7%	450,516	1,444	0.5%	73,166
6,001 - 8,000	186,233	4.3%	36,571	5.4%	11,516,536	34,890	3.4%	523,739	2,110	0.8%	99,995
8,001 - 10,000	176,589	4.1%	38,769	5.8%	12,209,102	34,848	3.4%	597,677	2,404	0.9%	118,344
10,001 - 12,000	167,141	3.9%	38,138	5.7%	11,972,843	33,147	3.3%	669,973	2,485	0.9%	141,738
12,001 - 14,000	158,725	3.7%	37,903	5.6%	11,560,302	33,140	3.3%	724,680	3,118	1.2%	171,255
14,001 - 16,000	154,828	3.6%	37,768	5.6%	11,055,902	33,334	3.3%	783,933	3,640	1.4%	187,497
16,001 - 18,000	145,895	3.4%	36,491	5.4%	10,586,884	32,351	3.2%	852,029	3,838	1.4%	219,606
18,001 - 20,000	135,963	3.2%	33,840	5.0%	9,662,339	30,746	3.0%	867,926	4,282	1.6%	256,748
20,001 - 22,000	128,624	3.0%	32,174	4.8%	9,171,829	30,264	3.0%	902,707	4,010	1.5%	232,218
22,001 - 24,000	117,962	2.7%	29,238	4.3%	8,133,896	28,891	2.8%	901,776	3,784	1.4%	227,461
24,001 - 26,000	111,737	2.6%	26,886	4.0%	7,496,373	27,030	2.7%	861,243	3,784	1.4%	233,776
26,001 - 28,000	106,433	2.5%	24,538	3.6%	6,811,017	25,306	2.5%	838,164	3,782	1.4%	233,791
28,001 - 30,000	96,528	2.2%	20,653	3.1%	6,035,134	24,317	2.4%	828,774	4,597	1.7%	287,362
30,001 - 35,000	225,808	5.2%	45,065	6.7%	13,232,796	56,540	5.6%	2,007,895	10,560	4.0%	686,924
35,001 - 40,000	202,240	4.7%	35,285	5.2%	10,884,987	52,575	5.2%	1,998,593	10,954	4.1%	723,703
40,001 - 45,000	187,958	4.4%	26,872	4.0%	9,069,957	49,658	4.9%	2,003,385	11,361	4.3%	774,283
45,001 - 50,000	172,665	4.0%	21,010	3.1%	7,197,574	50,129	4.9%	2,096,586	12,841	4.8%	884,173
Over 50,000	<u>1,205,497</u>	<u>28.0%</u>	<u>69,090</u>	<u>10.3%</u>	<u>26,159,347</u>	<u>347,784</u>	<u>34.3%</u>	<u>18,379,865</u>	<u>174,776</u>	<u>65.9%</u>	<u>15,925,950</u>
Totals	4,308,575	100.0%	673,973	100.0%	\$210,196,000	1,015,315	100.0%	\$36,799,402	265,391	100.0%	\$21,560,899

(1) Values in this table are based on a sample of 4,308,575 correct 1997 MI-1040 tax returns on file.

(2) 26,134 general property tax credits for a total of \$7,441,389 were claimed on MI-1040CR returns which were filed without an MI-1040.

Exhibit 15
Four-Year Comparison of
Individual Income Tax Credits
(Number and Amount in Thousands)

	1994			1995			1996			1997		
	<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	662.3	\$194,591.9	\$293.81	658.2	\$191,569.7	\$291.05	689.6	\$208,123.4	\$301.80	700.1	\$217,637.4	\$310.86
Senior Citizen(1)												
Standard	400.9	207,100.4	516.59	396.9	205,228.1	517.08	392.2	210,308.9	536.23	387.0	212,043.4	547.92
Low Income Rent	15.1	6,110.3	404.66	13.8	5,180.7	375.41	13.7	5,225.2	381.40	12.7	4,644.1	365.68
Veteran	16.7	2,139.0	128.08	17.0	2,163.9	127.29	15.6	1,999.7	128.19	15.1	1,894.9	125.60
Blind	1.6	205.6	128.50	1.7	210.1	123.59	1.5	191.3	127.53	2.0	243.4	121.05
Disabled(2)	23.9	6,358.4	266.04	25.1	6,981.5	278.15	26.0	6,766.3	260.24	28.8	8,505.7	295.84
Farmland and Solar	<u>13.7</u>	<u>18,883.9</u>	1,378.39	<u>12.1</u>	<u>17,594.4</u>	1,456.24	<u>11.4</u>	<u>18,895.2</u>	1,657.47	<u>8.2</u>	<u>17,733.9</u>	2,150.08
Total Property Tax Credits	1,119.1	\$435,389.5	\$389.05	1,111.0	\$428,928.4	\$386.08	1,136.3	\$451,510.0	\$397.35	1,141.2	\$462,702.7	\$405.47
City Income Tax Credit	932.4	\$32,700.8	\$35.07	987.0	\$33,879.0	\$34.33	991.2	\$34,806.1	\$35.12	1,015.3	\$36,799.4	\$36.24
College Contribution												
Credit	244.9	\$19,144.1	\$78.17	256.8	\$20,004.5	\$77.90	258.4	\$20,540.3	\$79.49	265.4	\$21,560.9	\$81.24
Home Heating Credit	409.5	\$77,571.0	\$189.43	291.8	\$33,428.9	\$114.56	321.7	\$42,592.0	\$132.40	312.6	\$44,315.3	\$141.79
Credit for Income												
Tax Paid to												
Another State	34.8	\$17,354.0	\$498.68	37.1	\$19,437.5	\$523.92	37.5	\$22,155.7	\$590.82	39.4	\$24,208.4	\$615.04
Prescription Drug Credit	39.5	\$17,771.8	\$449.92	35.3	\$16,047.0	\$455.07	35.4	\$16,436.6	\$464.31	34.2	\$16,237.6	\$475.17
Community Foundation Credit	11.5	\$995.0	\$86.52	12.5	\$1,109.6	\$88.77	15.6	\$1,375.3	\$88.16	18.9	\$1,772.3	\$93.77
Medical Care Savings Acct. Credit (3)	5.6	\$89.4	\$15.96	6.6	\$120.6	\$18.27	4.6	\$95.6	\$20.78			
Homeless/Food Bank Credit	95.4	\$6,226.3	\$65.27	112.9	\$7,235.4	\$64.09	130.0	\$8,667.3	\$66.67	147.6	\$10,232.2	\$69.32
College Tuition Credit				90.4	\$8,026.5	\$88.79	114.4	\$12,213.5	\$106.76	106.8	\$12,093.7	\$113.24

- (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.
- (3) The Medical Care Savings Account Credit was eliminated beginning in 1997.

Exhibit 16
Distribution of Property Tax Credits Claimed (1)
Individual Income Tax, 1997

Adjusted Gross Income Class	<u>General</u>			<u>Senior Citizens (2)</u>			<u>Veterans</u>			<u>Disabled (3)</u>		
	Number of Credits Allowed	% of Total Credits Allowed	\$ Amount of Credit	Number of Credits Allowed	% of Total Credits Allowed	\$ Amount of Credit	Number of Credits Allowed	% of Total Credits Allowed	\$ Amount of Credit	Number of Credits Allowed	% of Total Credits Allowed	\$ Amount of Credit
Zero Income (4)	31,840	4.5%	\$12,627,895	122,510	31.7%	\$64,844,750	2,867	19.0%	\$ 414,680	18,760	61.0%	\$ 5,180,415
\$ 1 - 2,000	15,491	2.2%	4,538,460	10,917	2.8%	7,096,153	128	0.8%	20,523	1,320	4.3%	410,635
2,001 - 4,000	25,400	3.6%	7,000,358	14,038	3.6%	8,711,762	182	1.2%	25,082	1,155	3.8%	313,571
4,001 - 6,000	34,366	4.9%	10,071,383	19,639	5.1%	11,733,172	257	1.7%	38,446	1,177	3.8%	329,878
6,001 - 8,000	36,848	5.3%	11,591,260	23,590	6.1%	13,640,341	306	2.0%	40,103	1,006	3.3%	292,230
8,001 - 10,000	39,027	5.6%	12,275,829	25,859	6.7%	14,503,925	472	3.1%	60,823	710	2.3%	238,449
10,001 - 12,000	38,406	5.5%	12,044,220	23,709	6.1%	13,358,756	498	3.3%	62,575	784	2.5%	221,655
12,001 - 14,000	38,133	5.4%	11,613,352	21,540	5.6%	11,929,053	588	3.9%	76,152	664	2.2%	197,708
14,001 - 16,000	38,002	5.4%	11,110,826	19,511	5.0%	10,507,103	618	4.1%	74,762	668	2.2%	171,268
16,001 - 18,000	36,679	5.2%	10,626,882	16,209	4.2%	8,861,905	547	3.6%	64,019	491	1.6%	170,088
18,001 - 20,000	34,005	4.9%	9,697,239	13,260	3.4%	7,195,453	430	2.9%	54,353	431	1.4%	123,322
20,001 - 22,000	32,321	4.6%	9,202,582	10,198	2.6%	5,563,784	618	4.1%	73,064	299	1.0%	94,391
22,001 - 24,000	29,388	4.2%	8,165,522	8,118	2.1%	4,400,162	348	2.3%	41,204	361	1.2%	110,428
24,001 - 26,000	26,988	3.9%	7,518,587	6,725	1.7%	3,733,748	355	2.4%	46,395	241	0.8%	83,563
26,001 - 28,000	24,644	3.5%	6,833,601	5,733	1.5%	3,263,409	300	2.0%	36,058	389	1.3%	105,684
28,001 - 30,000	20,725	3.0%	6,049,968	5,164	1.3%	2,763,157	311	2.1%	43,151	200	0.7%	77,233
30,001 - 35,000	45,209	6.5%	13,262,920	9,856	2.5%	5,657,036	753	5.0%	95,198	446	1.4%	118,205
35,001 - 40,000	35,367	5.1%	10,902,905	7,196	1.9%	4,133,672	718	4.8%	87,365	332	1.1%	110,390
40,001 - 45,000	26,934	3.8%	9,083,981	5,362	1.4%	3,295,997	763	5.1%	89,903	246	0.8%	86,806
45,001 - 50,000	21,060	3.0%	7,210,014	4,514	1.2%	2,893,838	584	3.9%	72,040	167	0.5%	53,325
Over 50,000	<u>69,245</u>	<u>9.9%</u>	<u>26,209,605</u>	<u>13,295</u>	<u>3.4%</u>	<u>8,600,311</u>	<u>3,429</u>	<u>22.7%</u>	<u>378,962</u>	<u>891</u>	<u>2.9%</u>	<u>259,868</u>
Totals	700,107	100.0%	\$217,637,389	386,973	100.0%	\$216,687,488	15,086	100.0%	\$ 1,894,860	30,762	100.0%	\$ 8,749,113

- (1) Values in this table are based on a sample of the 4,703,037 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 17

**Senior Citizen Property Tax Credits Claimed on MI-1040CR Returns
Individual Income Tax, 1997**

<u>Household Income</u>	<u>Number of Returns</u>	<u>Property Tax Paid</u>	<u>Property Tax Credit</u>	<u>Property Tax Paid After Credit</u>
\$1,000 and below	1,321	\$2,617,996	\$1,348,082	\$1,269,914
1,001 - 2,000	419	497,632	341,052	156,580
2,001 - 3,000	806	729,029	560,852	168,177
3,001 - 4,000	1,571	1,218,843	1,007,917	210,927
4,001 - 5,000	3,523	2,425,220	2,104,565	320,656
5,001 - 6,000	9,534	6,393,474	5,512,434	881,040
6,001 - 7,000	13,518	9,381,456	6,673,669	2,707,788
7,001 - 8,000	12,255	10,128,372	6,519,831	3,608,541
8,001 - 9,000	13,748	12,027,841	7,477,757	4,550,084
9,000 - 10,000	13,585	12,652,646	7,397,102	5,255,544
10,001 - 11,000	13,259	13,723,088	7,518,475	6,204,613
11,001 - 12,000	12,753	13,038,107	7,301,167	5,736,940
12,001 - 13,000	12,660	13,559,274	7,360,998	6,198,276
13,001 - 14,000	12,804	14,294,646	7,393,596	6,901,050
14,001 - 15,000	13,174	15,096,957	7,545,800	7,551,158
15,001 - 16,000	12,959	15,427,165	7,401,837	8,025,328
16,001 - 17,000	13,041	15,674,037	7,453,188	8,220,849
17,001 - 18,000	12,806	16,172,039	7,267,447	8,904,592
18,001 - 19,000	12,350	15,906,344	7,029,635	8,876,709
19,001 - 20,000	12,067	15,967,623	6,786,943	9,180,680
20,001 - 21,000	11,678	15,706,654	6,402,617	9,304,037
21,001 - 22,000	11,119	15,540,072	6,186,720	9,353,352
22,001 - 23,000	11,203	15,868,224	5,992,673	9,875,551
23,001 - 24,000	10,325	14,815,382	5,412,642	9,402,740
24,001 - 25,000	9,316	14,277,575	5,284,438	8,993,138
25,001 - 26,000	9,028	13,901,967	4,789,302	9,112,665
26,001 - 27,000	9,253	14,659,158	5,067,714	9,591,443
27,001 - 28,000	7,744	12,593,764	4,320,421	8,273,343
28,001 - 29,000	7,473	12,526,997	4,149,623	8,377,374
29,001 - 30,000	7,176	12,125,282	3,880,224	8,245,058
30,001 - 35,000	30,566	54,646,007	16,152,281	38,493,726
35,001 - 40,000	20,425	40,771,460	10,995,959	29,775,501
40,001 - 45,000	13,963	31,115,169	7,752,277	23,362,892
45,001 - 50,000	9,620	23,972,201	5,739,839	18,232,362
Over 50,000	<u>19,714</u>	<u>63,000,289</u>	<u>12,558,415</u>	<u>50,441,874</u>
Totals	386,962	\$562,451,989	\$216,687,488	\$345,764,502

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

Exhibit 18

**General Property Tax Credits on MI-1040CR Returns
Individual Income Tax, 1997**

<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	10,914	\$17,079,204	\$6,992,302	\$10,086,902
1,001 - 2,000	3,815	3,282,068	1,630,817	1,651,252
2,001 - 3,000	5,488	4,203,281	2,035,604	2,167,677
3,001 - 4,000	7,930	6,084,799	2,715,450	3,369,349
4,001 - 5,000	12,055	8,845,427	3,724,715	5,120,711
5,001 - 6,000	19,597	14,665,658	5,878,969	8,786,689
6,001 - 7,000	19,950	15,519,007	5,873,622	9,645,385
7,001 - 8,000	20,257	16,841,450	6,036,929	10,804,521
8,001 - 9,000	21,809	18,664,858	6,564,097	12,100,761
9,000 - 10,000	23,071	20,416,712	6,902,710	13,514,002
10,001 - 11,000	22,491	20,580,174	6,744,367	13,835,807
11,001 - 12,000	22,184	20,722,637	6,626,964	14,095,673
12,001 - 13,000	21,306	20,576,194	6,424,674	14,151,521
13,001 - 14,000	21,660	21,478,857	6,457,166	15,021,690
14,001 - 15,000	21,495	21,555,483	6,287,853	15,267,629
15,001 - 16,000	21,235	21,714,594	6,014,694	15,699,900
16,001 - 17,000	20,199	21,659,441	5,807,117	15,852,324
17,001 - 18,000	18,995	21,074,136	5,464,654	15,609,482
18,001 - 19,000	19,023	21,561,875	5,377,437	16,184,438
19,001 - 20,000	18,768	21,984,852	5,283,112	16,701,739
20,001 - 21,000	17,792	21,350,088	5,095,143	16,254,945
21,001 - 22,000	16,892	20,690,651	4,711,976	15,978,675
22,001 - 23,000	15,706	20,321,956	4,477,120	15,844,836
23,001 - 24,000	15,709	20,589,366	4,311,121	16,278,245
24,001 - 25,000	14,907	19,631,601	4,103,363	15,528,239
25,001 - 26,000	14,108	19,519,633	4,031,985	15,487,647
26,001 - 27,000	14,537	20,564,448	3,967,790	16,596,658
27,001 - 28,000	12,504	18,746,496	3,712,696	15,033,800
28,001 - 29,000	11,325	17,132,178	3,260,229	13,871,949
29,001 - 30,000	11,071	16,835,037	3,134,241	13,700,795
30,001 - 35,000	47,428	78,551,782	14,017,469	64,534,312
35,001 - 40,000	37,230	68,615,226	11,233,384	57,381,841
40,001 - 45,000	28,109	58,586,844	9,366,571	49,220,273
45,001 - 50,000	21,840	50,881,339	7,549,554	43,331,786
Over 50,000	<u>68,315</u>	<u>204,252,982</u>	<u>25,821,493</u>	<u>178,431,489</u>
Totals	699,715	\$994,780,330	\$217,637,389	\$777,142,942

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

Exhibit 19

**Distribution of Home Heating Credits Claimed on MI-1040CR-7 Returns
Individual Income Tax, 1997**

<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	719	\$303,371	7,314	\$2,509,327	82	\$29,573	1	\$152
1,001 - 2,000	238	73,860	3,606	921,223	45	13,108	0	0
2,001 - 3,000	539	147,543	5,718	1,311,298	118	27,096	4	754
3,001 - 4,000	1,150	271,692	7,988	1,722,901	248	54,490	9	2,121
4,001 - 5,000	2,873	596,920	13,225	2,710,321	517	96,341	12	1,857
5,001 - 6,000	8,297	1,374,705	27,078	4,564,791	6,674	867,547	124	18,266
6,001 - 7,000	11,918	1,755,572	25,212	3,826,283	2,866	362,373	169	20,726
7,001 - 8,000	10,257	1,276,329	22,127	3,031,997	1,442	170,107	124	14,585
8,001 - 9,000	11,143	1,144,485	20,475	2,626,871	1,462	166,508	133	12,870
9,001 - 10,000	10,332	841,175	17,525	2,329,071	1,276	138,566	79	7,214
Over 10,000	<u>23,321</u>	<u>1,584,645</u>	<u>63,129</u>	<u>7,067,531</u>	<u>2,607</u>	<u>284,474</u>	<u>376</u>	<u>34,641</u>
Totals	80,787	\$9,370,297	213,397	\$32,621,614	17,337	\$2,210,183	1,031	\$113,186
Average Credit		\$115.99		\$152.87		\$127.48		\$109.78

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

Exhibit 20
1997 Income Tax Collections
by County

<u>County</u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>	<u>Tax After Credits</u>	<u>Percent of Total Tax</u>
Alcona	\$240,771	\$104,532	\$2,833,971	0.1%
Alger	182,443	72,503	3,141,077	0.1%
Allegan	3,245,506	306,574	44,648,536	0.8%
Alpena	1,113,463	242,726	11,435,284	0.2%
Antrim	896,418	106,976	8,368,536	0.2%
Arenac	642,481	183,435	5,027,513	0.1%
Baraga	114,806	63,340	2,425,842	0.0%
Barry	1,489,820	143,536	22,483,293	0.4%
Bay	5,215,967	585,475	50,213,260	0.9%
Benzie	384,063	80,540	5,564,536	0.1%
Berrien	5,751,598	863,994	75,471,820	1.4%
Branch	1,618,161	225,457	16,663,869	0.3%
Calhoun	5,275,306	675,974	57,575,989	1.0%
Cass	1,548,876	220,765	16,183,127	0.3%
Charlevoix	743,663	115,535	10,817,806	0.2%
Cheboygan	826,938	164,063	8,856,767	0.2%
Chippewa	680,658	206,676	11,617,200	0.2%
Clare	580,575	289,278	9,159,340	0.2%
Clinton	2,367,161	154,726	28,861,968	0.5%
Crawford	242,945	95,619	2,827,320	0.1%
Delta	906,324	292,595	13,450,772	0.2%
Dickinson	1,044,636	152,293	12,261,454	0.2%
Eaton	3,028,775	223,920	39,260,946	0.7%
Emmet	1,076,588	137,353	18,312,781	0.3%
Genesee	12,351,828	2,065,180	225,494,263	4.1%
Gladwin	683,451	225,804	7,210,215	0.1%
Gogebic	301,288	161,972	4,781,897	0.1%
Grand Traverse	2,128,798	175,494	28,869,891	0.5%
Graiot	1,665,297	268,941	17,513,070	0.3%
Hillsdale	1,405,998	294,545	17,683,579	0.3%
Houghton	528,015	245,589	10,243,726	0.2%
Huron	4,754,444	349,419	11,803,745	0.2%
Ingham	16,404,250	1,017,259	155,102,504	2.8%
Ionia	1,883,189	230,080	23,444,868	0.4%
Iosco	626,098	202,553	9,205,588	0.2%
Iron	244,345	125,208	3,465,525	0.1%
Isabella	1,375,647	232,351	21,051,246	0.4%
Jackson	4,567,124	554,841	76,105,098	1.4%
Kalamazoo	8,496,249	672,212	111,568,722	2.0%
Kalkaska	150,571	54,157	3,772,724	0.1%
Kent	20,338,184	1,589,258	349,404,850	6.3%
Keweenaw	21,117	15,422	430,206	0.0%
Lake	214,387	137,184	1,624,639	0.0%
Lapeer	2,260,463	221,965	45,705,012	0.8%
Leelanau	826,348	54,099	9,325,233	0.2%

Exhibit 20 (cont.)

County	Property Tax Credits	Home Heating Credits	Tax After Credits	Percent of Total Tax
Lenawee	\$4,548,989	\$334,957	\$46,656,494	0.8%
Livingston	4,038,663	158,480	84,311,397	1.5%
Luce	50,752	48,437	1,757,657	0.0%
Mackinac	294,995	78,502	3,763,279	0.1%
Macomb	42,421,305	1,402,669	411,595,816	7.4%
Manistee	636,760	165,011	8,363,395	0.2%
Marquette	1,282,756	291,363	23,797,502	0.4%
Mason	1,052,015	197,198	10,526,573	0.2%
Mecosta	825,029	206,559	13,383,312	0.2%
Menominee	550,146	190,862	9,491,605	0.2%
Midland	2,088,210	273,516	53,052,301	1.0%
Missaukee	542,561	100,418	2,915,137	0.1%
Monroe	3,552,752	275,650	52,040,661	0.9%
Montcalm	2,119,927	364,198	23,605,298	0.4%
Montmorency	162,529	105,209	2,746,644	0.0%
Muskegon	5,371,894	972,195	72,145,495	1.3%
Newaygo	1,284,933	264,525	16,002,832	0.3%
Oakland	86,957,982	2,075,360	1,217,828,764	21.9%
Oceana	930,104	198,966	9,162,243	0.2%
Ogemaw	500,407	190,258	5,496,076	0.1%
Ontonagon	132,322	72,461	2,124,019	0.0%
Osceola	734,303	230,090	8,432,376	0.2%
Oscoda	79,183	68,387	1,690,554	0.0%
Otsego	351,775	80,332	9,380,844	0.2%
Ottawa	7,876,885	379,920	148,990,525	2.7%
Presque Isle	397,531	153,257	4,670,498	0.1%
Roscommon	639,066	216,697	6,990,106	0.1%
Saginaw	7,415,615	1,254,071	98,377,020	1.8%
St. Clair	6,197,466	520,952	66,967,555	1.2%
St. Joseph	1,986,093	261,772	27,112,015	0.5%
Sanilac	2,992,094	379,348	14,770,142	0.3%
Schoolcraft	99,770	87,623	2,524,686	0.0%
Shiawassee	2,628,308	289,673	34,306,916	0.6%
Tuscola	3,573,954	324,792	23,706,030	0.4%
Van Buren	3,202,522	472,702	29,818,077	0.5%
Washtenaw	21,221,821	499,088	221,755,929	4.0%
Wayne (excl. Detroit)	64,237,309	2,547,088	588,251,265	10.6%
Wexford	971,170	215,595	10,936,484	0.2%
Outside Michigan	9,155,089	523,066	216,054,134	3.9%
Detroit	<u>49,152,692</u>	<u>13,242,615</u>	<u>360,120,016</u>	<u>6.5%</u>
	\$462,702,707	\$44,315,280	\$5,556,891,279	100.0%

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

Exhibit 21

1997 Income Tax Data by County

County	1997	1997	1996	Percent	Income		Average		Average		Credits		Ratio of		Average	
	Adjusted				Average	Average	Change	Revenue	Income	Income	Income	as a %	Property	Property	Property	
	Gross	AGI	AGI	Average	Before	Rank	Before	Rank	After	Rank	Before	Rank	Filed	Rank	Tax	Rank
	(Millions)			1996-97	Credits		Credits		Credits		Credits				Credit (1)	
Alcona	\$125.4	\$27,186	\$24,425	11.31%	\$3,203,959	75	\$694	79	\$614	81	11.5%	14	19.1%	66	\$274	63
Alger	110.2	28,611	28,684	-0.26%	3,418,210	73	888	60	816	58	8.1%	61	18.4%	70	258	69
Allegan	1,387.5	36,262	33,445	8.42%	48,369,565	22	1,264	21	1,167	17	7.7%	65	21.0%	44	403	20
Alpena	408.3	30,835	28,253	9.14%	12,901,638	46	974	50	864	51	11.4%	20	28.0%	8	301	56
Antrim	306.0	32,381	34,705	-6.70%	9,466,095	59	1,002	48	885	50	11.6%	13	23.6%	27	402	21
Arenac	200.2	25,780	23,765	8.48%	5,867,180	66	755	72	647	77	14.3%	6	23.0%	29	360	35
Baraga	85.9	30,024	25,859	16.11%	2,624,306	78	917	57	848	53	7.6%	70	15.7%	78	256	70
Barry	714.8	37,508	35,309	6.23%	24,195,546	33	1,270	19	1,180	16	7.1%	76	19.1%	65	410	16
Bay	1,670.1	35,050	32,943	6.40%	56,166,718	18	1,179	26	1,054	28	10.6%	26	29.6%	6	370	31
Benzie	195.4	34,027	27,586	23.35%	6,089,833	65	1,060	40	969	38	8.6%	56	20.5%	46	326	50
Berrien	2,461.5	33,918	32,492	4.39%	82,701,004	12	1,140	29	1,040	29	8.7%	53	23.8%	25	333	47
Branch	556.7	31,590	30,112	4.91%	18,468,637	38	1,048	43	946	43	9.8%	37	20.6%	45	446	11
Calhoun	1,963.7	34,196	33,129	3.22%	64,390,781	16	1,121	33	1,003	33	10.6%	27	26.4%	15	348	41
Cass	551.0	32,927	30,314	8.62%	18,291,509	39	1,093	34	967	40	11.5%	15	19.6%	59	473	8
Charlevoix	362.9	35,518	33,524	5.95%	11,685,650	50	1,144	27	1,059	26	7.4%	72	21.6%	38	336	44
Cheboygan	333.6	29,383	25,798	13.90%	9,936,696	57	875	61	780	59	10.9%	23	20.4%	48	357	37
Chippewa	413.1	27,611	27,306	1.12%	12,656,347	47	846	65	777	61	8.2%	60	17.1%	74	266	65
Clare	337.7	27,137	25,698	5.60%	10,088,977	55	811	68	736	67	9.2%	47	18.8%	68	248	73
Clinton	917.6	39,958	38,216	4.56%	31,547,609	26	1,374	13	1,257	12	8.5%	58	24.8%	18	416	15
Crawford	113.6	26,027	24,986	4.17%	3,207,103	74	735	76	648	76	11.8%	10	21.8%	36	255	72
Delta	460.9	30,928	29,404	5.18%	14,771,821	43	991	49	903	48	8.9%	52	21.5%	41	283	62
Dickinson	425.9	34,200	33,455	2.23%	13,595,212	45	1,092	35	985	37	9.8%	36	26.6%	14	315	52
Eaton	1,248.3	37,968	37,555	1.10%	42,928,398	23	1,306	16	1,194	14	8.5%	57	22.7%	30	406	18
Emmet	565.4	40,839	36,068	13.23%	19,726,635	35	1,425	8	1,323	8	7.2%	75	22.0%	33	354	39
Genesee	7,174.7	38,490	35,842	7.39%	243,350,994	6	1,305	17	1,210	13	7.3%	74	22.5%	32	294	61
Gladwin	276.1	29,454	27,135	8.55%	8,157,502	62	870	63	769	63	11.6%	12	24.6%	20	297	59
Gogebic	179.6	26,026	26,302	-1.05%	5,275,372	67	764	70	693	70	9.4%	42	21.6%	39	202	79
Grand Traverse	933.5	37,046	31,840	16.35%	31,269,835	27	1,241	23	1,146	19	7.7%	66	24.8%	19	341	42
Gratiot	577.6	33,648	30,021	12.08%	19,334,642	37	1,126	32	1,020	32	9.4%	41	20.3%	50	478	7
Hillsdale	589.4	31,278	29,277	6.83%	19,690,837	36	1,045	44	938	44	10.2%	31	18.4%	69	405	19
Houghton	355.2	28,670	26,309	8.98%	11,300,823	51	912	59	827	56	9.4%	43	16.5%	76	259	68
Huron	510.7	30,106	28,779	4.61%	16,327,997	42	963	51	696	69	27.7%	1	34.4%	1	815	1
Ingham	5,127.1	38,540	37,259	3.44%	176,199,726	7	1,324	14	1,166	18	12.0%	9	32.6%	3	378	29
Ionia	765.5	32,262	31,927	1.05%	25,747,811	32	1,085	36	988	36	8.9%	51	20.1%	52	396	23
Iosco	361.6	30,409	25,225	20.55%	10,077,888	56	848	64	774	62	8.7%	55	19.7%	58	268	64
Iron	141.9	26,842	25,280	6.18%	3,863,630	71	731	77	655	73	10.3%	30	22.0%	34	210	78
Isabella	687.0	35,069	34,138	2.73%	23,206,045	34	1,185	25	1,075	25	9.3%	45	19.1%	64	367	33
Jackson	2,391.3	37,081	34,696	6.87%	82,349,340	13	1,277	18	1,180	15	7.6%	69	21.1%	43	336	45
Kalamazoo	3,494.7	39,794	38,811	2.53%	121,318,680	9	1,381	12	1,270	11	8.0%	62	27.6%	9	351	40
Kalkaska	125.5	29,738	27,984	6.27%	3,992,186	70	946	54	894	49	5.5%	80	15.3%	80	233	76
Kent	10,484.4	41,762	37,469	11.46%	377,602,892	4	1,504	6	1,392	6	7.5%	71	24.2%	22	335	46
Keweenaw	17.3	25,057	25,447	-1.53%	473,466	83	686	81	623	79	9.1%	49	19.3%	62	159	83
Lake	74.5	22,252	20,889	6.53%	1,999,242	80	597	83	485	83	18.7%	2	27.3%	11	235	75
Lapeer	1,381.8	40,354	39,140	3.10%	48,602,404	21	1,419	9	1,335	7	6.0%	79	17.9%	72	369	32
Leelanau	306.0	41,797	33,392	25.17%	10,303,504	53	1,408	10	1,274	10	9.5%	39	25.0%	17	451	10

Exhibit 21 (cont)

County	1997	1996		Percent	Income		Average		Average		Credits		Ratio of		Average	
	Adjusted Gross Income (Millions)	1997 Average AGI	1996 Average AGI	Change Average AGI 1996-97	Revenue Credits	Rank	Income Tax Before Credits	Rank	Income Tax After Credits	Rank	as a % of Tax Before Credits	Rank	Property Tax Credits to 1040s Filed	Rank	Property Tax Credit (1)	Rank
Lenawee	\$1,532.7	\$36,781	\$34,583	6.36%	\$52,800,131	20	\$1,267	20	\$1,120	23	11.6%	11	23.7%	26	\$461	9
Livingston	2,431.6	50,389	49,163	2.49%	89,056,169	11	1,845	2	1,747	2	5.3%	81	19.9%	53	420	14
Luce	69.0	26,073	24,380	6.95%	1,871,204	81	707	78	665	72	6.1%	78	10.4%	83	184	81
Mackinac	140.1	27,445	27,581	-0.49%	4,216,274	69	826	66	737	66	10.7%	24	17.0%	75	339	43
Macomb	13,068.2	41,720	40,457	3.12%	459,712,555	3	1,468	7	1,314	9	10.5%	29	30.5%	5	445	12
Manistee	295.4	29,866	27,784	7.49%	9,206,815	61	931	55	846	54	9.2%	48	21.3%	42	302	55
Marquette	807.9	32,269	32,023	0.77%	25,826,462	31	1,032	45	951	41	7.9%	64	19.3%	61	265	66
Mason	367.2	29,861	27,918	6.96%	11,826,489	49	962	52	856	52	11.0%	22	23.9%	24	358	36
Mecosta	452.7	31,076	27,819	11.71%	14,660,474	44	1,006	47	919	46	8.7%	54	17.9%	71	316	51
Menominee	324.4	36,121	30,273	19.32%	10,251,987	54	1,142	28	1,057	27	7.4%	73	19.8%	57	310	53
Midland	1,593.7	47,750	45,611	4.69%	55,836,515	19	1,673	4	1,590	4	5.0%	83	18.9%	67	331	49
Missaukee	121.5	25,302	25,584	-1.10%	3,537,293	72	737	74	607	82	17.6%	5	23.1%	28	489	6
Monroe	1,847.7	40,063	40,201	-0.34%	63,841,532	17	1,384	11	1,128	21	18.5%	3	20.1%	51	383	26
Montcalm	781.7	30,699	29,763	3.14%	26,198,419	30	1,029	46	927	45	9.9%	35	20.3%	49	409	17
Montmorency	122.2	27,444	25,338	8.31%	3,030,076	76	681	82	617	80	9.4%	44	15.3%	79	238	74
Muskegon	2,355.4	33,635	30,002	12.11%	79,748,820	14	1,139	30	1,030	31	9.5%	38	26.0%	16	295	60
Newaygo	544.9	32,961	30,388	8.47%	17,765,713	41	1,075	38	968	39	9.9%	33	21.9%	35	355	38
Oakland	35,384.8	59,192	54,633	8.35%	1,318,902,799	1	2,206	1	2,037	1	7.7%	67	28.5%	7	510	4
Oceana	324.3	29,875	26,270	13.72%	10,345,187	52	953	53	844	55	11.4%	17	19.8%	56	432	13
Ogemaw	217.4	25,800	26,401	-2.28%	6,203,440	64	736	75	652	75	11.4%	18	19.9%	54	299	58
Ontonagon	79.2	25,960	25,032	3.71%	2,339,868	79	767	69	696	68	9.2%	46	19.9%	55	218	77
Osceola	298.9	27,608	25,367	8.83%	9,438,680	60	872	62	779	60	10.7%	25	17.9%	73	379	28
Oscoda	69.3	25,626	21,743	17.86%	1,859,320	82	688	80	625	78	9.1%	50	16.2%	77	181	82
Otsego	311.6	33,284	32,276	3.12%	9,899,183	58	1,057	41	1,002	34	5.2%	82	14.7%	82	255	71
Ottawa	4,438.9	44,724	41,844	6.88%	159,121,559	8	1,603	5	1,501	5	6.4%	77	20.4%	47	388	24
Presque Isle	182.0	26,315	25,038	5.10%	5,264,081	68	761	71	675	71	11.3%	21	19.1%	63	300	57
Roscommon	296.9	27,773	24,519	13.27%	7,898,717	63	739	73	654	74	11.5%	16	22.6%	31	264	67
Saginaw	3,253.3	35,634	33,614	6.01%	108,620,145	10	1,190	24	1,078	24	9.4%	40	24.5%	21	332	48
St. Clair	2,177.6	36,483	44,574	-18.15%	74,471,191	15	1,248	22	1,122	22	10.1%	32	27.0%	12	385	25
St. Joseph	877.2	32,016	30,400	5.32%	29,599,158	28	1,080	37	990	35	8.4%	59	19.4%	60	374	30
Sanilac	562.2	29,040	27,843	4.30%	18,003,036	40	930	56	763	64	18.0%	4	27.5%	10	562	3
Schoolcraft	91.6	27,471	26,130	5.13%	2,733,372	77	820	67	757	65	7.6%	68	15.0%	81	200	80
Shiawassee	1,123.3	33,985	32,693	3.95%	37,304,807	24	1,129	31	1,038	30	8.0%	63	21.7%	37	366	34
Tuscola	834.7	32,132	31,266	2.77%	27,318,963	29	1,052	42	913	47	13.2%	8	21.5%	40	640	2
Van Buren	993.4	31,621	30,229	4.60%	33,650,184	25	1,071	39	949	42	11.4%	19	26.8%	13	381	27
Washtenaw	6,775.5	50,603	46,836	8.04%	246,121,115	5	1,838	3	1,656	3	9.9%	34	31.7%	4	500	5
Wayne (incl. Detroit)	31,985.0	38,184	36,192	5.50%	1,100,778,708	2	1,314	15	1,132	20	13.8%	7	33.9%	2	399	22
Wexford	372.8	27,868	25,430	9.59%	12,222,307	48	914	58	818	57	10.5%	28	24.0%	23	302	54
Detroit	13,106.9	32,386	24,420	32.62%	439,634,983		1,086		890		18.1%		36.2%		336	
Outside Michigan	21,429.0	117,377	98,719	18.90%	222,832,217		1,221		1,185		2.9%		13.0%		386	
Totals	\$192,803.0	\$44,286	\$42,260	4.79%	\$6,141,059,213		\$1,425		\$1,294		9.2%		26.5%		\$406	

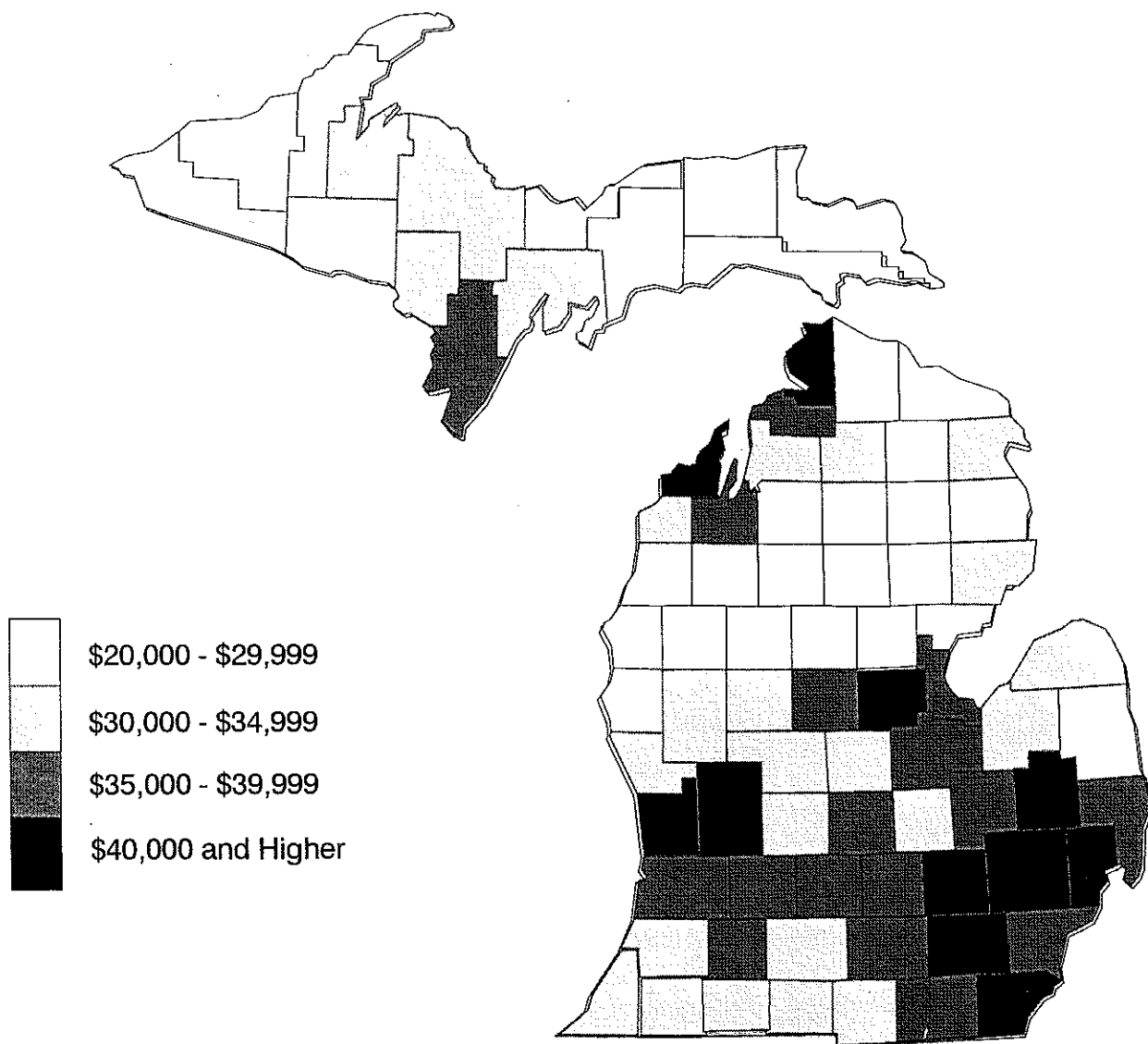
(1) Includes Farmland Preservation credits.

Exhibit 22

Average Annual Individual Income Tax Rates

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

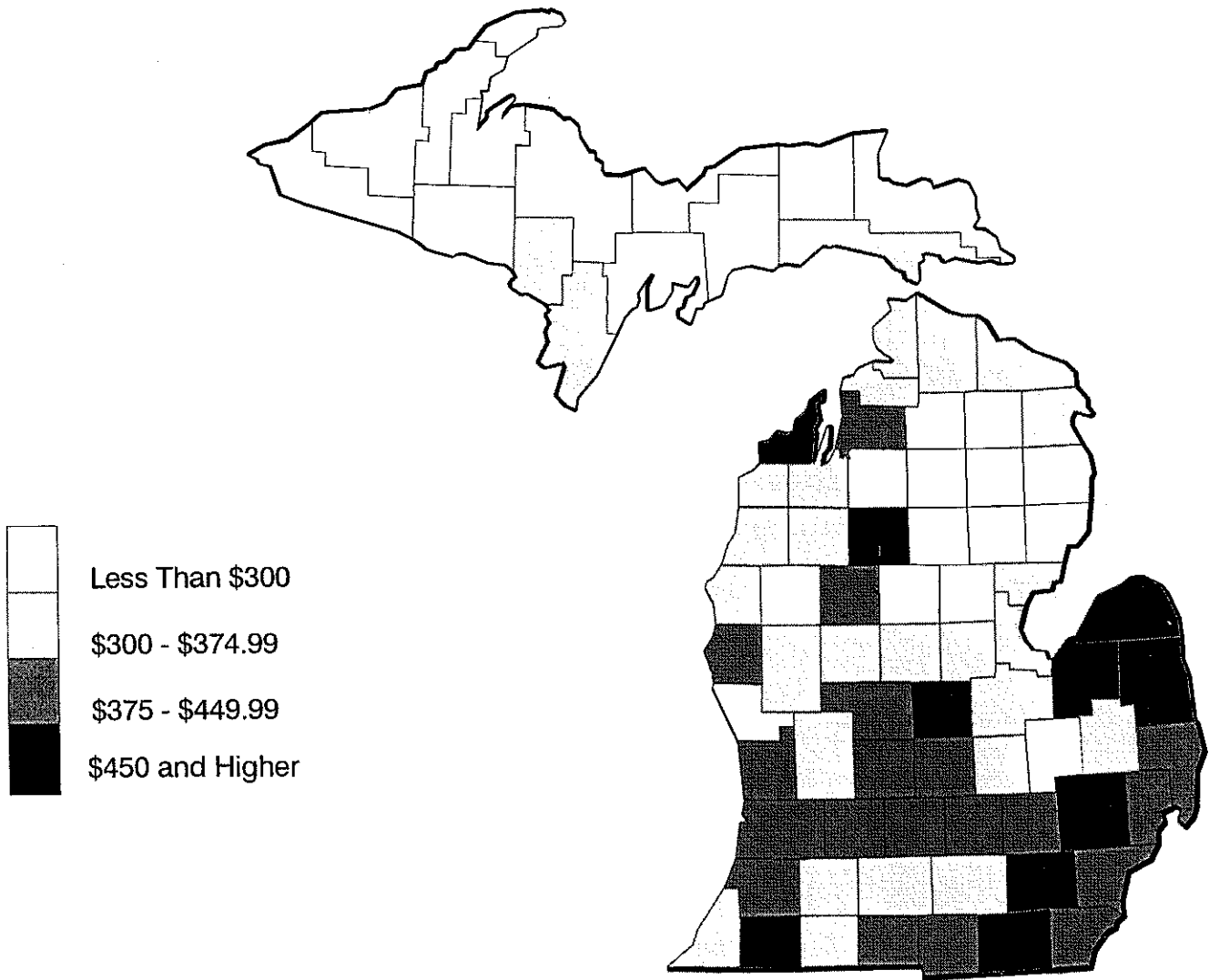
Exhibit 23
Average Adjusted Gross Income by County
1997



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

Exhibit 24

Average Property Tax Credits by County
1997



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