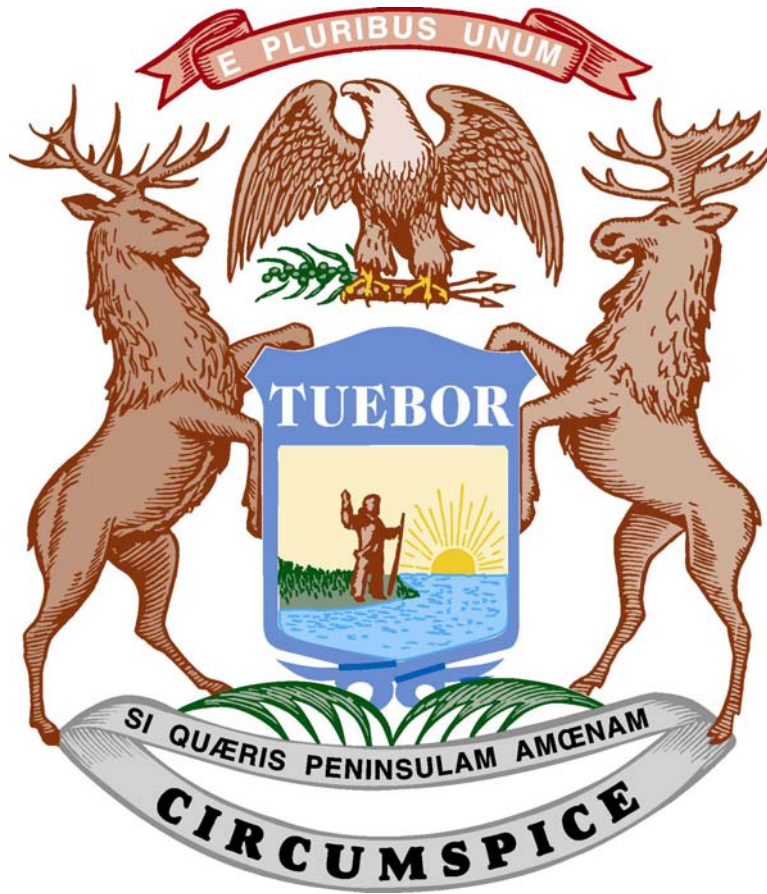
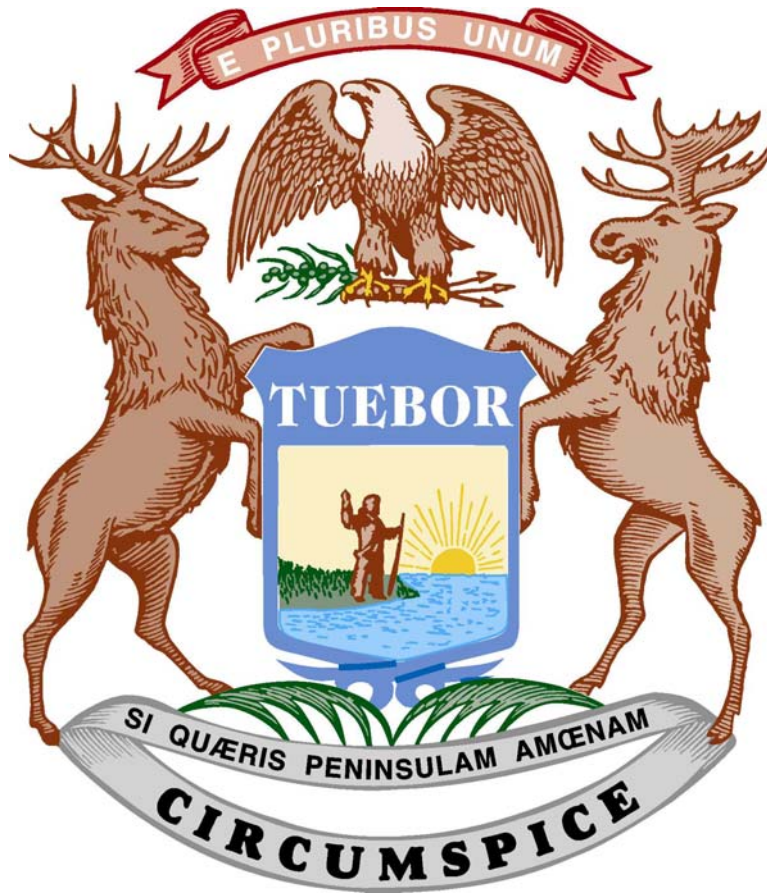


MICHIGAN'S INDIVIDUAL INCOME TAX 2009



**Michigan Department of Treasury
Office of Revenue and Tax Analysis
Tax Analysis Division
July 2011**

MICHIGAN'S INDIVIDUAL INCOME TAX 2009



Tax Analysis Division
July 2011

This report was prepared by Denise T. Heidt under the direction of Howard Heideman, Director of Tax Analysis Division, Office of Revenue and Tax Analysis (ORTA). Scott Darragh and Eric Krupka of ORTA provided assistance.

TABLE OF CONTENTS

	<u>Page</u>
I. EXECUTIVE SUMMARY	1
Returns and Revenue	1
Interstate Comparisons.....	1
Property Tax Credit.....	1
Home Heating Credit	2
Michigan Earned Income Tax Credit (EITC)	2
Adoption Credit	2
Stillbirth Credit	2
Energy Efficient Home Improvement Credit.....	2
City Income Tax Credit	2
Public Contribution Credit.....	3
Community Foundation Credit	3
Homeless Shelter/Food Bank Credit.....	3
College Tuition Credit	3
Historic Preservation Credit.....	3
Credit for Income Paid to Another State.....	3
Vehicle Donation Credit	3
Renewable Energy Surcharge Credit	4
Use Tax Payments.....	4
Tax Law Changes in 2010	4
II. INTRODUCTION.....	5
III. HISTORY OF THE MICHIGAN INDIVIDUAL INCOME TAX	6
USE TAX PAYMENTS	8
IV. INCIDENCE OF THE INDIVIDUAL INCOME TAX	10
V. INCOME TAX CREDITS	23
REFUNDABLE CREDITS	23
Homestead Property Tax Credit.....	23
Home Heating Credit	25
Michigan Earned Income Tax Credit.....	26
Adoption Credit	27
Stillbirth Credit	27
Energy Efficient Home Improvement Credit.....	28
NON-REFUNDABLE CREDITS	28
City Income Tax Credit	28
Public Contribution Credit.....	29

Community Foundation Credit	29
Homeless Shelter/Food Bank Credit.....	30
College Tuition and Fees Credit	30
Historic Preservation Credit.....	30
Credit for Income Paid to Another State.....	30
Credit for Vehicle Donation.....	31
Renewable Energy Surcharge Credit.....	31
 VI. DESIGNATED CONTRIBUTIONS.....	 32
State Campaign Fund.....	32
Children’s Trust Fund.....	32
Military Family Relief Fund	32
Children of Veterans Tuition Grant Program	33
Other Funds.....	33
 VII. INTERSTATE COMPARISONS	 35
 VIII. GEOGRAPHIC PATTERN OF TAX AND CREDITS	 38
 IX. FEDERAL INCOME TAX INTERACTION	 39
Summary of Federal Tax Law Changes Passed Before 2011.....	39
2009.....	39
2010 and beyond.....	40
 X. MICHIGAN PUBLIC ACTS – INCOME TAX.....	 41
2009.....	41
2010.....	41
 XI. EXHIBITS 27 THROUGH 42.....	 42
 XII. APPENDIX A	 64
FEDERAL TAX LAW CHANGES (from 2001 through 2008)	65
2001.....	65
2002.....	65
2003.....	66
2004.....	67
2005.....	68
2006.....	69
2007.....	70
2008.....	70

MICHIGAN PERSONAL INCOME TAX LEGISLATIVE HISTORY (1967 – 2008).....	72
1967.....	72
1968.....	72
1969.....	72
1970.....	73
1971.....	73
1972.....	73
1973.....	74
1974.....	74
1975.....	75
1976.....	75
1977.....	75
1978.....	76
1979.....	76
1980.....	77
1981.....	77
1982.....	77
1983.....	78
1984.....	79
1985.....	79
1986.....	80
1987.....	80
1988.....	80
1989.....	81
1990.....	82
1991.....	82
1992.....	83
1993.....	83
1994.....	84
1995.....	84
1996.....	85
1997.....	86
1998.....	86
1999.....	86
2000.....	87
2001.....	88
2002.....	88
2003.....	89
2004.....	89
2005.....	90
2006.....	91
2007.....	91
2008.....	92
MICHIGAN INCOME TAX REQUIREMENTS (1967 – 2010).....	94

LIST OF EXHIBITS

<u>Exhibit</u>	<u>Page</u>
1 Michigan Individual Income Tax Exemption Allowances	7
2 Individual Income Tax Credits	8
3 Earmarking of Income Tax Revenue	9
4 Use Tax Liability Reported on Income Tax Returns	9
5 Fifteen-Year History of Income Tax Rates and Revenue	10
6 Annual Collections from Michigan Individual Income Tax.....	11
7 Individual Income Tax - Effective Tax Rate	12
8 Effective Income Tax Rates, 2009.....	13
9 2009 Income Tax Return Distribution by Residency	15
10 2009 Income Tax Returns Distribution by Filing Status	15
11 2004 Michigan Federal Total Income Categories by Age Group.....	16
12 2004 Federal Adjusted Gross Income For all Michigan Taxpayers by Age Group	18
13 2009 Total AGI, Additions and Subtractions by Age Group	19
14 2009 Total Additions Detail by Age Group.....	19
15 2009 Total Subtractions Detail by Age Group	20
16 Change in Michigan Income from 2008 to 2009	21
17 2009 Individual Income Tax Credits	24
18 2009 Homestead Property Tax Credits	25
19 2009 Home Heating Credits.....	26
20 2009 Michigan Earned Income Tax Credits	27
21 2009 City Income Tax Credits.....	28

<u>Exhibit</u>	<u>Page</u>
22 Michigan Cities that Levy an Income Tax.....	29
23a Returns Designating Contributions 1987 - 2009	33
23b Returns Designating Additional Contributions 2008 - 2009	34
24 State Individual Income Taxes for FY 2009 - Per Person and Percentage of Personal Income	36
25 State Income Taxes Per Person - Great Lakes Region - FY 2009	37
26 State Income Taxes - Percentage of Personal Income - Great Lakes Region - FY 2009	37
27 Effective Rate of the Michigan Individual Income Tax, 2009	43
28 Breakdown of Upper Income Filers - Individual Income Tax, 2009.....	44
29 Tax Base Deductions as a Percentage of AGI - Individual Income Tax, 2009	45
30 Distribution of Personal Exemptions Claimed on 2009 Individual Income Tax Returns.....	47
31 Distribution of Special Exemptions and Child Deductions Claimed on 2009 Individual Income Tax Returns.....	49
32 Four-Year Comparison of Individual Income Tax Credits.....	50
33 Distribution of Credits - Individual Income Tax, 2009	51
34 Distribution of Property Tax Credits Claimed - Individual Income Tax, 2009	53
35 Distribution of Senior Citizen Property Tax Credits by Household Income - Individual Income Tax, 2009.....	54
36 Distribution of General Property Tax Credits by Household Income - Individual Income Tax, 2009.....	55
37 Distribution of Home Heating Credits by Household Income - Individual Income Tax, 2009.....	56
38 2009 Income Tax Collections by County	57

<u>Exhibit</u>		<u>Page</u>
39	2009 Income Tax Data by County	59
40	Average Adjusted Gross Income by County, 2009	61
41	Average Property Tax Credits by County, 2009.....	62
42	Average Annual Individual Income Tax Rates.....	63

I. EXECUTIVE SUMMARY

Returns and Revenue

For tax year 2009, Michigan's personal income tax generated \$4.9 billion in state revenues after all credits and refunds were paid. Net revenue decreased \$878.4 million (-15.3 percent) from 2008 levels, reflecting the reduction in taxable income of \$18.9 billion (-7.3 percent) from 2008 to 2009 and the increase of \$220.5 million (18.1 percent) in refundable credits from 2008 levels. About 4.4 million returns were filed for the 2009 tax year, or 85,500 fewer filers (-1.9 percent) than the previous year.

Although the personal income tax was levied at a nominal flat rate of 4.35 percent in 2009, the average effective tax rate varied from negative 31.13 percent for filers with an AGI under \$2,000 to positive 3.42 percent for taxpayers with an AGI between \$200,001 and \$400,000. Including the impact of all refundable and nonrefundable credits, the overall effective tax rate was 2.05 percent. The negative effective rates for lower income groups arise because some taxpayers receive net payments from the state, due principally to the refundable credits for property taxes and home heating expenses, and the Michigan Earned Income Tax Credit (EITC). Nearly all (99.6 percent) of the \$4.9 billion in net revenue was paid by income groups with income over \$50,000.

Interstate Comparisons

For fiscal year 2009, Michigan's income tax revenue was seventh lowest in the nation as a percentage of personal income, and the eighth lowest on a per capita basis, among the 41 states with a general income tax. Compared to the average for those 41 states, Michigan's income tax revenue was 43.1 percent below average on a per capita basis, and 33.6 percent below average as a percent of personal income.

Property Tax Credit

Over 1.6 million Michigan homeowners, renters, and farmers received \$996.4 million in property tax credits, including farmland preservation credits, for 2009. The average property tax credit was \$607. Excluding farmland preservation credits, the average property tax credit for tax year 2009 was \$585. The total amount of property tax credits, including farmland preservation credits, increased by \$29.9 million (3.1 percent) with 31,700 more taxpayers benefiting compared to tax year 2008.

Senior citizens received about \$374.9 million in homestead property tax credits, an increase of \$25.7 million from tax year 2008. For about 476,500 senior citizens receiving homestead property tax credits, the average credit was \$787.

Home Heating Credit

Home heating credits totaled \$88.8 million for tax year 2009 with about 484,800 households qualifying for an average credit of \$183. Excluding supplemental credit payments made in tax year 2008, home heating credits increased \$4.5 million in 2009, when approximately 34,700 more taxpayers claimed the credit.

Michigan Earned Income Tax Credit (EITC)

Over 782,000 taxpayers claimed about \$338.0 million in Michigan EITC in 2009, resulting in an average credit of \$432 per taxpayer. In 2008, the first year the Michigan credit became effective, the state credit was 10 percent of the federal credit. For 2009, the Michigan credit was increased to 20 percent of the federal credit.

Adoption Credit

In tax year 2009, \$667,000 in adoption credit was claimed by 500 taxpayers, resulting in an average credit of \$1,266 per taxpayer. This credit became effective in tax year 2001, allowing taxpayers to offset qualified expenses for single or multiple adoptions, but it is limited to a maximum of \$1,200 per adopted child.

Stillbirth Credit

About 300 taxpayers claimed a total of \$62,400 in stillbirth credits for tax year 2009. The credit became effective in tax year 2006, and it allows taxpayers who received a Certificate of Stillbirth from the Department of Community Health to claim a credit equal to 4.5 percent of a single personal exemption amount for the tax year, rounded up to the nearest \$10 increment. In 2009, the credit amount was \$183 per certificate.

Energy Efficient Home Improvement Credit

140,200 filers claimed a total of \$15.2 million in energy efficient home improvement credits for tax year 2009. Effect for tax years 2009 through 2011, this credit equals 10 percent of the amount spent on the purchase and installation of qualified home improvements that met Energy Star energy efficiency guidelines, and is available for taxpayers with AGI up to \$37,500 (single or married filing separately – MFS) or \$75,000 (married filing jointly – MFJ), the credit was limited to \$75 (single, MFS) or \$150 (MFJ).

City Income Tax Credit

In 2009, city income tax credits were claimed by 772,100 taxpayers amounting to \$28.8 million in total credits. This was an decrease of \$2.2 million from the prior year, with 51,500 fewer taxpayers claiming the credit.

Public Contribution Credit

About 263,600 Michigan taxpayers claimed \$23.7 million in credits for contributions to Michigan colleges, libraries, museums, and public broadcasting stations for tax year 2009. This was a decrease of \$1.0 million from tax year 2008, with 9,700 fewer taxpayers claiming this credit.

Community Foundation Credit

For tax year 2009, about 36,000 taxpayers claimed \$3.4 million in community foundation credits. This figure represents an increase of about \$75,400 from tax year 2008, with 800 more taxpayers claiming the credit.

Homeless Shelter/Food Bank Credit

About 234,100 taxpayers claimed homeless shelter/food bank credits totaling \$18.8 million for tax year 2009. Compared with tax year 2008, this represented a decrease of \$212,600 with 40 fewer taxpayers claiming a credit.

College Tuition Credit

For tax year 2009, 98,800 taxpayers claimed \$16.8 million in tuition credits. Compared with tax year 2008, this was an increase of \$4.7 million with 15,800 additional taxpayers claiming a credit.

Historic Preservation Credit

For tax year 2009, about 250 taxpayers claimed \$1.2 million in historic preservation credits. Compared with tax year 2008, this was a decrease of \$106,400 with 50 fewer taxpayers claiming a credit.

Credit for Income Paid to Another State

For tax year 2009, 44,600 taxpayers received a total of \$40.1 million credit for income tax paid to another state, resulting in an average credit of \$898. This represented a decrease of \$4.3 million with 5,100 fewer taxpayers claiming a credit.

Vehicle Donation Credit

About 1,400 taxpayers claimed vehicle donation credits totaling \$100,900 for tax year 2009, resulting in an average credit of \$72 per taxpayer. The vehicle donation credit equals 50 percent

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

Renewable Energy Surcharge Credit

This credit equals a percentage of the additional utility charges paid that were imposed on Michigan utility customers so that the electric utilities would meet newly enacted renewable energy standards. The credit was restricted to eligible taxpayers with AGI up to \$65,000 (single , MFS), or \$130,000 (MFJ), and was limited to \$12.00 per electric meter in 2009. About 499,500 taxpayers received a total of \$3.9 million in renewable energy surcharge credits for tax year 2009.

Use Tax Payments

Starting in tax year 1999, taxpayers were asked to remit use tax payments along with their personal income tax returns. In 2009, 100,800 taxpayers paid \$5.0 million in use tax. Compared to 2008, this was an increase of \$927,700 on the total use tax paid, with 2,900 fewer taxpayers reporting the use tax.

Tax Law Changes in 2010

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

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

Public Act 235 created the Venture Investment credit, which allows a taxpayer to claim a nonrefundable credit equal to 25 percent of a qualified investment made in a qualified business during tax years 2011 and 2012. The new credit may be carried forward for up to 15 years. Qualified investment must be certified by the Michigan Strategic Fund (MSF) and the total amount of certified credits is limited to \$10 million in one year.

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

II. INTRODUCTION

This report summarizes information regarding the Michigan individual income tax for tax year 2009. It is based on returns filed and processed in calendar year 2010.

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

The Michigan income tax builds on the federal income tax, specifically federal adjusted gross income (AGI). As such, changes in federal law that alter the calculation of AGI will generally have an impact on the Michigan income tax base and revenues. Section IX summarizes the significant changes in federal income tax law in 2009 and 2010 and how those changes affect Michigan's income tax base. Section X summarizes the Michigan Public Acts (PA) in 2009 and 2010 that amended the Michigan Income Tax Act.

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

Section XII contains a summary of significant changes in federal income tax law since 2001 through changes in 2008, the Michigan personal income tax legislative history through 2008, and a table with chronological changes to the Michigan income tax requirements and limits since 1967.

III. HISTORY OF THE MICHIGAN INDIVIDUAL INCOME TAX¹

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

In response to the early 1980s economic recession that plagued Michigan with budget deficits, the state income tax rate was raised to 5.6 percent between April 1 and September 30, 1982, further increasing to 6.35 percent in 1983. As the Michigan economy improved, the income tax rate was rolled back to 5.85 percent in 1984, 5.33 percent in 1985, and 4.6 percent in 1986. On May 1, 1994, the rate was lowered to 4.4 percent, following the passage of the property tax reform package known as Proposal A. For the 1995 tax year only, the Headlee Amendment Refund reduced the income tax liability of all Michigan taxpayers by 2.0 percent. New legislation passed in 1999 reduced the income tax rate to 4.2 percent effective January 1, 2000, and further reduced the rate by 0.1 percentage point on January 2002, January 2003, and July 2004, bringing the rate to 3.9 percent, where it remained through September 2007. As the pace of the Michigan economy slowed considerably in the mid 2000s, renewed budgetary pressures led to new legislation that increased the income tax rate to 4.35 percent effective October 1, 2007, and provided for a gradual reduction of the rate (0.1 percentage point) on each October 1 beginning in 2011, until the rate reached 3.95 percent, and finally dropped to 3.9 percent on October 1, 2015. However, newly enacted 2011 legislation maintained the 4.35 percent rate through December 2012, and reduced the rate to 4.25 percent beginning January 2013. (See Exhibit 42 on page 63 for a complete list of average Michigan Individual Income tax rates since 1968.)

The starting point of the Michigan individual income tax is the federal AGI. Therefore, changes in federal tax law can affect Michigan income tax collections. The broad changes in AGI effected by the Tax Reform Act of 1986 significantly increased the Michigan income tax base. In response, the personal exemption was gradually increased from \$1,500 in 1986 to \$2,100 in 1990, a 40 percent overall increase. PA 2 of 1995 increased the personal exemption to \$2,400 for tax years 1995 and 1996, and to \$2,500 in 1997. PA 3 of 1995 indexed the exemption to inflation, where inflation adjustments would be rounded to the nearest \$100 after tax year 1997. Starting in tax year 1998, the personal exemption increased by an additional \$200 under PA 86 of 1997. A table with chronological changes to the Michigan Income Tax (filing requirements, average rates, maximum limits of deductions and credits, and others) can be found in Appendix A on page 94.

For 2009, the following exemptions were available for taxpayers: \$3,600 personal exemption, \$2,300 special exemption for senior citizens, filers with certain disabilities, or filers receiving at

¹ For a complete Michigan personal income tax legislative history through 2008, see Appendix A, p. 72.

least 50 percent of their AGI from unemployment compensation, additional \$300 exemption for disabled veterans, \$600 exemption for child aged 18 years and under, and \$1,500 exemption for taxpayers claimed as depended by another taxpayer. Exhibit 1 depicts the average annual Michigan individual income tax rate and allowed exemptions since 2001.

Exhibit 1
Michigan Individual Income Tax Exemption Allowances

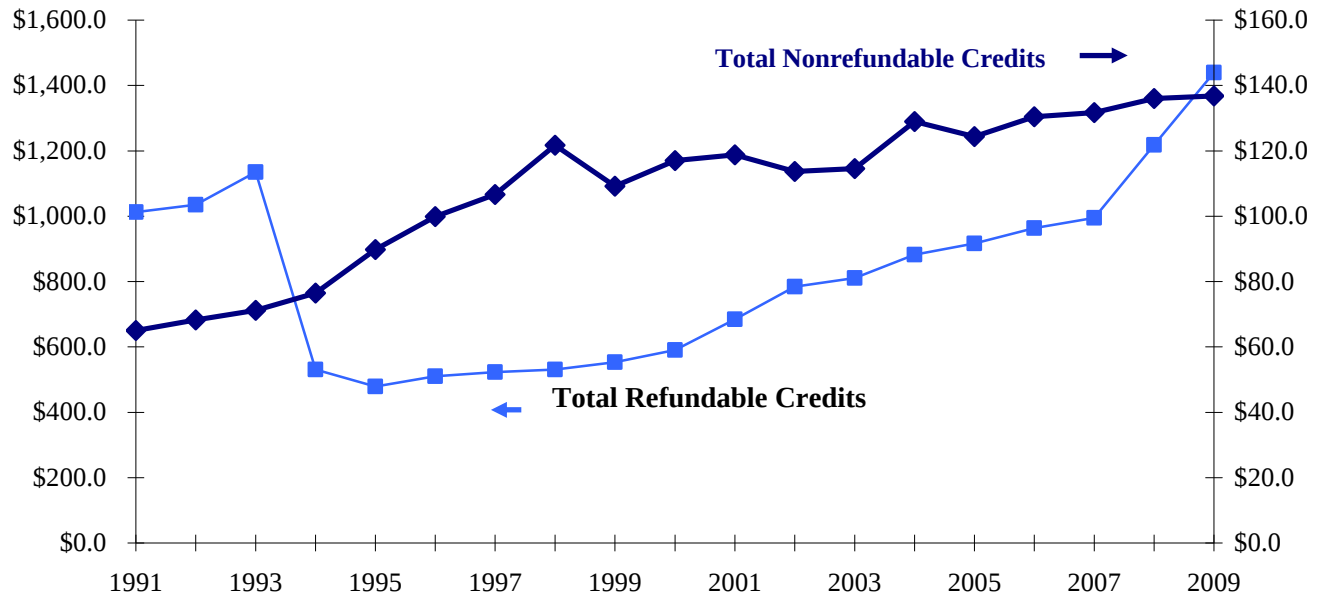
Tax Year	Average Rate	Personal Exemption	Claimed as Dependent Exemption	Special Exemptions				Child Age 18 and Under Exemption
				Senior	Blind, Deaf, or Disabled	Unemployment Compensation	Disabled Veteran	
2001	4.20%	2,900	1,500	1,900	1,900	1,900	n.a.	600
2002	4.10%	3,000	1,500	1,900	1,900	1,900	n.a.	600
2003	4.00%	3,100	1,500	1,900	1,900	1,900	n.a.	600
2004	3.95% *	3,100	1,500	2,000	2,000	2,000	n.a.	600
2005	3.90%	3,200	1,500	2,000	2,000	2,000	n.a.	600
2006	3.90%	3,300	1,500	2,100	2,100	2,100	n.a.	600
2007	4.01% **	3,400	1,500	2,200	2,200	2,200	n.a.	600
2008	4.35%	3,500	1,500	2,200	2,200	2,200	\$250	600
2009	4.35%	3,600	1,500	2,300	2,300	2,300	\$300	600
2010	4.35%	3,600	1,500	2,300	2,300	2,300	\$300	600
2011	4.35%	3,700	1,500	2,400	2,400	2,400	\$300	600

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

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

The Michigan individual income tax is a flat rate tax. The Michigan Constitution prohibits graduated income tax rates. Proposals to allow graduated rates were defeated by voters in 1968, 1972, and 1976. However, a degree of progressivity is achieved with exemptions and credits, such as the homestead property tax and home heating credits, and the Michigan EITC. These provisions help to make the tax less burdensome on low income taxpayers. Except in 1994, when property tax reductions enacted as a part of school finance reform led to reduced property tax credits, both refundable and nonrefundable credits paid and claimed have steadily increased over the years. Exhibit 2 provides information on the total amount of refundable and nonrefundable credits paid since 1991. For tax year 2009, a total of \$1,439.1 million was paid in refundable credits, and an additional \$136.8 million was paid in nonrefundable credits. For a complete list of credits available in tax year 2009 see Chapter V on page 23.

Exhibit 2 Individual Income Tax Credits (millions)



A portion of income tax revenues is earmarked to the School Aid Fund (SAF) with the remainder distributed as General Fund/General Purpose (GF/GP) revenues. Beginning in fiscal year 1994-95, 14 percent of gross income tax collections was statutorily allocated to the SAF with the remainder of net income tax revenue allocated to GF/GP. For fiscal year 1996-97, the SAF allocated percentage increased to 23 percent, where it remained until tax year 1999. For tax years 2000 and after, the percentage of gross income tax collections earmarked to the SAF changed to equal 1.012 percent divided by the income tax rate. The inverse relationship between the income tax rate and the percent allocated to the SAF has resulted on a steady increase of the earmarking percentage for tax years 2000 through 2007, from 24.1 to 25.95 percent, and a recent decline on that percentage to 25.24 percent in 2007, and 23.26 percent for tax years 2008 and 2009. Exhibit 3, on page 9, summarizes the income tax revenue earmarking to the SAF and GF/GP since 1995.

USE TAX PAYMENTS

Taxpayers owe use tax when they purchase tangible personal property, either for use, consumption, or storage in Michigan, from companies that do not collect Michigan sales or use tax. This includes mail order and Internet purchases, as well as purchases made while traveling in other states or foreign countries. In those cases, compliant Michigan taxpayers must submit a use tax form, remitting the use tax owed on the total price (including shipping and handling charges) of all taxable items purchased from the out-of-state retailer who does not collect Michigan tax. An out-of-state business that does not have a store, warehouse, or employees in Michigan does not have to register and collect Michigan use tax. However, many out-of-state businesses voluntarily collect use tax for their customers.

Starting in tax year 1999, Michigan taxpayers were able to remit use tax payments while filing their income tax return, instead of filing separate use tax forms. This alternative simplifies the tax compliance process for the taxpayer. In tax year 2009, 100,800 taxpayers remitted \$5.0 million in use tax (see Exhibit 4 below).

Exhibit 3
Earmarking of Income Tax Revenue

Tax Years	Average Tax Rate	Earmarking Percentages	
		SAF	GF/GP
1995	4.40%	14.00 %	86.00 %
1996 - 1999	4.40%	23.00	77.00
2000 - 2001	4.20%	24.10	75.90
2002	4.10%	24.68	75.32
2003	4.00%	25.30	74.70
2004	3.95%	25.62	74.38
2005 - 2006	3.90%	25.95	74.05
2007	4.01%	25.24	74.76
2008 - 2010	4.35%	23.26	76.74

Exhibit 4
Use Tax Liability Reported on Income Tax Returns

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

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

IV. INCIDENCE OF THE INDIVIDUAL INCOME TAX

For tax year 2009, about 4.4 million MI-1040 returns were filed, 85,500 fewer than for 2008 (see Exhibit 5 below). An additional 179,300 “credit-only” returns were filed for 2009. These “credit-only” returns refer to returns from taxpayers who did not file a MI-1040 form, but who did claim a refundable tax credit, such as a property tax credit or a home heating credit by filing the appropriate forms. Of those “credit-only” returns, 39,200 claimed only a home heating credit, 30,200 claimed only a property tax credit, and 54,900 claimed both refundable credits.

The personal income tax generated \$4.9 billion in net revenue for tax year 2009, which is total revenue after all credits and refunds are paid. Income tax revenues decreased \$878.4 million (-15.3%) from 2008, reflecting a decline in the number of returns and taxable income and an increase in the earned income tax credit compared to the prior year.

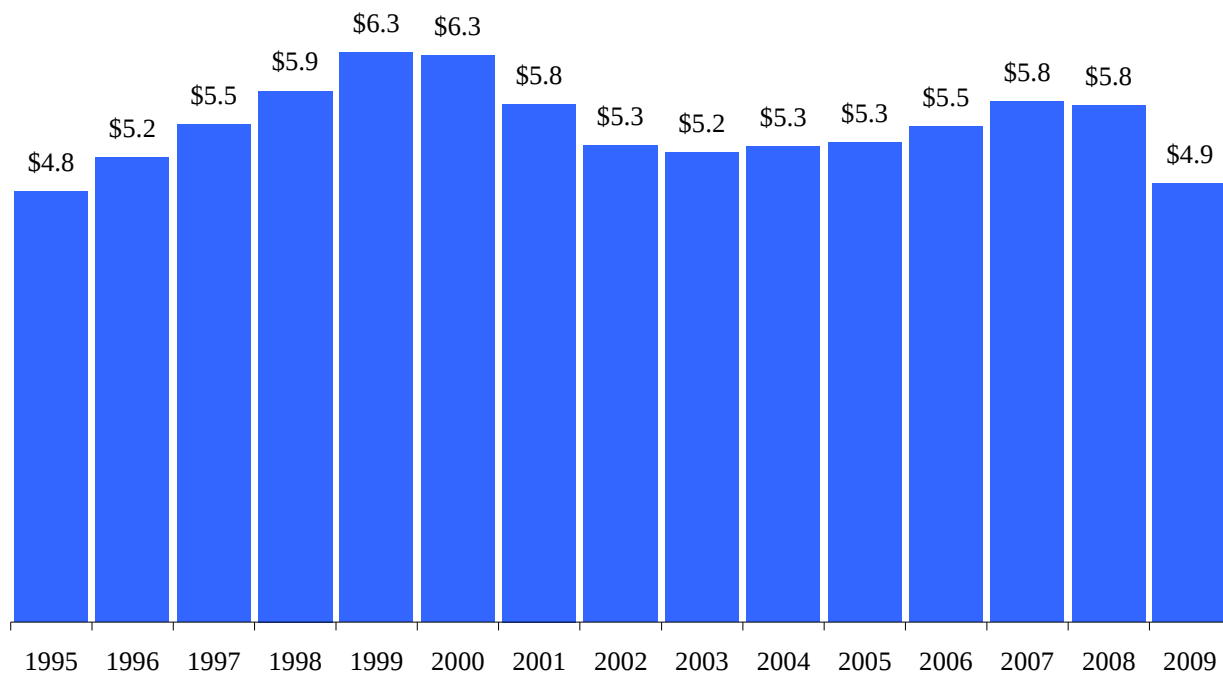
Exhibit 5
Fifteen-Year History of Income Tax Rates and Revenue

Year	Number of 1040s Filed	Adjusted Gross Income	Average AGI	Nominal Rate	Average Effective Rate	Revenue
1995	4,214,300	\$167,307,933,535	\$39,700	4.40%	2.87%	\$4,794,937,300
1996	4,260,200	180,087,338,060	42,272	4.40%	2.88%	5,177,919,400
1997	4,308,575	190,806,002,405	44,285	4.40%	2.90%	5,540,653,500
1998	4,350,006	205,229,640,000	47,179	4.40%	2.88%	5,919,624,100
1999	4,414,720	222,092,788,315	50,307	4.40%	2.86%	6,343,222,500
2000	4,511,561	235,714,626,207	52,247	4.20%	2.68%	6,313,315,900
2001	4,456,031	222,960,889,578	50,036	4.20%	2.59%	5,774,007,800
2002	4,405,687	213,455,154,939	48,450	4.10%	2.49%	5,309,790,100
2003	4,369,995	223,070,894,889	51,046	4.00%	2.35%	5,232,779,200
2004	4,390,300	241,419,608,339	54,989	3.95%	2.20%	5,301,966,200
2005	4,424,662	260,604,722,102	58,898	3.90%	2.05%	5,341,831,700
2006	4,487,257	272,454,940,745	60,717	3.90%	2.03%	5,521,426,800
2007	4,560,672	292,321,301,678	64,096	4.01%	1.99%	5,803,415,000
2008	4,481,511	257,476,490,543	57,453	4.35%	2.24%	5,757,103,800
2009	4,395,979	238,562,731,833 ²	54,268	4.35%	2.05%	4,883,682,400

²The AGI above is reduced by returns reporting a negative AGI totaling a negative \$7.5 billion. AGI data for these returns were not available prior to 1997. The data for negative AGI returns are included throughout this report unless otherwise noted.

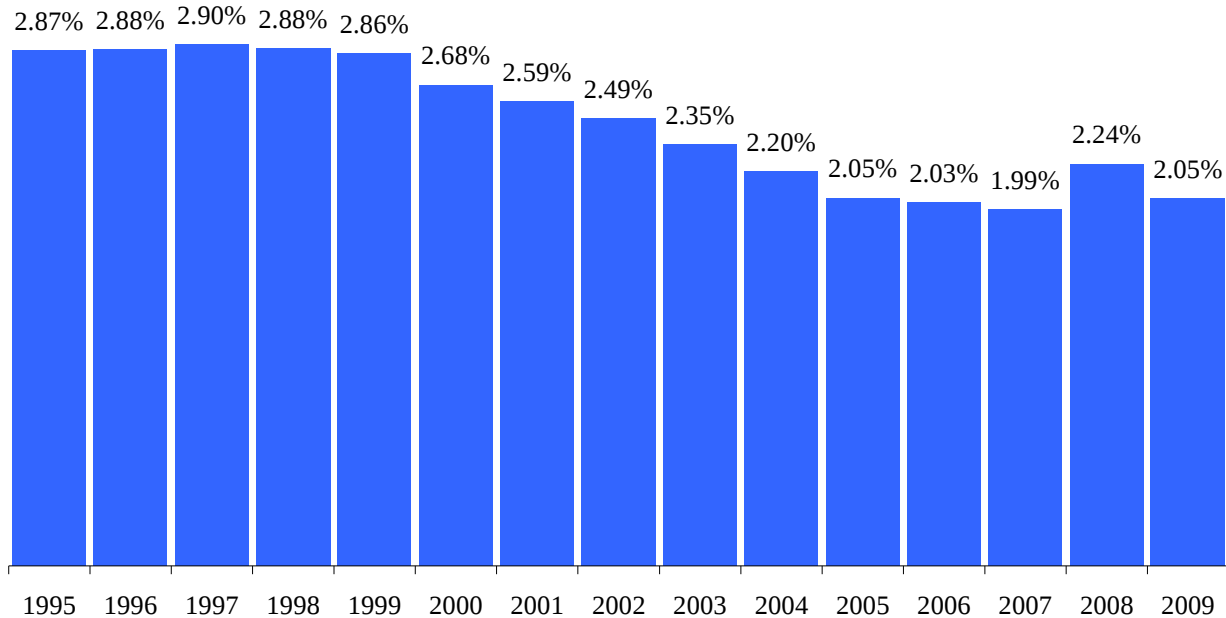
The number of income tax returns and tax revenues both generally increase when the economy expands and decrease during a recession. Changes in AGI reflect both economic growth and changes in the definition of federal AGI. For example, ending the 60 percent deduction for capital gains and including all unemployment benefits increased AGI beginning in 1987. Exhibit 6 below provides a graphical representation of Michigan individual income tax annual collections since 1995.

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



Even though the nominal Michigan personal income tax is levied at a flat 3.45 percent rate, exemptions and credits help to lessen the relative burden on taxpayers with lower AGIs. As a result, the average effective tax rate is considerably lower than the nominal flat rate. As shown in Exhibit 7, the average effective tax rate for 2009 was 2.05 percent, lower than the calculated average of 2.88 percent for the 1995-1999 period, when the tax rate was kept at 4.4 percent. Over the 1995-2009 period, the highest average effective rate was 2.90 percent for 1997, and the lowest average was 1.99 percent for 2007. The overall decrease in the average effective rate over past years resulted from a combination of generalized increase in exemptions amounts due to inflation indexing, expansion of refundable credits, and decrease in the nominal tax rate (except for 2007, when the average nominal rate increased from 3.9 percent to 4.1 percent).

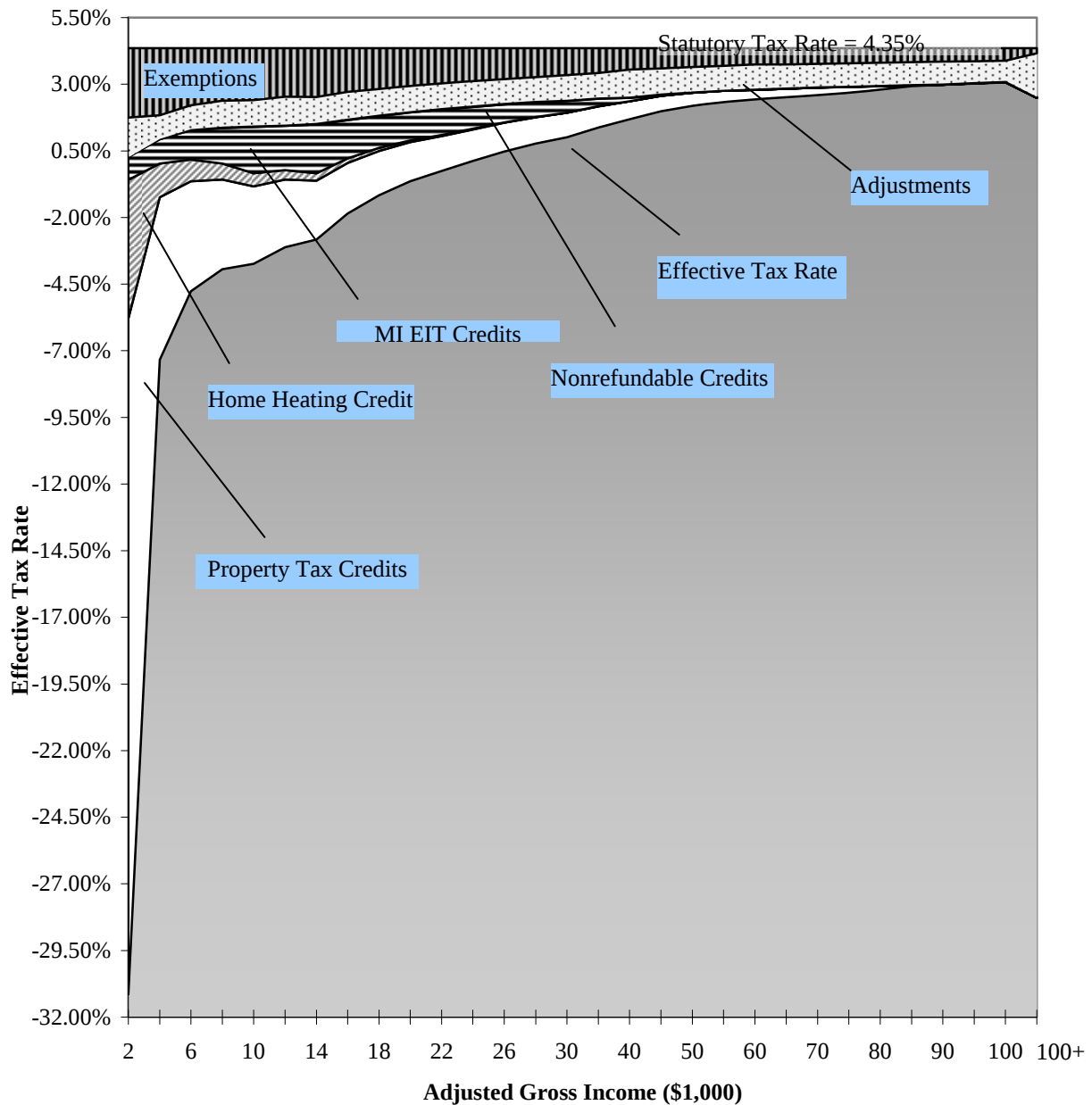
Exhibit 7
Individual Income Tax
Effective Tax Rate



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

As shown in Exhibits 8, 27 and 28 (see pages 13, 43 and 44, respectively), the effective tax rate in 2009 varied from negative 31.13 percent for taxpayers in the \$1 - \$2,000 AGI group, to positive 3.42 percent for taxpayers with an AGI between \$200,001 and \$400,000. Taxpayers with AGIs of less than \$22,000 on average received net payments from the state, mostly due to the refundable credits for property taxes, home heating expenses, and the Michigan EITC. The effective rate for taxpayers with an AGI above \$1,000,000 was 0.74 percent, lower than the peak of 3.42 percent. The reason for this lower rate is because the above \$1,000,000 AGI group includes a large number of nonresidents with relatively low Michigan income compared to their total AGI, affording them large subtractions for income not taxable in Michigan and consequently lower taxable income and effective rate. Resident taxpayers included in that AGI group are also more likely than resident taxpayers in other AGI groups to have part of their income from business activities outside of Michigan, resulting in their Michigan tax base being lower than their AGI. Overall, the effective tax rate was 2.05 percent rather than the nominal rate of 4.35 percent. The effective rates in Exhibits 27 and 28 were calculated before taking into account the farmland credit, because the distribution of these credits by AGI is not available. In 2009, farmland credits totaled \$39.9 million. Subtracting these credits reduces the overall effective rate to 2.04 percent.

Exhibit 8
Effective Income Tax Rates, 2009



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

Exhibit 8 reveals the influence of the various exemptions and credits on the effective tax rate and illustrates the data in Exhibit 27 (see page 43). Exhibit 27 details the effects of the personal exemption, various adjustments and credits on the distribution of the Michigan income tax burden. As a percentage of income, the \$3,600 personal exemption and the property tax credit benefit lower income taxpayers the most, while reducing the effective tax rate for most taxpayers.

The personal exemption, property tax credit, home heating credit, and the Michigan EITC make Michigan's income tax more progressive, since these provisions decline as a percentage of AGI as income increases. The nonrefundable credits, which include the city income tax, college tuition, and college contribution credits, have a more proportional effect on income.

The Michigan tax data overstate the aggregate effective tax rate, since taxpayers who itemize deductions on their federal returns may deduct their state income tax payments. Federal data for tax year 2009 show that 32.2 percent of Michigan taxpayers itemized deductions on their federal income tax returns.³ With federal deductibility, taxpayers offset part of their state income tax with a lower federal tax liability. For example, taxpayers in the 28 percent federal income tax bracket who itemized would have up to 28 percent of their state income tax offset by lower federal income tax liability. Federal deductibility provides greater benefits to taxpayers with higher incomes, since higher income people are both more likely to itemize their deductions and face higher marginal tax rates. For 2009, 87.6 percent of Michigan taxpayers reporting an AGI of \$100,000 or more itemized their deductions, while 15.5 percent of taxpayers with an AGI up to \$50,000 itemized. While providing relief for some taxpayers, federal deductibility reduces the progressivity of the Michigan income tax.

Michigan taxpayers claimed about 8.8 million personal exemptions for 2009. Since the total exemption amount for some taxpayers is greater than their income, not all exemptions were used at lower income levels. In the lowest income groupings, the exemptions and child deductions offset all income. As noted in Exhibit 27 (see page 43), there were an estimated 7.1 million effective personal exemptions, i.e., exemptions that actually offset income. The effective exemptions for 2009 were calculated assuming all personal exemptions, special exemptions, and all child deductions were equally likely to offset taxable income.

Michigan taxpayers claimed over 1.4 million special exemptions for tax year 2009. About 76.7 percent of the special exemptions were claimed by senior citizens. Michigan families claimed 2.4 million deductions for children age 18 and under. Exhibits 30 and 31 (see pages 47 through 49) present distributions of all the exemptions claimed for tax year 2009 by income group. The number of special exemptions or child deductions that actually offset taxable income for each income group can be estimated by dividing the number of effective exemptions listed for that income group in Exhibit 27 (see page 43) by the number of claimed exemptions, and then multiplying that quotient by the number of exemptions/deductions in Exhibit 31 (see page 49). For example, the number of effective deductions for children age 18 and under in the \$30,001 to \$35,000 income group would be estimated by dividing 358,770 by 431,331 and then multiplying the result (0.8318) by 117,627. The result is an estimate of 97,842 effective deductions.

The Michigan income tax is paid almost exclusively by Michigan residents. Non- or part-year residents pay about 3.1 percent of the income tax. Exhibit 9 below summarizes the distribution of Michigan returns and net tax liability by residency. While nonresidents report \$33.5 billion in AGI, they claim subtractions totaling \$29.4 billion, mostly for income not taxable in Michigan.

³Data on itemized deductions was obtained from the Internal Revenue Service, Statistics of Income Division, Individual Master File System, December 2010.

Exhibit 9
2009 Income Tax Returns Distribution by Residency

<u>Residency</u>	<u>Number of Returns</u>	<u>Adjusted Gross Income</u>	<u>Total Tax Liability</u>
Resident	4,219,632	\$200,457,590,306	\$4,926,754,042
Part-year resident	83,292	4,572,473,916	69,587,257
Nonresident	93,055	33,532,667,611	88,773,534
Totals	4,395,979	\$238,562,731,833	\$5,085,114,834

Married taxpayers filing jointly reported 69.3 percent of AGI and paid 74.5 percent of the Michigan income tax. Married couples tend to be older and earn higher wages, due to greater accumulated human capital. Human capital includes formal education plus skills acquired through work experience and on-the-job training. Couples also have an additional potential worker. The Michigan income tax does not have a “marriage penalty” or “marriage bonus” as potentially exists with the federal income tax. Exhibit 10 depicts the distribution of Michigan returns and net tax liability by filing status. Note that the total tax liability does not include refundable credits claimed by individuals not required to file a Michigan income tax return.

Exhibit 10
2009 Income Tax Returns Distribution by Filing Status

<u>Filing Status</u>	<u>Number of Returns</u>	<u>Adjusted Gross Income</u>	<u>Total Tax Liability</u>
Single	2,512,447	\$69,473,031,369	\$1,223,769,007
Married filing jointly	1,816,477	165,305,735,926	3,790,371,265
Married filing separately	61,894	3,637,605,138	68,092,788
Status not reported	5,161	146,359,400	2,881,774
Totals	4,395,979	\$238,562,731,833	\$5,085,114,834

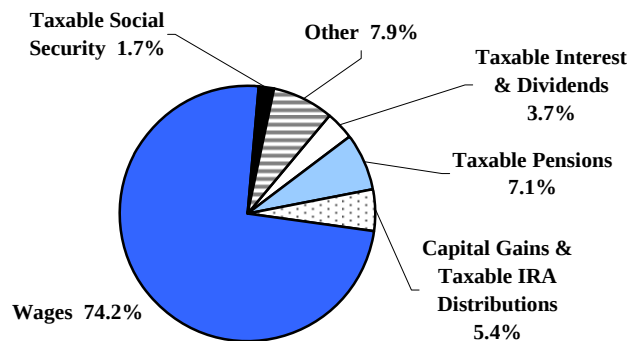
Incomes from different sources receive dissimilar treatment under the federal and the Michigan income tax system. This disparity results in filers with similar AGI facing significantly different tax burdens. The next five exhibits provide a more detailed picture of the composition of the Michigan income tax base, and how it varies across age groups.

As discussed before, the starting point for the Michigan individual income tax is federal AGI, which is federal total income less adjustments. Federal total income excludes most Social

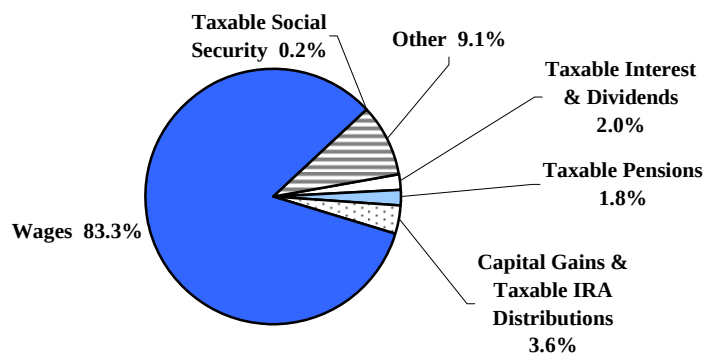
Security and social service assistance. Using detailed federal data from tax year 2004, Exhibit 11⁴ below depicts the composition of federal total income by income category (wage income, taxable pensions, interest and dividends, capital gains and Social Security income) for Michigan taxpayers at various age groups. As expected, the composition of taxpayers' total income varies considerably across the age groups. For example, while wage income overall comprises the largest part of income for all taxpayers (74.2 percent, see Exhibit 11), it represents 83.3 percent of total income for taxpayers in age group 45 to 54 years (see Exhibit 11), and only 19.6 percent of total income for taxpayers in age group 65 and older (see Exhibit 11 on page 17).

Exhibit 11 2004 Michigan Federal Total Income Categories by Age Group

All Taxpayers

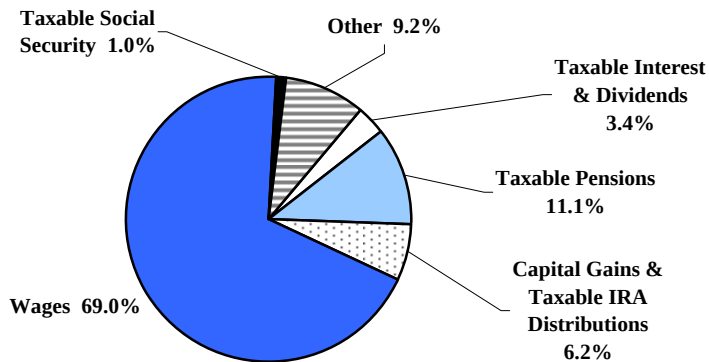


Taxpayers in Age Group 45 years to 54 years

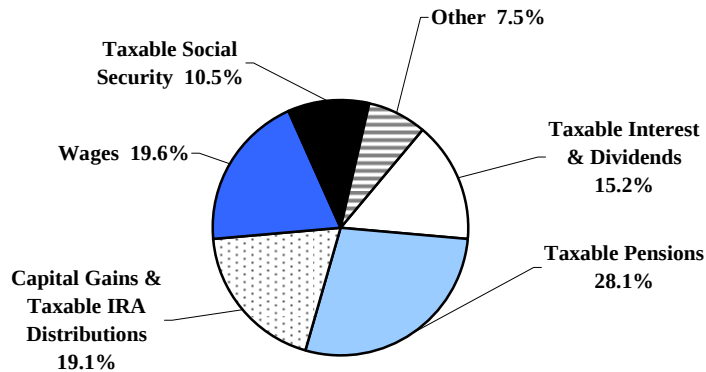


⁴ Exhibits 11 and 12 are from Office of Revenue and Tax Analysis, *Components of Michigan Income - Effects of An Aging Population*, August 2009 at http://www.michigan.gov/treasury/0,1607,7-121-44402_44404---,00.html.

Taxpayers in Age Group 55 years to 64 years



Taxpayers in Age Group 65 years old and above



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

Using the same 2004 detailed federal data, Exhibit 12 on page 18 indicates that federal adjustments to income provided an average reduction of 1.1 percent of taxpayers' total income. However, the reduction of the total income is not uniform across age group. For example, taxpayers in the age group under 35 represent about 15.3 percent of the total income for all filers, and adjustments to income reduce their total income by about 0.8 percent. On the other hand, taxpayers in the age group 65 or older represent about 14.4 percent of the total income for all filers, and adjustments to income reduce the total income of this group by about 2.0 percent, over 2 times the reduction experienced by the younger group.

Exhibit 12
2004 Adjusted Gross Income for all Michigan Taxpayers by Age Group

<u>Age Group</u>	<u>Returns</u>	(A) <u>Total Income</u>	Adjustments <u>to Income</u>	(B) <u>Adjusted Gross Income</u>	Percentage <u>Change (B)/(A)-1</u>
Under 25 Yrs	746,089	\$7,958,194,296	(\$51,657,617)	\$7,906,536,679	-0.6%
25 to 34 Yrs	690,118	\$25,349,274,205	(\$221,238,095)	\$25,128,036,110	-0.9%
35 to 44 Yrs	818,813	\$47,851,141,760	(\$414,199,410)	\$47,436,942,350	-0.9%
45 to 54 Yrs	845,476	\$60,113,039,635	(\$800,377,782)	\$59,312,661,853	-1.3%
55 to 64 Yrs	615,334	\$44,533,268,637	(\$681,395,597)	\$43,851,873,040	-1.5%
65 to 74 Yrs	347,923	\$17,882,927,315	(\$193,082,254)	\$17,689,845,061	-1.1%
75 to 84 Yrs	251,230	\$10,319,286,592	(\$338,351,682)	\$9,980,934,910	-3.3%
85 and Over	102,180	\$3,016,407,356	(\$106,639,979)	\$2,909,767,377	-3.5%
Missing Age	<u>14,310</u>	<u>\$312,948,735</u>	<u>\$482,830,657</u>	<u>\$795,779,392</u>	154.3%
Totals	4,431,473	\$217,336,488,531	(\$2,324,111,759)	\$215,012,376,772	-1.1%

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

For 2009, private pension income was exempted up to \$45,120 on a single return, or up to \$90,540 on a joint return, and all pension income earned from the State of Michigan, Michigan local governmental units, federal civil service and military retirement pay were exempt from the Michigan income tax. Out-of-state government pensions were not fully exempt but qualified for the private pension deduction. Filers who were 65 or older could also deduct interest, dividend and capital gains income up to the statutory limits. For 2009 this exclusion was for up to \$10,058 for a single filer or up to \$20,115 for a joint filer and it was reduced by any pension income deducted by the taxpayer. The favorable treatment of pension income and interest, dividends and capital gains resulted in filers with similar income facing significantly different tax burden, with younger filers shouldering a heavier tax burden than older filers. Exhibits 13, 14, and 15 on pages 19 and 20 provide information by age group on AGI, total additions, and total subtractions.

In 2009, total additions represented about 3.0 percent of total AGI, varying from 0.6 percent for taxpayers in age group under 35, up to 4.9 percent for taxpayers in age group 65 and older (see Exhibit 13 on page 19). The largest single components of total additions were the add back of losses attributable to other states (48.6 percent of total additions), followed by the add back of interest and dividend income that is deducted from AGI for federal income purposes (6.4 percent of total additions, see Exhibit 14 on page 19).

Exhibit 13
2009 Total AGI, Additions and Subtractions by Age Group
(millions of dollars)

<u>Age Group</u>	<u>Number of Returns</u>	<u>Total AGI</u>	<u>Total Additions</u>	<u>Additions As a % of AGI</u>	<u>Total Subtractions</u>	<u>Subtractions As a % of AGI</u>
Under 25 Yrs	713,544	\$8,956.6	\$38.1	0.4%	\$601.0	6.7%
25 to 34 Yrs	706,602	\$27,995.1	\$171.8	0.6%	\$1,520.2	5.4%
35 to 44 Yrs	726,277	\$44,573.9	\$526.2	1.2%	\$1,992.1	4.5%
45 to 54 Yrs	810,998	\$55,663.8	\$1,040.8	1.9%	\$3,847.7	6.9%
55 to 64 Yrs	640,711	\$42,466.2	\$1,187.3	2.8%	\$11,047.1	26.0%
65 to 74 Yrs	372,468	\$17,064.4	\$835.7	4.9%	\$10,961.6	64.2%
75 to 84 Yrs	240,197	\$7,625.8	\$367.4	4.8%	\$5,580.6	73.2%
85 and Over	94,158	\$2,345.4	\$114.0	4.9%	\$1,625.5	69.3%
Missing Age	90,985	\$33,871.4	\$2,995.1	8.8%	\$37,686.4	111.3%
Totals	4,395,940	\$240,562.6	\$7,276.5	3.0%	\$74,862.3	31.1%

Exhibit 14
2009 Total Additions Detail by Age Group
(millions of dollars)

<u>Age Group</u>	<u>Total Additions</u>	<u>Interest & Dividends</u>	<u>Self Employment Taxes and Other Taxes</u>	<u>Gains from MI 1040D & MI 4797</u>	<u>Losses Attributable to Other States</u>	<u>Net Loss from Fed Column MI 1040D or MI 4797</u>	<u>Other</u>
Under 25 Yrs	\$38.1	\$2.7	\$17.5	\$1.6	\$5.3	\$1.7	\$9.3
25 to 34 Yrs	\$171.8	\$4.0	\$60.2	\$6.1	\$21.8	\$5.7	\$74.0
35 to 44 Yrs	\$526.2	\$15.4	\$106.6	\$32.8	\$89.3	\$15.6	\$266.4
45 to 54 Yrs	\$1,040.8	\$60.4	\$135.4	\$58.2	\$212.3	\$35.4	\$539.1
55 to 64 Yrs	\$1,187.3	\$100.8	\$105.7	\$60.8	\$256.9	\$43.3	\$619.9
65 to 74 Yrs	\$835.7	\$92.1	\$32.1	\$44.9	\$147.7	\$31.2	\$487.7
75 to 84 Yrs	\$367.4	\$88.9	\$6.6	\$50.3	\$48.1	\$11.0	\$162.5
85 and Over	\$114.0	\$48.5	\$0.9	\$17.5	\$10.8	\$3.0	\$33.3
Missing Age	<u>\$2,995.1</u>	<u>\$81.1</u>	<u>\$4.2</u>	<u>\$4.8</u>	<u>\$2,752.0</u>	<u>\$0.9</u>	<u>\$152.2</u>
Total	\$7,276.5	\$494.0	\$469.1	\$276.9	\$3,544.2	\$147.8	\$2,344.5
% of Total Additions	100.0%	6.8%	6.4%	3.8%	48.7%	2.0%	32.2%

Total subtractions represented about 31.1 percent of total AGI, with taxpayers 35 to 44 years old eligible for an average AGI reduction of 4.4 percent, and taxpayers 65 or older eligible for an average reduction of 67.2 percent of their AGI (see Exhibit 15 on page 20). The largest components of total subtractions were income attributable to other states (54.4 percent of total

subtractions) and retirement or pension benefits exemption (27.4 percent of total subtractions, see Exhibit 15).

Exhibit 15
2009 Total Subtractions Detail by Age Group
(million of dollars)

<u>Age Group</u>	<u>Total Subtractions</u>	<u>Income from US Gov't Bonds</u>	<u>Military Pay</u>	<u>MI 1040D and MI 4797</u>	<u>Attributable to Other States</u>	<u>Retirement/ Pension Incl. in MI-1040</u>	<u>Interest/ Capital Gain Exemption</u>
Under 25 Yrs	\$601.0	\$10.2	\$182.5	\$24.8	\$321.0	\$6.6	\$0.0
25 to 34 Yrs	\$1,520.2	\$7.2	\$168.4	\$11.3	\$1,110.5	\$25.0	\$0.0
35 to 44 Yrs	\$1,992.1	\$9.8	\$116.2	\$66.8	\$1,154.7	\$120.5	\$0.2
45 to 54 Yrs	\$3,847.7	\$34.0	\$51.0	\$100.1	\$1,278.3	\$1,472.0	\$1.8
55 to 64 Yrs	\$11,047.1	\$61.3	\$15.0	\$108.9	\$1,130.0	\$7,743.0	\$62.5
65 to 74 Yrs	\$10,961.6	\$59.4	\$2.0	\$93.2	\$499.3	\$6,608.0	\$417.3
75 to 84 Yrs	\$5,580.6	\$82.8	\$1.0	\$76.9	\$162.6	\$3,540.6	\$360.4
85 and Over	\$1,625.5	\$61.6	\$0.3	\$26.5	\$31.6	\$942.3	\$206.1
Missing Age	<u>\$37,686.4</u>	<u>\$43.6</u>	<u>\$174.9</u>	<u>\$6.5</u>	<u>\$35,389.1</u>	<u>\$57.9</u>	<u>\$15.2</u>
Totals	\$74,862.3	\$370.0	\$711.3	\$515.1	\$41,077.1	\$20,515.8	\$1,063.6
% of Total Subtractions	100.0%	0.5%	1.0%	0.7%	54.9%	27.4%	1.4%

<u>Age Group</u>	<u>Social Security Benefits</u>	<u>Income from Renaissance Zones</u>	<u>State and Local IIT Refunds</u>	<u>MESP Subtraction</u>	<u>MET Subtraction</u>	<u>Miscellaneous Subtraction</u>
Under 25 Yrs	\$0.9	\$3.8	\$4.9	\$0.4	\$0.6	\$45.2
25 to 34 Yrs	\$10.6	\$17.6	\$58.9	\$11.4	\$3.4	\$96.0
35 to 44 Yrs	\$55.0	\$18.8	\$129.7	\$56.6	\$19.1	\$244.6
45 to 54 Yrs	\$201.4	\$19.9	\$162.0	\$48.6	\$17.2	\$461.4
55 to 64 Yrs	\$1,332.0	\$15.8	\$136.2	\$13.2	\$4.6	\$424.6
65 to 74 Yrs	\$2,847.0	\$3.5	\$64.5	\$9.2	\$2.8	\$355.4
75 to 84 Yrs	\$1,186.4	\$1.7	\$31.3	\$3.6	\$0.9	\$132.6
85 and Over	\$320.1	\$0.3	\$10.7	\$0.6	\$0.1	\$25.3
Missing Age	<u>\$40.6</u>	<u>\$0.5</u>	<u>\$12.1</u>	<u>\$0.4</u>	<u>\$0.0</u>	<u>\$1,945.4</u>
Totals	\$5,994.1	\$81.9	\$610.1	\$144.0	\$48.7	\$3,730.6
% of Total Subtractions	8.0%	0.1%	0.8%	0.2%	0.1%	5.0%

Exhibit 16 presents estimates of the growth of Michigan personal income from 2008 to 2009 prepared by the U.S. Bureau of Economic Analysis. Personal income decreased 3.1 percent

overall in 2009, with strong growth in transfer payments (15.0 percent), and significant decline in adjustments for residence (-12.1 percent).

Exhibit 16
Growth in Michigan Income from 2008 to 2009
(thousands)

		<u>2008</u>	<u>2009</u>	<u>Percentage Change</u>
Labor Earnings				
Wage and salary disbursements		\$186,059,909	\$170,662,518	-8.3%
Other labor income		28,435,398	28,506,478	0.2%
Proprietors' income		<u>27,433,232</u>	<u>24,920,595</u>	-9.2%
Total labor earnings	(A)	\$241,928,539	\$224,089,591	-7.4%
Adjustments				
Personal contributions for social insurance		-\$15,897,078	-\$15,092,944	-5.1%
Adjustment for residence		<u>1,523,775</u>	<u>1,338,858</u>	-12.1%
Total adjustments	(B)	-\$14,373,303	-\$13,754,086	-4.3%
Net Michigan labor earnings	(C)=(A)-(B)	\$227,555,236	\$210,335,505	-7.6%
Dividends, interest, and rent	(D)	\$58,662,545	\$54,826,138	-6.5%
Transfer payments	(E)	<u>66,922,560</u>	<u>76,952,380</u>	15.0%
Michigan Personal Income	(C)+(D)+(E)	\$353,140,341	\$342,114,023	-3.1%

Source: Bureau of Economic Analysis, U.S. Department of Commerce, March 23, 2011 update.

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

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

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

Regression analysis provides a more thorough method of estimating the income elasticity of net income tax revenues. It allows the investigator to isolate the effect of changes in income on tax revenues by controlling for other variables that influence tax collections, such as changes in the personal exemption or tax rate. Regression analysis of Michigan income tax collections from the fourth quarter of 1978 through the fourth quarter of 2010 results in an estimated elasticity of 0.942, suggesting that a 10 percent increase in income will increase tax revenue by, on average, 9.42 percent. This estimate is based on net quarterly income tax collections and quarterly personal income as reported by the Bureau of Economic Analysis (BEA), the latter added by annual capital gains realizations estimates from the Congressional Budget Office (CBO).⁵

⁵ The Michigan income tax is based on federal AGI. However, quarterly AGI data are not available. Therefore, quarterly personal income is used as proxy for AGI. BEA's personal income figure does not include capital gains. This omission understates the absolute value of the income growth rate. Capital gains tend to be more volatile than other income sources (e.g., wages, interest, and pensions) so their exclusion will make the growth of the personal income variable lower than the growth in AGI in good times and higher in bad times. In order to remedy this situation, the CBO's estimate of capital gains realizations was added to the personal income data.

V. INCOME TAX CREDITS

For tax year 2009, Michigan's personal income tax offered 16 different credits to taxpayers: seven refundable credits (homestead property tax, farmland preservation property tax, home heating credit, Michigan earned income tax (EITC), adoption credit, the stillbirth credit, and the energy efficient home improvement credit), and nine nonrefundable credits (city income tax credit, college contribution credit, community foundation credit, homeless shelter/food bank credit, college tuition and fees credit, other state income tax credit, Michigan historic preservation credit, vehicle donation credit, and the renewable energy surcharge credit). The credits convert the flat rate Michigan income tax into a more progressive tax structure.

REFUNDABLE CREDITS

Homestead Property Tax Credit

Michigan's property tax credit is designed to provide property tax relief through the income tax. When property taxes exceed specific income thresholds, the credit provides relief to taxpayers. For tax year 2009, taxpayers with household income less than \$82,650 may claim a property tax credit, and the computed credit is reduced by 10 percent for every \$1,000 that household income exceeds \$73,650.

For tax year 2009, most homeowners and renters received credits equal to 60 percent of the amount by which homestead property taxes (or 20 percent of rent for renters) are greater than 3.5 percent of income. Senior citizens, paraplegic, hemiplegic, quadriplegic, totally and permanently disabled, deaf, or blind filers received a credit for 100 percent of their property taxes above the following percentages of income:⁶

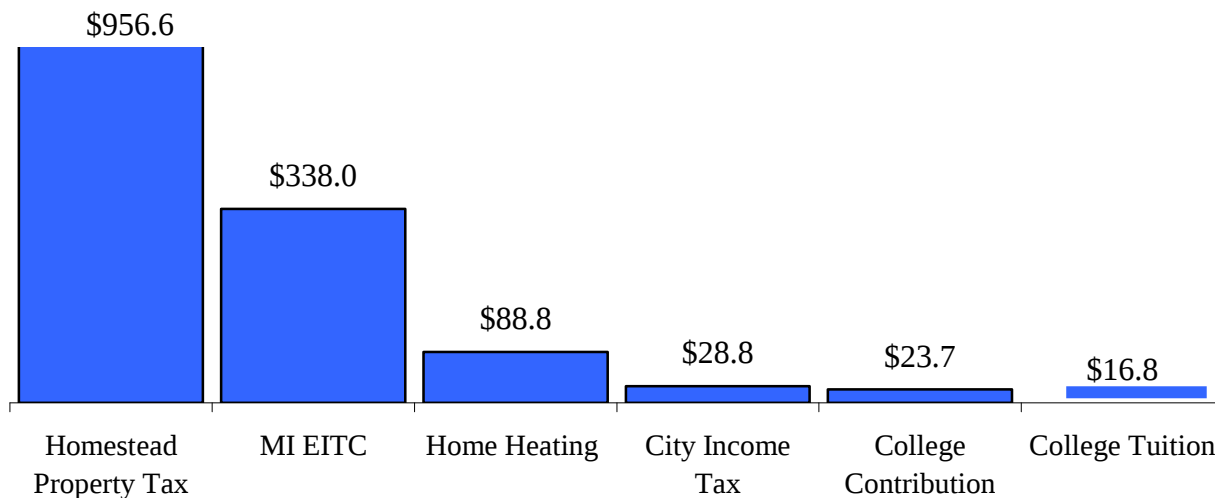
<u>Income</u>	<u>Percent Not Refundable</u>
\$ 0 - \$3,000	0.0%
\$3,001 - \$4,000	1.0%
\$4,001 - \$5,000	2.0%
\$5,001 - \$6,000	3.0%
Over \$6,000	3.5%

About 1.6 million Michigan taxpayers received \$956.6 million of homestead property tax credits and \$39.9 million in farmland preservation property tax credits for tax year 2009. Michigan's

⁶PA 41 of 2001 increased the Homestead Property Tax Credit for taxpayers who are deaf, blind, or totally and permanently disabled. Prior to tax year 2000, deaf filers received the same credit as other homeowners and renters, while blind, or totally and permanently disabled filers received 60 percent of the credit calculated for senior citizens and paraplegic, hemiplegic, or quadriplegic.

property tax credit program is one of the largest property tax relief programs in the country. The \$956.6 million in total 2009 homestead property tax credits represented an increase of \$25.9 million (2.8 percent) from the prior year, and 31,500 additional taxpayers received assistance. Senior citizens received \$374.9 million of the credits, a \$25.7 million increase from 2008. Exhibit 17 illustrates the amount of money paid to taxpayers for property tax credits compared to other credits.

Exhibit 17
2009 Individual Income Tax Credits
(millions of dollars)



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

The average 2009 homestead property tax credit was \$585.30 (excluding the farmland credit), a \$4.64 increase from the tax year 2008 average. Senior citizens' credits averaged \$786.71, a \$16.32 increase from 2008 (see Exhibit 32 on page 50). Exhibit 18, on page 25, provides a summary of the number of credits received by taxpayers, according to AGI levels.

Exhibits 18 and 29 (on pages 25 and 45) confirm that the homestead property tax credit is a progressive element in the state income tax structure. Credits as a fraction of AGI decline continuously as incomes rise. While accounting for only 4.7 percent of total AGI, taxpayers with incomes between \$10,001 and \$20,000 received 22.4 percent of the total homestead credits. On the other hand, taxpayers with AGIs over \$50,000 accounted for 79.4 percent of total 2009 Michigan AGI, but received only 14.0 percent of total homestead credits. Exhibits 34 through 36 (see pages 53 through 55) provide the distribution of property tax credits by income group.

Exhibit 18
2009 Homestead Property Tax Credits
(Excludes Farmland Credit)

<u>AGI Range</u>		<u>Number of Credits Allowed</u>	<u>Dollar Amount of Credit</u>	<u>Average Credit</u>
Under	\$10,000	417,889	\$284,268,674	\$680.25
	\$10,001 - \$20,000	363,753	214,263,713	589.04
	\$20,001 - \$50,000	592,569	324,444,970	547.52
	Over \$50,000	260,092	133,587,297	513.62
Total		1,634,303	\$956,564,654	\$585.30

The farmland preservation program, originally PA 116 of 1974 which was replaced by PA 451 of 1994 (part 361 of chapter 1, article III of the Natural Resources and Environmental Protection Act), provides additional property tax relief for farmers. Under the farmland program, farmers may receive additional property tax relief by entering into an agreement with the state not to convert the farmland to other uses for at least seven years. The program benefited over 8,000 farms in 2009, providing credits of \$39.9 million for an average credit of \$4,930.63. Including the farmland preservation credit, the average property tax credit was \$606.70 in tax year 2009. For 6,400 farmers claiming both a farmland credit and homestead property tax credit, the combined credits averaged about 86.7 percent of total property taxes paid. Those taxpayers paid \$39.2 million in property taxes, receiving \$27.2 million in farmland credits, and \$6.9 million in homestead property tax credits.

PA 269 of 1982 provided a special tax credit for senior citizens with high rent burdens equal to the amount of rent paid that exceeds 40 percent of household income. For 2009, 9,200 senior citizens claimed an additional \$2.8 million using this alternate homestead property tax credit calculation, representing a decline of about \$162,700 from 2008 with about 400 fewer people receiving the additional credit. The amount of this credit is included in the senior citizens' homestead property tax credit statistics, but shown separately in Exhibit 32 (see page 50).

Qualified blind, or veteran filers are also eligible for special alternate homestead property tax credit calculation, and may claim the largest of the standard or alternate credits. For these qualified filers, the alternate credit equals the property tax amount paid times the ratio of the specific statutorily allowable taxable value with respect to the filer's homestead taxable value. Statistics for these alternate credits amount are shown separately in Exhibit 32 (see page 50).

Home Heating Credit

The home heating credit program, designed to help low-income taxpayers with the cost of heating their homes, is financed almost exclusively with federal funds. The credit is based both on the number of exemptions for which the household is eligible and on the household income level.

Senior citizens as well as individuals who are disabled, deaf, blind, or have received unemployment compensation greater than 50 percent of their AGI are entitled to extra exemptions.

Home heating credits for tax year 2009 totaled \$88.8 million, with 484,800 households qualifying. This represented a \$4.5 million increase from the previous year regular credit amount (in tax year 2008, Michigan residents who received a regular home heating credit also received a supplemental credit payment, and the total supplemental payment amount equaled \$21.7 million), with 34,700 additional households receiving assistance. Prior to 1991, recipients of Aid to Families with Dependent Children or General Assistance were not eligible for this credit, but were provided comparable benefits from other state and local programs. Senior citizens received \$14.0 million of the \$88.8 million in home heating credits claimed for tax year 2009 (see Exhibit 19). Exhibit 37 (see page 56) provides information on the distribution of the home heating credit by household income.

Exhibit 19
2009 Home Heating Credits

	Number of Credits <u>Allowed</u>	Dollar Amount of Credit	Average Credit
Senior Citizens	84,372	\$13,982,707	\$165.73
General	355,148	66,527,782	187.32
Disabled	44,770	8,161,972	182.31
Veteran	461	82,997	180.04
Total	484,751	\$88,755,458	\$183.09

About 83,300 taxpayers used the alternative calculation based on energy consumption claiming credits worth \$33.2 million. The average credit under the standard calculation was \$134.61 compared to \$399.30 under the alternative calculation.

Michigan Earned Income Tax Credit

Starting in tax year 2008, eligible taxpayers were able to claim the Michigan EITC against their income tax. The Michigan credit follows the same requirements as the federal earned income tax credit, and is calculated as a percentage of the total federal credit for which the taxpayer is eligible in a given tax year. The federal credit was established in 1975 to offset the impact of the Social Security tax on low-income, working families. In 2008, the first year the Michigan credit became effective, the state credit was 10 percent of the federal credit, and increased to 20 percent of the federal credit for tax year 2009.

Over 782,000 taxpayers claimed about \$338.0 million in Michigan EITC in 2009, resulting in an average credit of \$431.97 per taxpayer. Exhibit 20 below provides information on the distribution of credit recipients by AGI.⁷

Exhibit 20
2009 Michigan Earned Income Tax Credits

<u>AGI Range</u>	<u>Number of Credits Allowed</u>	<u>Dollar Amount of Credit</u>	<u>Average Credit</u>
Under \$10,000	236,860	\$58,270,687	\$246.01
\$10,001 - \$15,000	162,191	86,125,864	\$531.02
\$15,001 - \$20,000	103,299	71,704,393	\$694.14
\$20,001 - \$25,000	83,800	54,276,220	\$647.69
\$25,001 - \$30,000	71,890	35,289,011	\$490.88
\$30,001 - \$40,000	98,876	28,889,164	\$292.18
Over \$40,000	25,644	3,488,073	\$136.02
Total	782,560	\$338,043,412	\$431.97

Adoption Credit

Effective with tax year 2001, the adoption credit is available to persons who claimed the federal adoption expenses credit under Section 23 of the Internal Revenue Code for the same tax year. The credit equals the amount of qualified expenses that exceed the amount of the federal adoption credit or \$1,200 per child, whichever is less. Qualified adoption expenses refer to those expenses eligible for the federal credit. For 2009, about 500 taxpayers claimed total credits of \$667,000, resulting in an average credit of \$1,265.69 per taxpayer.

Stillbirth Credit

Under PA 319 of 2006, taxpayers receiving a Certificate of Stillbirth from the Department of Community Health may take a credit equal to 4.5 percent of a single personal exemption amount for the tax year, rounded up to the nearest \$10 increment. The new credit became effective in tax year 2006, and equaled \$150 in its first year. The credit increased to \$170 in tax year 2009, when about 300 taxpayers claimed \$62,400 in stillbirth credits (see Exhibit 32 on page 50).

⁷For Additional information on the characteristics of claimants of the Michigan EITC, see Office of Revenue and Tax Analysis, *Earned Income Tax Credit, Tax Year 2009*, February 2011, at http://www.michigan.gov/treasury/0,1607,7-121-44402_44404---,00.html.

Energy Efficient Home Improvement Credit

Enacted under PA 287 of 2008, this credit provided a credit for tax years 2009 through 2011 equal to 10 percent of the amount spent on the purchase and installation of qualified home improvements that met Energy Star energy efficiency guidelines. Limited to taxpayers with AGI up to \$37,500 (single or married filing separately – MFS) or \$75,000 (married filing jointly – MFJ), the credit was limited to \$75 (single, MFS) or \$150 (MFJ). 140,200 filers claimed a total of \$15.2 million in credit for tax year 2009.

NON-REFUNDABLE CREDITS

City Income Tax Credit

Partial credit for taxpayers who paid income taxes to Michigan cities was allowed in tax year 2009. The credit was based on the amount of tax paid less any refunds received during the tax year, 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 tax year 2009, \$28.8 million in city income tax credits were claimed (see Exhibit 22 below and Exhibit 33 on pages 51 and 52). That represented a \$2.2 million decrease from 2008 credit amount, with 51,500 fewer taxpayers claiming the credit. Exhibit 22 lists the number of city income tax credits, total credits received, and the average city income tax credit for taxpayers at different levels of AGI. In 2009, 22 cities in Michigan levied an income tax (see Exhibit 22).

Exhibit 21 2009 City Income Tax Credits

<u>Adjusted Gross Income</u>	<u>Number of Credits Allowed</u>	<u>Dollar Amount of Credit</u>	<u>Average Credit</u>
Under \$10,000	87,102	\$1,079,847	\$12.40
\$10,001 - \$20,000	116,773	2,611,692	22.37
\$20,001 - \$50,000	240,606	8,276,106	34.40
Over \$50,000	327,648	16,861,071	51.46
Totals	772,129	\$28,828,715	\$37.34

Exhibit 22
Michigan Cities that Levy an Income Tax

<u>County</u>	<u>City</u>	<u>Year Adopted</u>	<u>TY 2004 - 2009 Rates</u>	
			<u>Residents</u>	<u>Non-residents</u>
Calhoun	Albion	1972	1%	0.5%
Calhoun	Battle Creek	1967	1	0.5
Calhoun	Springfield	1989	1	0.5
Crawford	Grayling	1972	1	0.5
Genesee	Flint	1965	1	0.5
Ingham	Lansing	1968	1	0.5
Ionia	Ionia	1994	1	0.5
Ionia	Portland	1969	1	0.5
Jackson	Jackson	1970	1	0.5
Kent	Grand Rapids	1967	1.3	0.65
Kent	Walker	1988	1	0.5
Lapeer	Lapeer	1967	1	0.5
Lenawee	Hudson	1971	1	0.5
Mecosta	Big Rapids	1970	1	0.5
Muskegon	Muskegon	1993	1	0.5
Muskegon	Muskegon Heights	1990	1	0.5
Oakland	Pontiac	1968	1	0.5
Saginaw	Saginaw	1965	1.5	0.75
St. Clair	Port Huron	1969	1	0.5
Wayne	Detroit	1962	2.5	1.25
Wayne	Hamtramck	1962	1	0.5
Wayne	Highland Park	1966	2	1

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

Public Contribution Credit

Taxpayers claimed partial credits for contributions to Michigan colleges and universities, public libraries, museums, and public broadcasting stations in tax year 2009. The credit was equal to 50 percent of the amount contributed up to a maximum credit of \$200 for a joint return (\$100 on a single return). For 2009, 263,600 taxpayers received \$23.7 million in credits (see Exhibit 32 on page 50). Credits decreased by about \$1.0 million from the prior year, when 273,300 taxpayers received \$24.7 million in credits.

Community Foundation Credit

The community foundation credit, implemented in tax year 1989, is a partial credit for donations to certified community foundations. The credit equaled 50 percent of the donation up to a maximum credit of \$200 for a joint return (\$100 on a single return). For tax year 2009, 36,000

taxpayers claimed \$3.4 million in community foundation credits. This was an increase of about 800 taxpayers claiming about \$75,400 more credits than in 2008 (see Exhibit 32 on page 50).

Homeless Shelter/Food Bank Credit

The homeless shelter/food bank credit provides a partial credit for cash donations to a qualifying homeless shelter, food bank, or food kitchen whose primary purpose was to provide accommodations or food to indigent persons. The credit equaled 50 percent of the donation up to a maximum credit of \$200 for a joint return (\$100 on a single return). For tax year 2009, 234,100 taxpayers claimed \$18.8 million in food bank credits. This represented a decrease of 40 taxpayers and \$212,600 less credits claimed from the previous tax year (see Exhibit 32 on page 50).

College Tuition and Fees Credit

Created by Public Act 7 of 1996, the college tuition and fees credit allowed resident taxpayers with AGIs of less than \$200,000 to claim a credit equal to a percentage of tuition and fee payments made on behalf of the taxpayer or any other student to a qualified Michigan college or university. To qualify, the school must have certified that tuition and fees would not increase by more than the rate of inflation. The amount of the credit was the lesser of 8 percent of the tuition and fees paid or \$375 for each student for tax year 2009. The credit could not be claimed for more than 4 years for any one student. For tax year 2009, 98,800 taxpayers claimed the credit, 15,800 more than in 2008. The \$16.8 million in credits for 2009 represented a \$4.7 million increase from tax year 2008 (see Exhibit 32 on page 50). In order to qualify for tax year 2009, institutions had to limit tuition and fee increases for the 2009-2010 academic year to 3.8 percent over the 2008-2009 academic year. Seventeen private colleges, four private universities, and fifteen community colleges qualified for tax year 2009.

Historic Preservation Credit

The Michigan historic preservation credit provided tax incentives for homeowners, commercial property owners and businesses to rehabilitate historic commercial and residential resources located in the State of Michigan. The credit was created by Public Acts 534 and 535 of 1999, and equaled 25 percent of the qualified expenditures. For tax year 2009, about 250 taxpayers claimed a total of \$1.2 million in historic preservation credits (see Exhibit 32 on page 50).

Credit for Income Paid to Another State

For tax year 2009, 44,600 Michigan residents received a total of \$40.1 million in credits for income tax paid to another state on income also subject to tax in Michigan, resulting in an average credit of \$897.70. This credit was designed so that taxpayers were not taxed twice (in two states) for the same income (see Exhibit 32 on page 50).

Credit for Vehicle Donation

The vehicle donation credit was created by Public Act 313 of 2004. It provides a nonrefundable credit equal to 50 percent of the fair market value of certain automobile donations to qualified charitable organizations. The credit was limited to a maximum of \$50 for single filers or \$100 for joint filers, and the donated automobile must be transferred by the charity to an individual for employment purposes. For tax year 2009, 1,400 taxpayers received a total of \$100,900 in vehicle donation credits, resulting in an average credit of \$72.48 (see Exhibit 32 on page 50).

Renewable Energy Surcharge Credit

This credit was created jointly with the Energy Efficient Home Improvement credit under PA 287 of 2008. Effective for tax years 2009 through 2011, this credit equals a percentage of the additional utility charges paid that were imposed on Michigan utility customers so that the electric utilities would meet newly enacted renewable energy standards. The credit was restricted to eligible taxpayers with AGI up to \$65,000 (single, MFS), or \$130,000 (MFJ), and was limited to \$12.00 per electric meter in 2009. For tax year 2009, 499,500 taxpayers received a total of \$3.9 million in renewable energy surcharge credits, resulting in an average credit of \$7.87 (see Exhibit 32 on page 50).

VI. DESIGNATED CONTRIBUTIONS

For tax year 2009, Michigan taxpayers could make 15 separate designations on their tax returns: the State Campaign Fund, the Children's Trust Fund, the Military Family Relief Fund, the Children of Veterans Tuition Grant Program, the Amanda's Fund for Breast Cancer Prevention and Treatment, the Animal Welfare Fund, the Children's Hospital of Michigan Fund, the Children's Miracle Network Fund, The Foster Care Trust Fund, the Michigan Council for the Arts Fund, the Michigan Housing and Community Development Fund, the Michigan Law Enforcement Officers Memorial Monument Fund, the Prostate Cancer Research Fund, the Renewable Fuels Fund, and the United Way Fund. Unlike contributions to the State Campaign Fund that result in a designated portion of the taxpayers' tax liability to be deposited in the campaign fund, contributions to all other funds either reduce taxpayers' refund or increase their tax liability.

State Campaign Fund

For the 2009 tax year, taxpayers were able to designate \$3 of their tax liability for the State Campaign Fund. Revenues from this fund are disbursed only to gubernatorial candidates, regardless of political party, who agree to limit campaign spending and meet the campaign fund requirements. For 2009, 347,100 taxpayers contributed \$1.0 million to the State Campaign Fund (see Exhibit 23a on page 33). On average, there was one designation for every 12 returns.

Children's Trust Fund

The Children's Trust Fund was first created by PA 211 of 1982. Contributions to the fund were dedicated to the prevention of child abuse. PA 291 of 2000 appropriated amounts to fully fund both the Non-Game Wildlife Fund⁸, and the CTF, and both were removed from the tax form. However, PA 160 of 2005 reinstated the CTF checkoff on the income tax form. For tax year 2009, 17,000 taxpayers contributed a total of \$183,300 (subject to a minimum of \$5 dollars) to the fund (see Exhibit 23a on page 32).

Military Family Relief Fund

The Military Family Relief Fund benefits qualifying families of military members in either the Michigan National Guard who are serving in the U.S. Armed Forces or those reserve forces called to active duty by the federal government. About \$264,700 was contributed by 22,200 taxpayers for 2009 to the Military Family Relief Fund (see Exhibit 23a on page 32).

⁸ Prior to tax year 2000, taxpayers could donate a portion of their income tax refund or increase their liability to support the Non-Game Wildlife Fund. The Michigan Non-Game Wildlife Fund was created by PA 189 of 1983. Contributions were used for research and management of non-game fish and wildlife.

Children of Veterans Tuition Grant Program

Starting tax year 2007, taxpayers may designate a minimum of \$2 to fund the Children of Veterans Tuition Grant Program. The Program provides undergraduate tuition assistance to eligible Michigan veteran children older than 16 and less than 26 years of age who have been a Michigan resident for the 12 months prior to grant application. About \$124,300 was contributed by over 14,900 taxpayers to fund this program for tax year 2009 (see Exhibit 23a).

Exhibit 23a Returns Designating Contributions 1982 – 2009

Tax Year	Number of 1040's Filed	State Campaign Fund		Children's Trust Fund		Military Family Relief Fund		Children of Veterans Tuition Grant Program	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
1989	3,977,900	767,300	1,534,600	122,107	857,614	--	--	--	--
1990	4,022,300	741,900	1,483,800	138,294	959,428	--	--	--	--
1991	4,011,600	653,000	1,306,000	119,468	858,263	--	--	--	--
1992	3,984,600	593,000	1,186,000	86,430	923,018	--	--	--	--
1993	4,034,000	491,333	1,474,000	72,458	807,617	--	--	--	--
1994	4,123,200	473,600	1,420,800	63,375	697,414	--	--	--	--
1995	4,214,300	437,200	1,311,600	62,971	779,471	--	--	--	--
1996	4,260,200	459,400	1,378,200	57,251	650,323	--	--	--	--
1997	4,308,575	469,000	1,407,000	54,639	629,652	--	--	--	--
1998	4,350,006	429,632	1,288,896	70,496	859,000	--	--	--	--
1999	4,414,720	393,111	1,179,333	78,242	938,300	--	--	--	--
2000	4,511,561	496,840	1,490,520	--	--	--	--	--	--
2001	4,456,031	534,955	1,604,865	--	--	--	--	--	--
2002	4,405,687	506,120	1,518,360	--	--	--	--	--	--
2003	4,369,995	492,625	1,477,875	--	--	--	--	--	--
2004	4,390,300	467,503	1,402,509	--	--	53,541	\$1,233,661	--	--
2005	4,424,662	425,526	1,276,578	28,613	\$390,695	34,484	549,167	--	--
2006	4,487,257	406,646	1,219,938	28,587	325,337	36,603	553,021	22,970	\$212,110
2007	4,560,672	399,482	1,198,446	35,043	333,912	46,849	473,501	34,226	252,582
2008	4,481,511	366,911	1,100,733	35,448	318,945	46,019	415,611	34,524	242,270
2009	4,395,979	347,147	1,041,441	17,021	183,319	22,162	264,733	14,965	124,312

Notes:

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

Other Funds

On tax year 2009, taxpayers were allowed to designate a minimum of \$5 to any one of 11 funds. Five of those funds were already available in tax year 2008: the Amanda's Fund to Breast Cancer Prevention and Treatment, the Animal Welfare Fund, the Michigan Housing and Community Development Fund, the Prostate Cancer Research Fund, and the Michigan Law Enforcement Officers Memorial Monument Fund. Six new funds were added to the selection in tax year 2009: the Children's Hospital of Michigan Fund, the Children's Miracle Network Fund, the Foster Care

Trust Fund, the Michigan Council for the Arts Fund, the Renewable Fuels Fund, and the United Way Fund.

Legislation that instituted these funds also established that contribution designations that fail to raise \$100,000 in any tax year for two consecutive tax years may cease to be included in the Michigan income tax form. For tax year 2009, the CTF, the Military Family Relief Fund, the Children of Veterans Tuition Grant Program, the Animal Welfare Fund and the United Way Fund met the \$100,000 minimum total contribution amount requirement, and it resulted in four funds being eliminated from the roster of funds available for next tax year contributions (see Exhibit 23b).

Exhibit 23b
Returns Designating Additional Contributions 2008 – 2009

	TY 2008		TY 2009	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Amanda's Fund for Breast Cancer Prevention and Treatment	9,626	\$76,783	3,803	\$39,916
Animal Welfare Fund	15,429	142,358	7,982	103,162
Michigan Housing and Community Development Fund	4,352	35,474	1,637	18,718
Prostate Cancer Research Fund	7,171	55,646	2,959	30,752
MI Law Enforcement Officers Memorial Monument Fund	7,517	62,655	2,500	27,477
Children's Hospital of MI Fund	n.a.	n.a.	5,833	63,940
Children's Miracle Network Fund	n.a.	n.a.	3,533	36,963
Foster Care Trust Fund	n.a.	n.a.	2,491	25,444
MI Council For the Arts Fund	n.a.	n.a.	2,692	29,280
Renewable Fuels Fund	n.a.	n.a.	2,225	18,828
United Way Fund	n.a.	n.a.	5,934	256,740

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

VII. INTERSTATE COMPARISONS

In 2009, Michigan along with five other states (Colorado, Illinois, Indiana, Massachusetts, and Pennsylvania) had a flat rate income tax. Seven states (Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming) had no state personal income tax. Two states (New Hampshire and Tennessee) taxed only dividend and interest income, and one other state (Rhode Island) taxed a certain percentage of the taxpayer's federal income tax liability. The remaining 34 states had income taxes with graduated rates. A state-by-state comparison of the income tax burden per person and tax revenue as a percent of personal income is shown in Exhibit 24 (see page 36). Exhibits 25 and 26 (see page 37) compare Michigan's income tax to that of other states in the Great Lakes region.

For fiscal year 2009, Michigan ranked eighth lowest in state income taxes as a percent of personal income among the 41 states with a general income tax, with New York ranking highest. Michigan's income tax as a percent of personal income was 1.60 percent, 0.33 of a percentage point below the U.S. average, and 0.81 of a percentage point below the average of the 41 states with a general income tax. This is a decrease from the results in 2008, when Michigan's income tax as a percent of personal income was 2.06 percent. The above calculations use estimates of quarterly state personal income, released by the U.S. Bureau of Economic Analysis on March 2011, and compiled by the Office of Revenue and Tax Analysis for each state's fiscal year. Because personal income does not include capital gains but tax revenues include the tax on realized gains, and capital gains are not uniformly distributed among states, the calculated ratios are skewed.

Michigan ranked ninth lowest in income taxes per person among the 41 states with a general income tax, and New York ranked highest. In fiscal year 2009, the average collections of \$551 per person in Michigan were still lower than the average of \$750 in fiscal year 1999, when the tax rate was 4.4 percent. National average income tax collections per person were \$771, and for the 41 states with an income tax, average income tax collections per person were \$968. (For Michigan income tax rates from 1968 to present, see Exhibit 42 on page 63.) The income tax burden in Michigan has been declining relative to that in other states over the FY 1994-2009 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 2009, Michigan ranked 34th and 35th highest in each category, respectively.

Exhibit 24
State Individual Income Taxes for FY 2009
Per Person and Percentage of Personal Income

<u>State</u>	<u>Per Person Individual Income Taxes</u>	<u>Rank</u>	<u>Income Taxes as a Percent of Personal Income</u>	<u>Rank</u>
Alabama	\$550	35	1.65%	34
Alaska	No Tax	N/A	No Tax	N/A
Arizona	367	41	1.09%	41
Arkansas	724	27	2.24%	20
California	1,237	5	2.88%	6
Colorado	816	19	1.92%	28
Connecticut	1,641	2	2.93%	4
Delaware	965	14	2.41%	14
Florida	No Tax	N/A	No Tax	N/A
Georgia	715	29	2.07%	25
Hawaii	1,186	8	2.79%	7
Idaho	692	30	2.15%	21
Illinois	732	25	1.73%	32
Indiana	603	33	1.75%	31
Iowa	881	16	2.33%	17
Kansas	954	15	2.42%	13
Kentucky	732	26	2.28%	18
Louisiana	509	36	1.34%	39
Maine	990	12	2.71%	10
Maryland	1,090	10	2.26%	19
Massachusetts	1,536	3	3.07%	3
Michigan	551	34	1.60%	35
Minnesota	1,227	6	2.89%	5
Mississippi	458	40	1.51%	36
Missouri	723	28	1.98%	27
Montana	734	24	2.10%	23
Nebraska	844	18	2.14%	22
Nevada	No Tax	N/A	No Tax	N/A
New Hampshire	62	42	0.14%	42
New Jersey	1,187	7	2.34%	16
New Mexico	477	38	1.43%	38
New York	1,780	1	3.76%	1
North Carolina	976	13	2.79%	8
North Dakota	470	39	1.15%	40
Ohio	684	31	1.92%	29
Oklahoma	604	32	1.66%	33
Oregon	1,294	4	3.56%	2
Pennsylvania	742	23	1.84%	30
Rhode Island	860	17	2.08%	24
South Carolina	479	37	1.47%	37
South Dakota	No Tax	N/A	No Tax	N/A
Tennessee	27	43	0.08%	43
Texas	No Tax	N/A	No Tax	N/A
Utah	757	22	2.38%	15
Vermont	787	21	2.01%	26
Virginia	1,101	9	2.49%	12
Washington	No Tax	N/A	No Tax	N/A
West Virginia	794	20	2.49%	11
Wisconsin	1,025	11	2.73%	9
Wyoming	No Tax	N/A	No Tax	N/A
U.S. Average	\$771		1.93%	
U.S. Average for States W/ General Income Tax	\$968		2.41%	

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

Exhibit 25
State Income Taxes Per Person
Great Lakes Region – FY 2009

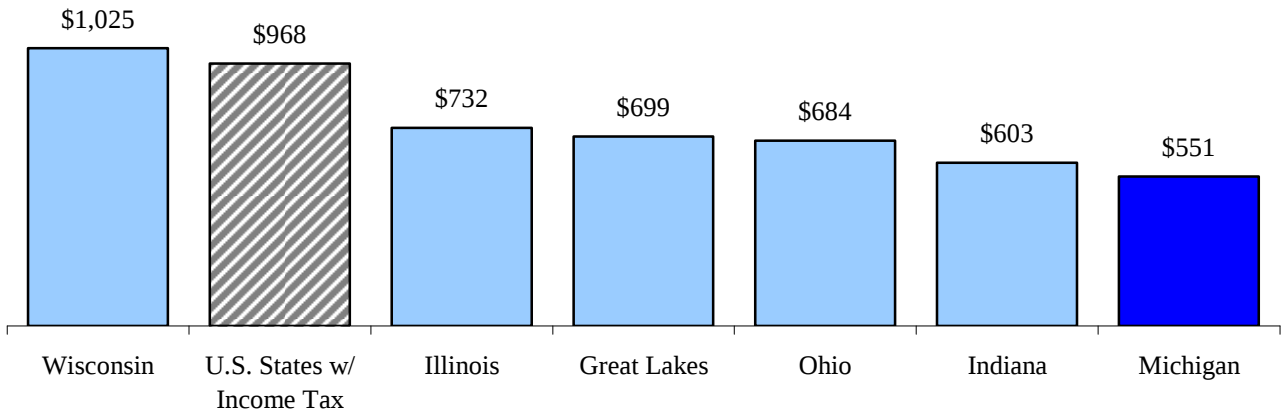
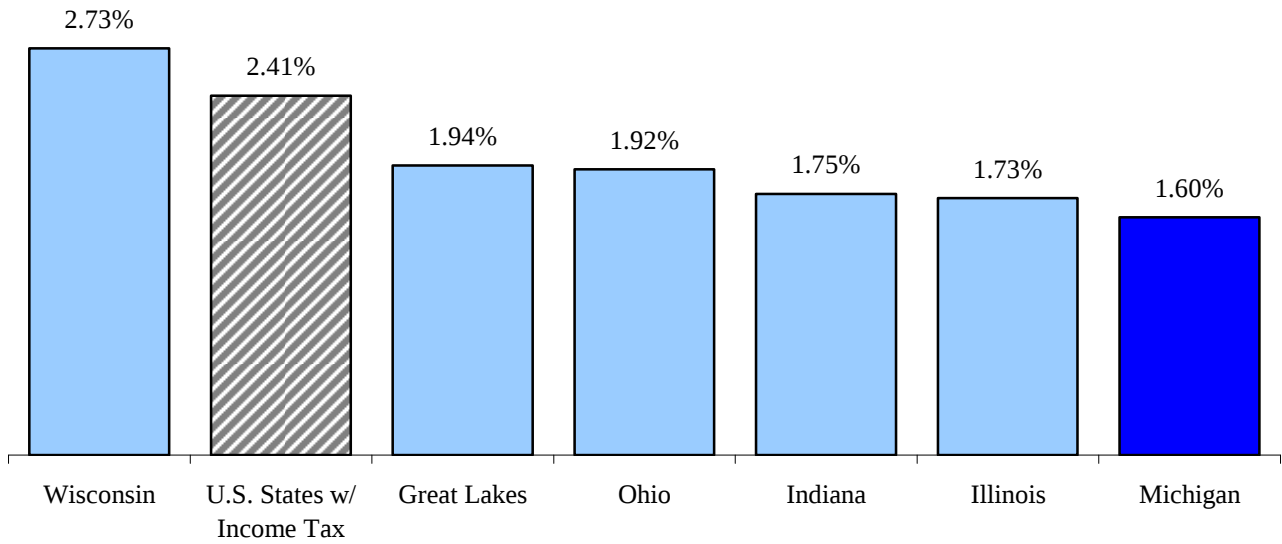


Exhibit 26
State Income Taxes
Percentage of Personal Income
Great Lakes Region – FY 2009



VIII. GEOGRAPHIC PATTERN OF TAX AND CREDITS

Exhibit 38 (see pages 57 and 58) reports the distribution of income tax collections, property tax and home heating credits, and the Michigan EITC by county. Since farms receive special treatment for the homestead property tax credit and the separate farmland credit, rural counties benefit substantially from these programs.

Exhibit 39 (see pages 59 and 60) provides a ranking by county of average AGI, average income tax before and after credits, credits as a percentage of income tax before credits, ratio of property tax credits to returns filed, and average property tax credit. A summary of Exhibit 33 is provided below.

Exhibits 40 and 41 (see pages 61 and 62) compare the average AGI and property tax credit for each Michigan county.

County-level statistics are compiled using the zip code provided on each tax return. Adjustments were made to the zip code database in 1999 to more accurately identify the county of residence. While the change is relatively small in magnitude, the reader should exercise caution when comparing the information in this report to similar statistics contained in reports from prior years.

Personal Income Tax County Data Summary

	<u>State Average</u>	<u>Highest County</u>	<u>Lowest County</u>
Average AGI	\$54,764	\$66,958 Oakland	\$29,798 Lake
Average Income Tax Before Credits	\$1,465	\$2,315 Oakland	\$629 Montmorency
Average Income Tax After Credits	\$1,115	\$1,957 Oakland	\$302 Huron
Income Tax Credits as a Percent of Tax Before Credits	23.9%	67.7% Huron	13.0% Midland
Ratio of Property Tax Credits to 1040s Filed	37.4%	47.9% Wayne	15.6% Keweenaw
Average Property Tax Credit	\$607	\$1,362 Huron	\$253 Luce

Note: Property tax credits include farmland preservation credits.

IX. FEDERAL INCOME TAX INTERACTION

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

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

Changes in AGI at the federal level can be offset or reinforced at the state level. Expansions in the tax base can be offset with tax cuts. In response to TRA-86, the Michigan personal exemption was increased steadily from \$1,500 in 1986 to \$2,100 for 1990, and the Michigan special exemptions for senior citizens, blind, disabled persons, and those taxpayers with 50 percent or more of their AGI attributable to unemployment compensation were created in 1987. For 2009, the Michigan personal exemption was \$3,600, and Michigan special exemptions were \$2,300.

Summary of Federal Tax Law Changes Passed Before 2011

Significant federal tax law changes affecting Michigan's tax base are discussed below. The changes are grouped based on when they first became effective. For changes prior to 2009, see Appendix A on page 65.

2009

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

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

The limit of 50 percent exclusion from tax for capital gains realized on the sale of certain small business stock held for more than 5 years was increased to the greater of \$10 million or 10 times the taxpayer's basis in the stock. The exclusion is limited to individual investments (not corporate). The limit is increased to 100 percent for qualified small business stock issued in 2011.

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

2010 and beyond

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

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

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

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

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

X. MICHIGAN PUBLIC ACTS – INCOME TAX

For changes prior to 2008, see Appendix A on page 72.

2009

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

Public Act 195 amended the Income Tax Act to eliminate the sunset on the existing credit for donated vehicles, enacted under PA 313 of 2004. Without this Act, the vehicle donation credit would expire after tax year 2009.

2010

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

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

Public Act 235 amended the Income Tax Act to create the Venture Investment credit, which allows a taxpayer to claim a nonrefundable credit equal to 25 percent of a qualified investment made in a qualified business during tax years 2011 and 2012. The new credit may be carried forward for up to 15 years. Qualified investment must be certified by the Michigan Strategic Fund (MSF) and the total amount of certified credits is limited to \$10 million in one year.

Public Acts 346 and 347 amended the Income Tax Act to allow taxpayers to contribute towards the newly created Girl Scouts of Michigan Fund via a checkoff on the income tax form, starting in tax year 2011.

XI. EXHIBITS 27 THROUGH 42

Exhibit 27

Effective Rate of the Michigan Individual Income Tax, 2009

Adjusted Gross Income Group	Number of Returns Filed⁽¹⁾	Adjusted Gross Income	Effective Personal Exemptions⁽²⁾	Claimed Exemptions	Subtractions Minus Additions	Total Credits⁽³⁾	Effective Tax	Effective Tax as a % of Income
Less than \$1 ⁽⁴⁾	259,123	(\$7,476,705,112)		118,130	(\$3,356,657,026)	\$129,814,475	(\$124,800,100)	
\$ 1 - 2,000	154,242	154,095,985	16,866	125,809	52,682,729	48,368,601	(47,967,243)	-31.13%
2,001 - 4,000	164,374	493,003,176	53,990	133,000	100,705,005	40,881,728	(36,193,224)	-7.34%
4,001 - 6,000	163,731	818,967,288	81,299	161,021	167,456,596	49,892,195	(39,042,019)	-4.77%
6,001 - 8,000	163,576	1,145,889,412	110,037	194,059	254,124,841	61,448,548	(45,223,034)	-3.95%
8,001 - 10,000	169,029	1,522,321,968	150,318	235,794	330,905,252	79,107,977	(56,889,271)	-3.74%
10,001 - 12,000	163,457	1,797,832,062	167,681	252,321	428,529,818	82,842,798	(55,971,046)	-3.11%
12,001 - 14,000	166,156	2,158,868,609	206,235	286,916	479,784,932	94,488,909	(60,940,532)	-2.82%
14,001 - 16,000	152,800	2,290,674,968	195,745	266,122	528,743,008	81,626,240	(42,393,806)	-1.85%
16,001 - 18,000	145,973	2,481,466,077	199,244	261,144	544,602,401	75,050,136	(28,846,420)	-1.16%
18,001 - 20,000	131,207	2,490,135,475	186,802	240,142	537,127,909	65,732,792	(15,945,298)	-0.64%
20,001 - 22,000	119,604	2,510,362,432	180,192	226,241	523,766,143	59,531,485	(6,509,534)	-0.26%
22,001 - 24,000	111,237	2,557,129,557	171,655	213,658	535,400,297	53,466,002	2,958,626	0.12%
24,001 - 26,000	105,579	2,638,676,268	167,219	205,043	540,774,106	48,269,859	12,534,767	0.48%
26,001 - 28,000	99,791	2,693,557,610	161,153	196,157	549,919,709	43,381,072	20,700,194	0.77%
28,001 - 30,000	94,262	2,732,731,183	153,621	186,690	570,707,335	38,632,199	27,717,138	1.01%
30,001 - 35,000	213,709	6,934,476,685	358,770	431,331	1,455,337,793	79,090,071	95,090,109	1.37%
35,001 - 40,000	192,858	7,226,493,954	328,629	395,086	1,665,851,981	61,889,083	121,951,381	1.69%
40,001 - 45,000	168,423	7,149,419,868	306,383	355,840	1,538,557,495	47,990,395	142,182,223	1.99%
45,001 - 50,000	152,049	7,218,331,272	290,272	331,229	1,509,733,139	39,866,152	157,599,106	2.18%
Over 50,000	1,484,074	191,204,046,529	3,626,896	4,001,803	58,627,712,547	220,938,219	4,919,688,122	2.57%
Totals	4,575,254	\$240,741,775,266	7,113,008	8,817,536	\$67,585,766,010	\$1,502,308,936	\$4,939,700,139	2.05%

⁽¹⁾Includes 179,275 credit-only returns.

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

⁽³⁾Does not include Farmland Preservation Credit, Adoption Tax Credit, Stillbirth Credit, or Energy Efficient Home Improvement Credit.

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

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

Exhibit 28
Breakdown of Upper Income Filers
Individual Income Tax, 2009

Adjusted Gross	Number of	Adjusted	Effective	Claimed	Subtractions	Total	Effective	Effective
Income Group	Returns	Gross Income	Personal	Exemptions⁽¹⁾	Minus	Credits⁽²⁾	Tax	Tax as a %
	<u>Filed</u>		<u>Exemptions⁽¹⁾</u>	<u>Exemptions</u>	<u>Additions</u>			<u>of Income</u>
\$50,001 - 55,000	143,177	\$7,514,542,101	286,413	322,220	\$1,520,838,441	\$36,027,873	\$174,673,121	2.32%
55,001 - 60,000	132,992	7,641,464,495	266,886	311,566	1,582,212,424	31,736,268	185,344,715	2.43%
60,001 - 65,000	121,167	7,568,799,487	266,746	294,513	1,479,732,457	27,958,871	190,548,172	2.52%
65,001 - 70,000	111,298	7,508,725,403	254,407	278,400	1,446,011,058	24,485,626	195,137,804	2.60%
70,001 - 75,000	101,884	7,382,143,870	240,575	262,836	1,411,267,048	20,833,281	197,216,777	2.67%
75,001 - 80,000	91,919	7,120,187,353	223,407	243,258	1,358,656,534	12,567,437	199,381,786	2.80%
80,001 - 85,000	82,841	6,830,869,303	206,263	223,951	1,279,859,258	5,716,111	200,054,505	2.93%
85,001 - 90,000	74,651	6,528,748,509	189,566	205,868	1,214,042,286	3,749,002	194,616,953	2.98%
90,001 - 95,000	66,038	6,104,801,866	172,367	185,731	1,093,570,286	3,360,963	184,867,892	3.03%
95,001 - 100,000	58,548	5,705,261,093	156,411	167,493	984,217,744	3,134,821	175,274,667	3.07%
100,001 - 110,000	97,246	10,191,870,893	265,266	283,709	1,672,289,324	5,743,150	319,275,388	3.13%
110,001 - 120,000	75,139	8,624,309,343	209,530	222,921	1,348,840,300	4,907,016	275,645,625	3.20%
120,001 - 130,000	57,324	7,152,526,691	163,245	171,630	1,065,667,606	4,051,736	232,787,038	3.25%
130,001 - 140,000	44,413	5,986,592,009	127,988	134,482	851,600,559	3,461,815	198,042,399	3.31%
140,001 - 150,000	35,386	5,123,755,901	102,608	107,917	724,560,697	3,026,868	170,810,363	3.33%
150,001 - 160,000	27,714	4,288,936,928	79,185	84,808	634,312,429	2,526,816	142,906,306	3.33%
160,001 - 170,000	22,004	3,626,161,896	63,337	67,423	516,059,812	2,116,582	122,341,098	3.37%
170,001 - 180,000	17,429	3,046,834,429	50,384	54,028	435,900,430	1,855,958	103,103,116	3.38%
180,001 - 190,000	13,990	2,585,946,569	39,973	42,805	368,795,737	1,560,281	88,039,814	3.40%
190,001 - 200,000	11,426	2,226,394,532	32,102	35,126	325,051,082	1,288,760	75,918,221	3.41%
200,001 - 300,000	52,587	12,548,154,262	143,589	161,552	1,958,731,080	7,287,063	428,667,911	3.42%
300,001 - 400,000	17,104	5,871,230,143	43,503	53,561	1,000,344,615	3,417,114	200,957,712	3.42%
400,001 - 500,000	8,284	3,682,701,791	19,150	26,207	748,098,816	2,050,592	122,294,492	3.32%
500,001 - 750,000	8,962	5,396,359,521	16,637	28,043	1,308,448,650	2,515,955	172,435,266	3.20%
750,001 - 1,000,000	3,494	2,997,491,727	148	10,950	962,030,002	1,296,138	87,220,780	2.91%
Over \$1,000,000	7,057	37,949,236,414	7,211	20,805	31,336,573,872	4,262,122	282,126,201	0.74%
Totals for AGI								
over \$50,000	1,484,074	\$191,204,046,529	3,626,896	4,001,803	\$58,627,712,547	\$220,938,219	\$4,919,688,122	2.57%

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

⁽²⁾Does not include Farmland Preservation Credits, Adoption Tax Credit, Stillbirth Credit, or Energy Efficient Home Improvement Credit.

Exhibit 29
Tax Base Deductions as a Percentage of AGI
Individual Income Tax, 2009

45

Adjusted Gross Income Group	Total Effective Exemptions	Subtractions Minus Additions	Nonrefundable Credits⁽¹⁾	Property Tax Credits	Home Heating Credits	Michigan Earned Income Tax Credits
Less than \$1						
\$ 1 - 2,000	59.8%	34.2%	-1.0%	582.5%	119.6%	20.6%
2,001 - 4,000	57.7%	20.4%	0.4%	140.1%	29.2%	20.9%
4,001 - 6,000	49.1%	20.4%	1.2%	94.9%	18.7%	25.3%
6,001 - 8,000	45.3%	22.2%	1.4%	77.5%	13.7%	30.7%
8,001 - 10,000	44.7%	21.7%	1.5%	66.8%	11.4%	39.8%
10,001 - 12,000	41.8%	23.8%	1.4%	58.3%	8.1%	38.2%
12,001 - 14,000	42.1%	22.2%	1.4%	50.6%	6.5%	42.1%
14,001 - 16,000	37.5%	23.1%	1.4%	43.5%	3.9%	33.0%
16,001 - 18,000	35.2%	21.9%	1.4%	38.2%	2.5%	27.4%
18,001 - 20,000	32.5%	21.6%	1.4%	33.7%	1.6%	24.0%
20,001 - 22,000	30.6%	20.9%	1.4%	30.1%	1.0%	22.0%
22,001 - 24,000	28.3%	20.9%	1.4%	27.2%	0.6%	18.8%
24,001 - 26,000	26.5%	20.5%	1.3%	24.8%	0.4%	15.5%
26,001 - 28,000	24.9%	20.4%	1.4%	22.8%	0.2%	12.6%
28,001 - 30,000	23.3%	20.9%	1.3%	21.0%	0.1%	10.1%
30,001 - 35,000	21.3%	21.0%	1.2%	18.4%	0.1%	6.5%
35,001 - 40,000	18.5%	23.1%	1.2%	15.5%	0.0%	2.9%
40,001 - 45,000	17.3%	21.5%	1.2%	13.2%	0.0%	1.0%
45,001 - 50,000	16.2%	20.9%	1.2%	11.4%	0.0%	0.1%
50,001 - 55,000	15.3%	20.2%	1.2%	9.8%	0.0%	0.0%
55,001 - 60,000	14.0%	20.7%	1.2%	8.4%	0.0%	0.0%
60,001 - 65,000	14.1%	19.6%	1.2%	7.3%	0.0%	0.0%
65,001 - 70,000	13.5%	19.3%	1.2%	6.3%	0.0%	0.0%
70,001 - 75,000	13.0%	19.1%	1.2%	5.3%	0.0%	0.0%
75,001 - 80,000	12.5%	19.1%	1.2%	2.9%	0.0%	0.0%

Exhibit 29 (cont.)

Adjusted Gross Income Group	Total Effective Exemptions	Subtractions Minus Additions	Nonrefundable <u>Credits</u>⁽¹⁾	Property Tax Credits	Home Heating Credits	Michigan Earned Income Tax Credits
80,001 - 85,000	12.0%	18.7%	1.2%	0.7%	0.0%	0.0%
85,001 - 90,000	11.6%	18.6%	1.2%	0.1%	0.0%	0.0%
90,001 - 95,000	11.2%	17.9%	1.2%	0.0%	0.0%	0.0%
95,001 - 100,000	10.9%	17.3%	1.2%	0.0%	0.0%	0.0%
100,001 - 110,000	10.3%	16.4%	1.3%	0.0%	0.0%	0.0%
110,001 - 120,000	9.6%	15.6%	1.3%	0.0%	0.0%	0.0%
120,001 - 130,000	9.0%	14.9%	1.3%	0.0%	0.0%	0.0%
130,001 - 140,000	8.4%	14.2%	1.3%	0.0%	0.0%	0.0%
140,001 - 150,000	7.9%	14.1%	1.3%	0.0%	0.0%	0.0%
150,001 - 160,000	7.3%	14.8%	1.3%	0.0%	0.0%	0.0%
160,001 - 170,000	6.9%	14.2%	1.3%	0.0%	0.0%	0.0%
170,001 - 180,000	6.5%	14.3%	1.4%	0.0%	0.0%	0.0%
180,001 - 190,000	6.1%	14.3%	1.4%	0.0%	0.0%	0.0%
190,001 - 200,000	5.7%	14.6%	1.3%	0.0%	0.0%	0.0%
200,001 - 300,000	4.5%	15.6%	1.3%	0.0%	0.0%	0.0%
300,001 - 400,000	2.9%	17.0%	1.3%	0.0%	0.0%	0.0%
400,001 - 500,000	2.1%	20.3%	1.3%	0.0%	0.0%	0.0%
500,001 - 750,000	1.2%	24.2%	1.1%	0.0%	0.0%	0.0%
750,001 - 1,000,000	0.0%	32.1%	1.0%	0.0%	0.0%	0.0%
Over \$1,000,000	0.1%	82.6%	0.3%	0.0%	0.0%	0.0%
Overall Percent	10.4%	28.1%	1.1%	9.1%	0.8%	3.2%

⁽¹⁾Nonrefundable credits, home heating credits, property tax credits, and earned income tax credits are divided by the tax rate (4.35%) to determine the equivalent income tax deduction. Nonrefundable credits for 2009 are: the city income tax credit, the public contribution credit, the homeless shelter/food bank contribution credit, the community foundation credit, the other state tax credit, the tuition tax credit, the Michigan historic preservation credit, the vehicle donation credit, and the renewable energy surcharge credit.

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

Exhibit 30
Distribution of Personal Exemptions
Claimed on 2009 Individual Income Tax Returns⁽¹⁾

Adjusted Gross	Exemptions Claimed							Total	Total
<u>Income Group</u>	<u>Zero</u>	<u>One</u>	<u>Two</u>	<u>Three</u>	<u>Four</u>	<u>Five</u>	<u>Six or More</u>	<u>Returns</u>	<u>Exemptions⁽²⁾</u>
Zero Income	8,392	43,450	18,975	3,642	2,977	1,494	918	79,848	118,130
\$ 1 - 2,000	60,977	70,955	16,250	3,510	1,614	592	344	154,242	125,809
2,001 - 4,000	70,193	68,408	17,629	4,955	2,146	708	335	164,374	133,000
4,001 - 6,000	53,483	77,125	21,971	6,902	2,878	934	438	163,731	161,021
6,001 - 8,000	36,397	84,714	27,364	9,055	4,048	1,363	635	163,576	194,059
8,001 - 10,000	24,048	86,680	37,831	12,615	5,264	1,793	798	169,029	235,794
10,001 - 12,000	15,455	85,976	35,803	15,753	7,084	2,279	1,107	163,457	252,321
12,001 - 14,000	10,002	83,606	36,715	21,255	9,831	3,219	1,528	166,156	286,916
14,001 - 16,000	6,230	78,541	37,663	16,898	8,865	3,060	1,543	152,800	266,122
16,001 - 18,000	3,703	74,882	37,636	16,136	8,686	3,336	1,594	145,973	261,144
18,001 - 20,000	2,414	66,371	34,720	14,473	8,381	3,274	1,574	131,207	240,142
20,001 - 22,000	1,488	59,166	31,880	13,720	8,119	3,469	1,762	119,604	226,241
22,001 - 24,000	1,025	54,383	29,901	12,954	7,807	3,393	1,774	111,237	213,658
24,001 - 26,000	673	50,922	29,215	12,013	7,616	3,396	1,744	105,579	205,043
26,001 - 28,000	409	47,589	28,052	11,315	7,315	3,259	1,852	99,791	196,157
28,001 - 30,000	331	44,115	27,260	10,564	7,039	3,232	1,721	94,262	186,690
30,001 - 35,000	484	97,600	63,215	23,677	16,493	7,691	4,549	213,709	431,331
35,001 - 40,000	260	85,350	59,051	20,915	15,913	7,173	4,196	192,858	395,086
40,001 - 45,000	123	69,601	53,994	18,730	15,318	6,905	3,752	168,423	355,840
45,001 - 50,000	85	58,140	50,358	18,243	15,157	6,723	3,343	152,049	331,229
50,001 - 55,000	53	49,833	49,219	18,294	16,031	6,643	3,104	143,177	322,220
55,001 - 60,000	44	41,466	47,090	17,871	16,490	6,935	3,096	132,992	311,566
60,001 - 65,000	31	33,011	44,687	17,209	16,556	6,717	2,956	121,167	294,513
65,001 - 70,000	25	26,278	42,777	16,535	16,580	6,539	2,564	111,298	278,400
70,001 - 75,000	30	20,997	39,973	15,682	16,323	6,299	2,580	101,884	262,836
75,001 - 80,000	23	16,735	36,392	14,409	15,848	6,232	2,280	91,919	243,258

Exhibit 30 (cont.)

Adjusted Gross Income Group	Exemptions Claimed							Total	Total
	<u>Zero</u>	<u>One</u>	<u>Two</u>	<u>Three</u>	<u>Four</u>	<u>Five</u>	<u>Six or More</u>	<u>Returns</u>	<u>Exemptions⁽²⁾</u>
80,001 - 85,000	22	13,114	33,300	13,451	15,036	5,843	2,075	82,841	223,951
85,001 - 90,000	14	10,178	30,567	12,329	14,186	5,407	1,970	74,651	205,868
90,001 - 95,000	17	8,017	26,693	11,272	13,279	4,962	1,798	66,038	185,731
95,001 - 100,000	11	6,477	23,280	10,166	12,338	4,663	1,613	58,548	167,493
100,001 - 110,000	18	9,413	38,238	17,018	21,503	8,319	2,737	97,246	283,709
110,001 - 120,000	17	6,485	29,229	13,026	17,462	6,694	2,226	75,139	222,921
120,001 - 130,000	8	4,593	21,980	10,163	13,742	5,123	1,715	57,324	171,630
130,001 - 140,000	8	3,357	16,734	7,886	10,867	4,198	1,363	44,413	134,482
140,001 - 150,000	12	2,639	13,116	6,191	8,867	3,461	1,100	35,386	107,917
150,001 - 160,000	8	2,005	10,295	4,870	6,917	2,699	920	27,714	84,808
160,001 - 170,000	14	1,592	8,144	3,906	5,409	2,192	747	22,004	67,423
170,001 - 180,000	2	1,252	6,306	2,989	4,447	1,811	622	17,429	54,028
180,001 - 190,000	5	1,060	5,088	2,468	3,528	1,417	424	13,990	42,805
190,001 - 200,000	2	847	4,220	1,920	2,870	1,185	382	11,426	35,126
200,001 - 300,000	36	4,233	19,365	8,638	12,806	5,556	1,953	52,587	161,552
300,001 - 400,000	17	1,457	6,104	2,614	4,110	2,000	802	17,104	53,561
400,001 - 500,000	5	745	2,918	1,197	1,910	1,084	425	8,284	26,207
500,001 - 750,000	10	908	3,156	1,261	2,005	1,167	455	8,962	28,043
750,001 - 1,000,000	2	389	1,232	434	786	453	198	3,494	10,950
Over \$1,000,000	<u>10</u>	<u>997</u>	<u>2,662</u>	<u>938</u>	<u>1,292</u>	<u>802</u>	<u>356</u>	<u>7,057</u>	<u>20,805</u>
Totals	296,616	1,655,652	1,258,248	500,062	433,739	175,694	75,968	4,395,979	8,817,536

⁽¹⁾ Values in this table are based on 4,395,979 MI-1040 tax returns on file.

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

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

Exhibit 31
Distribution of Special Exemptions and Child Deductions
Claimed on 2009 Individual Income Tax Returns⁽¹⁾

Adjusted Gross Income Group	Age Exemptions	Deaf/Blind/ Disabled Exemptions	Unemployed Exemptions	Disabled Veteran Exemptions	Child 18 and Under Exemptions	Claimed as Dependent Exemptions	Total
Zero Income	33,778	10,844	1,364	502	18,322	7,926	72,736
\$ 1 - 2,000	42,521	13,387	1,653	528	16,426	61,553	136,068
2,001 - 4,000	33,764	7,478	3,179	374	23,523	70,458	138,776
4,001 - 6,000	36,669	7,415	6,770	383	31,833	53,674	136,744
6,001 - 8,000	41,338	7,691	9,809	441	43,410	36,507	139,196
8,001 - 10,000	43,546	8,008	11,760	547	61,513	24,084	149,458
10,001 - 12,000	48,302	7,512	12,564	521	69,971	15,439	154,309
12,001 - 14,000	48,325	7,459	14,272	500	89,783	9,981	170,320
14,001 - 16,000	47,282	6,156	14,197	581	76,966	6,198	151,380
16,001 - 18,000	43,144	5,913	18,709	508	74,684	3,678	146,636
18,001 - 20,000	37,135	5,501	14,042	496	67,923	2,366	127,463
20,001 - 22,000	32,449	4,863	9,520	444	65,606	1,474	114,356
22,001 - 24,000	29,761	4,408	6,703	427	61,817	1,019	104,135
24,001 - 26,000	27,773	4,018	4,774	394	58,442	675	96,076
26,001 - 28,000	26,090	3,643	3,332	392	55,353	400	89,210
28,001 - 30,000	24,814	3,405	2,242	332	51,825	322	82,940
30,001 - 35,000	53,813	7,528	3,420	929	117,627	477	183,794
35,001 - 40,000	44,542	6,399	1,260	846	102,143	245	155,435
40,001 - 45,000	38,426	5,673	595	767	91,436	119	137,016
45,001 - 50,000	34,277	4,731	303	678	84,954	81	125,024
50,001 - 55,000	31,539	4,610	153	741	83,306	54	120,403
55,001 - 60,000	29,045	4,133	78	668	82,409	37	116,370
60,001 - 65,000	26,190	3,930	60	631	78,291	34	109,136
65,001 - 70,000	23,661	3,610	11	617	73,845	25	101,769
70,001 - 75,000	22,189	3,153	10	549	70,314	19	96,234
75,001 - 80,000	20,044	2,793	1	508	66,172	20	89,538
80,001 - 85,000	18,532	2,397	4	484	60,798	21	82,236
85,001 - 90,000	17,261	2,085	3	387	56,157	15	75,908
90,001 - 95,000	14,560	1,772	2	356	51,409	15	68,114
95,001 - 100,000	12,561	1,514	6	344	46,829	13	61,267
Over \$100,000	103,117	8,885	22	1,885	430,793	168	544,870
Totals	1,086,448	170,914	140,818	17,760	2,363,880	297,097	4,076,917

⁽¹⁾ Values in this table are based on 4,395,979 MI-1040 tax returns on file.

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

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

	2006			2007			2008			2009		
	<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	1,022.8	\$495,083.6	\$484.04	1,053.4	\$522,632.5	\$496.14	1,058.5	\$527,589.2	\$498.44	1,062.9	\$525,396.4	\$494.32
Senior Citizen ⁽¹⁾												
Total	415.3	308,300.2	742.41	429.5	321,563.9	748.76	453.2	\$349,153.1	770.39	476.5	374,894.9	786.71
Low Income Rent	9.3	3,017.5	325.02	9.4	2,976.4	315.96	9.6	\$2,998.0	312.36	9.2	2,835.3	308.49
Veteran	9.0	1,150.5	128.54	9.0	1,207.7	133.84	9.0	\$1,215.5	135.62	9.3	1,141.7	122.23
Blind	1.3	168.6	129.58	1.3	178.8	133.47	1.3	\$182.5	135.59	1.3	156.4	117.17
Disabled	68.0	42,392.9	623.17	79.1	50,087.6	633.06	80.8	\$52,516.7	650.34	84.2	54,975.2	652.63
Farmland	8.1	32,560.0	4,021.74	8.0	33,763.8	4,230.52	7.9	\$35,920.5	4,518.86	8.1	39,864.1	4,930.63
Total Property Tax Credits	1,524.5	\$879,655.8	\$577.03	1,580.3	\$929,434.3	\$588.13	1,610.7	\$966,577.6	\$600.10	1,642.4	\$996,428.8	\$606.70
Home Heating Credit Total	406.7	\$82,847.3	\$203.72	444.6	\$64,587.0	\$145.26	450.1	\$106,018.3	\$235.55	484.8	\$88,755.5	\$183.09
HHC regular credit		\$82,847.3	\$203.72		\$64,587.0	\$145.26		\$84,271.7	\$187.23		\$88,755.5	\$183.09
HHC supplemental		n.a.	n.a.		n.a.	n.a.		\$21,746.7	\$48.32		n.a.	n.a.
Adoption Credit	0.8	\$1,007.6	\$1,242.45	0.8	\$979.2	\$1,250.53	0.6	\$757.2	\$1,241.37	0.5	\$667.0	\$1,265.69
StillBirth Credit	0.1	\$17.6	\$158.11	0.6	\$39.6	\$70.35	0.2	\$39.2	\$170.43	0.3	\$62.4	\$182.96
MI Earned Income Tax Credit	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	711.1	\$145,205.0	\$204.18	782.6	\$338,043.4	\$431.97
Energy Efficient Home Improvement Credit	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	140.2	\$15,188.5	\$108.32
City Income Tax Credit	895.2	\$33,485.4	\$37.41	853.6	\$32,430.1	\$37.99	823.6	\$31,057.9	\$37.71	772.1	\$28,828.7	\$37.34
Public Contribution Credit	290.8	\$26,042.7	\$89.56	274.9	\$24,940.9	\$90.74	273.3	\$24,699.6	\$90.37	263.6	\$23,694.8	\$89.87
Credit for Income Tax Paid to Another State	50.8	\$41,771.6	\$822.76	49.4	\$42,671.5	\$864.06	49.7	\$44,386.0	\$893.11	44.6	\$40,077.9	\$897.70
Community Foundation Credit	38.9	\$3,336.8	\$85.73	35.6	\$3,335.2	\$93.70	35.2	\$3,275.6	\$93.03	36.0	\$3,351.0	\$93.06
Homeless/Food Bank Credit	235.0	\$18,414.8	\$78.36	225.0	\$18,062.6	\$80.29	234.1	\$19,032.8	\$81.29	234.1	\$18,820.2	\$80.40
College Tuition Credit	43.7	\$6,658.6	\$152.46	63.5	\$9,526.0	\$150.13	83.0	\$12,087.7	\$145.58	98.8	\$16,751.1	\$169.52
Historic Preservation Credit	0.5	\$602.1	\$1,108.92	0.2	\$553.6	\$2,241.20	0.3	\$1,314.6	\$4,580.50	0.2	\$1,208.2	\$5,141.25
Vehicle Donation Credit	1.4	\$108.3	\$75.87	3.0	\$154.6	\$52.20	2.2	\$126.3	\$56.31	1.4	\$100.9	\$72.48
Renewable Energy Surcharge Credit	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	499.5	\$3,932.9	\$7.87

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

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

Exhibit 33
Distribution of Credits
Individual Income Tax, 2009⁽¹⁾

Adjusted Gross Income Group	MI-1040s Filed		General Property Tax Credit ⁽²⁾			City Income Tax Credit			College Contribution Credit		
	% of		Number Claiming	% of Property Tax Credits	Credit	Number Claiming	AGI Group % of MI-1040s	Credit	Number Claiming	AGI Group % of MI-1040s	Credit
	Number	Total ⁽²⁾									
			Credit	Filed	Amount	Credit	Filed	Amount	Credit	Filed	Amount
Less than \$1	79,848	1.8%	20,274	1.9%	\$17,868,583	2,267	0.3%	\$58,416	1,751	0.7%	\$147,776
\$ 1 - 2,000	154,242	3.5%	14,782	1.4%	8,296,121	7,278	0.9%	37,907	1,033	0.4%	57,475
2,001 - 4,000	164,374	3.7%	17,675	1.7%	8,556,545	15,675	2.0%	120,493	1,656	0.6%	86,528
4,001 - 6,000	163,731	3.7%	24,369	2.3%	11,587,763	18,244	2.4%	194,816	2,095	0.8%	116,623
6,001 - 8,000	163,576	3.7%	31,810	3.0%	15,150,918	20,469	2.7%	288,326	2,425	0.9%	141,246
8,001 - 10,000	169,029	3.8%	42,434	4.0%	20,773,248	23,169	3.0%	379,889	2,859	1.1%	178,718
10,001 - 12,000	163,457	3.7%	44,560	4.2%	22,159,226	23,329	3.0%	436,453	2,832	1.1%	179,744
12,001 - 14,000	166,156	3.8%	51,715	4.9%	25,942,880	24,918	3.2%	521,687	3,355	1.3%	218,870
14,001 - 16,000	152,800	3.5%	48,122	4.6%	23,997,673	23,711	3.1%	534,437	3,173	1.2%	208,090
16,001 - 18,000	145,973	3.3%	49,121	4.7%	24,409,940	22,885	3.0%	548,340	3,384	1.3%	228,389
18,001 - 20,000	131,207	3.0%	45,466	4.3%	22,490,028	21,930	2.8%	570,775	3,264	1.2%	220,448
20,001 - 22,000	119,604	2.7%	42,717	4.1%	20,800,474	21,206	2.7%	589,979	3,205	1.2%	215,814
22,001 - 24,000	111,237	2.5%	40,128	3.8%	19,406,487	20,405	2.6%	584,959	3,308	1.3%	228,040
24,001 - 26,000	105,579	2.4%	38,449	3.7%	18,612,721	19,682	2.5%	601,335	3,240	1.2%	227,546
26,001 - 28,000	99,791	2.3%	36,852	3.5%	17,589,822	19,225	2.5%	623,716	3,266	1.2%	232,998
28,001 - 30,000	94,262	2.1%	34,620	3.3%	16,523,186	18,012	2.3%	605,206	3,307	1.3%	229,609
30,001 - 35,000	213,709	4.9%	78,960	7.5%	38,027,941	41,159	5.3%	1,431,420	8,388	3.2%	601,406
35,001 - 40,000	192,858	4.4%	71,206	6.8%	34,880,029	36,637	4.7%	1,351,123	8,736	3.3%	631,968
40,001 - 45,000	168,423	3.8%	59,853	5.7%	29,379,373	32,964	4.3%	1,267,349	8,732	3.3%	648,038
45,001 - 50,000	152,049	3.5%	51,305	4.9%	25,575,055	31,316	4.1%	1,221,019	9,000	3.4%	673,274
50,001 - 55,000	143,177	3.3%	45,894	4.4%	22,956,626	30,037	3.9%	1,236,300	9,510	3.6%	731,836
55,001 - 60,000	132,992	3.0%	39,730	3.8%	19,872,952	28,614	3.7%	1,205,219	9,528	3.6%	736,107
60,001 - 65,000	121,167	2.8%	34,465	3.3%	17,490,077	26,043	3.4%	1,116,594	9,429	3.6%	743,133
65,001 - 70,000	111,298	2.5%	29,641	2.8%	15,237,006	24,410	3.2%	1,077,393	9,547	3.6%	770,640
70,001 - 75,000	101,884	2.3%	25,313	2.4%	12,931,843	22,186	2.9%	986,034	9,490	3.6%	793,196
75,001 - 80,000	91,919	2.1%	20,694	2.0%	6,957,287	19,833	2.6%	881,114	9,044	3.4%	769,882
80,001 - 85,000	82,841	1.9%	9,782	0.9%	1,651,276	17,950	2.3%	805,783	8,968	3.4%	782,662
85,001 - 90,000	74,651	1.7%	647	0.1%	200,104	16,223	2.1%	745,538	8,574	3.3%	767,248

Exhibit 33 (cont.)

Adjusted Gross Income <u>Group</u>	MI-1040s Filed		General Property Tax Credit ⁽²⁾			City Income Tax Credit			College Contribution Credit		
	<u>Number</u>	<u>% of Total⁽²⁾</u>	<u>Number Claiming Credit</u>	<u>% of Property Tax Credits Filed</u>	<u>Credit Amount</u>	<u>Number Claiming Credit</u>	<u>AGI Group % of MI-1040s Filed</u>	<u>Credit Amount</u>	<u>Number Claiming Credit</u>	<u>AGI Group % of MI-1040s Filed</u>	<u>Credit Amount</u>
90,001 - 95,000	66,038	1.5%	162	0.0%	89,111	14,977	1.9%	739,010	8,107	3.1%	740,071
95,001 - 100,000	58,548	1.3%	90	0.0%	53,194	13,435	1.7%	641,184	7,557	2.9%	709,614
100,001 - 110,000	97,246	2.2%	114	0.0%	81,448	22,516	2.9%	1,108,242	13,561	5.1%	1,308,533
110,001 - 120,000	75,139	1.7%	73	0.0%	49,662	17,901	2.3%	920,320	11,512	4.4%	1,133,399
120,001 - 130,000	57,324	1.3%	62	0.0%	49,728	13,769	1.8%	742,294	9,603	3.6%	978,663
130,001 - 140,000	44,413	1.0%	51	0.0%	34,457	10,595	1.4%	605,455	8,103	3.1%	843,955
140,001 - 150,000	35,386	0.8%	33	0.0%	28,849	8,358	1.1%	498,657	6,841	2.6%	724,844
150,001 - 160,000	27,714	0.6%	37	0.0%	33,073	6,505	0.8%	398,204	5,707	2.2%	632,080
160,001 - 170,000	22,004	0.5%	17	0.0%	13,621	5,084	0.7%	320,297	4,622	1.8%	524,578
170,001 - 180,000	17,429	0.4%	21	0.0%	15,553	3,907	0.5%	265,635	3,914	1.5%	446,116
180,001 - 190,000	13,990	0.3%	13	0.0%	14,058	3,106	0.4%	213,647	3,262	1.2%	383,675
190,001 - 200,000	11,426	0.3%	7	0.0%	6,280	2,615	0.3%	181,331	2,718	1.0%	325,705
200,001 - 300,000	52,587	1.2%	42	0.0%	34,265	11,018	1.4%	887,795	13,554	5.1%	1,719,800
300,001 - 400,000	17,104	0.4%	8	0.0%	9,600	3,483	0.5%	373,524	4,715	1.8%	647,136
400,001 - 500,000	8,284	0.2%	6	0.0%	6,709	1,777	0.2%	226,853	2,373	0.9%	341,054
500,001 - 750,000	8,962	0.2%	4	0.0%	3,628	1,765	0.2%	268,114	2,387	0.9%	354,335
750,001 - 1,000,000	3,494	0.1%	3	0.0%	3,600	596	0.1%	113,020	919	0.3%	139,131
Over \$1,000,000	<u>7,057</u>	<u>0.2%</u>	<u>1</u>	<u>0.0%</u>	<u>1,200</u>	<u>945</u>	<u>0.1%</u>	<u>303,514</u>	<u>1,095</u>	<u>0.4%</u>	<u>174,849</u>
Totals	4,395,979	17.8%	1,051,328	1.1%	\$519,853,220	772,129	22.9%	\$28,828,715	263,649	48.6%	\$23,694,842

⁽¹⁾ Values in this table are based on 4,395,979 MI-1040 tax returns on file.

⁽²⁾ 11,529 general property tax credits totaling \$5,543,139 were claimed on MI-1040CR returns that were filed without an MI-1040.

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

Exhibit 34
Distribution of Property Tax Credits Claimed
Individual Income Tax, 2009 ⁽¹⁾

Adjusted Gross Income Group	General			Senior Citizens ⁽²⁾			Veterans			Disabled ⁽³⁾		
	Number of Credits <u>Allowed</u>	% of Total Credits <u>Allowed</u>	Credit Amount <u>Amount</u>	Number of Credits <u>Allowed</u>	% of Total Credits <u>Allowed</u>	Credit Amount <u>Amount</u>	Number of Credits <u>Allowed</u>	% of Total Credits <u>Allowed</u>	Credit Amount <u>Amount</u>	Number of Credits <u>Allowed</u>	% of Total Credits <u>Allowed</u>	Credit Amount <u>Amount</u>
Zero Income ⁽⁴⁾	30,479	2.9%	\$22,748,911	69,431	14.6%	\$53,972,259	813	8.7%	\$124,989	34,153	39.9%	\$21,689,195
\$ 1 - 2,000	14,830	1.4%	8,322,128	30,150	6.3%	25,354,473	290	3.1%	40,106	7,852	9.2%	5,327,672
2,001 - 4,000	17,726	1.7%	8,581,220	22,964	4.8%	19,205,460	179	1.9%	25,457	3,387	4.0%	2,236,734
4,001 - 6,000	24,433	2.3%	11,615,534	24,148	5.1%	20,006,315	197	2.1%	27,479	3,170	3.7%	2,144,071
6,001 - 8,000	31,884	3.0%	15,190,052	26,085	5.5%	21,252,498	208	2.2%	29,177	3,238	3.8%	2,148,419
8,001 - 10,000	42,504	4.0%	20,805,954	26,225	5.5%	21,180,777	221	2.4%	29,295	3,322	3.9%	2,210,499
10,001 - 12,000	44,641	4.2%	22,203,006	26,838	5.6%	21,466,986	262	2.8%	32,274	2,897	3.4%	1,869,003
12,001 - 14,000	51,801	4.9%	25,988,190	25,124	5.3%	19,729,981	291	3.1%	38,774	2,668	3.1%	1,760,618
14,001 - 16,000	48,199	4.5%	24,032,057	23,082	4.8%	17,867,865	298	3.2%	37,415	2,170	2.5%	1,448,736
16,001 - 18,000	49,180	4.6%	24,436,706	19,881	4.2%	15,378,288	319	3.4%	39,201	2,113	2.5%	1,408,198
18,001 - 20,000	45,529	4.3%	22,520,153	16,278	3.4%	12,742,398	291	3.1%	35,626	1,891	2.2%	1,228,238
20,001 - 22,000	42,769	4.0%	20,823,090	14,148	3.0%	11,010,677	257	2.8%	31,319	1,560	1.8%	1,001,997
22,001 - 24,000	40,177	3.8%	19,428,130	12,639	2.7%	9,836,635	242	2.6%	30,900	1,453	1.7%	938,668
24,001 - 26,000	38,493	3.6%	18,632,797	11,581	2.4%	9,001,157	254	2.7%	33,323	1,250	1.5%	798,048
26,001 - 28,000	36,888	3.5%	17,608,276	10,752	2.3%	8,288,678	239	2.6%	29,411	1,181	1.4%	759,040
28,001 - 30,000	34,657	3.3%	16,539,868	9,845	2.1%	7,699,455	222	2.4%	26,186	1,017	1.2%	664,026
30,001 - 35,000	79,051	7.4%	38,070,888	20,242	4.2%	15,767,739	574	6.1%	66,202	2,363	2.8%	1,533,706
35,001 - 40,000	71,264	6.7%	34,907,003	16,286	3.4%	12,703,562	529	5.7%	63,967	1,914	2.2%	1,185,370
40,001 - 45,000	59,911	5.6%	29,409,927	13,667	2.9%	10,643,022	535	5.7%	61,836	1,651	1.9%	1,044,937
45,001 - 50,000	51,340	4.8%	25,592,415	11,877	2.5%	9,345,712	471	5.0%	57,796	1,270	1.5%	809,207
50,001 - 55,000	45,925	4.3%	22,973,206	10,706	2.2%	8,360,166	511	5.5%	62,225	1,157	1.4%	710,800
55,001 - 60,000	39,766	3.7%	19,894,070	9,231	1.9%	7,207,030	475	5.1%	58,957	945	1.1%	603,155
60,001 - 65,000	34,488	3.2%	17,503,209	7,704	1.6%	5,968,311	442	4.7%	52,119	912	1.1%	578,766
65,001 - 70,000	29,661	2.8%	15,247,405	6,477	1.4%	4,821,693	463	5.0%	52,112	760	0.9%	454,018
70,001 - 75,000	25,329	2.4%	12,943,218	5,407	1.1%	3,630,844	342	3.7%	31,745	588	0.7%	330,981
75,001 - 80,000	20,709	1.9%	6,963,886	3,967	0.8%	1,801,598	296	3.2%	19,789	476	0.6%	180,166
80,001 - 85,000	9,795	0.9%	1,655,851	1,427	0.3%	453,383	109	1.2%	3,379	175	0.2%	40,155
85,001 - 90,000	653	0.1%	204,880	222	0.0%	87,204	4	0.0%	178	15	0.0%	4,928
90,001 - 95,000	165	0.0%	91,508	51	0.0%	29,750	n.a.	0.0%	97	4	0.0%	3,379
95,001 - 100,000	93	0.0%	55,542	19	0.0%	11,395	n.a.	0.0%	206	n.a.	0.0%	1,215
Over 100,000	517	0.0%	407,279	79	0.0%	69,611	n.a.	0.0%	193	18	0.0%	17,695
Totals	1,062,857	100.0%	\$525,396,359	476,533	100.0%	\$374,894,922	9,341	100.0%	\$1,141,733	85,572	100.0%	\$55,131,640

⁽¹⁾Values in this table are based on a sample of the 4,575,254 MI-1040 and MI-1040CR returns.

⁽²⁾Includes Senior Citizen Low Income Rent Credits.

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

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

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

Exhibit 35
Distribution of Senior Citizen Property Tax Credits by Household Income
Individual Income Tax, 2009

<u>Household Income</u>	<u>Number of Returns</u>	<u>Property Tax Paid</u>	<u>Property Tax Credit</u>	<u>Property Tax Paid After Credit</u>
\$1,000 and below	2,840	\$11,796,563	\$3,166,280	\$8,630,283
1,001 - 2,000	420	812,784	366,761	446,023
2,001 - 3,000	469	757,542	415,573	341,969
3,001 - 4,000	730	1,124,749	638,373	486,376
4,001 - 5,000	1,079	1,591,248	922,729	668,519
5,001 - 6,000	1,644	2,253,428	1,356,556	896,872
6,001 - 7,000	2,498	3,222,711	2,033,461	1,189,250
7,001 - 8,000	4,049	5,078,719	3,218,265	1,860,454
8,001 - 9,000	9,177	9,997,424	6,799,782	3,197,642
9,001 - 10,000	6,356	8,307,074	4,912,667	3,394,407
10,001 - 11,000	7,589	10,249,375	5,831,927	4,417,448
11,001 - 12,000	8,622	12,130,893	6,739,092	5,391,801
12,001 - 13,000	10,059	14,374,258	7,879,606	6,494,652
13,001 - 14,000	10,110	15,381,613	8,003,555	7,378,058
14,001 - 15,000	10,345	16,060,525	8,278,091	7,782,434
15,001 - 16,000	10,440	16,870,672	8,465,873	8,404,799
16,001 - 17,000	10,702	17,859,639	8,735,725	9,123,914
17,001 - 18,000	10,932	18,736,757	8,901,726	9,835,031
18,001 - 19,000	11,176	19,546,066	9,143,210	10,402,856
19,001 - 20,000	11,362	20,194,575	9,235,894	10,958,681
20,001 - 21,000	11,507	20,956,970	9,325,039	11,631,931
21,001 - 22,000	11,566	21,713,471	9,481,049	12,232,422
22,001 - 23,000	11,576	22,012,875	9,363,965	12,648,910
23,001 - 24,000	11,323	22,257,310	9,153,669	13,103,641
24,001 - 25,000	11,303	22,622,324	9,157,935	13,464,389
25,001 - 26,000	11,367	23,933,508	9,148,346	14,785,162
26,001 - 27,000	10,789	22,345,596	8,722,874	13,622,722
27,001 - 28,000	10,732	22,247,009	8,619,955	13,627,054
28,001 - 29,000	10,497	22,618,477	8,438,676	14,179,801
29,001 - 30,000	10,170	21,944,177	8,129,137	13,815,040
30,001 - 35,000	47,093	107,225,041	37,279,671	69,945,370
35,001 - 40,000	41,204	101,410,597	32,339,118	69,071,479
40,001 - 45,000	34,683	92,359,074	26,941,205	65,417,869
45,001 - 50,000	28,605	82,404,955	22,093,281	60,311,674
50,001 - 60,000	41,177	130,539,760	31,755,046	98,784,714
60,001 - 70,000	24,670	89,592,167	19,582,912	70,009,255
70,001 - 80,000	15,019	61,808,430	9,892,077	51,916,353
Over 80,000	2,653	11,764,812	425,821	11,338,991
Totals	476,533	\$1,106,103,169	\$374,894,922	\$731,208,247

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

Exhibit 36
Distribution of General Property Tax Credits by Household Income
Individual Income Tax, 2009

Household	Number of Returns	Property Tax Paid	Property Tax Credit	Property Tax Paid After Credit
\$1,000 and below	17,535	\$55,468,204	\$16,129,277	\$39,338,927
1,001 - 2,000	3,704	4,880,067	2,225,489	2,654,578
2,001 - 3,000	4,927	5,789,789	2,622,786	3,167,003
3,001 - 4,000	6,296	7,298,000	3,216,381	4,081,619
4,001 - 5,000	7,750	8,688,627	3,777,565	4,911,062
5,001 - 6,000	9,327	11,677,141	4,467,549	7,209,592
6,001 - 7,000	11,301	12,905,628	5,418,932	7,486,696
7,001 - 8,000	13,829	15,920,346	6,633,902	9,286,444
8,001 - 9,000	18,747	21,798,123	8,923,330	12,874,793
9,001 - 10,000	19,681	24,239,459	9,785,115	14,454,344
10,001 - 11,000	19,994	25,302,543	9,917,935	15,384,608
11,001 - 12,000	21,570	28,138,698	10,702,062	17,436,636
12,001 - 13,000	24,335	32,386,746	12,294,347	20,092,399
13,001 - 14,000	24,093	32,870,534	12,117,847	20,752,687
14,001 - 15,000	24,267	33,895,306	12,162,080	21,733,226
15,001 - 16,000	24,528	35,127,507	12,315,792	22,811,715
16,001 - 17,000	25,410	37,308,743	12,675,459	24,633,284
17,001 - 18,000	24,603	36,350,662	12,094,703	24,255,959
18,001 - 19,000	24,679	37,281,417	12,191,322	25,090,095
19,001 - 20,000	26,104	40,525,076	12,906,725	27,618,351
20,001 - 21,000	25,271	40,205,119	12,465,424	27,739,695
21,001 - 22,000	23,640	38,304,182	11,571,417	26,732,765
22,001 - 23,000	22,599	37,294,355	10,936,693	26,357,662
23,001 - 24,000	22,337	37,808,216	10,866,923	26,941,293
24,001 - 25,000	21,733	37,803,019	10,614,044	27,188,975
25,001 - 26,000	21,079	38,140,170	10,268,936	27,871,234
26,001 - 27,000	20,565	36,791,351	9,872,919	26,918,432
27,001 - 28,000	19,962	36,398,479	9,581,771	26,816,708
28,001 - 29,000	19,385	36,527,052	9,408,671	27,118,381
29,001 - 30,000	18,808	35,952,414	9,047,103	26,905,311
30,001 - 35,000	86,797	175,982,009	41,810,418	134,171,591
35,001 - 40,000	76,701	171,997,066	37,535,646	134,461,420
40,001 - 45,000	63,742	154,913,747	31,419,627	123,494,120
45,001 - 50,000	54,527	143,407,709	27,098,409	116,309,300
50,001 - 60,000	89,832	261,223,363	44,950,953	216,272,410
60,001 - 70,000	66,362	219,716,940	34,103,284	185,613,656
70,001 - 80,000	47,556	177,710,880	20,277,969	157,432,911
Over 80,000	9,281	37,207,193	987,554	36,219,639
Totals	1,062,857	\$2,225,235,878	\$525,396,359	\$1,699,839,519

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

Exhibit 37
Distribution of Home Heating Credits by Household Income
Individual Income Tax, 2009

Household Income	Senior Citizens		General		Disabled ⁽¹⁾		Veterans	
	Number	Home	Number	Home	Number	Home	Number	Home
	of Returns	Heating Credit	of Returns	Heating Credit	of Returns	Heating Credit	of Returns	Heating Credit
Up to \$ 1,000	1,629	\$947,617	15,708	\$6,798,512	527	\$261,996	5	\$1,966
1,001 - 2,000	293	127,274	5,549	1,636,448	151	55,466	2	236
2,001 - 3,000	319	131,255	6,994	1,919,803	203	74,842	3	863
3,001 - 4,000	516	195,656	8,518	2,177,406	311	100,664	2	783
4,001 - 5,000	825	301,594	10,406	2,675,947	457	142,457	8	2,384
5,001 - 6,000	1,274	422,943	11,867	2,878,176	630	171,795	11	3,722
6,001 - 7,000	2,100	619,930	13,806	3,191,186	1,105	285,763	9	2,905
7,001 - 8,000	3,489	902,835	17,721	3,791,666	2,879	620,390	23	9,060
8,001 - 9,000	8,550	1,940,679	31,424	6,216,809	11,809	2,176,241	20	5,655
9,001 - 10,000	5,497	1,166,933	23,486	4,376,809	3,344	643,180	17	4,312
10,001 - 11,000	6,514	1,216,403	23,441	4,004,186	3,522	641,052	28	7,682
11,001 - 12,000	7,191	1,169,677	23,246	3,763,090	3,265	545,218	35	6,672
12,001 - 13,000	8,120	1,189,001	20,575	3,926,385	2,777	472,296	21	2,496
13,001 - 14,000	7,812	908,819	18,939	3,179,765	2,402	354,039	24	3,629
14,001 - 15,000	7,612	703,697	18,428	2,755,382	2,244	288,450	29	3,103
15,001 - 16,000	6,997	509,260	17,381	2,335,746	1,783	232,722	26	3,532
16,001 - 17,000	2,317	353,329	12,554	2,026,625	1,129	205,371	21	3,715
17,001 - 18,000	1,814	247,729	11,131	1,616,670	935	160,387	14	2,334
18,001 - 19,000	1,950	229,040	11,159	1,396,667	942	146,747	15	2,464
19,001 - 20,000	1,969	189,207	11,202	1,188,008	866	115,204	17	2,472
Over 20,000	<u>7,584</u>	<u>509,829</u>	<u>41,613</u>	<u>4,672,496</u>	<u>3,489</u>	<u>467,692</u>	<u>131</u>	<u>13,012</u>
Totals	84,372	\$13,982,707	355,148	\$66,527,782	44,770	\$8,161,972	461	\$82,997
Average Credit		\$165.73		\$187.32		\$182.31		\$180.04

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

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

Exhibit 38
2009 Income Tax Collections by County

<u>County</u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>	<u>MI EITC Credits</u>	<u>Tax After Credits</u>	<u>Percent of Total Tax</u>
ALCONA	\$600,985	\$169,236	\$291,395	\$2,033,798	0.0%
ALGER	374,467	102,303	256,363	2,948,455	0.1%
ALLEGAN	8,710,488	767,538	2,952,022	44,638,238	0.9%
ALPENA	1,890,352	396,541	990,047	10,073,927	0.2%
ANTRIM	2,025,459	280,642	864,273	7,622,084	0.2%
ARENAC	1,295,708	237,937	559,494	3,600,226	0.1%
BARAGA	285,302	75,361	267,652	2,029,769	0.0%
BARRY	3,985,335	353,407	1,385,775	25,005,649	0.5%
BAY	9,578,201	1,004,484	3,505,676	45,021,241	0.9%
BENZIE	1,171,940	176,293	556,386	5,276,392	0.1%
BERRIEN	11,522,880	1,693,261	6,516,606	75,891,656	1.5%
BRANCH	3,357,759	445,455	1,598,568	13,296,025	0.3%
CALHOUN	11,840,268	1,032,004	4,167,058	48,413,308	1.0%
CASS	3,296,770	389,452	1,489,199	14,961,392	0.3%
CHARLEVOIX	2,533,960	283,778	933,447	12,459,612	0.3%
CHEBOYGAN	1,422,777	360,367	946,062	7,101,954	0.1%
CHIPPEWA	1,470,397	368,246	1,226,016	10,396,238	0.2%
CLARE	1,519,204	585,988	1,331,295	8,054,263	0.2%
CLINTON	5,930,887	315,433	1,217,116	32,705,897	0.7%
CRAWFORD	611,374	168,230	434,238	2,956,635	0.1%
DELTA	2,089,310	436,669	1,130,608	15,725,922	0.3%
DICKINSON	1,683,982	238,941	793,263	13,399,098	0.3%
EATON	12,030,126	645,584	2,985,037	56,948,603	1.2%
EMMET	3,073,916	334,293	1,073,571	18,693,600	0.4%
GENESEE	33,398,151	4,469,296	18,390,894	162,636,835	3.3%
GLADWIN	1,715,086	377,722	864,429	7,246,142	0.1%
GOGEBIC	647,739	206,728	477,845	4,811,769	0.1%
GRAND TRAVERSE	9,521,939	658,721	2,536,529	51,655,143	1.1%
GRATIOT	4,098,241	498,474	1,552,771	13,944,980	0.3%
HILLSDALE	3,413,276	589,515	1,651,299	14,409,568	0.3%
HOUGHTON	1,212,680	374,976	910,985	13,247,848	0.3%
HURON	9,484,235	489,644	1,091,721	4,960,106	0.1%
INGHAM	31,497,260	2,125,613	8,767,526	135,391,514	2.8%
IONIA	4,467,413	516,391	1,895,166	23,567,275	0.5%
IOSCO	1,496,679	396,775	942,994	6,000,766	0.1%
IRON	549,238	169,542	343,874	3,559,964	0.1%
ISABELLA	5,325,270	576,392	1,848,246	38,764,004	0.8%
JACKSON	11,338,165	1,383,238	5,314,933	66,183,175	1.4%
KALAMAZOO	23,537,014	1,797,110	7,087,767	134,779,875	2.8%

Exhibit 38 (cont.)

<u>County</u>	<u>Property Tax Credits</u>	<u>Home Heating Credits</u>	<u>MI EITC Credits</u>	<u>Tax After Credits</u>	<u>Percent of Total Tax</u>
KALKASKA	\$866,068	\$210,358	\$718,394	\$5,397,752	0.1%
KENT	53,153,994	4,478,213	19,637,496	338,741,800	6.9%
KEWEENAW	65,665	21,721	50,659	776,955	0.0%
LAKE	528,662	238,509	368,858	1,214,173	0.0%
LAPEER	5,660,737	621,396	2,393,431	38,316,149	0.8%
LEELANAU	1,860,227	137,805	351,512	8,281,483	0.2%
LENAWEE	10,595,939	705,972	2,968,876	36,810,504	0.8%
LIVINGSTON	10,561,363	454,749	2,089,994	86,226,346	1.8%
LUCE	96,470	78,715	198,018	2,246,937	0.0%
MACKINAC	645,448	136,733	357,815	3,348,223	0.1%
MACOMB	114,705,837	5,401,173	24,268,767	391,431,388	8.0%
MANISTEE	1,778,083	286,019	728,386	7,965,751	0.2%
MARQUETTE	2,758,144	481,793	1,453,283	31,488,319	0.6%
MASON	2,584,848	370,261	1,048,403	9,040,842	0.2%
MECOSTA	2,239,318	461,673	1,236,403	11,934,505	0.2%
MENOMINEE	1,074,075	283,864	747,233	8,882,072	0.2%
MIDLAND	5,397,043	543,297	2,017,631	59,419,113	1.2%
MISSAUKEE	1,203,907	206,817	481,446	2,781,271	0.1%
MONROE	10,812,193	820,090	3,757,145	71,792,965	1.5%
MONTCALM	5,090,377	834,184	2,417,796	18,605,091	0.4%
MONTMORENCY	480,359	172,585	370,211	1,932,092	0.0%
MUSKEGON	13,854,461	1,783,822	6,887,869	57,874,321	1.2%
NEWAYGO	3,519,588	534,672	1,533,205	12,305,196	0.3%
OAKLAND	136,148,039	5,723,122	23,267,656	1,005,686,568	20.5%
OCEANA	2,191,266	392,711	1,096,918	7,228,073	0.1%
OGEMAW	1,345,939	366,129	849,553	5,402,816	0.1%
ONTONAGON	240,561	79,985	169,053	2,081,189	0.0%
OSCEOLA	1,600,695	401,703	972,300	7,189,996	0.1%
OSCODA	234,452	110,660	239,379	1,604,021	0.0%
OTSEGO	1,036,222	209,189	797,048	8,936,298	0.2%
OTTAWA	23,433,665	1,250,834	6,471,459	150,835,943	3.1%
PRESQUE ISLE	828,887	241,530	444,289	3,728,103	0.1%
ROSCOMMON	1,794,944	368,060	901,072	5,314,034	0.1%
SAGINAW	13,541,455	2,191,469	7,773,935	69,423,915	1.4%
ST. CLAIR	15,291,312	1,341,124	4,973,339	71,329,296	1.5%
ST. JOSEPH	4,588,708	578,838	2,302,664	20,055,296	0.4%
SANILAC	5,042,634	631,576	1,587,030	10,580,170	0.2%
SCHOOLCRAFT	264,586	117,969	279,378	2,927,978	0.1%
SHIAWASSEE	6,195,839	650,564	2,437,560	29,333,308	0.6%
TUSCOLA	7,429,647	626,352	2,017,705	16,106,714	0.3%
VAN BUREN	7,042,253	871,041	2,958,876	32,674,600	0.7%
WASHTENAW	37,283,027	1,831,185	6,750,638	248,815,736	5.1%
WAYNE (excludes Detroit)	131,114,817	6,904,242	30,280,995	454,296,632	9.3%
WEXFORD	2,635,401	477,499	1,402,433	10,450,435	0.2%
OUTSIDE OF MICHIGAN	21,983,318	1,494,549	11,377,007	236,807,329	4.8%
DETROIT	91,624,096	17,139,126	61,462,148	131,801,347	2.7%
	\$996,428,802	\$88,755,458	\$338,043,412	\$4,899,835,991	100.0%

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

Exhibit 39
2009 Income Tax Data by County

59

<u>County</u>	2009 AGI	2009 Average	Income Tax		Average		Average		Credits as a		Ratio of Property		Average	
	(Millions)	AGI	Before	Rank	Income Tax	Rank	Income Tax	Rank	% of Tax	Rank	Tax Credits	Rank	Credit⁽¹⁾	Rank
ALCONA	\$152.1	\$33,539	\$3,142,468	77	\$693	81	\$448	80	35.3%	10	28.9%	62	\$459	59
ALGER	145.9	37,717	3,722,682	74	962	60	762	48	20.8%	61	23.9%	75	404	70
ALLEGAN	1,832.6	43,154	57,582,407	22	1,356	19	1,051	20	22.5%	58	35.4%	22	579	20
ALPENA	496.0	37,278	13,581,179	50	1,021	53	757	49	25.8%	42	32.5%	43	437	63
ANTRIM	434.7	41,234	11,025,044	55	1,046	49	723	54	30.9%	19	33.7%	35	570	26
ARENAC	217.8	34,027	5,706,351	68	892	68	563	75	36.9%	8	34.8%	26	582	19
BARAGA	109.1	36,002	2,676,209	78	883	70	670	64	24.2%	51	23.3%	77	404	71
BARRY	992.8	47,259	31,004,946	30	1,476	11	1,190	10	19.3%	72	32.8%	39	578	22
BAY	2,043.1	41,458	59,733,260	21	1,212	31	914	32	24.6%	49	35.9%	20	541	39
BENZIE	284.8	38,417	7,422,317	65	1,001	56	712	58	28.9%	29	32.0%	47	495	51
BERRIEN	3,191.5	44,545	97,630,881	11	1,363	18	1,059	19	22.3%	59	32.5%	42	495	50
BRANCH	641.9	37,107	18,798,282	40	1,087	42	769	47	29.3%	28	32.1%	46	605	16
CALHOUN	2,233.1	44,373	66,747,648	19	1,326	21	962	26	27.5%	35	39.4%	6	597	17
CASS	719.6	41,223	20,690,882	36	1,185	33	857	39	27.7%	34	30.0%	56	630	12
CHARLEVOIX	555.0	43,162	16,548,689	43	1,287	27	969	25	24.7%	48	34.8%	27	567	27
CHEBOYGAN	387.8	36,338	9,969,694	61	934	64	665	65	28.8%	30	30.3%	54	440	62
CHIPPEWA	560.5	37,253	13,671,499	49	909	67	691	61	24.0%	53	24.3%	74	403	72
CLARE	455.8	34,091	11,692,821	52	875	72	602	70	31.1%	18	27.9%	65	407	69
CLINTON	1,321.1	52,186	40,765,255	27	1,610	7	1,292	6	19.8%	67	34.3%	32	682	8
CRAWFORD	170.8	34,391	4,253,257	73	856	75	595	71	30.5%	20	30.9%	50	398	75
DELTA	683.8	39,853	19,543,798	39	1,139	38	917	30	19.5%	70	28.0%	64	435	65
DICKINSON	535.9	44,030	16,238,219	44	1,334	20	1,101	16	17.5%	75	29.6%	59	468	56
EATON	2,479.2	47,208	73,937,864	17	1,408	16	1,084	17	23.0%	55	38.4%	8	596	18
EMMET	755.1	46,136	23,535,395	35	1,438	14	1,142	12	20.6%	62	34.3%	33	547	37
GENESEE	7,963.6	43,163	223,054,294	6	1,209	32	881	35	27.1%	36	37.0%	17	490	52
GLADWIN	414.6	37,327	10,310,301	60	928	66	652	66	29.7%	25	32.6%	41	473	54
GOGEBIC	232.0	35,142	6,212,463	67	941	63	729	53	22.5%	57	25.1%	72	391	78
GRAND TRAVERSE	2,087.5	47,011	65,356,856	20	1,472	13	1,163	11	21.0%	60	37.4%	14	574	24
GRATIOT	679.9	39,451	20,017,029	38	1,162	37	809	42	30.3%	22	30.4%	52	781	3
HILLSDALE	709.0	36,937	20,430,366	37	1,064	47	751	50	29.5%	27	31.8%	48	560	31
HOUGHTON	553.8	38,216	15,987,778	46	1,103	40	914	31	17.1%	76	21.0%	80	399	74
HURON	567.0	34,494	15,335,616	47	933	65	302	83	67.7%	1	42.4%	4	1,362	1
INGHAM	5,793.0	48,015	182,184,680	8	1,510	9	1,122	13	25.7%	44	42.5%	3	614	14
IONIA	1,017.6	40,568	30,842,061	31	1,230	30	940	28	23.6%	54	30.9%	49	576	23
IOSCO	400.7	33,234	8,952,932	62	743	79	498	78	33.0%	12	30.2%	55	410	68
IRON	179.8	34,159	4,682,597	70	889	69	676	63	24.0%	52	26.0%	70	401	73
ISABELLA	1,575.6	49,339	47,122,931	25	1,476	12	1,214	9	17.7%	74	30.3%	53	550	36
JACKSON	2,809.6	43,191	85,679,816	15	1,317	23	1,017	23	22.8%	56	34.5%	29	505	46
KALAMAZOO	5,220.2	49,777	169,224,067	9	1,614	5	1,285	7	20.4%	63	40.2%	5	559	32
KALKASKA	267.2	36,632	7,312,331	66	1,003	55	740	51	26.2%	40	27.8%	67	427	66
KENT	12,906.6	48,881	424,813,748	4	1,609	8	1,283	8	20.3%	64	38.0%	9	530	43
KEWEENAW	37.1	40,633	932,955	83	1,022	52	851	40	16.7%	78	15.6%	83	462	57
LAKE	104.7	29,798	2,391,206	81	680	82	345	82	49.2%	2	35.2%	24	427	67
LAPEER	1,628.0	45,106	47,834,015	24	1,325	22	1,062	18	19.9%	66	29.5%	60	532	42

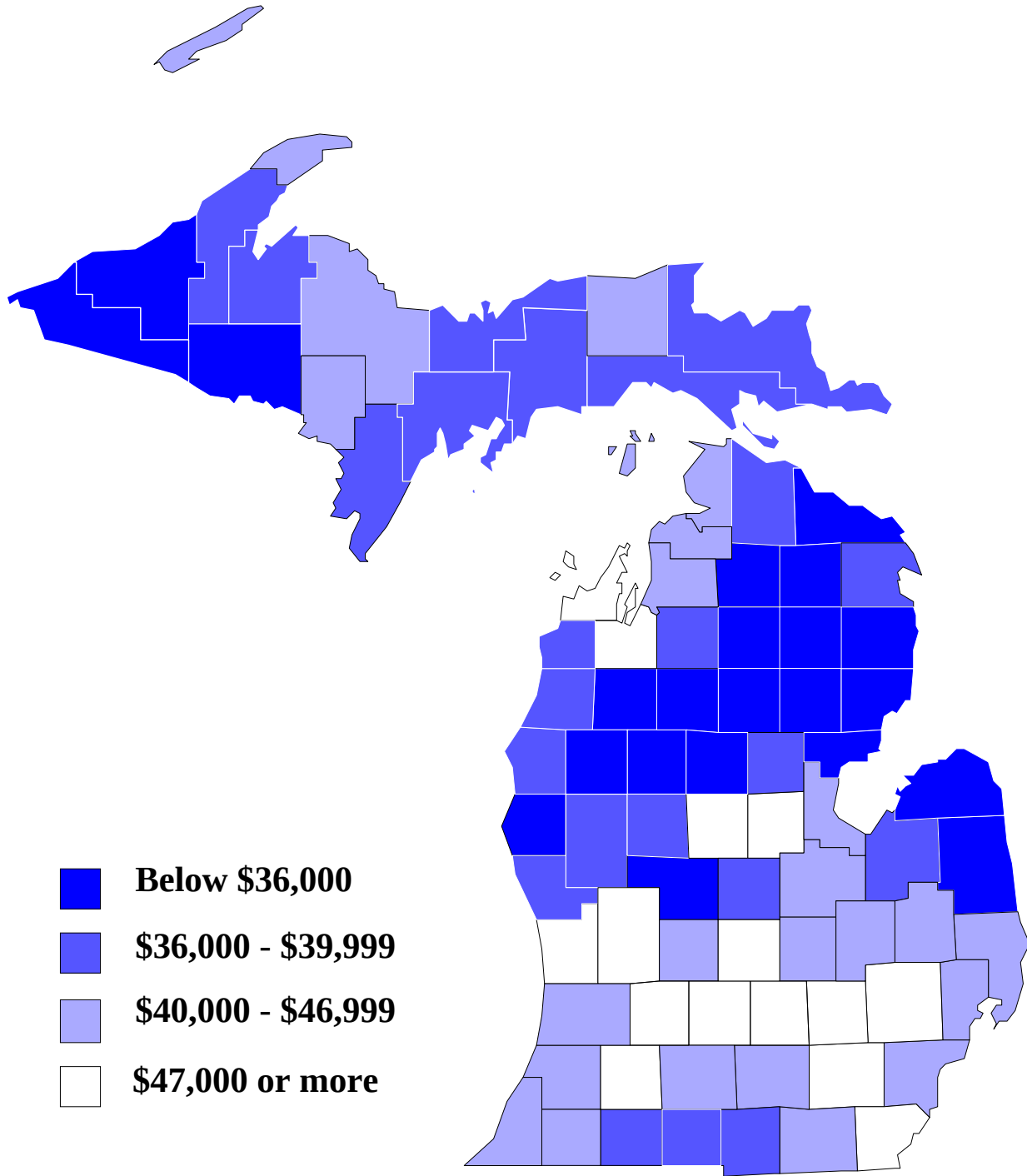
Exhibit 39 (cont.)

	2009 AGI	2009 Average		Income Tax Before		Average Income Tax Before Credits		Average Income Tax After Credits		Credits as a % of Tax		Ratio of Property Tax Credits to 1040s Filed		Average Property Tax Credit ⁽¹⁾	
County	(Millions)	AGI	Rank	Credits	Rank	Before Credits	Rank	After Credits	Rank	Before Credits	Rank	to 1040s Filed	Rank	Credit ⁽¹⁾	Rank
LEELANAU	\$399.8	\$50,426	6	\$10,937,420	57	\$1,379	17	\$1,044	21	24.3%	50	34.4%	31	\$682	9
LENAWEE	1,784.8	42,395	29	52,482,162	23	1,247	29	874	36	29.9%	23	37.7%	10	667	11
LIVINGSTON	3,109.2	58,658	4	100,629,547	10	1,898	4	1,627	4	14.3%	81	32.8%	40	608	15
LUCE	97.9	40,392	38	2,655,683	79	1,095.58	41	927	29	15.4%	80	15.8%	82	253	83
MACKINAC	191.0	36,435	58	4,566,904	72	871	74	639	67	26.7%	38	26.3%	68	468	55
MACOMB	17,622.4	46,431	16	544,591,300	3	1,435	15	1,031	22	28.1%	31	44.9%	2	673	10
MANISTEE	411.0	37,839	46	10,902,695	58	1,004	54	733	52	26.9%	37	33.0%	38	495	49
MARQUETTE	1,248.7	44,077	21	36,513,154	29	1,289	26	1,111	15	13.8%	82	24.5%	73	398	77
MASON	475.9	37,617	48	13,268,807	51	1,049	48	715	56	31.9%	15	37.4%	12	546	38
MECOSTA	590.3	38,949	43	16,161,813	45	1,066	45	787	43	26.2%	41	29.7%	58	497	48
MENOMINEE	375.7	36,400	59	11,051,967	54	1,071	44	861	38	19.6%	69	23.9%	76	435	64
MIDLAND	2,143.0	59,776	3	68,323,467	18	1,906	3	1,657	3	13.0%	83	29.1%	61	517	44
MISSAUKEE	172.4	32,490	80	4,682,356	71	882	71	524	77	40.6%	3	32.2%	45	704	6
MONROE	3,174.8	49,365	9	96,648,104	12	1,503	10	1,116	14	25.7%	43	29.8%	57	564	29
MONTCALM	934.8	35,837	62	27,194,454	33	1,042	50	713	57	31.6%	16	34.5%	30	566	28
MONTMORENCY	150.4	31,556	81	2,996,189	77	629	83	405	81	35.5%	9	25.9%	71	388	79
MUSKEGON	2,737.8	38,993	42	82,126,835	16	1,170	36	824	41	29.5%	26	39.4%	7	501	47
NEWAYGO	632.5	37,143	53	18,152,345	41	1,066	46	723	55	32.2%	14	37.1%	16	557	34
OAKLAND	34,405.5	66,958	1	1,189,287,091	1	2,315	1	1,957	1	15.4%	79	37.4%	15	709	5
OCEANA	404.5	35,018	66	11,009,944	56	953	61	626	68	34.3%	11	33.9%	34	560	30
OGEMAW	315.5	33,089	79	8,025,454	64	842	76	567	73	32.7%	13	30.6%	51	462	58
ONTONAGON	103.4	34,570	67	2,608,033	80	872	73	696	60	20.2%	65	21.8%	78	369	81
OSCEOLA	374.5	35,233	64	10,332,669	59	972	58	676	62	30.4%	21	27.8%	66	541	40
OSCODA	89.7	30,816	82	2,221,885	82	763	78	551	76	27.8%	32	21.5%	79	375	80
OTSEGO	341.7	34,222	70	11,134,536	53	1,115	39	895	33	19.7%	68	26.1%	69	398	76
OTTAWA	5,704.7	49,818	7	184,761,865	7	1,613	6	1,317	5	18.4%	73	35.4%	23	578	21
PRESQUE ISLE	219.0	34,185	71	5,306,049	69	828	77	582	72	29.7%	24	28.5%	63	454	60
ROSCOMMON	388.4	33,745	76	8,500,953	63	739	80	462	79	37.5%	7	34.5%	28	452	61
SAGINAW	3,339.7	41,673	30	94,640,404	14	1,181	35	866	37	26.6%	39	33.3%	37	508	45
ST. CLAIR	3,159.9	43,212	23	94,909,410	13	1,298	24	975	24	24.8%	47	37.5%	11	558	33
ST. JOSEPH	953.3	37,222	52	27,748,612	32	1,083	43	783	45	27.7%	33	32.3%	44	555	35
SANILAC	638.0	34,120	73	17,716,412	42	947	62	566	74	40.3%	4	35.6%	21	757	4
SCHOOLCRAFT	146.5	39,053	41	3,636,756	75	970	59	781	46	19.5%	71	19.6%	81	359	82
SHIAWASSEE	1,368.8	41,327	33	39,228,915	28	1,184	34	886	34	25.2%	46	35.0%	25	534	41
TUSCOLA	968.7	37,129	54	26,004,619	34	997	57	617	69	38.1%	5	33.7%	36	845	2
VAN BUREN	1,407.0	41,383	32	43,909,056	26	1,291	25	961	27	25.6%	45	36.2%	19	572	25
WASHTENAW	8,931.6	62,120	2	299,792,368	5	2,085	2	1,731	2	17.0%	77	37.4%	13	694	7
WAYNE (including Detroit)	31,654.4	42,493	28	946,022,085	2	1,270	28	787	44	38.0%	6	47.9%	1	625	13
WEXFORD	528.5	35,809	63	15,217,272	48	1,031	51	708	59	31.3%	17	36.9%	18	484	53
OUTSIDE OF MICHIGAN	42,498.2	190,391		277,810,392		1,245		1,061		14.8%		15.2%		647	
DETROIT	11,169.8	34,865		314,418,710		981		411		58.1%		51.5%		555	
TOTALS	\$240,741.8	\$54,764		\$6,442,009,075		\$1,465		\$1,115		23.9%		37.4%		607	

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

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

Exhibit 40
Average Adjusted Gross Income by County
2009



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

Exhibit 41
Average Property Tax Credits by County
2009

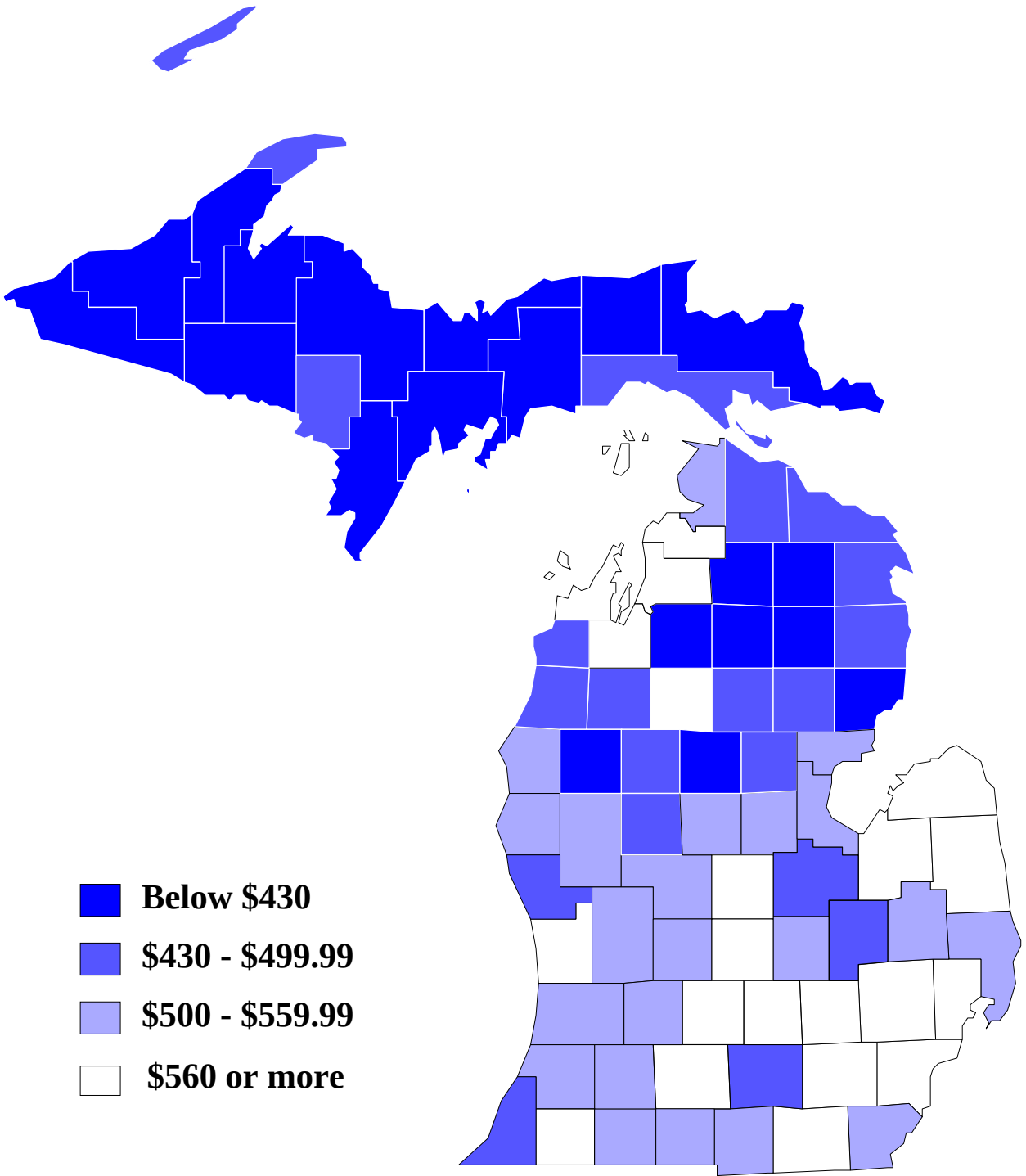


Exhibit 42
Average Annual Individual Income Tax Rates

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

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

XII. APPENDIX A

FEDERAL TAX LAW CHANGES⁹ (from 2001 through 2008)

2001

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

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

2002

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

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

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

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

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

⁹ For federal legislative changes from 1987 through 2000, see Office of Revenue and Tax Analysis, *Individual Income Tax 2007*, June 2009, at http://www.michigan.gov/treasury/0,1607,7-121-44402_44404---,00.html.

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

2003

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

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

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

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

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

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

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

2004

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

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

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

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

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

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

2005

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

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

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

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

Michigan taxpayers who own property in the states affected by hurricanes Katrina, Rita and Wilma, may be impacted by the following provisions in the Katrina Emergency Tax Relief Act of 2005 (KETRA-05), and the Gulf Opportunity Zone Act (GOZA-05)¹⁰:

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

2006

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

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

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

¹⁰ Hurricane tax relief under the GOZA-05 is distributed based on residency and activity in each designated area: Gulf Opportunity (GO) zone, Hurricane Katrina Disaster area, Rita GO zone, Hurricane Rita disaster area, Wilma GO zone, and Hurricane Wilma Disaster area.

- Extend the expiration of the above-the-line deduction of up to \$4,000 for qualified higher education expenses from TY 2005 through TY 2007. Further legislation extended this deduction for all expenses incurred in taxable years beginning before 2012.
- Extend the expiration of the above-the-line deduction for qualified out-of-pocket classroom expenses from TY 2005 through TY 2007. Further legislation extended this deduction for all expenses incurred before 2012.
- Extend the expiration of the reduced recovery period for qualified leasehold improvement property and qualified restaurant property, from 39 years to 15 years, for property placed in service by TY 2005, to property placed in service by TY 2007.

2007

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

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

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

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

2008

Beginning in 2008, taxpayers are allowed to direct rollovers from a qualified retirement plan, tax-sheltered annuity, or governmental plan directly to a Roth IRA, where the rollover is treated as a Roth conversion if all other conversion qualifications (e.g. income below the \$100,000 level

before 2010) are met. Prior to the law, taxpayers had first to roll over the amount to a traditional IRA, and then convert the traditional IRA to a Roth.

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

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

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

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

MICHIGAN PERSONAL INCOME TAX LEGISLATIVE HISTORY (1967 – 2008)¹¹

1967

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

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

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

1968

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

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

1969

PA 332 made technical, clarifying, and administrative changes.

¹¹ Source for Public Acts from 1967 through 1994 from Michigan House Fiscal Agency, *State of Michigan: The Income Tax*, April 1999, at www.house.mi.gov/hfa/PDFs/inco_tax.pdf. Source for Public Acts after 1994 from Michigan Department of Treasury, *Michigan's Individual Income Tax Report*, various years.

1970

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

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

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

1971

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

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

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

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

1972

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

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

1973

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

1974

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

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

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

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

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

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

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

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

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

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

1975

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

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

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

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

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

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

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

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

1976

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

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

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

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

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

1977

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

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

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

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

1978

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

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

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

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

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

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

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

1979

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

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

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

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

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

1980

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

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

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

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

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

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

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

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

1981

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

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

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

1982

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

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

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

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

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

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

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

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

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

1983

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

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

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

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

1984

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

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

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

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

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

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

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

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

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

1985

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

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

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

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

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

1986

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

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

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

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

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

1987

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

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

1988

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

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

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

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

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

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

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

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

1989

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

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

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

1990

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

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

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

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

1991

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

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

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

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

1992

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

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

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

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

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

1993

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

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

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

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

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

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

1994

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

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

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

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

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

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

1995

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

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

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

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

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

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

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

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

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

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

1996

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

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

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

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

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

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

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

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

1997

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

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

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

1998

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

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

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

1999

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

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

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

PA 214 made technical changes in the historic preservation credit.

2000

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

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

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

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

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

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

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

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

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

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

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

2001

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

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

2002

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

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

PA 615 allowed resident tribal members from a Michigan federally recognized Indian tribe who signed agreements¹² with the Michigan Department of Treasury to deduct all non-business

¹² Public Act 616 of 2002 allowed the Michigan Department of Treasury to enter into agreements with federally recognized Indian tribes. The agreements specify whether, and to what extent, Michigan's tax laws apply to each tribe, the tribe members, and other individuals and businesses conducting business with a tribe or its members. In return, tribes would promote

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

2003

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

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

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

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

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

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

2004

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

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

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

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

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

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

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

2005

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

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

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

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

2006

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

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

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

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

2007

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

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

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

2008

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

Public Act 149 imposed to the Military Family Relief Fund the same guidelines that govern the checkoffs created by PA 133 of 2007. As a result, new contribution amounts (\$5, \$10 or more) will appear on the tax form. Contribution designation will be moved from the tax form to the Schedule for Voluntary Contributions, beginning with tax year 2010.

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

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

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

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

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

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

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

MICHIGAN INCOME TAX REQUIREMENTS (1967 – 2010)

<u>General MI-IIT Information:</u>	<u>MCL Section</u>	<u>Form</u>	<u>TY 1967</u>	<u>TY 1968</u>	<u>TY 1969</u>	<u>TY 1970</u>	<u>TY 1971</u>	<u>TY 1972</u>	<u>TY 1973</u>	<u>TY 1974</u>	<u>TY 1975</u>	<u>TY 1976</u>	<u>TY 1977</u>
. IRC compliance (*)	206.12(3)		1954 IRC	1954 IRC	1954 IRC	1969 IRC	1970 IRC	1970 IRC	1970 IRC	1970 IRC	1970 IRC	1976 IRC	1976 IRC
. Exemption from MI - IIT:	206.201		Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT
. Revenue Distribution:	(1)												
. To Local Units:	206.481		17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	12.1%	12.1%	12.1%	12.1%
. Filing Requirement:	(2)	206.315	MI-1040	GI	GI	GI	AGI	AGI	AGI	AGI	AGI	AGI	AGI
(Gross income (GI) or			Single Return	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,500	\$1,500	\$1,500
AGI above threshold)			Joint Return	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$3,000	\$3,000	\$3,000
. Reciprocity States			IN, WI	IN, WI, KY	IN, WI, KY	IN, WI, KY	IN, WI, KY, IL	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH
. Liability Threshold for Estimated Pmt	(3)	206.301	MI-1040	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
. Tax Rate	206.51(1), 51(b)-51(e)	MI-1040	2.60%	2.60%	2.60%	2.60%	3.14%	3.90%	3.90%	3.90%	4.37%	4.60%	4.60%
<u>Exemptions Amounts:</u>													
. Personal Exemption:	206.30(2)	MI-1040	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,500	\$1,500	\$1,500	\$1,500
. Special Exemptions:	(4)	206.30(3)	MI-1040	No	No	No	No	No	No	Yes	Yes	Yes	Yes
. Para/Hemi/Quadriplegic (**)(***)	206.30(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,500	\$1,500	\$1,500	\$1,500

For notes, see page 114.

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

<u>General MI-IIT Information:</u>	<u>MCL Section</u>	<u>Form</u>	<u>TY 1978</u>	<u>TY 1979</u>	<u>TY 1980</u>	<u>TY 1981</u>	<u>TY 1982</u>	<u>TY 1983</u>	<u>TY 1984</u>	<u>TY 1985</u>	<u>TY 1986</u>	<u>TY 1987</u>	<u>TY 1988</u>
. IRC compliance (*)	206.12(3)		1976 IRC	1976 IRC	1979 IRC	1979 IRC	1982 IRC	1982 IRC	1984 IRC	1984 IRC	1984 IRC	1987 IRC	1987 IRC
. Exemption from MI - IIT:	206.201		Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT
. Revenue Distribution:	(1)												
. To Local Units:	206.481		12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	6.9%	6.9%
. Filing Requirement:	(2)	206.315	MI-1040	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI
(Gross income (GI) or AGI above threshold)			Single Return	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,600
			Joint Return	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,200
. Reciprocity States			IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN
. Liability Threshold for Estimated Pmt	(3)	206.301	MI-1040	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$500
. Use Tax Return in MI-1040 Booklet			MI-1040	n.a.	n.a.	n.a.	n.a.	n.a.	Yes	Yes	No	No	Yes
. Tax Rate	206.51(1), 51(b)-51(e)	MI-1040		4.60%	4.60%	4.60%	4.60%	5.10%	6.35%	5.85%	5.33%	4.60%	4.60%
<u>Exemptions Amounts:</u>													
. Personal Exemption:	206.30(2)	MI-1040	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,600	\$1,800
. Special Exemptions:	(4)	206.30(3)	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Para/Hemi/Quadriplegic (**) (***)	206.30(3)		\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,400	\$1,200
. Disabled	206.30(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,400	\$1,200
. Blind (***)	206.30(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,400	\$1,200
. Deaf (****)	206.30(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,500	\$1,500	\$1,400	\$1,200
. Senior	206.30(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,400	\$1,200
. Unemployed	206.30(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$1,400	\$1,200
. Claimed as Dependent	206.30(4)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$500

For notes, see page 114.

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

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

For notes, see page 114.

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

<u>General MI-IIT Information:</u>	<u>MCL</u>	<u>Form</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>
	<u>Section</u>		<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
. IRC compliance (*)	206.12(3)		1996 IRC	1996 IRC	1996 IRC	1996 IRC	1996 IRC	1996 IRC	1996 IRC	1996 IRC	1996 IRC	1996 IRC	1996 IRC
. Exemption from MI - IIT:	206.201		Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT	Exempt from Federal IIT
. Revenue Distribution:	(1)												
. To School Aid Fund:	206.51(2)		Formula	Formula	Formula	Formula	Formula	Formula	Formula	Formula	Formula	Formula	Formula
. Filing Requirement:	(2)	206.315	MI-1040	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI	AGI
(Gross income (GI) or			Single Return	\$2,900	\$2,900	\$3,000	\$3,100	\$3,100	\$3,200	\$3,300	\$3,400	\$3,500	\$3,600
AGI above threshold)			Joint Return	\$5,800	\$5,800	\$6,000	\$6,200	\$6,200	\$6,400	\$6,600	\$6,800	\$7,000	\$7,200
. Reciprocity States			IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN	IN, WI, KY, IL, OH, MN
. Liability Threshold for Estimated Pmt	(3)	206.301	MI-1040	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
. Use Tax Return in MI-1040 Booklet			MI-1040	Yes, line in MI- 1040	Yes, line in MI- 1040	Yes, line in MI- 1040	Yes, line in MI- 1040	Yes, line in MI- 1040	Yes, line in MI- 1040	Yes, line in MI- 1040	Yes, line in MI- 1040	Yes, line in MI- 1040	Yes, line in MI- 1040
. Tax Rate	206.51(1), 51(b)-51(e)	MI-1040		4.20%	4.20%	4.10%	4.00%	3.95%	3.90%	3.90%	4.01%	4.35%	4.35%
<u>Exemptions Amounts:</u>													
. Personal Exemption:	206.30(2)	MI-1040	\$2,900	\$2,900	\$3,000	\$3,100	\$3,100	\$3,200	\$3,300	\$3,400	\$3,500	\$3,600	\$3,600
. Special Exemptions:	(4)	206.30(3)	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Para/Hemi/Quadriplegic (**) (***)	206.30(3)		\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200	\$2,200	\$2,300	\$2,300
. Disabled	206.30(3)		\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200	\$2,200	\$2,300	\$2,300
. Blind (***)	206.30(3)		\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200	\$2,200	\$2,300	\$2,300
. Deaf (****)	206.30(3)		\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200	\$2,200	\$2,300	\$2,300
. Senior	206.30(3)		\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200	\$2,200	\$2,300	\$2,300
. Unemployed	206.30(3)		\$1,800	\$1,900	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200	\$2,200	\$2,300	\$2,300
. Claimed as Dependent	206.30(4)		\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
. Child . Age 6 and Under	206.30d(2)		\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600
. Age 7 to 12			\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600
. Disabled Veteran	206.30(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$250	\$300	\$300

For notes, see page 114.

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

		<u>MCL</u> <u>Section</u>	<u>Form</u>	<u>TY</u> <u>1967</u>	<u>TY</u> <u>1968</u>	<u>TY</u> <u>1969</u>	<u>TY</u> <u>1970</u>	<u>TY</u> <u>1971</u>	<u>TY</u> <u>1972</u>	<u>TY</u> <u>1973</u>	<u>TY</u> <u>1974</u>	<u>TY</u> <u>1975</u>	<u>TY</u> <u>1976</u>	<u>TY</u> <u>1977</u>
<u>Check-Offs:</u>														
. State Campaign Fund	(5)	169.261(2)	MI-1040	No	No	No	No	No	No	No	No	Yes	Yes	Yes
			Single Return	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$2	\$2	\$2
			Joint Return	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$4	\$4	\$4
<u>Taxbase Adjustments Limits</u>			MI-1040											
. Maximum Private Pension Deduction (*****)	203.30(1)(f)(iv) and (v)	(7)		No	No	No	No	No	No	No	Yes	Yes	Yes	Yes
			Single Return	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$7,500	\$7,500	\$7,500	\$7,500
			Joint Return	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$10,000	\$10,000	\$10,000	\$10,000
. Political Contribution	206.30(1)(j)			No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
			Single Return	n.a.	n.a.	n.a.	n.a.	n.a.	\$50	\$50	\$50	\$50	\$50	\$50
			Joint Return	n.a.	n.a.	n.a.	n.a.	n.a.	\$50	\$50	\$50	\$50	\$50	\$50
. Federal Taxable Wage Base for FICA				\$6,600	\$7,800	\$7,800	\$7,800	\$7,800	\$9,000	\$10,800	\$13,200	\$14,100	\$15,300	\$16,500
. Federal Salary Elective Deferrals														
. 401(k)				\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

			<u>MCL</u>	<u>Form</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	
			<u>Section</u>		<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
<u>Check-Offs:</u>															
. State Campaign Fund	(5)	169.261(2)	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
			Single Return	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2
			Joint Return	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$4
. Nongame Wildlife Trust Fund	(6)	206.439	MI-1040	No	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
. Children's Trust Fund	(6)	206.440	MI-1040	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<u>Taxbase Adjustments Limits</u>			MI-1040												
. Maximum Private Pension Deduction (*****)	203.30(1)(f)(iv) and (v) (7)			Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
			Single Return	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
			Joint Return	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
. Political Contribution	206.30(1)(j)			Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
			Single Return	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
			Joint Return	\$50	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
. Federal Taxable Wage Base for FICA				\$17,700	\$22,900	\$25,900	\$29,700	\$32,400	\$35,700	\$37,800	\$39,600	\$42,000	\$43,800	\$45,000	
. Federal Salary Elective Deferrals															
. 401(k)				\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$7,000

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

		MCL Section	Form	TY 1989	TY 1990	TY 1991	TY 1992	TY 1993	TY 1994	TY 1995	TY 1996	TY 1997	TY 1998	TY 1999
<u>Check-Offs:</u>														
. State Campaign Fund	(5)	169.261(2)	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
			Single Return	\$2	\$2	\$2	\$2	\$3	\$3	\$3	\$3	\$3	\$3	\$3
			Joint Return	\$4	\$4	\$4	\$4	\$6	\$6	\$6	\$6	\$6	\$6	\$6
. Nongame Wildlife Trust Fund	(6)	206.439	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Children's Trust Fund	(6)	206.440	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<u>Taxbase Adjustments Limits</u>			MI-1040											
. Maximum Private Pension Deduction (*****)	203.30(1)(f)(iv) and (v) (7)		Single Return	Yes \$7,500	Yes \$7,500	Yes \$7,500	Yes \$7,500	Yes \$7,500	Yes \$13,125	Yes \$30,945	Yes \$31,920	Yes \$32,880	Yes \$33,630	Yes \$34,170
			Joint Return	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$22,500	\$61,890	\$63,840	\$65,760	\$67,260	\$68,340
. Political Contribution	206.30(1)(j)		Single Return	Yes \$50	Yes \$50	Yes \$50	Yes \$50	Yes \$50	Yes \$50	Yes \$50	Yes \$50	Yes \$50	Yes \$50	Yes \$50
			Joint Return	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
. Maximum Senior Interest, Dividends, and Capital Gains Deduction (*****)	206.30(1)(r) (8)		Single Return	No n.a.	No n.a.	No n.a.	No n.a.	No n.a.	Yes \$1,000	Yes (****) \$1,032	Yes (****) \$1,064	Yes \$3,500	Yes \$7,500	Yes \$7,620
			Joint Return	n.a.	n.a.	n.a.	n.a.	n.a.	\$2,000	\$2,064	\$2,128	\$7,000	\$15,000	\$15,240
. Federal Taxable Wage Base for FICA				\$48,000	\$51,300	\$53,400	\$55,500	\$57,600	\$60,600	\$61,200	\$62,700	\$65,400	\$68,400	\$72,600
. Federal Salary Elective Deferrals														
. 401(k)				\$7,627	\$7,979	\$8,475	\$8,728	\$8,994	\$9,240	\$9,240	\$9,500	\$9,500	\$10,000	\$10,000
. 403(b), or 457				n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$7,500	\$8,000	\$8,000
. Federal IRA Contribution Limit				No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
. General				n.a.	n.a.	n.a.	n.a.	n.a.	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000

For notes, see page 114.

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

		MCL Section	Form	TY 2000	TY 2001	TY 2002	TY 2003	TY 2004	TY 2005	TY 2006	TY 2007	TY 2008	TY 2009	TY 2010
<u>Check-Offs:</u>														
. State Campaign Fund	(5)	169.261(2)	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
			Single Return	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$3
			Joint Return	\$6	\$6	\$6	\$6	\$6	\$6	\$6	\$6	\$6	\$6	\$6
. Children of Veterans Tuition Grant	(6)	206.437	MI-1040	No	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes
. Military Family Relief Fund	(6)	206.438	MI-1040	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Children's Trust Fund	(6)	206.440	MI-1040	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
. Prostrate Cancer Research Fund	(6)	206.435	MI-1040	No	No	No	No	No	No	No	No	Yes	Yes	No
. Amanda's Fund	(6)	206.435	MI-1040	No	No	No	No	No	No	No	No	Yes	Yes	No
. Animal Welfare Fund	(6)	206.435	MI-1040	No	No	No	No	No	No	No	No	Yes	Yes	Yes
. Michigan Housing and Community Development Fund	(6)	206.435	MI-1040	No	No	No	No	No	No	No	No	Yes	Yes	No
. Michigan Law Enforcement Memorial Monument Fund	(6)	206.435	MI-1040	No	No	No	No	No	No	No	No	Yes	Yes	No
. Renewable Fuels Fund	(6)	206.435	MI-1040	No	No	No	No	No	No	No	No	No	Yes	Yes
. Foster Care Trust Fund	(6)	206.435	MI-1040	No	No	No	No	No	No	No	No	No	Yes	Yes
. Children's Miracle Network Fund	(6)	206.435	MI-1040	No	No	No	No	No	No	No	No	No	Yes	Yes
. MI Council for the Arts Fund	(6)	206.435	MI-1040	No	No	No	No	No	No	No	No	No	Yes	Yes
. Renewable Fuels Fund	(6)	206.435	MI-1040	No	No	No	No	No	No	No	No	No	Yes	Yes
. United Way Fund	(6)	206.435	MI-1040	No	No	No	No	No	No	No	No	No	Yes	Yes

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

	MCL Section	Form	TY 2000	TY 2001	TY 2002	TY 2003	TY 2004	TY 2005	TY 2006	TY 2007	TY 2008	TY 2009	TY 2010
<u>Taxbase Adjustments Limits</u>			MI-1040										
. Maximum Private Pension Deduction (*****) (7)	203.30(1)(f)(iv) and (v)		Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
		Single Return	\$34,920	\$36,090	\$37,110	\$37,710	\$38,550	\$39,570	\$40,920	\$42,240	\$43,440	\$45,120	\$45,120
		Joint Return	\$69,840	\$72,180	\$74,220	\$75,420	\$77,100	\$79,140	\$81,840	\$84,480	\$86,880	\$90,240	\$90,240
. Political Contribution	206.30(1)(j)		Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
		Single Return	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
		Joint Return	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
. Maximum Senior Interest, Dividends, and Capital Gains Deduction (*****) (8)	206.30(1)(r)		Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
		Single Return	\$7,785	\$8,048	\$8,273	\$8,408	\$8,595	\$8,828	\$9,128	\$9,420	\$9,690	\$10,058	\$10,058
		Joint Return	\$15,570	\$16,095	\$16,545	\$16,815	\$17,190	\$17,655	\$18,255	\$18,840	\$19,380	\$20,115	\$20,115
. Maximum MESP Contribution	206.30(1)(W)(i)		Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
		Single Return	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	5000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
		Joint Return	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	10000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
. Federal Taxable Wage Base for FICA			\$76,200	\$80,400	\$84,900	\$87,000	\$87,900	\$90,000	\$94,200	\$97,500	\$102,000	\$106,800	\$106,800
. Federal Salary Elective Deferrals													
. 401(k)			\$10,500	\$10,500	\$11,000	\$12,000	\$13,000	\$14,000	\$15,000	\$15,500	\$15,500	\$16,500	\$16,500
. 403(b), or 457			\$8,000	\$8,500	\$11,000	\$12,000	\$13,000	\$14,000	\$15,000	\$15,500	\$15,500	\$16,500	\$16,500
. 50 and over			n.a.	n.a.	\$12,000	\$14,000	\$16,000	\$18,000	\$20,000	\$20,500	\$20,500	\$22,000	\$22,000
. Federal IRA Contribution Limit			Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. General			\$2,000	\$2,000	\$3,000	\$3,000	\$3,000	\$4,000	\$4,000	\$4,000	\$5,000	\$5,000	\$5,000
. 50 and over			n.a.	n.a.	\$3,500	\$3,500	\$3,500	\$4,500	\$5,000	\$5,000	\$6,000	\$6,000	\$6,000

For notes, see page 114.

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

		<u>MCL</u>		<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>
		<u>Section</u>	<u>Form</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
<u>NonRefundable Credits</u>														
. Taxes Paid to Another State Cr.	(10)	206.255(1)	MI-1040	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Nonresident Cr. for Reciprocal State Income Tax Exemption	(11)	206.256	MI-1040	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. City Income Taxes Cr.	(12)	206.257	MI-1040	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Public Contribution Cr.	(13)	206.26	MI-1040	No	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)
<u>Refundable Credits</u>														
. Inventory Tax Cr. or Franchise Fee Cr.	(21)	206.258(1) 206.258(1)	MI-1040	No No	No No	No No	No No	No No	No No	Yes Yes	Yes Yes	Yes Yes	No No	No No

For notes, see page 114.

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

		<u>MCL</u>	<u>Form</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>	<u>TY</u>
		<u>Section</u>		<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
<u>NonRefundable Credits</u>														
. Taxes Paid to Another State Cr.	(10)	206.255(1)	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Nonresident Cr. for Reciprocal State Income Tax Exemption	(11)	206.256	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. City Income Taxes Cr.	(12)	206.257	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Public Contribution Cr.	(13)	206.26	MI-1040	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a)	Yes (a')
. Renewable/Solar Energy Cr.	(14)	206.262	CR-6	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Agricultural Products Gleaned Cr.		206.263	CR-8	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<u>Refundable Credits</u>														
. Inventory Tax Cr. or Franchise Fee Cr.	(21)	206.258(1) 206.258(1)	MI-1040	No No	No No	No No	No No	No No	No No	No No	No No	No No	No No	No No
. Sec. 1341 of IRC Cr.		206.265	MI-1040	No	No	No	No	No	No	No	No	No	No	No

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

		<u>MCL Section</u>	<u>Form</u>	<u>TY 1989</u>	<u>TY 1990</u>	<u>TY 1991</u>	<u>TY 1992</u>	<u>TY 1993</u>	<u>TY 1994</u>	<u>TY 1995</u>	<u>TY 1996</u>	<u>TY 1997</u>	<u>TY 1998</u>	<u>TY 1999</u>
<u>NonRefundable Credits</u>														
. Headlee Amendment Refund	(9)	206.252	MI-1040	No	No	No	No	No	No	Yes	No	No	No	No
. Taxes Paid to Another State Cr.	(10)	206.255(1)	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Nonresident Cr. for Reciprocal State Income Tax Exemption	(11)	206.256	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. City Income Taxes Cr.	(12)	206.257	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Public Contribution Cr.	(13)	206.26	MI-1040	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')
. Community Foundation Cr.	(13)	206.261	MI-1040	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')
. Homeless Shelter/Foodbank	(13)	206.261	MI-1040	No	No	No	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')
. Renewable/Solar Energy Cr	(14)	206.262	CR-6	Yes	Yes	Yes	No	No	No	No	No	No	No	No
. Medical Care Savings Acct.	(15)	206.264	MI-1040	No	No	No	No	No	Yes	Yes	Yes	No	No	No
. MI Historic Preservation Cr	(16)	206.266	Form 3581	No	No	No	No	No	No	No	No	No	No	Yes
. College Tuition Cr.	(18)	206.274	Schedule CT	No	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes
<u>Refundable Credits</u>														
. Sec. 1341 of IRC Cr.		206.265	MI-1040	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Prescription Drug Cr.	(23)	206.273	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

For notes, see page 114.

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

		<u>MCL</u> <u>Section</u>	<u>Form</u>	<u>TY</u> <u>2000</u>	<u>TY</u> <u>2001</u>	<u>TY</u> <u>2002</u>	<u>TY</u> <u>2003</u>	<u>TY</u> <u>2004</u>	<u>TY</u> <u>2005</u>	<u>TY</u> <u>2006</u>	<u>TY</u> <u>2007</u>	<u>TY</u> <u>2008</u>	<u>TY</u> <u>2009</u>	<u>TY</u> <u>2010</u>
<u>NonRefundable Credits</u>														
. Taxes Paid to Another State Cr.	(10)	206.255(1)	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Nonresident Cr. for Reciprocal State Income Tax Exemption	(11)	206.256	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. City Income Taxes Cr.	(12)	206.257	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Public Contribution Cr.	(13)	206.26	MI-1040	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')
. Community Foundation Cr.	(13)	206.261	MI-1040	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')
. Homeless Shelter/Foodbank Cr	(13)	206.261	MI-1040	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')	Yes (a')
. MI Historic Preservation Cr.	(16)	206.266	Form 3581	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Vehicle Donation Cr.	(17)	206.269	MI-1040	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
. College Tuition Cr.	(18)	206.274	Schedule CT	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Individual or Family Development Account Cr.		206.276	Schedule 2	No	No	No	No	No	No	No	Yes	Yes	Yes	Yes
. Film Production Cr.	(19)	206.367	MI-1040	No	No	No	No	No	No	No	No	Yes ?	Yes	Yes
. Energy Cost Recovery Surcharge Cr.	(20)	206.253(2)	Schedule 2	No	No	No	No	No	No	No	No	No	Yes	Yes
<u>Refundable Credits</u>														
. Sec. 1341 of IRC Cr.		206.265	MI-1040	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Adoption Cr.	(22)	206.267, 268	MI-1040	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Prescription Drug Cr.	(23)	206.273	MI-1040	Yes	Yes	No	No	No	No	No	No	No	No	No
. Cr. for Sales Tax Paid on Food and Prescription Drugs	(24)	206.523	MI-1040	No	No	No	No	No	No	No	No	No	No	No
. Stillbirth Credit	(25)	206.275	MI-1040	No	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes
. Earned Income Tax Credit	(26)	206.272	MI-1040	No	No	No	No	No	No	No	No	Yes	Yes	Yes
. Energy Efficient Qualified	(27)	206.253(1)	4764	No	No	No	No	No	No	No	No	No	Yes	Yes
. MI Historic Preservation Cr.	(28)	206.266	Form 3581	No	No	No	No	No	No	No	No	No	Yes	Yes

For notes, see page 114.

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

Refundable Credits (cont.)		MCL Section	Form	TY 1967	TY 1968	TY 1969	TY 1970	TY 1971	TY 1972	TY 1973	TY 1974	TY 1975	TY 1976	TY 1977
. Homestead Property Tax Cr.	(29)	206.520, 522	CR	No	Yes (b)	Yes (b)	Yes (b')	Yes (b'')	Yes (b''')	Yes (b''')	Yes (b''')	Yes (b''')	Yes (b''')	Yes (b''')
. Eligible Property Tax Paid Percent														
. Homeowners		206.520(1)		n.a.	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
. Renters		206.520(2)												
. Ad Valorem Taxes				n.a.	20.0%	17.0%	17.0%	17%	17%	17%	17%	17%	17%	17%
. Service Charges				n.a.	n.a.	n.a.	10%	10%	10%	10%	n.a.	n.a.	share	share
. Nursing Home Patient				n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	30%	30%	30%
. Homeowner Veterans Cr. Requirements:			CR-2											
. Taxable Value Allowance		206.506		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500
. Household Income Limit		206.506		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
. Homeowner Blind Cr. Requirements:														
. Taxable Value Allowance														
. Taxpayer only blind		206.522(1)(e)(i), (ii)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
. Taxpayer and Spouse blind		206.522(3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$3,500	\$7,000	\$7,000	\$7,000	\$7,000
. Household Income Limit		206.520(8)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. Total HPTC Limit		206.520(16)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$500	\$500	\$500	\$1,200	\$1,200
. Cr. Availability/Calculation														
. General:		206.522(1)(a)		n.a.	Yes (b)	Yes (b)	Yes (b')	Yes (b'')	Yes (b''')	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)
. Special Credits:														
. Seniors														
. General		206.522(1)(b)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. 1973 Homestead Exempt		206.522(5)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes (f)	Yes (f)	Yes (f)	Yes (f)
. Para/hemi/quadriplegic		206.522(1)(b)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Disabled		206.522(1)(b), (c)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes (g)	Yes (g)	Yes (g)	Yes (g)
. Veterans		206.522(1)(d)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)
. Blind		206.522(1)(e)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)
. Farmland Preservation Credit	(30)	554.710(1)	CR-5	No	No	No	No	No	No	No	No	No	Yes (j)	Yes (j)

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

Refundable Credits (cont.)		MCL Section	Form	TY 1978	TY 1979	TY 1980	TY 1981	TY 1982	TY 1983	TY 1984	TY 1985	TY 1986	TY 1987	TY 1988
. Homestead Property Tax Cr.	(29)	206.520, 522	CR	Yes (b''')	Yes (b''')	Yes (b''')	Yes (b''')	Yes (b''')	Yes (b''')	Yes (b''')	Yes (b''')	Yes (b''')	Yes (b''')	Yes (b''')
. Eligible Property Tax Paid Percent														
. Homeowners		206.520(1)		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
. Renters		206.520(2)												
. Ad Valorem Taxes				17%	17%	17%	17%	17%	17%	17%	17%	17%	17%	17%
. Service Charges				share	share	10%	10%	10%	10%	10%	10%	10%	10%	10%
. Nursing Home Patient				share	share	share	share	share	share	share	share	share	share	share
. Homeowner Veterans Cr. Requirements:			CR-2											
. Taxable Value Allowance		206.506		\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500
. Household Income Limit		206.506		\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
. Homeowner Blind Cr. Requirements:														
. Taxable Value Allowance														
. Taxpayer only blind		206.522(1)(e)(i), (ii)		\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
. Taxpayer and Spouse blind		206.522(3)		\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
. Household Income Limit		206.520(8)		n.a.	n.a.	n.a.	n.a.	\$74,000	\$77,500	\$79,950	\$82,650	\$82,650	\$82,650	\$82,650
. Total HPTC Limit		206.520(16)		\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
. Cr. Availability/Calculation														
. General:		206.522(1)(a)		Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)
. Special Credits:														
. Seniors														
. General		206.522(1)(b)		Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Low Income Renters		206.520(9), (10)		n.a.	n.a.	n.a.	n.a.	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)
. 1973 Homestead Exempt		206.522(5)		Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)
. Para/hemi/quadruplegic		206.522(1)(b)		Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Disabled		206.522(1)(b), (c)		Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)
. Deaf		206.522(1)(b)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. Veterans		206.522(1)(d)		Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)
. Blind		206.522(1)(e)		Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)
. Farmland Preservation Credit	(30)	554.710(1)	CR-5	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)

For notes, see page 114.

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

Refundable Credits (cont.)	MCL Section	Form	TY 1989	TY 1990	TY 1991	TY 1992	TY 1993	TY 1994	TY 1995	TY 1996	TY 1997	TY 1998	TY 1999
. Homestead Property Tax Cr (29)	206.520, 522	CR	Yes (b"")	Yes (b"")	Yes (b"")	Yes (b"")	Yes (b"")	Yes (b"")	Yes (b"")	Yes (b"")	Yes (b"")	Yes (b"")	Yes (b"")
. Eligible Property Tax Paid Percent													
. Homeowners	206.520(1)		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
. Renters	206.520(2)												
. Ad Valorem Taxes			17%	17%	17%	17%	17%	20%	20%	20%	20%	20%	20%
. Service Charges			10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
. Nursing Home Patient			share	share	share	share	share	share	share	share	share	share	share
. Homeowner Veterans Cr. Requirements:		CR-2											
. Taxable Value Allowance	206.506		\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500
. Household Income Limit	206.506		\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
. Homeowner Blind Cr. Requirements:													
. Taxable Value Allowance													
. Taxpayer only blind	206.522(1)(e)(i), (ii)		\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
. Taxpayer and Spouse blind	206.522(3)		\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
. Household Income Limit	206.520(8)		\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650
. Total HPTC Limit	206.520(16)		\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
. Cr. Availability/Calculation													
. General:	206.522(1)(a)		Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)
. Special Credits:													
. Seniors													
. General	206.522(1)(b)		Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Low Income Renters	206.520(9), (10)		Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)
. 1973 Homestead Exempt	206.522(5)		Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)
. Para/hemi/quadruplegic	206.522(1)(b)		Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Disabled	206.522(1)(b), (c)		Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)	Yes (g)
. Deaf	206.522(1)(b)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
. Veterans	206.522(1)(d)		Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)
. Blind	206.522(1)(e)		Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)	Yes (i)
. Farmland Preservation Cred (30)	554.710(1)	CR-5	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)	Yes (j)

For notes, see page 114.

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

Refundable Credits (cont.)		MCL Section	Form	TY 2000	TY 2001	TY 2002	TY 2003	TY 2004	TY 2005	TY 2006	TY 2007	TY 2008	TY 2009	TY 2010
. Homestead Property Tax Cr.	(29)	206.520, 522	CR	Yes (b"")	Yes (b"")	Yes (b"")	Yes (b"")	Yes (b"")	Yes (b"")	Yes (b"")	Yes (b"")	Yes (b"")	Yes (b"")	Yes (b"")
. Eligible Property Tax Paid Percent														
. Homeowners		206.520(1)		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
. Renters		206.520(2)												
. Ad Valorem Taxes				20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
. Service Charges				10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
. Nursing Home Patient				share	share	share	share	share	share	share	share	share	share	share
. Homeowner Veterans Cr. Requirements:			CR-2											
. Taxable Value Allowance		206.506		\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500	\$2,500 to \$4,500
. Household Income Limit		206.506		\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
. Homeowner Blind Cr. Requirements:														
. Taxable Value Allowance														
. Taxpayer only blind		206.522(1)(e)(i), (ii)		\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
. Taxpayer and Spouse blind		206.522(3)		\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
. Household Income Limit		206.520(8)		\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650	\$82,650
. Total HPTC Limit		206.520(16)		\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
. Cr. Availability/Calculation														
. General:		206.522(1)(a)		Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)	Yes (c)
. Special Credits:														
. Seniors														
. General		206.522(1)(b)		Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Low Income Renters		206.520(9), (10)		Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)	Yes (e)
. 1973 Homestead Exempt		206.522(5)		Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)	Yes (f)
. Para/hemi/quadruplegic		206.522(1)(b)		Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Disabled		206.522(1)(b), (c)		Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Deaf		206.522(1)(b)		Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)	Yes (d)
. Veterans		206.522(1)(d)		Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)	Yes (h)
. Blind		206.522(1)(e)		Yes (i) or (d)	Yes (i) or (d)	Yes (i) or (d)	Yes (i) or (d)	Yes (i) or (d)	Yes (i) or (d)	Yes (i) or (d)	Yes (i) or (d)	Yes (i) or (d)	Yes (i) or (d)	Yes (i) or (d)
. Farmland Preservation Credit	(30)	554.710(1)	CR-5	Yes (j)	Yes (j')	Yes (j')	Yes (j')	Yes (j')	Yes (j')	Yes (j')	Yes (j')	Yes (j')	Yes (j')	Yes (j')

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

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

For notes, see page 114.

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

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

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

Refundable Credits (cont.)	MCL Section	Form	TY 2000	TY 2001	TY 2002	TY 2003	TY 2004	TY 2005	TY 2006	TY 2007	TY 2008	TY 2009	TY 2010
. Home Heating Credit	(31) 206.527a(1)	CR-7	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
. Federal Poverty Income Limit	206.527a(1)(b)		110%	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%
. General Credit	206.527a(1)(c)(i)		Yes (k")	Yes (k")	Yes (k")	Yes (k")	Yes (k")	Yes (k")	Yes (k")	Yes (k")	Yes (k")	Yes (k")	Yes (k")
. Maximum Credit:	206.527a(1)(a)												
. 0 or 1 Exemption			\$323	\$332	\$342	\$347	\$359	\$369	\$378	\$394	\$401	\$418	\$418
. 2 Exemptions			\$435	\$448	\$461	\$468	\$482	\$495	\$509	\$528	\$540	\$562	\$562
. 3 Exemptions			\$547	\$565	\$579	\$589	\$604	\$620	\$640	\$662	\$679	\$706	\$706
. 4 Exemptions			\$658	\$681	\$698	\$709	\$727	\$746	\$771	\$496	\$817	\$850	\$850
. 5 Exemptions			\$770	\$797	\$816	\$830	\$849	\$871	\$902	\$930	\$956	\$994	\$994
. 6 Exemptions			\$882	\$914	\$935	\$951	\$972	\$997	\$1,033	\$1,064	\$1,094	\$1,138	\$1,138
. more than 6 exemp.			+\$112/exemp.	+\$116/exemp.	+\$119/exemp.	+\$121/exemp.	+\$122/exemp.	+\$126/exemp.	+\$131/exemp.	+\$134/exemp.	+\$139/exemp.	+\$144/exemp.	+\$144/exemp.
. Maximum Income Limit Requirement:													
. 0 or 1 Exemption			\$9,229	\$9,486	\$9,771	\$9,914	\$10,257	\$10,529	\$10,786	\$11,243	\$11,443	\$11,929	\$11,929
. 2 Exemptions			\$12,429	\$12,800	\$13,171	\$13,371	\$13,771	\$14,129	\$14,529	\$15,072	\$15,415	\$16,043	\$16,043
. 3 Exemptions			\$15,629	\$16,143	\$16,543	\$16,829	\$17,257	\$17,700	\$18,271	\$18,900	\$19,386	\$20,158	\$20,158
. 4 Exemptions			\$18,800	\$19,457	\$19,943	\$20,257	\$20,771	\$21,300	\$22,014	\$22,729	\$23,329	\$24,272	\$24,272
. 5 Exemptions			\$22,000	\$22,771	\$23,314	\$23,714	\$24,257	\$24,871	\$25,757	\$26,558	\$27,301	\$28,387	\$28,387
. 6 Exemptions			\$25,200	\$26,114	\$26,714	\$27,171	\$27,771	\$28,471	\$29,500	\$30,386	\$31,243	\$32,500	\$32,500
. more than 6 exemp.			+\$3,200/exemp.	+\$3,322/exemp.	+\$3,388/exemp.	+\$3,498/exemp.	+\$3,498/exemp.	+\$3,586/exemp.	+\$3,740/exemp.	+\$3,829/exemp.	+\$3,971/exemp.	+\$4,114/exemp.	+\$4,114/exemp.
. Alternative Credit	206.527a(1)(c)(ii)		Yes (l")	Yes (l")	Yes (l")	Yes (l")	Yes (l")	Yes (l")	Yes (l")	Yes (l")	Yes (l")	Yes (l")	Yes (l")
. Heating Fuel Cost Limit	206.527a(1)(d)		\$1,453	\$1,493	\$1,578	\$1,687	\$1,843	\$2,028	\$2,231	\$2,231	\$2,351	\$2,430	\$2,506
. Maximum Income:													
. 0 or 1 Exemptions			\$10,350	\$10,703	\$10,922	\$11,211	\$11,360	\$11,635	\$12,066	\$12,263	\$12,590	\$12,590	\$12,691
. 2 Exemptions			\$13,209	\$13,573	\$14,345	\$15,088	\$15,287	\$15,658	\$16,230	\$16,502	\$16,942	\$16,942	\$17,078
. 3 or more			\$13,209	\$13,573	\$14,345	\$15,340	\$16,757	\$18,433	\$20,282	\$20,282	\$21,298	\$21,298	\$21,469
. Credit Proration (%)	206.527a(18)		100%	100%	100%	80%	76%	76%	76%	53%	65%	65%	52%

For notes, see page 114.

MICHIGAN INCOME TAX REQUIREMENTS (cont.)

Notes:

General Information:

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

Taxbase Adjustments Limits:

- (7) Until TY 1988, the maximum private pension deduction amount applied to the total of private, federal, and other states public retirement system pension and retirement benefits. Starting TY 1989, retirement and pension benefits from federal public system no longer were subjected to the limit. Starting TY 1994, the maximum also applies to benefits paid to seniors from a retirement annuity policy which are paid for life. Starting TY 1994, the maximum private pension deduction amount must be reduced by 25% of the total public (federal and MI) and federal military retirement benefits deduction claimed.
- (8) From TY 1994 through TY 1996, seniors were allowed deduction only from interest and dividends income, and this exemption could only be taken if taxpayer did not take a deduction for retirement and pension benefits. Starting TY 1997, senior deduction also includes capital gains income, where the senior maximum interest, dividend, and capital gain deduction amount shall be reduced by the total amount of retirement/pension benefit deduction claimed.

Non Refundable Credits:

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

.(12) City Income Tax Credit Calculation:

For TY 1968 and 1969:

If City Income Tax is:	Credit
. <=\$100	20% of city income taxes
. >\$100, <=\$150	\$20 + 15% of excess over \$100
. >\$150, <=\$200	\$27.50+ 10% of excess over \$150
. > \$200	min {\$32.50 + 5% of excess over \$200, \$10,000}

. For TY 1970, credit equals to min {12% of eligible city income tax paid, \$15}.

. For TY 1971 - 1985:

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

. Starting TY 1986:

If City Income Tax is:	Credit
. <=\$100	20% of city income taxes
. >\$100, <=\$150	\$20 + 10% of excess over \$100
. >\$150	min (\$25 + 5% of excess over \$150, \$10,000)

.(13) Contribution Credit Calculation:

(a). From TY 1968 through 1987, credit was limited to min. {50% of contribution, 10% of liability, \$5,000} for estates, trusts, or min. {100, 20% of liability, 50% of contribution} for other returns.

(a'). Starting TY 1988, credit limited to min. {50% contribution, \$100 for single returns, \$200 for joint returns} or min. {50% contribution, \$5,000, 10% of tax liability} for estate and trust returns.

.(14) Renewable/Solar Energy Credit equaled to a percentage of the first \$2,000 of eligible cost and a percentage of the next \$8,000 (or \$3,000 in TY 1983 - 1991, for single family dwelling) / \$13,000 (or \$7,000 in TY 1983-1991, for multiple dwelling) eligible cost.

Percentages ranged from: 25% and 15% for TY 1979-1980; 20% and 10% for TY 1981; 15% and 5% for TY 1982; and 30% and 15% in TY 1983 - 1991.

.(15) Medical Care Savings Account Credit calculation: credit equals min {3.3% of eligible net contribution, \$3,000 (single), \$6,000 (joint)}, where \$3,000 and \$6,000 were indexed by inflation.

.(16) MI Historical Preservation Credit equals to 25% of qualified expenses, reduced by the amount of federal historic credit received. Starting TY 2009, instead of carrying forward the cr amount that exceeds liability (10 yrs), taxpayer may elect to have 90% of the excess credit amount refunded.

.(17) Vehicle Donation Credit equals to 50% fair market value of donated auto, limited to \$50 (single), \$100 (joint).

.(18) College Tuition and Fees Credit available for MI resident taxpayers with household income up to \$200,000, who paid undergraduate tuition and fees on behalf of a student who attends an eligible school. Eligible school refers to school that has certified that tuition will not increase by more than the rate of inflation. Credit may be taken for up to 4 years, per student.

From TY 1995-97, the credit was limited to min {4% of tuition and fees paid per student, \$250 per student per year}.

Starting TY 1998, the credit was limited to min {8% of tuition and fees paid per student, \$375 per student per year},

.(19) Film Production Credit is available for MBT taxpayers who are eligible for the MBT credit but instead, elect to claim the credit against IIT liability.

.(20) Energy Cost Recovery Surcharge Credit is restricted to eligible taxpayers with AGI up to \$65,000 (single), or \$130,000 (joint), and the equals a percentage of the additional utility charges paid that were imposed, so that electric utilities would meet newly enacted energy standards.

Refundable Credits:

- .(21) Inventory tax credit equaled a percent (25% in TY 1973, 32% in TY 1974, 39% in TY 1975) of qualified personal property taxes on inventory deductible on the federal return. Franchise Fee Credit equaled to 20% of qualified franchise fees paid.
- .(22) Adoption Credit equals to min {qualified adoption expenses per child, \$1,200 per child}.
Credit is limited to eligible filers who claimed the federal adoption credit.
- .(23) Prescription Drug credit was limited to seniors with household income up to 150% of federal poverty standard.
Credit equaled to min {\$600, qualified expenses over 5% of taxpayer's household income}.
- .(24) Credit for Sales Tax Paid on Food and Prescription Drugs was inversely proportioned to household income, as follows:
- | Household Income | Credit per Person |
|-----------------------|-------------------|
| <=\$5,000 | \$10 |
| >\$5,000, <=\$7,000 | \$9 |
| >\$7,000, <=\$9,000 | \$8 |
| >\$9,000, <=\$11,000 | \$7 |
| >\$11,000, <=\$15,000 | \$6 |
| >\$15,000 | \$0 |
- .(25) Stillbirth Credit: credit equals to 4.5% of the personal exemption amount for the tax year allowed for a single exemption, rounded up to the nearest \$10 increment
- .(26) Earned Income Tax Credit: equals 10% of federal EITC claimed for TY 2008, or 20% of federal EITC claimed for TY 2009 and after.
- .(27) Energy Star Equipment Credit: credit available for taxpayers with AGI up to \$37,500 (single), or \$75,000 (joining) and equals min {10% cost of purchase & installation, \$75 (single), or \$150 (joint) }.
- .(28) MI Historical Preservation Credit equals to 25% of qualified expenses, reduced by the amount of federal historic credit received. Starting TY 2009, instead of carrying forward the cr amount that exceeds liability (10 yrs), taxpayer may elect to have 90% of the excess credit amount refunded, where maximum equals 90% of \$250,000 per completed project, subject to a total of \$250,000 credit amount.
- .(29) Property Tax Credit eligibility requirements and calculations:
- (b). In TY 1968 and 1969, credit was non-refundable, applicable also to non-homestead property tax paid by the taxpayer, and its percent was inversely proportioned to the total eligible ad valorem taxes paid by the taxpayers as follows:
- | Eligible Property Taxes (PPT) Amount: | Credit |
|---------------------------------------|------------------------------------|
| . <=\$100 | 20% of property taxes |
| . >\$100, <=\$150 | \$20 + 15% of excess over \$100 |
| . >\$150, <=\$200 | \$27.50 + 10% of excess over \$150 |
| . >\$200, <=\$10,000 | \$32.50 + 5% of excess over \$200 |
| . >\$10,000 | 4% of property taxes |
- (b'). In TY 1970, credit was non-refundable and applicable only to homestead property taxes paid. Credit equaled to min {12% of eligible property taxes paid, \$15}.
- (b''). In TY 1971 and 1972, credit was non-refundable, and applicable also to non-homestead property taxes paid. Credit calculated as follows:
- | Property Taxes (PPT) Amount: | Credit |
|------------------------------|-----------------------------------|
| . <=\$100 | 20% of property taxes |
| . >\$100, <=\$150 | \$20 + 10% of excess over \$100 |
| . >\$150, <=\$200 | \$25 + 5% of excess over \$150 |
| . >\$200, <=\$10,000 | \$27.50 + 5% of excess over \$200 |
| . >\$10,000 | 4% of property taxes |

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

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

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

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

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

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

(e). Senior Low Income Renter Credit equals to the amount of rent paid in excess of 50% (in 1982), 45% (in 1983), or 40% (thereafter) of taxpayer's household income, for seniors whose rent expenses are higher than 40% of their household income.

(f). Seniors who received a 1973 homestead exemption of \$2,500, and with household income up to \$6,000 may claim a PPT credit equal to eligible PPT paid multiplied by min {percentage that \$2,500 bears to the homestead taxable value, 100%}.

(g). Disabled (homeowners or renters) PPT Credit equals to 60% of credit as computed under senior general PPT credit.

(h). Veteran homeowners may claim a credit equal to eligible homestead property taxes paid multiplied by min. {percent of taxable value allowance (former State equalized value allowance) bears to the homestead taxable value (former State equalized value), 100%}. Veteran renters (starting TY 1978) may claim a credit equal to eligible homestead property taxes paid multiplied by min. {percent of eligible rent by the property tax rate on the property, 100%}.

(i). Homeowner Blind taxpayers may claim a credit equal to eligible property tax paid multiplied by min. {percentage that the taxable value allowance (former State equalized value allowance) bears to the homestead taxable value (former State equalized value), 100%}, for TY 1973 through 1999. Renters who are blind may claim a credit as disabled.

.(30) Farmland Preservation Credit:

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

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

.(31) Home Heating Credit:

General Credit:

(k). In TY 1978, credit equaled to table amount reduced by 3.5% of claimant's household income for filers with liquid assets up to \$30,000.

(k'). From TY 1979 through TY 1990, credit equaled to table amount reduced by 3.5% of claimant's household income, where taxpayers with household income above table ceiling are not eligible for credit.

(k''). Starting TY 1991, credit equals to table amount reduced by 3.5% of claimant's household income, the result multiplied by 50% (if heating costs included in rent) or 100% (otherwise).

Alternate Credit:

(l). From TY 1984 - TY 1986, credit equaled to total heating fuel cost amount reduced by 13 percent of claimant household income, the result multiplied by 50 percent.

(l'). From TY 1987 - TY 1988, credit equaled to total heating fuel cost amount reduced by 13 percent of claimant household income, the result multiplied by 70 percent.

(l''). From TY 1989 on, credit equals to total heating fuel cost amount reduced by 11 percent of claimant's household income, the result multiplied by 70 percent.