Executive Budget Appendix on Tax Credits, Deductions, and Exemptions

Fiscal Years 2015 and 2016

State of Michigan
Rick Snyder, Governor

Executive Budget
Appendix on Tax Credits, Deductions, and Exemptions
Fiscal Years 2015 and 2016

State of Michigan
Michigan Department of Treasury
Rick Snyder, Governor

ACKNOWLEDGMENTS

Scott Darragh compiled this report under the direction of Howard Heideman, Director of the Tax Analysis Division, Office of Revenue and Tax Analysis (ORTA). ORTA economists Denise Heidt, Andrew Lockwood, and Thomas Patchak-Schuster prepared significant contributions. Sandy Konieczny of the Department of Labor and Economic Growth, and Steve Bendele and Michael Bjorne of the Department of State provided data for various tax credits, deductions, and exemptions.

County equalization directors provided estimates of the value of tax-exempt property in their counties, county treasurers provided data for the taxes they administer, and city income tax directors provided estimates for other local tax credits, deductions, and exemptions. We would like to thank all of these officials for their assistance and cooperation.

The public act summaries in this report are intended to be brief overviews of the legislation enacted in 2013. They are not intended to provide any tax guidance and may not be relied upon as the official interpretation or position of the Michigan Department of Treasury.

This report is available on the Internet at *http://www.michigan.gov/treasury*.

Kevin Clinton
State Treasurer
Department of Treasury

TABLE OF CONTENTS

LIST OF EXHIBITS

APPENDIX ON TAX CREDITS, DEDUCTIONS, AND EXEMPTIONS (formerly TAX EXPENDITURE REPORT) PUBLICATION HISTORY

Fiscal Year	Date of Release	Lead Department
1979 - 1980	January 1980	Management and Budget
1981 - 1982	March 1981	Management and Budget
1982 - 1983	April 1982	Management and Budget
1983 - 1984	July 1983	Management and Budget
1984 - 1985	July 1984	Management and Budget
1985 - 1986	December 1985	Management and Budget
1986 - 1987	October 1986	Management and Budget
1987 - 1988	November 1988	Management and Budget
1988 - 1989 1989 - 1990	February 1991	Treasury
1990 - 1991 1991 - 1992	March 1993	Treasury
1992 - 1993 1993 - 1994	June 1994	Treasury
1994 - 1995 1995 - 1996	April 1995	Treasury
1996 - 1997	March 1996	Treasury
1997 - 1998	June 1997	Treasury
1998 - 1999	May 1998	Treasury
1999 - 2000	February 2000	Treasury
2000 - 2001	April 2000	Treasury
2001 - 2002	July 2001	Treasury
2002 - 2003	April 2002	Treasury
2003 – 2004	March 2003	Treasury
2004 – 2005	August 2004	Treasury
2005 – 2006	May 2005	Treasury
2006 – 2007	May 2006	Treasury
2007 – 2008	September 2007	Treasury
2008 – 2009	November 2008	Treasury
2009 – 2010	December 2009	Treasury
2010 – 2011	January 2011	Treasury
2011 – 2012	October 2011	Treasury
2013 – 2014	July 2012	Treasury
2014 – 2015	June 2013	Treasury
2015 – 2016	December 2014	Treasury

APPENDIX ON TAX CREDITS, DEDUCTIONS, AND EXEMPTIONS

EXECUTIVE SUMMARY

Fiscal Years 2015 and 2016

The *Appendix on Tax Credits, Deductions, and Exemptions* (formerly entitled the *Tax Expenditure Appendix*) is a compilation of the revenue cost of the various tax credits, deductions, and exemptions contained in Michigan tax law. Section 1 of Public Act 72 of 1979 requires the Governor to submit a report on specific tax credits, deductions, and exemptions along with the annual presentation of the *Executive Budget* to the Legislature. Throughout this report, credits, deductions, and exemptions will often be referred to as tax expenditures.

Tax expenditures can be defined broadly as the tax revenue foregone as a result of preferential provisions such as credits, deductions, exemptions, deferrals, exclusions, or lower tax rates. These provisions are tax expenditures because, like appropriations, they allocate resources for specific public purposes, but do so through the tax system rather than the expenditure system.

Total tax expenditures are projected to increase 3.0 percent between fiscal year (FY) 2015 and FY 2016, from $33.97 billion to $34.98 billion. Tax expenditures are divided into five broad categories: business privilege, consumption, individual income, local property, and transportation.

Business privilege tax expenditures are predicted to increase from $712.6 million to $746.7 million from FY 2015 to FY 2016. The estimates under the business privilege tax category reflect the credits, deductions, and exemptions in place under the corporate income tax and the most significant certificated credits which may be claimed under the Michigan business tax.

Consumption tax expenditures are predicted to increase 3.3 percent between FY 2015 and FY 2016, from $16,243.4 million to $16,778.2 million. Growth in tax expenditures related to health care services, food for home use, and industrial processing account for most of the increase. Comparisons between the estimates for consumption tax expenditures contained in this report and those in prior editions of the *Tax Expenditure Appendix* are not valid due to changes in the methodology and data sources used to calculate tax expenditures related to services.

Individual income tax expenditures are predicted to rise from $9,259.1 million in FY 2015 to $9,514.8 million in FY 2016, a 2.8 percent increase. In recent tax years the income tax adjustment for income attributable to another state has been volatile, resulting in volatility of the estimated income tax expenditure.

Local tax expenditures are predicted to increase 2.3 percent between FY 2015 and FY 2016, rising from $7,710.3 million to $7,890.8 million. The value of local tax exemptions will rise as property values stabilize and begin to increase.

Transportation tax expenditures are predicted to decrease by a very small amount between FY 2015 and FY 2016, from $48.21 million to $48.18 million.

CHAPTER 1

INTRODUCTION TO TAX EXPENDITURES

Section 1 of Public Act 72 of 1979 requires the Governor to submit a report on specific tax credits, deductions, and exemptions along with the annual presentation of the *Executive Budget* to the Legislature:

> The governor, with the annual budget message to the legislature, shall report, at a minimum, the tax credits, deductions, and exemptions enumerated in this act. The message shall include tax credits, deductions, and exemptions by budget and also shall contain a separate report on tax credits, deductions, and exemptions in total, which may be printed as an appendix to the budget. The department of treasury shall furnish these items to the governor for inclusion in the report as required by this act.

The *Appendix on Tax Credits, Deductions, and Exemptions* is a compilation of the revenue cost of the various tax credits, deductions, and exemptions contained within the Michigan state and local tax structure. These provisions are more commonly known as tax expenditures and will be referred to as tax expenditures in this report. When known, the number of taxpaying units taking advantage of a given tax expenditure is also included.

This *Appendix* is divided into eight chapters. Chapter 1 discusses the definition and measurement of tax expenditures. Chapter 2 presents a summary of tax expenditures by type of tax. Chapter 3 lists tax expenditures by budget category. Chapters 4 through 8 examine the five main tax expenditure categories in greater detail: business privilege, consumption, individual income, transportation, and local property. Chapters 4 through 8 discuss changes in tax laws and the reliability of tax expenditure estimates. In addition, a brief description of each tax expenditure is provided.

Defining Tax Expenditures

Tax expenditures can be defined broadly as the tax revenue foregone as a result of preferential provisions such as credits, deductions, exemptions, deferrals, exclusions, or lower tax rates. These provisions are tax expenditures because, like appropriations, they allocate resources for specific public purposes, but do so through the tax system rather than the expenditure system. For economic purposes, it makes no difference whether a policy objective is pursued through direct spending or through the tax code. For example, a tax credit of 50 percent of the amount spent on health care by individuals is exactly the same as a spending program that pays 50 percent of health care expenses, since both reduce the effective cost of health care by 50 percent.

Classifying items as tax expenditures is a subjective process. Some argue that the tax expenditure definition should be as broad as possible, encompassing all deductions or credits that reduce the taxable base from 100 percent of income or wealth. Others recommend a more narrow definition that includes only those tax deductions or credits that are adjustments to the "normal" or appropriate tax structure. The narrow tax expenditure definition reserves the term tax expenditure for items that are substitutes for direct spending. This report includes statutory credits, deductions, and exemptions, a broad concept than tax expenditures, and this broader approach includes several tax provisions that many would consider adjustments necessary to obtain the appropriate tax base, such as the exemption for food under the sales tax.

Changes in law can affect revenues and not involve a tax expenditure. For example, reductions in tax rates would generally reduce tax revenues but do not fit the definition of a tax expenditure. Changes in the way the tax law apportions income between states would also not qualify as a tax expenditure. Finally, a tax change that requires a change in the recognition of income between subsidiaries (perhaps through unitary or separate reporting) or the recognition of expenses between a client and an employment agency would not be tax expenditures.

Traditionally, tax expenditures have served two purposes. First, they redistribute the tax burden. Tax expenditures such as personal income tax exemptions, sales tax exemptions for food and prescription drug purchases, and the corporate income tax credit for small firms all shift the relative tax burden. These tax expenditures are designed to reduce the tax burden on low-income individuals and businesses. Second, tax expenditures create an incentive for individuals or firms to change their behavior. The earned income tax credit, at both the federal and state levels, is intended to increase work effort and attachment to the labor force and is a good example of a tax expenditure designed to influence taxpayer behavior.

Tax expenditures are so named because they can be viewed as alternatives to direct government appropriations or regulation. In fact, tax expenditures are very similar to direct appropriations in many respects. The main difference is that while appropriations achieve policy goals directly, tax expenditures achieve policy goals indirectly by changing relative prices or reducing costs. For example, the government may help the poor directly by providing food stamps. Alternatively, the government can exempt food from the sales tax, which lowers the cost of food purchases relative to other goods. This will aid poorer residents because they spend a greater percentage of their income on basic needs such as food, which is not taxed.

However, the allocation of government resources through the tax system suffers from some drawbacks. First, because tax expenditures accomplish their goals indirectly, they may provide a less efficient means of targeting benefits than direct expenditures. Sometimes, the targeted group may not receive the benefits, or other groups who were not targeted originally may benefit. Second, policymakers tend to ignore tax expenditures during the budgeting process. Instead, they focus their attention almost strictly upon actual revenue and spending. They may spend less time considering potential new tax expenditures and revenue that might be collected by eliminating or reducing current tax expenditures. Finally, providing resources via tax expenditures may be more costly than through direct appropriation. Centralized purchasing of certain items such as prescription drugs or diabetic supplies by the state may result in a lower cost than if individuals purchase the items and then apply for a tax credit. On the other hand, the cost to governments of administering most tax expenditures is usually a fraction of the cost of administering direct spending programs.

Annual review of tax expenditures would encourage policymakers to rank all policy goals before deciding which should be funded, by how much, and by what means. Ideally, this review process would use three criteria in order to evaluate which tax expenditures are retained. First, the effectiveness of the specific tax expenditure should be evaluated. Does it accomplish its objective at the lowest cost without unintended outcomes? Second, the tax expenditure should be more effective relative to alternatives such as direct spending or regulation. Finally, the relative importance of the tax expenditure and its goals should be examined and compared to direct spending actions. This report does not attempt to evaluate each tax expenditure according to these criteria. It is designed to aid policymakers in evaluating the efficiency, effectiveness, and relative importance of each tax expenditure.

Technical Issues

State Versus Federal Tax Expenditures

The starting point in calculating Michigan taxable income is the federal Internal Revenue Code definition of adjusted gross income (AGI). As a result, the exclusions and deductions used in the calculation of federal AGI also reduce state income tax liability. Exclusions or deductions from federal AGI that Michigan does not disallow specifically are classified as federal tax expenditures. This classification does not mean that federal tax expenditures are outside the control of state government. Michigan could require that specific federal tax expenditures be added back to AGI in calculating Michigan taxable income.

State Versus Local Tax Expenditures

This report also distinguishes between state tax expenditures (associated with taxes collected by the state government) and local tax expenditures (associated with taxes collected by local governments). For the purposes of this report, the distinction between state and local government tax expenditures rests on which level of government collects the tax, not the level of government affected by the tax expenditure. In fact, some state tax expenditures have implications for local government budgets, while some local government tax expenditures have ramifications for the state government budget. For example, property tax exemptions granted for industrial or commercial development are classified as local tax expenditures. These local property tax exemptions also have state budget implications because they reduce state education tax revenue and reduce taxable value per pupil and thus increase state aid payments to local school districts through the state’s formula for providing funds to K-12 education.

Income Tax Personal Exemption

For tax year 2013, individual Michigan taxpayers could claim a $3,950 personal exemption for themselves and each of their dependents. The personal exemption is classified as a tax expenditure in this report. Some contend that the exemption is essential for determining an appropriate income tax base and should not be considered a tax expenditure.

Industrial Processing Exemption From Sales Tax

The levy of a “pure” retail sales tax takes place only at the retail level, that is, sales to the final consumer. Goods or services used in the production of consumer goods are exempt from this pure retail sales tax. States differ as to the business purchases they exempt from the sales tax. In Michigan, sales of goods used in industrial processing are exempt, although sales of goods used in business, but not in the actual manufacturing process, are subject to taxation. In this sense, the exclusion of non-retail sales from a pure retail sales tax base is not a tax expenditure even though it is a statutory exemption in the General Sales Tax Act.

Measuring Tax Expenditures

The estimates in this report for fiscal year (FY) 2015 and FY 2016 are based on the most recent data available. Tax year 2012 income tax data (returns processed in the spring of 2013) are used, as are 2012 property and sales tax data, and tax year 2012 Corporate Income Tax (CIT) data. Most estimates of the cost (in terms of foregone revenue) of credits, deductions, exemptions, and other reductions are based on actual tax return data. However, many exemptions are not reported on tax returns. In these instances, tax expenditure estimates were derived from other sources.

The tax expenditure estimates *do not* necessarily reflect the amount of actual revenue that would be gained through the repeal of specific provisions. This is attributable to three economic assumptions (listed below) which have been made to ease the task of estimation. (These assumptions are consistent with those made at the federal level and used by other states.)

> **Assumption 1: The elimination of a particular tax expenditure does not alter economic behavior.**
>
> In many instances, tax expenditures are specifically designed to provide incentives for people and businesses to behave in a certain manner. Elimination of tax expenditures would most likely alter their behavior. For example, if the sales tax exemption for food were eliminated, the final price that consumers pay for food would increase and food purchases would decline. In this case, the elimination of the tax expenditure would be similar to a price increase. This drop in food purchases offsets some of the revenue gain from eliminating the exemption.
>
> **Assumption 2: Each tax expenditure is independent.**
>
> The repeal of certain tax expenditure provisions can increase or decrease the revenue losses associated with other provisions that are kept in place. For example, reducing or removing one property tax exemption may allow firms to take greater advantage of other exemptions, offsetting at least some of the original revenue impact.

Assumption 3: The elimination of tax expenditures does not affect overall macroeconomic conditions.

In principle, repeal or enactment of major tax expenditure provisions would have some impact on the economy. For example, imposing the sales tax on services or repealing the personal income tax exemption may significantly reduce income levels and affect taxpayers' spending which would affect the macro economy. However, marginal changes in particular provisions are unlikely to have a significant impact on overall income levels and rates of economic growth.

In essence, each tax expenditure estimate is an isolated estimate. That is, each estimate assumes implicitly that no other tax expenditures exist (i.e., there is no interaction) and that all other factors remain constant (i.e., taxpayers do not change their behavior and the repeal of the provision does not affect the overall economy). Because this report ignores many of these factors to simplify estimation, actual state revenue gains from eliminating specific tax expenditures would generally fall short of the estimates.

Cautionary Notes and the Reliability of Estimates

In many instances, this report aggregates individual tax expenditure estimates. However, due to the simplifying assumptions that have been made, aggregating various tax expenditure estimates in order to measure the cost of changing all of them simultaneously will not be accurate. The estimated revenue gain from simultaneously eliminating two tax expenditures will be less than the sum of the cost of the two measured separately. Therefore, the reader is cautioned regarding interactions between tax expenditures.

The reader is also cautioned about comparing tax expenditure estimates across years. Substantial changes in federal, state, and local tax laws occur each year that affect the number, type, and magnitude of tax expenditures. In addition, measurement techniques may also vary from year to year, depending on the available data.

Tax expenditure estimates that appear in this report have different levels of reliability depending on the accuracy of the data and the estimation procedure employed. Chapters 4 through 8 denote the reliability of tax expenditure estimates included in the respective chapters. High reliability implies that the estimate should be relatively accurate. If the estimate does not approximate closely the actual value of the tax expenditure, it is most likely incorrect by a relatively small margin. Conversely, low reliability implies that the actual value could be much greater or smaller and that the range of possible values is large. Reliability indicators are as follows:

1. High reliability level.

This category is reserved for estimates that were derived using actual recent tax return data. The higher education tax expenditure, which is based on recent income tax return data, is an example of an estimate that is accurate and highly reliable.

2. Average reliability level.

Tax expenditure estimates in this category were also based on tax return data. However, specific economic assumptions were necessary to derive these estimates because less recent data or sample data were used. The personal exemption from city income taxes is an example of an estimate with average reliability. Estimates were based on a recent survey of city treasurers. Some city estimates were carried forward from last year, while other estimates were based on rounded figures. While this will affect the precision of the total estimate, the impact should be relatively small.

3. Low reliability level.

This category is reserved for estimates that are imprecise. Estimates in this category were based on highly aggregated (national) data, required restrictive assumptions, or used poor non-tax data sources. For example, federal income tax expenditure estimates have a low degree of reliability because they were based on national tax expenditure data apportioned to Michigan.

Why Report Tax Expenditures?

Some economists argue that a regular periodic evaluation of tax expenditures should become common practice. Unlike fixed appropriations, tax expenditures are open-ended entitlements: if people or firms qualify for an exemption, they receive it. In periods of recession, tax expenditures are rarely re-examined as budget cuts are typically focused around direct spending. When the economy improves, both direct spending and tax expenditures tend to increase as legislators can afford to be more generous.

According to the Advisory Commission on Intergovernmental Relations (ACIR), there are at least three reasons why tax expenditures should be reviewed periodically:

1. Tax Equity.

Reviewing tax expenditures helps to ensure both vertical and horizontal equity in the tax structure. Horizontal equity refers to taxpayers in similar income groups, while vertical equity refers to taxpayers in different income groups. If a tax system that relies on voluntary compliance is to work, people must regard that system as equitable.

2. Fiscal Discipline.

Adopting regular tax expenditure reporting gives policymakers more information regarding available resources and how these resources are being used. All state programs, whether they are funded through direct or indirect spending, should work in unison so that particular policy objectives can be attained.

3. Political Accountability.

By mandating a periodic review of the tax code, state lawmakers would foster a public discussion about how the tax system should be designed. In addition, lawmakers would indicate publicly whether they support or oppose certain tax expenditures, much like the appropriations process.

The Michigan Legislature has recognized these potential problems and places sunset dates on some new tax expenditures, or requires a report on the activity related to the tax break. In addition, the annual publication of this report provides an itemization of tax expenditures along with their cost.

Finally, the inclusion of any item as a tax expenditure should not be viewed as an expression of support for or objection to any particular tax policy. As noted above, tax expenditures represent spending done outside of the annual appropriation process. While a periodic review of tax expenditures is encouraged as a way to better conduct public policy, the inclusion of a particular credit, deduction, or exemption in this report does not signify any conclusion regarding the public policy merit of that particular tax expenditure.

CHAPTER 2

SUMMARY OF TAX EXPENDITURES

Chapter 2 lists tax expenditures by the tax categories business privilege, consumption, individual income, transportation, local property, and other local tax expenditures. Chapter 2 also includes aggregated tax expenditures. As noted earlier, aggregated measures of tax expenditures should be viewed with caution. The independence assumption underlying individual tax expenditure estimates is unrealistic and, if relaxed, aggregated figures would likely decrease.

Total tax expenditures are projected to increase from $33.974 billion in FY 2015 to $34.979 billion in FY 2016, a 3.0 percent increase (see Exhibit 1). The overall increase in tax expenditures was concentrated in consumption and individual income tax expenditures.

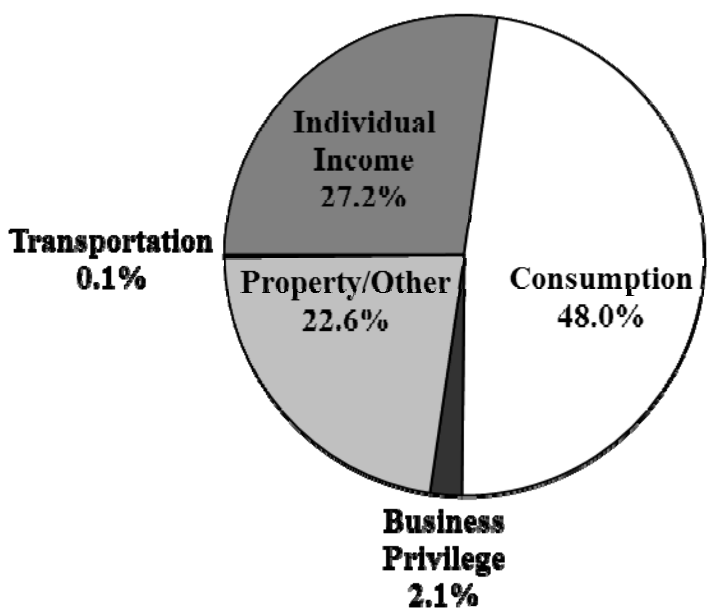
Exhibit 1
Total Tax Expenditures, FY 2015 and FY 2016

Tax Category	FY 2015 (000)	FY 2016 (000)	Change (000)
Business Privilege	$712,600	$746,700	$34,100
Consumption	16,243,412	16,778,170	534,758
Individual Income	9,259,114	9,514,811	255,697
Property	7,465,650	7,643,650	178,000
Other Local (City Income)	244,629	247,149	2,520
Transportation	48,209	48,177	-32
TOTAL	$33,973,614	$34,978,657	$1,005,043

Totals may differ slightly due to rounding.

Most tax expenditures result from deductions, exemptions, or credits from consumption, income, and property taxes (see Exhibit 2). For FY 2016, consumption tax expenditures comprise 48.0 percent of total tax expenditures, while income tax expenditures comprise 27.2 percent and property and other local taxes comprise 22.6 percent. Not surprisingly, taxes that generate significant revenue are also associated with large tax expenditures (see Exhibit 3). Most notable are consumption tax expenditures resulting from the exemptions for food, services, and industrial processing.

Exhibit 2
FY 2016 Distribution of Tax Expenditures



Total may not equal 100 percent due to rounding.

Exhibit 3
FY 2016 Tax Expenditures and Projected Revenue
(millions of dollars)

Tax Category	Tax Expenditure	Projected Revenues*	Percent of Revenues
Business Privilege			
Oil and Gas Severance	$7.8	$70.5	11.1%
Corporate Income/MBT	706.3	498.0	141.8%
Consumption			
Total Alcohol	0.1	193.5	0.0%
Cigarette and Tobacco	19.4	902.0	2.1%
Sales and Use	16,758.7	9,326.4	179.7%
Individual Income Tax	6,233.4	8,885.4	70.2%
Transportation			
Aviation Fuel	3.5	5.1	69.3%
Gasoline	26.8	811.5	3.3%
Diesel Fuel	5.5	132.5	4.2%
Motor Vehicle Registration	11.6	966.0	1.2%
City Income Tax	247.1	482.2	51.3%
TOTAL	$24,020.3	$22,273.1	107.8%

*From Consensus Revenue Estimating Conference, May 2014. City income taxes are not a consensus estimate.

Exhibits 4 through 8 provide a breakdown of individual tax expenditures across the five tax categories. An asterisk denotes a new tax expenditure or one that has been modified by legislation since the publication of the previous report. For more detailed information regarding these changes, consult the specific chapter relating to the tax expenditure.

Exhibit 4
Business Privilege Tax Expenditures

Tax or Tax Expenditure	FY 2015 (000)	FY 2016 (000)
Insurance Company		
Disability Insurance Exclusion	$9,300	$9,800
Michigan Association and Facilities Credit	13,800	$14,500
Michigan Examination Fees Credit	6,600	6,900
Supplemental Workers' Compensation	1,300	1,400
SUBTOTAL	$31,000	$32,600
Oil and Gas Severance Tax		
Marginal Wells	$5,300	$5,700
Public Land	2,100	2,100
SUBTOTAL	$7,400	$7,800
Corporate Income Tax		
Foreign Dividends Income Exclusion	$151,700	$159,300
Government Securities' Income Exclusion	1,600	1,700
Income from Extractive Activities Deduction	400	400
Small Business Alternate Tax Credit	7,500	7,900
SUBTOTAL	$161,200	$169,300
Michigan Business Tax Certificated Credits		
Brownfield Redevelopment Credit	28,000	36,000
Film Credits	5,000	0
Michigan Economic Growth Authority (MEGA)	300,000	305,000
MEGA Photovoltaic Technology Credit	0	0
MEGA Polycrystaline Silicon Manufacturing	31,000	34,000
MEGA Vehicle Battery Credit	134,000	152,000
Other Certificated Credits	15,000	10,000
SUBTOTAL	$513,000	$537,000
TOTAL	$712,600	$746,700

Exhibit 5
Consumption Tax Expenditures

Tax or Tax Expenditure	**FY 2015 (000)**	**FY 2016 (000)**
Alcoholic Beverages Taxes		
Beer Shipped Out-of-State	n.a.	n.a.
Damaged Beer	n.a.	n.a.
Homemade Wine	n.a.	n.a.
Small Brewer's Credit	$90	$90
SUBTOTAL	$90	$90
Tobacco Products Tax		
Bad Debt Deduction	$400	$400
Licensee Expenses	13,730	13,460
Sales on Military Bases and Reservations	5,545	5,490
SUBTOTAL	$19,675	$19,350
Sales and Use Tax Expenditures		
Air and Water Pollution	$57,000	$57,500
Aircraft Parts	6,630	6,830
Bad Debts	23,000	23,900
Cargo Aircraft	22,600	22,260
Church Construction	2,522	2,547
Church Cars	2,380	2,470
Collection Fee	43,427	45,087
Commercial Domestic Aircraft	4,000	4,000
Commercial Vessels	n.a.	n.a.
Communication and Telephone Exemption	37,000	37,000
Donated Property	n.a.	n.a.
Donated Vehicles	125	125
Driver Training	201	200
Employee Meals	18,210	18,890
Enterprise Zone Credit	n.a.	n.a.
Food	1,303,950	1,352,640
Food for Students	44,335	45,990
Government or Red Cross	192,150	199,460
Gratuity and Tips	70,200	72,820
Horticultural and Agricultural Products	245,136	259,844
Imported Property from Other States	1,690	1,720

Exhibit 5 (Continued)

Tax or Tax Expenditure	FY 2015 (000)	FY 2016 (000)
Industrial Processing	$1,274,000	$1,338,000
Interstate Communications	6,600	6,200
Interstate Trucks and Trailers	30,400	31,560
Investment Coins	6,140	6,450
Isolated Sales	n.a.	n.a.
Military PX Sales	676	642
Military Vehicles Sales	n.a.	n.a.
Military Vehicles Sales (Residents Out-of-State)	n.a.	n.a.
Newspapers, Periodicals, and Films	109,240	111,280
Nonprofit Ambulance and Fire Services	n.a.	n.a.
Nonprofit Hospital or Housing Construction	2,100	2,210
Nonprofit Organizations	272,680	282,860
Nonprofits Sales under $5,000	n.a.	n.a.
Nonresident Merchandise Transfer	n.a.	n.a.
Nonresident Property	n.a.	n.a.
Ophthalmic and Orthopedic Products	75,670	77,940
Prescription Drugs	555,740	581,500
Radio and TV	4,400	4,400
Rail Rolling Stock	1,780	1,850
Residential Utilities	160,000	163,200
Returned Vehicles	1,100	1,100
Sales of Business	n.a.	n.a.
Sale of Water	67,200	67,900
Services (Including Nonprofits)	11,472,570	11,811,290
Small Out-of-State Purchases	n.a.	n.a.
Tax on the Difference - Vehicles	33,100	39,800
Telephone Services	15,240	15,820
Textbooks Sold by Schools	n.a.	n.a.
Tribal Tax Agreement	n.a.	n.a.
Vehicles and Aircraft Transfers	38,400	39,170
Vehicles Purchased for Use in Another State	n.a.	n.a.
Vending Machines and Mobile Facilities	22,055	22,275
SUBTOTAL	$16,223,647	$16,758,730
TOTAL	$16,243,412	$16,778,170

Note: Total may differ from Exhibit 1 due to rounding.

Exhibit 6
Individual Income Tax Expenditures

Tax or Tax Expenditure	**FY 2015 (000)**	**FY 2016 (000)**
State Income Tax		
Adjustments to Income (except military)	$0	$0
College Savings Accounts	12,711	13,718
Dependent Exemption	17,574	17,750
Disabled Veteran Exemption	250	250
Earned Income Credit	113,965	117,954
Farmland Credit	43,242	44,972
Historic Preservation Credit	221	110
Home Heating Assistance Credit	97	99
Homestead Property Tax Credit	554,591	560,137
Income Attributable to Another State	2,967,147	3,085,833
Income from Extractive Activities Deduction	1,000	1,000
Income Tax Paid to Other State Credit	53,818	55,861
Military Pay	61,070	67,009
Miscellaneous Deductions	3,000	3,000
Net Operating Loss Deduction	1,700	1,700
Net Adjustment for Gains/Losses	10,000	10,000
Pension and Retirement Benefits Deduction	368,549	310,488
Personal Exemption	1,300,916	1,305,767
Renaissance Zones	1,319	1,253
Senior Investment Income Deduction	15,735	15,958
Senior Standard Deduction	166,700	232,000
Social Security Benefits	332,742	346,051
Special Exemption	11,805	11,852
State and Local Income Tax Refunds	20,456	20,661
Tribal Tax Agreements	n.a.	n.a.
U.S. Government Bond Interest Deduction	9,892	9,991
TOTAL STATE	$6,068,500	$6,233,414
Federal Adjustments		
Accelerated Depreciation	$65,467	$67,431
Employer Contributions to Insurance	1,119,676	1,153,266
Employer Pension Plans	731,534	753,480
Federal Adjustments to Income	54,652	56,292
Fellowships and Scholarships	16,336	16,826
Gain on Sale of Primary Residence	$246,795	$249,263
Income Maintenance Benefits	5,522	5,688
Individual Retirement Accounts	290,656	299,376
Interest on Life Insurance Savings	101,828	104,883

Exhibit 6 (Continued)

Tax or Tax Expenditure	FY 2015 (000)	FY 2016 (000)
Federal Adjustments (continued)		
Medical Savings Account	7,579	7,806
Railroad Retirement Benefits	2,385	2,457
Social Security Benefits	399,327	411,307
Student Loan Deduction	3,993	4,113
Veterans' Benefits	76,882	79,188
Workers' Compensation	67,982	70,021
TOTAL FEDERAL	$3,190,614	$3,281,397
TOTAL STATE AND FEDERAL	$9,259,114	$9,514,811

Exhibit 7
Transportation Tax Expenditures

Tax or Tax Expenditure	FY 2015 (000)	FY 2016 (000)
Aviation Gasoline and Marine Fuel		
Federally Owned Aircraft	$315	$317
Interstate Flight Refund	3,200	3,216
Marine Vessel Exemption	740	740
SUBTOTAL	$4,255	$4,273
Motor Fuel Taxes		
Diesel Fuel for Jobsites and Charter Firms	$5,450	$5,530
Diesel Fuel for Railroads	n.a.	n.a.
Evaporation and Loss Allowance	12,370	12,320
Fuel for Off-Road Use	1,100	1,100
Municipal Franchise Vehicles	430	420
Public Vehicles	13,090	12,960
Tribal Tax Agreements	n.a.	n.a.
SUBTOTAL	$32,440	$32,330
Motor Vehicles Registration Fee		
Disabled Veterans' Vehicles	$550	$560
Handicapper Vans	n.a.	n.a.
Intercity Commercial Buses	n.a.	n.a.
Public and Nonprofit Vehicles	10,950	11,000
SUBTOTAL	$11,500	$11,560
Watercraft Registration Fee		
Publicly-Owned Vehicle	$14	$14
TOTAL	$48,209	$48,177

Exhibit 8
Local Property and Other Local Tax Expenditures

Tax or Tax Expenditure	FY 2015 (000)	FY 2016 (000)
Property and Other Local Tax Expenditures		
Agriculture Transfers	$34,600	$34,900
Air and Water Pollution Control	130,000	130,000
Church Transfers	n.a.	n.a.
Cultural Organizations	n.a.	n.a.
Disabled Veteran Homestead Exemption *	18,000	18,000
Energy Conservation Devices	70	60
Enterprise Zone Credit	0	0
Fairground Property	n.a.	n.a.
Homestead Exemption	3,100,700	3,193,700
Homestead Exemption for Farm Property	161,600	166,400
Industrial Facilities Development	233,400	238,100
Mobile Homes	55,300	56,400
Neighborhood Enterprise Zones	23,000	23,500
Next Energy Exemption	3,800	4,000
Obsolete Property Rehabilitation	11,500	12,000
Personal Property - Indust./Commercial Ad Valorem	373,500	379,100
Personal Property - Industrial Facilities	69,900	71,300
Personal Property - Small Taxpayer Exemption *	80,000	80,000
Poverty Exemption	8,500	8,800
Railroad Right-of-Way/Broadband Credit	51,600	52,200
Renaissance Zones	88,000	89,000
Specifically-Taxed Property	n.a.	n.a.
Tax-Exempt Property	1,812,000	1,839,000
Tax Increment Financing	310,000	320,000
Taxable Value Cap	898,900	925,900
Water Softeners	1,280	1,290
SUBTOTAL	$7,465,650	$7,643,650
City Income Tax		
Federal Deductions	n.a.	n.a.
Net Profits of Financial Institutions	n.a.	n.a.
Nonresident Reduced Rate	$232,029	$234,349
Pensions, Annuities, and Retirement	n.a.	n.a.
Personal Exemption	12,600	12,800
Supplemental Unemployment Benefits	n.a.	n.a.
SUBTOTAL	$244,629	$247,149
TOTAL	$7,710,279	$7,890,799

* Indicates a tax expenditure was created, expanded, or otherwise modified.

CHAPTER 3

TAX EXPENDITURE BUDGET

Chapter 3 illustrates the concept of a tax expenditure budget. This presentation organizes tax expenditures by the spending category that benefits from the expenditure rather than by the revenue source that finances it. Tax expenditures are grouped in categories similar to direct expenditures in the *Executive Budget* such as commerce, education, transportation, and natural resources. This allows for a comparison of funding between direct appropriations and tax expenditures for selected spending categories.

By a wide margin, the commerce and income distribution budget categories tend to receive most funding from tax expenditures (see Exhibit 9). Relative to direct spending, tax expenditures appear to be a preferred method to fund these objectives. In contrast, transportation and higher education are funded much more intensively via direct appropriations (see Exhibit 10).

Exhibits 11 and 12 provide an itemized breakdown of tax expenditures by spending category. These exhibits are a simple reorganization of the summary tables provided in Chapter 2; only the groupings are different.

Exhibit 9
Tax Expenditure Budget, FY 2015

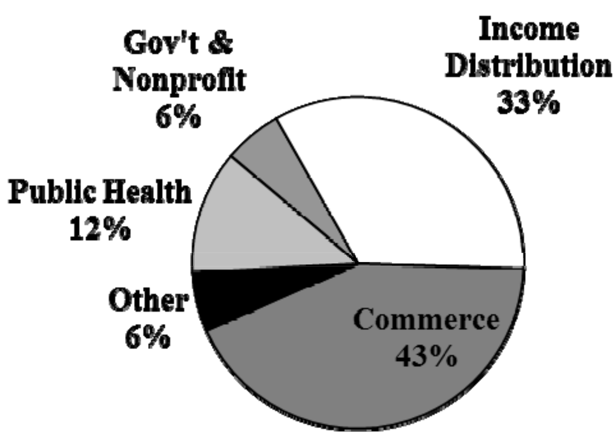


Exhibit 10
Comparison of State Tax and Direct Expenditures (From State Resources) for Selected Spending Categories, FY 2014

Spending Category	FY 2015 Tax Expenditure (000)	FY 2014 Direct Expenditure (000)	Total (000)	Percent Tax Expenditure
Agriculture	$288,378	$69,601	$357,979	80.6%
Commerce (LARA)	13,083,925	290,462	13,374,387	97.8%
Higher Education	572,397	1,333,547	1,905,944	30.0%
Income Distribution (DHS)	7,754,727	1,138,470	8,893,197	87.2%
Military Affairs	145,583	74,057	219,640	66.3%
Natural Resources	58,400	267,212	325,612	17.9%
Public (Community) Health	4,008,278	5,081,483	9,089,761	44.1%
Transportation	51,571	2,344,329	2,395,900	2.2%
TOTAL	$25,963,259	$10,599,162	$36,562,421	71.0%

Note: FY 2014 expenditure figures from *FY 2013-2014 Appropriations Report* , Senate Fiscal Agency.

Note that Exhibit 10: (1) compares *own* state resources to tax expenditures (i.e., it ignores federal grants), and (2) *does not* include local tax expenditures and local direct expenditures. For example, the income distribution budget category does not include tax expenditures associated with the city income tax. Tax expenditures associated with the government and nonprofit budget category are also not included, because there is no comparable direct expenditure category.

Exhibit 11
Fiscal Summary, Tax Expenditure Budget

Budget Category	FY 2015 (000)	FY 2016 (000)
Agriculture	$565,479	$589,447
Commerce	14,549,341	15,023,685
Education	1,047,397	1,073,484
Government and Nonprofit Organizations	1,951,305	1,990,030
Income Distribution	11,466,190	11,757,056
Military Affairs	145,583	153,764
Natural Resources	188,470	188,960
Public Health	4,008,278	4,150,255
Transportation	51,571	51,976
TOTAL	$33,973,614	$34,978,657

Note: Total may differ from Exhibit 1 due to rounding.
See Exhibit 12 for a detailed list of tax expenditures.

Exhibit 12
Tax Expenditure Budget Detail

Tax/Tax Expenditure	FY 2015 (000)	FY 2016 (000)
Agriculture		
General Property Tax		
Agriculture Transfer	$34,600	$34,900
Homestead Exemption for Farm Property	161,600	166,400
Taxable Value Cap	80,901	83,331
Income Tax		
Farmland Development Credit (PA 116)	43,242	44,972
Sales and Use Taxes		
Horticultural or Agricultural Products	245,136	259,844
TOTAL	$565,479	$589,447
Commerce		
Alcoholic Beverage Taxes		
Small Brewer’s Credit	$90	$90
Tobacco Products Tax		
Bad Debt Deduction	400	400
Licensee Expenses	13,730	13,460
Income Tax		
Accelerated Depreciation	65,467	67,431
Income Attributable to Another State	2,967,147	3,085,833
Net Operating Loss Deduction	1,700	1,700
Net Adjustment for Gains/Losses	10,000	10,000
Renaissance Zone Credit	1,319	1,253
Insurance Company Retaliatory Tax		
Disability Insurance Exclusion	9,300	9,800
Michigan Association and Facilities Credit	13,800	14,500
Michigan Examination Fees Credit	6,600	6,900
Supplemental Workers’ Compensation Credits	1,300	1,400
Corporate Income Tax		
Foreign Dividends Income Exclusion	151,700	159,300
Government Securities' Income Exclusion	1,600	1,700
Small Business Alternate Tax Credit	7,500	7,900
Michigan Business Tax		
Brownfield Redevelopment Credit	28,000	36,000
Film Credits	5,000	0
Michigan Economic Growth Authority (MEGA)	300,000	305,000

Tax/Tax Expenditure	FY 2015 (000)	FY 2016 (000)
Commerce (Continued)		
MEGA Photovoltaic Technology Credit	0	0
MEGA Polycrystaline Silicon Manufacturing	31,000	34,000
MEGA Vehicle Battery Credit	$134,000	$152,000
Other Certificated Credits	15,000	10,000
Oil and Gas Severance Tax		
Marginal Wells	5,300	5,700
Property Tax		
Broadband Investment Credit	25,300	25,600
Enterprise Zone	0	0
Industrial Facilities Development	233,400	238,100
Mobile Homes	55,300	56,400
Neighborhood Enterprise Zones	23,000	23,500
Next Energy Exemption	3,800	4,000
Obsolete Property Rehabilitation	11,500	12,000
Personal Property - Indust./Commercial Ad Valorem	373,500	379,100
Personal Property - Industrial Facilities	69,900	71,300
Personal Property - Small Taxpayer Exemption	80,000	80,000
Renaissance Zones	88,000	89,000
Tax Increment Financing	310,000	320,000
Taxable Value Cap	215,736	222,216
Water Softeners	1,280	1,290
Sales and Use Taxes		
Aircraft Parts	6,630	6,830
Bad Debts	23,000	23,900
Cargo Aircraft	22,600	22,260
Collection Fee	43,427	45,087
Commercial Domestic Aircraft	4,000	4,000
Communication and Telephone Exemption	37,000	37,000
Employee Meals	18,210	18,890
Gratuities and Tips	70,200	72,820
Imported Property from Other States	1,690	1,720
Industrial Processing	1,274,000	1,338,000
Interstate Telecommunications	6,600	6,200
Interstate Trucks and Trailers	30,400	31,560
Investment Coins	6,140	6,450
Newspapers, Periodicals, and Films	109,240	111,280

Tax/Tax Expenditure	FY 2015 (000)	FY 2016 (000)
Commerce (Continued)		
Radio and TV	4,400	4,400
Returned Vehicles	1,100	1,100
Sale of Water	67,200	67,900
Services (except education, health, and nonprofits)	7,454,040	7,660,350
Tax on the Difference - Vehicles	33,100	39,800
Telephone Services	15,240	15,820
Vehicle and Aircraft Transfers	$38,400	$39,170
Vending Machines	22,055	22,275
TOTAL	$14,549,341	$15,023,685
Education		
Income Tax		
College Savings Account	$12,711	$13,718
Fellowships and Scholarships	16,336	16,826
Higher Education/Public Contribution Credit	$0	$0
Property Tax		
Exempt Public Education Property	475,000	482,000
Sales Tax		
Services	543,350	560,940
TOTAL	$1,047,397	$1,073,484
Government and Nonprofit Organizations		
Aviation Gasoline Tax		
Federally Owned Aircraft	$315	$317
Income Tax		
Historic Preservation Credit	221	110
U.S. Government Bond Interest Deduction	9,892	9,991
Motor Fuel Taxes		
Public Vehicles	13,090	12,960
Motor Vehicle Weight Tax		
Public and Nonprofit Vehicles	10,950	11,000
Oil and Gas Severance Tax		
Public Land	2,100	2,100
Property Tax		
Tax Exempt Property	1,337,000	1,357,000

Tax/Tax Expenditure	FY 2015 (000)	FY 2016 (000)
Government and Nonprofit Organizations (Continued)		
Sales and Use Taxes		
Church Cars	2,380	2,470
Church Construction	2,522	2,547
Government or Red Cross	192,150	199,460
Nonprofit Organizations	272,680	282,860
Services	107,991	109,201
Watercraft Registration Fee		
Publicly Owned Watercraft	14	14
TOTAL	$1,951,305	$1,990,030
Income Distribution		
City Income Tax		
Nonresident Reduced Rate	$232,029	$234,349
Personal Exemption	12,600	12,800
General Property Tax		
Disabled Veteran Homestead Exemption	$18,000	$18,000
Homestead Exemption	3,100,700	3,193,700
Poverty Exemption	8,500	8,800
Taxable Value Cap	602,263	620,353
Income Tax		
Adjustments to Income (gains/losses and other)	0	0
Adjustments to Income (federal)	54,652	56,292
Dependent Exemption	17,574	17,750
Earned Income Tax Credit	113,965	117,954
Employer Contributions to Health and Life Insurance	1,119,676	1,153,266
Employer Pension Plans	731,534	753,480
Gain on Sale of Primary Residence	246,795	249,263
Home Heating Assistance Credit	97	99
Homestead Property Tax Credit (excluding veterans)	553,981	559,512
Income Maintenance Benefits	5,522	5,688
Individual Retirement Account	290,656	299,376
Interest on Life Insurance Savings	101,828	104,883
Miscellaneous Deductions	3,000	3,000
Other State Tax Credit	53,818	55,861
Pension and Retirement Benefits Deduction	368,549	310,488

Tax/Tax Expenditure	FY 2015 (000)	FY 2016 (000)
Income Distribution (Continued)		
Personal Exemption	1,300,916	1,305,767
Railroad Retirement Benefits	2,385	2,457
Senior Investment Income Deduction	15,735	15,958
Senior Special Deduction	166,700	232,000
Social Security Benefits (federal exclusion)	399,327	411,307
Social Security Benefits (in federal AGI)	332,742	346,051
Special Exemption	11,805	11,852
State and Local Income Tax Refunds	20,456	20,661
Student Loan Deduction	3,993	4,113
Workers' Compensation	67,982	70,021
Sales and Use Taxes		
Donated Vehicles	125	125
Food	1,303,950	1,352,640
Food for Students	44,335	45,990
Residential Utilities	160,000	163,200
TOTAL	$11,466,190	$11,757,056
Military Affairs		
Cigarette Tax		
Sales on Military Bases and Reservations	$5,545	$5,490
Income Tax		
Disabled Veteran Exemption	250	250
Military Pay	61,070	67,009
Veterans' Benefits	76,882	79,188
Veterans' Property Tax Credit	610	625
Motor Vehicle Weight Tax		
Disabled Veteran Vehicles	550	560
Sales and Use Taxes		
Military Post-Exchange Sales	676	642
TOTAL	$145,583	$153,764

Tax/Tax Expenditure	FY 2015 (000)	FY 2016 (000)
Natural Resources		
Income Tax		
Income from Extractive Activities Deduction	$1,000	$1,000
Corporate Income Tax		
Income from Extractive Activities Deduction	$400	$400
Property Tax		
Air and Water Pollution	130,000	130,000
Energy Conservation Devices	70	60
Sales and Use Taxes		
Air and Water Pollution	57,000	57,500
TOTAL	$188,470	$188,960
Public Health		
Income Tax		
Medical Care Savings	$7,579	$7,806
Sales and Use Taxes		
Medical Services	3,367,189	3,480,799
Nonprofit Hospital Construction	2,100	2,210
Ophthalmic and Orthopedic Products	75,670	77,940
Prescription Drugs	$555,740	$581,500
TOTAL	$4,008,278	$4,150,255
Transportation		
Aviation Gasoline Tax		
Interstate Flight Refund	$3,200	$3,216
Motor Fuel Taxes		
Diesel Fuel for Jobsites	5,450	5,530
Evaporation and Loss Allowance	12,370	12,320
Fuel for Off-Road Use	1,100	1,100
Transportation (Continued)		
Marine Vessel Fuel	$740	$740
Municipal Franchise Vehicles	430	420
Sales and Use Taxes		
Driver Training	201	200
Rail Rolling Stock	1,780	1,850
Utility Property Tax		
Railroad Right-of-Way	26,300	26,600
TOTAL	$51,571	$51,976

CHAPTER 4

BUSINESS PRIVILEGE TAX EXPENDITURES

Business privilege tax expenditures include insurance company retaliatory, oil and gas severance, and corporate income expenditures. Business privilege tax expenditures are projected to increase from $712.6 million in FY 2015 to $746.7 million in FY 2016. The reduction of tax credits and deductions under the corporate income tax results in much smaller tax expenditures than under the Michigan Business Tax (MBT).

Estimate Reliability (2) Small Business Alternative Tax Rate Credit
(3) Other Corporate Income Tax and MBT Tax Expenditures

This year's report includes tax expenditures for the corporate income tax, which replaced the MBT for most corporate taxpayers effective January 1, 2012. A big difference between the corporate income tax and the MBT is that business entities other than traditional corporations (sole proprietorships, partnerships, S-corporations, and other flow-through entities) are not taxed under the corporate tax. The income from flow-through entities is taxable to the owners under the individual income tax. Other tax expenditure estimates from business privilege taxes were based on 2012 data. Insurance and oil and gas severance tax expenditure estimates are also reliable because they were based on recent data collected by the state.

Business Privilege Tax Expenditure Changes

Public Act 15 of 2013 amended the Income Tax Act to allow a flow-through entity to avoid withholding on the distributive share of business income for a member other than a non-resident individual if the member submits an exemption certificate to the flow-through entity. Previously, only corporate members could elect to avoid withholding on the distributive share of business income.

Public Act 148 amended the Uniform Unclaimed Property Tax Act to modify the auditing standards and processes used to determine whether a business has properly accounted for unclaimed property.

Public Act 233 of 2013 amended the Michigan Business Tax (MBT) Act to provide that a taxpayer taxed under the Corporate Income Tax (CIT) will exclude from the business income tax base the distributive share items that are distributed by a flow-through entity electing to be taxed under the MBT. The exclusion applies only if the taxpayer paying the CIT is not classified as unitary with the flow-through entity. Public Act 233 also created an exemption from flow-through withholding for a flow-through entity with corporate members that elects to be taxed under the MBT.

Public Act 266 of 2013 amended the Income Tax Act to allow a member of an affiliated group, as defined in the Internal Revenue Code, to elect to have all members of that group be treated as a single unitary business group. The election by an affiliated group to file as a unitary business group would be valid for 10 years.

Insurance Company Tax

Effective January 1, 2012, the MBT on Michigan insurance premiums was replaced by a 1.25 percent tax in the Income Tax Act. Foreign companies are also subject to a retaliatory tax, which requires them to pay the same tax that a Michigan-based insurer would have to pay in the firm's home state. Foreign insurers pay the premiums tax or the retaliatory tax, whichever is greater. The estimated yield from taxes on insurers is $409.5 million for FY 2016; revenue goes to the State General Fund.

	FY 2016 Estimate
Captive Insurance Companies Exempts companies authorized under the Insurance Code as captive insurance companies or special purpose financial captives from the MBT and its gross premiums tax.	n.a.
Disability Insurance Exclusion Exempts the first $190,000,000 of disability insurance premiums written in Michigan.	$9,800,000
Michigan Association and Facilities Credit Provides a credit for payments made to the Michigan workers' compensation placement facility, the Michigan basic property insurance association, the Michigan automobile insurance placement facility, the property and casualty guaranty association, and the life and health guaranty association.	$14,500,000
Michigan Examination Fees Credit Allows an insurance company to claim a credit equal to 50 percent of the examination fees paid by the company during the year under section 224 of the insurance code.	$6,900,000
Workers' Disability Supplemental Benefit (WDSB) Credit Provides a credit for 100 percent of the supplemental cost of living payments made to persons injured between September 1965 and December 1979. Prior to the identical Single Business Tax (SBT) credit, firms were reimbursed through the appropriations process for these payments.	$1,400,000

Oil and Gas Severance Tax

Enacted in 1929, the oil and gas severance tax is levied on the privilege of producing oil and gas. The base is the gross cash market value of oil and gas that is severed from the ground. The tax rate is 6.6 percent for normal oil production, 5.0 percent for natural gas production, and 4.0 percent for stripper wells, marginal properties, and production achieved through carbon dioxide secondary or enhanced recovery projects. The projected yield is $70.5 million for FY 2016; revenue goes to the State General Fund.

	FY 2016 Estimate
Marginal Wells Taxes oil from marginal or stripper wells at 4.0 percent, rather than the 6.6 percent rate on other oil production.	$5,700,000
Public Land Exempts oil and gas severed from publicly-owned lands from taxation.	$2,100,000

Corporate Income Tax Expenditures

Public Act 38 of 2011 added a 6.0 percent tax on corporate income to the Income Tax Act. The new tax took effect on January 1, 2012, and applies only to C corporations and entities taxed as C corporations for federal income tax purposes, with the tax imposed on federal taxable income subject to allocation or apportionment. A significant difference between the MBT and the new corporate tax is the elimination of most tax credits. The only credit enacted against the corporate income tax is the small business alternative credit. Financial institutions are not taxed on business income or gross receipts, but are subject to a tax of 0.29 percent on their apportioned net capital.

An entity that has received, has been approved to receive, or has been assigned certain certificated tax credits under the MBT may elect to continue to file and pay under the MBT in lieu of the corporate income tax. Examples of the remaining certificated credits are the photovoltaic credit, the MEGA employment tax credit, polysilicon credit, select renaissance zone credits, battery pack credits, historic preservation credit, brownfield redevelopment credit, film production and infrastructure credits, and the farmland preservation credit.

Revenues from the corporate income tax were estimated at the May 2014 Consensus Conference to be $907.0 million in FY 2015 and $954.5 million in FY 2016. The certificated credits remaining under the MBT were estimated at -$429.0 million in FY 2015 and -$456.5 million in FY 2016.

Included with the estimated reduction in corporate tax revenue associated with the small business alternative credit are estimates of the remaining certificated credits that will be claimed by those taxpayers that continue to file under the MBT.

	FY 2016 Estimate
Anchor Company Credit (MBT Certificated Credit) Provides credits to a qualified taxpayer that was designated by the Michigan Economic Growth Authority (MEGA) as an "anchor company" within the past five years and that has influenced a new qualified supplier or customer to open, locate, or expand in this state.	n.a.
Brownfield Redevelopment Credit (MBT Certificated Credit) Provides credit for a portion of the cost for investments made for the demolition, construction, restoration, alteration, renovation, or improvement of buildings located in Brownfield development zones.	$36,000,000
Farmland Preservation Credit (MBT Certificated Credit) Provides property tax relief for corporate farms eligible under former Public Act 116 of 1974 and reenacted by Public Act 451 of 1994. This credit is included in "Other Certificated Credits" in Exhibits 4 and 12.	$1,000,000
Film Credits (MBT Certificated Credit) Provides credits for film production expenditures made after February 2008. To be eligible for the credit, companies must enter into an agreement with the Michigan film office. The MBT provides a 40 to 42 percent direct production expenditure and 30 percent qualified personnel expenditures film production credit; a 25 percent investment film infrastructure credit.	$0
Foreign Dividends Exemption (Corporate Income) Excludes dividends and royalties received from a foreign entity or person from taxable income.	$159,300,000
Government Securities Interest Exemption (Corporate Income) Excludes interest income from obligations or securities of the federal government, State of Michigan or Michigan governmental unit.	$1,700,000
Historic Preservation Credit (MBT Certificated Credit) Provides for a credit of up to 25 percent of expenditures for the restoration of a qualified historic site. This credit is included in "Other Certificated Credits" in Exhibits 4 and 12.	$500,000
Income from Extractive Activities Deduction (Corporate Income) The extraction of oil, natural gas, and non-ferrous metals are subject to specific taxes in lieu of other taxes.	$400,000

	FY 2016 Estimate
Michigan Economic Growth Authority (MEGA) Credits (MBT Certificated Credit) Provides numerous credits for new or expanding firms based on additional payroll and health care costs or additional business activity costs associated with an expansion or new location.	$305,000,000
MEGA Photovoltaic Technology Credit (MBT Certificated Credit) Provides for MEGA credits for the construction and operation of a new facility in Michigan for the development and manufacturing of photovoltaic energy, photovoltaic systems, or other photovoltaic technology. The total amount of credits under this provision, for all years, may not exceed $75,000,000.	$0
MEGA Polycrystalline Silicon Manufacturing Credit (MBT Certificated Credit) Provides for a single twelve-year MEGA credit for the manufacture of polycrystalline silicon to be used for solar cells and semiconductor microchips beginning with a tax year that begins after December 31, 2011. The credit's MEGA agreement must have been entered into by December 31, 2008.	$34,000,000
MEGA Vehicle Battery Credit (MBT Certificated Credit) Provides for MEGA credits for the mass production of certain plug-in traction battery packs for electrical motor vehicles that qualify for a federal tax credit. The credit is refundable, but may also be carried forward for up to 10 years.	$152,000,000
Renaissance Zone Credit (MBT Certificated Credit) Provides a credit for the portion of tax attributable to business activity in a renaissance zone designated based on a development or qualified collaboration agreement. This credit is included in "Other Certificated Credits" in Exhibits 4 and 12.	$6,000,000
Small Business Alternative Tax Credit (Corporate Income) For qualifying smaller firms, provides a credit that effectively lowers the taxpayer's tax to 1.8 percent of adjusted business income. Qualifications include: Gross receipts must be less than or equal to $20 million (the credit is phased out for firms with gross receipts between $19 million and $20 million). Total adjusted business income may not exceed $1.3 million. Allocated business income limit for any one owner may not exceed $180,000 (with a credit phase-out between $160,000 and $180,000).	$7,900,000

FY 2016 Estimate

Workers' Disability Supplemental Benefit (WDSB) Credit (MBT Certificated Credit) $2,500,000

Provides a credit for 100 percent of the supplemental cost of living payments made to persons injured between September 1965 and December 1979. Prior to the identical SBT credit, firms were reimbursed through the appropriations process for these payments. This credit is included in "Other Certificated Credits" in Exhibits 4 and 12.

CHAPTER 5

CONSUMPTION TAX EXPENDITURES

Consumption tax expenditures include tax expenditures associated with alcohol, cigarette, and sales and use taxes. Total consumption tax expenditures are projected to increase to $16,778.2 million in FY 2016, a 3.3 percent increase over the FY 2015 level of $16,243.4 million. The growth in sales and use tax expenditures associated with industrial processing, food for home preparation and consumption, and exempt services such as health care and professional, scientific, and technical services account for most of the growth between FY 2015 and FY 2016. Sales and use tax expenditure estimates are based on FY 2007 through FY 2013 data. Alcohol and cigarette tax expenditure estimates were based on FY 2013 data.

Estimate Reliability	(1)	Alcohol and Cigarette Taxes
		Residential Utilities Exemption
	(3)	Other Sales and Use Tax Expenditures

Because firms' sales tax returns provide no information regarding most sales of exempt goods or services, sales and use tax expenditures are difficult to estimate. For example, because restaurants do not report the actual gratuities and tips their workers receive, it is not possible to accurately gauge the revenue lost from excluding these payments from the sales tax base. In this and many other instances, it was necessary to base estimates on restrictive assumptions. In addition, many estimates were based on national sales data apportioned to Michigan.

Cigarette tax expenditure estimates were based on recent tax collections. These estimates are reliable.

Consumption Tax Expenditure Changes

Public Act 1 of 2013 amended the General Sales Tax Act to adjust the effective date for Treasury to issue monthly adjustments to the prepayment of sales tax amount for gasoline and diesel fuel. Public Act 509 of 2012 created the requirement with an original effective date of January 1, 2013. However, P.A. 509 was not given immediate effect so that it would have taken effect on March 28, 2013.

Public Acts 159 and 160 of 2013 amended the General Sales Tax Act to revise the definition of sales price to exclude some or all of the trade-in allowance for vehicles and titled watercraft. Beginning November 15, 2013, the full agreed-upon value of a titled watercraft used as a trade-in toward the cost of a new titled watercraft may be excluded from sales price. Beginning December 15, 2013, the sales price of a new or used motor or recreational vehicle is reduced by the lesser of the agreed-upon value of motor or recreational vehicle used as a payment or $2,000. Beginning January 1, 2015, and each subsequent January 1, the maximum trade-in value for a motor or recreational vehicle used as a part payment for a new or used motor or recreational vehicle will be increased by $500 unless the Medicaid expansion included in Public Act 107 of

2013 is repealed. The maximum trade-in value for a motor or recreational vehicle used as part payment will be unlimited in the year that the limit exceeds $14,000.

Public Act 211 of 2013 amended the General Sales Tax Act to exempt the sale of medication generally available without a prescription if the medication is sold pursuant to a prescription. Previously, the only medication generally exempt from tax was medication that could only be sold pursuant to a prescription.

Public Act 234 of 2013 amended the Use Tax Act to exempt from the definition of purchase price part or all of the value of a titled watercraft, motor vehicle, or recreational vehicle used as part payment on the purchase of a new titled watercraft, motor vehicle, or recreational vehicle. This Public Act incorporates the sales tax exemption enacted by Public Acts 159 and 160 in the Use Tax Act.

Alcoholic Beverage Taxes

The following table lists specific alcoholic beverage taxes and their expected yields for FY 2016 (millions of dollars).

Alcoholic Beverage Taxes
(millions)

Tax	Location of Deposit	FY 2016 Revenue
Beer and Wine Excise	General Fund	$53.0
4.0 Percent Liquor Excise	School Aid Fund	$46.5
4.0 Percent Liquor Specific	General Fund	$47.0
4.0 Percent Liquor Tourism	Convention Facility Development Fund	$47.0

FY 2016 Estimate

Beer Shipped Out-of-State n.a.

Exempts beer manufactured in Michigan, or imported into this state, and then shipped for sale and consumption outside the state.

Damaged Beer n.a.

Exempts beer from the beer tax when consumed on the manufacturer's property or not offered for sale.

Homemade Wine n.a.

Exempts homemade wine or alcoholic cider from the wine tax when made on the premises by an owner for family use.

FY 2016 Estimate

Small Brewer's Credit $90,000

Allows brewers who produce less than 50,000 barrels annually to apply for a $2 per barrel credit on the first 30,000 barrels produced.

Tobacco Products Tax

In 1947, the State of Michigan enacted an excise tax on the sale and distribution of cigarettes to consumers. The tax rate is currently $2.00 per pack of 20 cigarettes. Cigarette tax revenues are mainly distributed to the School Aid Fund, the Medicaid Benefits Trust Fund, and the General Fund-General Purpose account. In FY 2016, the tax on cigarettes will yield an estimated $832.2 million. Taxes on other tobacco products (smokeless tobacco and cigars) are projected to yield $69.8 million.

FY 2016 Estimate

Bad Debt Deduction $400,000

Allows cigarette wholesalers to deduct any losses from bad debts.

Licensee Expenses $13,460,000

Exempts 1.5 percent of the cigarette tax due from licensees, and 1.0 percent of the tax on other tobacco products, to cover their expenses in administering the tax.

Sales on Military Bases and Reservations $5,490,000

Exempts the sale of cigarettes on U.S. military bases and to tribal members living within their own tribe's Indian country.

Tribal Tax Agreements n.a.

Establishes the number of cigarettes that each tribe may obtain tax-free for the tribe's resident members, while requiring retailers in each tribal agreement area to limit tax-free sales to resident members.

State Convention Facility Development Tax

Public Act 106 of 1985 is known as the State Convention Facility Development Act. The Act levies a tax of 1.5 percent of the room charge on hotels with 81 to 160 rooms located in Wayne (excluding Detroit), Oakland, and Macomb Counties, and 5 percent on hotels with over 160 rooms. For Detroit, the tax rates are 3 and 6 percent. The Act became effective October 1, 1985. Revenue is dedicated to pay for qualified convention facilities, with excess revenue returned to Michigan counties.

FY 2016 Estimate

Small Hotel Exemption n.a.

Excludes hotels and motels with fewer than 81 rooms from the state convention facility development tax.

Sales and Use Tax Expenditures

Enacted in 1933, the sales tax is levied on gross proceeds from retail sales of tangible personal property for use or consumption. The sales tax rate is equal to 6 percent. Sales tax collections are projected to yield $7,839.0 million in FY 2016. Sales tax revenues are distributed as follows: 73.3 percent to the School Aid Fund; up to 24.3 percent to cities, villages, and townships; and the remainder to the General Fund. State law earmarks 4.65 percent of the sales tax on transportation-related items to the Comprehensive Transportation Fund (CTF). The use tax is levied on the privilege of use, storage, and consumption of certain tangible personal property that is not subject to the sales tax. It is also levied on the services of telephone, telegraph, and other leased wire communications; sales of used autos between individuals; and transient hotel and motel charges. Most services are exempt. The use tax was enacted in 1937 as a complement to the sales tax; the rate is 6 percent of the purchase or rental price. Two-thirds of the revenue goes to the General Fund while the remainder is deposited into the School Aid Fund. Use tax collections are projected to total $1,487.4 million in FY 2016. Due to their complementary nature, sales and use tax expenditures are reported together.

FY 2016 Estimate

Air and Water Pollution $57,500,000

Exempts the sale of personal property purchased or installed as part of air or water pollution control facilities.

Aircraft Parts $6,830,000

Exempts sales of parts and materials affixed in Michigan to passenger, cartage, and certain other aircraft from tax.

Bad Debts $23,900,000

Effective January 1, 1984, a retailer is allowed to deduct the amount of bad debts related to previously reported, taxable retail sales at the time that these debts become worthless or uncollectible.

Cargo Aircraft $22,260,000

Exempts from use tax aircraft owned by an air carrier certified by the United States Department of Transportation and used solely for the transport of air cargo.

	FY 2016 Estimate
Church Construction Exempts materials used in the construction of a church sanctuary. This exemption was created by Public Act 274 of 1998.	$2,547,000
Church Cars Exempts sales of most cars and trucks to regularly organized churches or houses of religious worship.	$2,470,000
Collection Fee Sales and use tax returns are due by the 20th of the month for sales made the previous month. A seller may retain 0.75 percent of the tax (not to exceed $20,000) if proceeds are remitted by the 12th of the month, or 0.50 percent of the tax (not to exceed $15,000) if proceeds are remitted from the 13th through the 20th of the month.	$45,087,000
Commercial Domestic Aircraft Exempts from use tax aircraft owned by domestic passenger carriers if the aircraft is used primarily in regular commercial passenger transportation.	$4,000,000
Commercial Vessels Exempts sales of commercial vessels of 500 tons or more when purchased on special order. Also exempts bunker and galley fuel, provisions, supplies, maintenance and repairs for the exclusive use of such vessels engaged in interstate commerce.	n.a.
Communication and Telephone Exemption Exempts communications and telephone service from coin-operated installations, switchboards, concentrator identifiers, and interoffice circuitry and their accessories for telephone answering services and directory advertising proceeds.	$37,000,000
Donated Vehicles Exempts certain vehicle transfers from the sales or use taxes when the vehicle is transferred from a qualifying organization to certain low-income families.	$125,000
Driver Training Exempts property used for demonstration or driver training programs.	$200,000
Employee Meals Exempts meals provided by employers to their employees starting in 2002.	$18,890,000

	FY 2016 Estimate
Food Exempts food for human consumption, except prepared food intended for immediate consumption.	$1,352,640,000
Food for Students Exempts sales of food by nonprofit schools or other similar educational institutions to students.	$45,990,000
Government or Red Cross Exempts sales to the United States or agencies or instrumentalities wholly owned by the U.S.; the American Red Cross; and the State of Michigan, its departments, institutions, and political subdivisions.	$199,460,000
Gratuity and Tips Excludes a separately billed and itemized gratuity or tip from a retailer's gross proceeds.	$72,820,000
Horticultural and Agricultural Products Exempts sales of property used or consumed in connection with production of horticultural or agricultural products to persons engaged in business.	$259,844,000
Imported Property Exempts property that is not an aircraft purchased by a nonresident and brought into Michigan more than 90 days after purchase from the use tax. A similar exemption applies to property purchased by a resident and brought into the state more than 360 days after purchase.	$1,720,000
Industrial Processing Exempts sales to persons for use or consumption in industrial processing. This tax expenditure estimate excludes raw materials used in production. This estimate includes exemptions for durable and non-durable manufacturing equipment and utility expenses.	$1,338,000,000
International Telecommunications Exempts international and WATS calls from the use tax.	$6,200,000
Interstate Trucks and Trailers Exempts purchases of qualified trucks and their trailers (and parts affixed to them) by interstate motor carriers from sales and use tax. An exemption based on out-of-state usage would lower the tax expenditure to $12,000,000.	$31,560,000

FY 2016 Estimate

Investment Coins $6,450,000

Exempts investment coins from sales and use tax. Investment coins are legal tender with a fair market value greater than the face value of the coins.

Isolated Sales n.a.

Exempts an isolated sale or transfer transaction by a property owner not required to possess a sales tax license.

Military PX Sales $642,000

Exempts military post-exchange sales.

Military Vehicle Sales n.a.

Exempts vehicle sales to nonresidents serving in the U.S. armed forces, or when purchased by a Michigan resident in military service when sales tax is paid to another state.

Newspapers, Periodicals, and Films $111,280,000

Exempts sales of copyrighted films, newspapers, and periodicals.

Nonprofit Ambulance and Fire Service n.a.

Exempts sales of vehicles not for resale to Michigan nonprofit corporations organized exclusively to provide a community with ambulance or fire department services.

Nonprofit Hospital or Housing Construction $2,210,000

Exempts tangible personal property used by contractors where the property is affixed to and made a structural part of the real estate of a nonprofit hospital or nonprofit housing.

Nonprofit Organizations $282,860,000

Exempts sales to nonprofit schools, hospitals, homes for the care of children or aged persons, and other benevolent institutions operated by an entity of government, a regularly-organized church, a religious or fraternal organization, a veteran's organization, a nonprofit corporation, or a parent-cooperative preschool.

Nonprofit Sales Under $5,000 n.a.

Exempts aggregate sales under $5,000 for qualified nonprofit organizations.

Nonresident Merchandise Transfer n.a.

Exempts promotional merchandise that is transferred pursuant to a redemption offer to a person located outside the state.

	FY 2016 Estimate
Nonresident Property Exempts the storage, use, or consumption of property brought into Michigan by a nonresident living temporarily within this state.	n.a.
Ophthalmic and Orthopedic Products Exempts sales to individuals of artificial limbs or eyes, ophthalmic products, or orthopedic appliances.	$77,940,000
Prescription Drugs Exempts drugs, both prescription and over-the- counter drugs dispensed by a prescription, for human consumption.	$581,500,000
Radio and TV Exempts sales to persons licensed to operate commercial radio or television stations when the property is used as a component of a film, tape, or recording produced for resale or transmission.	$4,400,000
Rail Rolling Stock Exempts rail rolling stock and selected other related equipment, material, and supplies from sales and use taxes.	$1,850,000
Residential Utilities Exempts the residential use of electricity, natural gas, and home heating fuels from the additional two percent sales and use tax rate.	$163,200,000
Returned Vehicles Exempts from gross proceeds "a refund less an allowance" for motor vehicle buybacks by manufacturers under provisions of the lemon law.	$1,100,000
Sale of Business Excludes from the use tax non-inventoried property purchased as part of a business.	n.a.
Sale of Water Exempts the sale of water through water mains or delivered in bulk tanks in quantities over 500 gallons.	$67,900,000
Services Exempts services for categories listed in the table below. The estimates include services consumed by businesses, consumers, and government/non-profit entities. Approximately $4.03 billion of the total represents services purchased by consumers.	$11,811,290,000

Service Tax Expenditures, FY 2016
(millions)

Category	For Profit	Nonprofit	Total
Accommodations and Food Service	$11.3	$0.0	$11.3
Admin., Support, and Waste Mgmt.	938.0	11.5	949.5
Arts, Entertainment, and Recreation	190.7	38.4	229.1
Construction	1,137.8	0.0	1,137.8
Educational Services	71.2	489.7	560.9
Health Care and Social Assistance	1,382.8	2,098.0	3,480.8
Information	329.1	0.0	329.1
Other Services (except Public Admin.)	615.9	122.3	738.2
Professional, Scientific, and Technical	2,187.0	15.6	2,202.6
Real Estate and Rental and Leasing	853.4	0.0	853.4
Transportation and Warehousing	1,196.5	12.8	1,209.3
Utilities	0.0	109.2	109.2
TOTAL	$8,913.7	$2,897.6	$11,811.3

Source: Calculations by the Office of Revenue and Tax Analysis using the *2007 Economic Census: Geographic Area Series, Michigan*, U.S. Department of Commerce. Totals may differ from other exhibits and may not add due to rounding.

FY 2016 Estimate

Small Out-of-State Purchases n.a.

Exempts property purchased outside Michigan where the purchase price or actual value does not exceed $10 per calendar month.

Tax on the Difference - Vehicles $39,800,000

Exempts a portion of the credit given for motor vehicles used as a partial payment on the purchase of a motor vehicle. The exemption was limited to no more than $2,000 in 2014, and will rise by $500 each succeeding January 1. The full value of a trade-in is also exempt for a titled watercraft used as partial payment on the purchase of a titled watercraft.

Telephone Services $15,820,000

Exempts tangible personal property located on the premises of the subscriber and central office equipment or wireless equipment directly used in transmitting, receiving, or switching, or in the monitoring or switching of a two-way interactive device.

	FY 2016 Estimate
Textbooks Sold by Schools Exempts sales of textbooks sold by a public or nonpublic school to students enrolled in a K-12 program.	n.a.
Tribal Tax Agreements Exempts certain sales of tangible personal property to tribes and tribal members for use within a designated agreement area, while providing for increased collections on sales to non-members.	n.a.
Vehicle and Aircraft Transfers Exempts certain isolated transfers of vehicles, aircraft, snowmobiles, or watercraft.	$39,170,000
Vehicles Purchased for Use in Another State Provides for an adjusted tax on the vehicles purchased in Michigan for use in another state. The sales tax is equal to what would have been paid if the vehicle had been purchased in the other state.	n.a.
Vending Machines and Mobile Facilities Exempts the portion of gross proceeds representing commissions paid to an entity otherwise exempt from the sales tax where the gross proceeds are from certain non-electric vending machines where consideration is 10 cents or less. Also exempts sales of nonalcoholic beverages, and items sold near room temperature from a mobile facility or vending machine.	$22,275,000

CHAPTER 6

INDIVIDUAL INCOME TAX EXPENDITURES

Individual income tax expenditures include federal income tax expenditures (i.e., tax revenue foregone due to deductions, credits, or exemptions from the calculation of federal adjusted gross income), and state income tax expenditures (i.e., tax revenue foregone due to credits and exemptions that appear on the state income tax form). State individual income tax expenditures are projected to increase 2.7 percent from $6,068.5 million in FY 2015 to $6,233.4 million in FY 2016. Federal income tax expenditures are projected to increase 2.8 percent from $3,190.6 million in FY 2015 to $3,281.4 million in FY 2016. Individual income tax expenditure estimates were based on tax year 2012 data.

Estimate Reliability (1) State Income Tax Expenditures
(3) Federal Income Tax Expenditures

State income tax expenditure estimates are reliable because they are based on actual individual tax returns for tax year 2012. In addition, most state income tax expenditures are credits that are relatively stable from year to year.

In contrast, federal income tax expenditure estimates are less reliable. Federal income tax expenditures are estimated by apportioning total (national) federal tax expenditure estimates to Michigan using a three-step formula (outlined later). Thus, Michigan federal income tax expenditure estimates will only be as reliable as federal government (national) estimates and the assumptions used to apportion those estimates to Michigan.

Individual Income Tax Expenditure Changes

Public Act 133 of 2013 amended the Revenue Act to require additional interest to be paid on refunds claimed by individuals, estates, or trusts under the Income Tax Act, if certain conditions are met. The additional interest of 3 percent per year would be due if an eligible refund is paid after May 1, for returns received on or before March 1, or if a refund is paid more than 60 days from the date the return was received if received after March 1. To be eligible for the additional interest a return would have to be generally free from errors and be complete when originally filed.

Public Act 206 of 2013 amended the Income Tax Act to treat all blind filers of the homestead property tax credit the same as taxpayers who are classified as disabled. Prior to the passage of the Public Act, blind claimants over the age of 65 were classified as senior citizens and not disabled, and thus eligible for a less generous calculation of the homestead property tax credit if the claimant's total household resources were over $21,000.

State Income Tax Expenditures

Enacted in 1967, the Michigan individual income tax is a direct tax on federal AGI after certain adjustments are made. For FY 2016, the State of Michigan will collect an estimated $8,885.4 million in net income tax revenue. Income tax revenue goes to the School Aid Fund and General Fund.

State income tax expenditures include the state personal exemption, subtractions from income, and various state tax credits. In tax year 2012, these tax expenditures reduced Michigan's effective income tax rate from a nominal rate of 4.33 percent to an average effective rate of 2.42 percent. Public Act 38 of 2011 made significant changes to the Michigan income tax, effective January 1, 2012. The impact of those changes is included in the estimates below. Detailed information on income tax expenditures is presented in Exhibits 13 through 17.

	FY 2016 Estimate
Adjustments to Income New data allow for subtractions from income to be reported separately.	$0
College Savings Account A deduction is allowed for contributions to purchase contracts under the Michigan Education Trust or to fund accounts in the Michigan Education Savings Program. Investment earnings are also exempt.	$13,718,000
Dependent Exemption Taxpayers claimed as a dependent on another taxpayer's return may claim an exemption equal to $1,500 for themselves when filing their tax return.	$17,750,000
Disabled Veterans Exemption Allows a taxpayer to claim an additional exemption of $400 if the taxpayer or a dependent of the taxpayer is a qualified disabled veteran.	$250,000
Earned Income Tax Credit Provides a refundable income tax credit equal to 6 percent of any federal earned income tax credit for which a taxpayer is eligible.	$117,954,000
Farmland Development Credit Provides an income tax credit for property taxes paid on farms covered by a farmland development rights agreement to reduce conversion of agricultural and open space lands to other uses (see Exhibit 16). This credit was expanded by Public Act 421 of 2000.	$44,972,000

	FY 2016 Estimate
Historic Preservation Credit Provides a credit against qualified expenditures made to rehabilitate a historic resource. The rehabilitation plan must be certified by the Michigan Historical Center.	$110,000
Holocaust Survivor Asset Recovery Deduction Public Act 181 of 1999 allows Holocaust survivors to subtract any income received as a result of a settlement of claims against any entity or individual for any recovered asset pursuant to the German act regulating unresolved property claims.	n.a.
Home Heating Assistance Credit Provides a refundable credit to assist low-income households with the cost of home heating. For FY 2013, these credits totaled an estimated $45.4 million. The program is primarily funded with a block grant from the federal government. The credit's net cost to the state was $93,100 in FY 2011.	$99,000
Homestead Property Tax Credit Provides a refundable credit against income tax liability for property tax paid. In most cases, this credit is 60 percent of the amount by which property taxes exceed 3.5 percent of household income. Renters may use 20 percent of the rent paid to approximate their property tax, and then calculate their credit as above. Special credits are available for low-income senior citizens, veterans, and blind and disabled persons. For tax year 2012, homestead credits, excluding the farmland credit itemized separately, totaled $543.7 million (Exhibit 16). Of the homestead credits, 53.8 percent went to general taxpayers, 35.7 percent went to senior citizens, and the remaining 10.5 percent went to veterans and blind and disabled persons.	$560,137,000
Income Attributable to Another State Provides a deduction to Michigan residents for business income earned in another state and gains on the sale of property in other states. In addition, non-residents may deduct income not allocated to Michigan.	$3,085,833,000
Income from Extractive Activities Deduction The extraction of oil, natural gas, and non-ferrous metals are subject to specific taxes in lieu of other taxes.	$1,000,000

	FY 2016 Estimate
Income Tax Paid to Another State Credit Provides a credit to Michigan taxpayers subject to income tax if the taxpayer's income is also taxed by another state. For tax year 2012, taxpayers claimed $48.6 million in credits.	$55,861,000
Military Pay Exempts compensation received while on active duty in the U.S. Armed Forces.	$67,009,000
Miscellaneous Deductions Includes the amount used to determine the federal credit for the elderly or totally and permanently disabled and any portion of a qualified withdrawal from an MESP account that is included in AGI.	$3,000,000
Net Operating Loss Deduction Taxpayers may only deduct the Michigan portion of a net operating loss.	$1,700,000
Net Adjustment for Gains/Losses Michigan taxpayers only include in Michigan taxable income gains or losses on business or real property if that property is located in Michigan. Losses on property located outside Michigan may not be subtracted and gains on property located outside Michigan may be excluded.	$10,000,000
Pension and Retirement Benefits Deduction Provides a deduction for pension and retirement benefits based on the age of the taxpayer and, if married, the taxpayer's spouse. For those born prior to 1946, all benefits from public sources are deductible and benefits from private sector plans are deductible up to $49,027 for singles and $98,054 for married couples filing a joint return (2014 limits). Taxpayers born between 1946 and 1952, inclusive, may deduct from all retirement benefits up to $20,000 for singles and $40,000 for married couples. The deduction for pension and retirement benefits is replaced with the Michigan standard deduction against all income when those born between 1946 and 1952 reach age 67. There is no deduction allowed for taxpayers born after 1953 until they turn age 67.	$310,488,000

	FY 2016 Estimate
Personal Exemption	$1,305,767,000

Exempts $3,950 (tax year 2013) from AGI for each personal exemption claimed on the federal income tax return. The personal exemption will increase to $4,000 in 2014, and then increase in $100 increments based on the rate of inflation. The personal exemption reduced tax year 2012 revenue by approximately $1,209.5 million.

The distribution of effective exemptions across AGI classes is outlined in Exhibit 13. Effective exemptions are exemptions that offset actual income.

Renaissance Zones — $1,253,000

Public Act 376 of 1996 establishes Renaissance Zones. Public Act 98 of 1999 allows for the designation of 10 additional zones. Public Act 139 of 1999 lets the communities with zones designated in 1996 establish new subzones and extend the tax cuts in their subzones. The Income Tax Act exempts residents of the zones from tax on most types of income. Special provisions apply to capital gains, interest, dividend, and lottery income.

Senior Investment Income Deduction — $15,958,000

Allows a taxpayer who was born prior to 1946 to deduct dividends, interest, and capital gains included in AGI up to limits which are adjusted for inflation annually. The limits for tax year 2014 are $10,929 for singles and $21,857 for couples filing a joint return. The limits are reduced by the amount deducted for pension and retirement benefits.

Senior Standard Deduction — $232,000,000

Beginning in tax year 2013, taxpayers born after 1945 and before 1953 who have reached age 67 are eligible for a deduction against all income in lieu of a deduction for retirement benefits. The deduction is $20,000 for singles and $40,000 for couples filing a joint return.

Social Security Benefits — $346,051,000

Provides a deduction for Social Security benefits included in AGI. Depending on income, benefit recipients may have to include some Social Security benefits in AGI for federal tax purposes.

Special Exemption — $11,852,000

Allows a taxpayer and his or her spouse to each claim a $2,500 exemption for tax year 2014 if they or a dependent are disabled. These exemptions are adjusted periodically for inflation.

	FY 2016 Estimate
State and Local Income Tax Refunds	$20,661,000

Provides a deduction of a state and local income tax refund if the refund is included in AGI. For federal tax purposes, payments of state and local taxes that are reported as an itemized deduction but subsequently returned as a refund are included in AGI for the year in which the refund was received. For example, income tax withholding for tax year 2013 may be claimed as an itemized deduction on the 2013 federal income tax return. If a portion of that withholding is returned to a taxpayer as a refund in early 2014, the taxpayer would report the refund as income on the 2014 federal income tax return, but subtract the refund amount on the 2014 Michigan return.

Tribal Tax Agreements n.a.

Exempts all non-business income of resident tribal members from the income tax. Business income will be allocated based on the percentage of business activity that takes place within tribal and trust lands.

U.S. Government Bond Interest Deduction $9,991,000

Provides a deduction for interest received on debt issued by the U.S. Government and included in AGI. The deduction includes interest received from U.S. Savings Bonds and U.S. Treasury bills, notes, and bonds.

Exhibit 13
Selected Individual Income Tax Expenditures by Income Class, CY 2012

Adjusted	MI-1040s		Gen. Prop Tax Credit		Effective Exemptions[1]	
Gross Income	Number	Percent	Number	Amount	Number	Amount
Zero Income[2]	166,343	3.6%	13,469	$8,169,971	0	$0
$0 - 2,000	180,230	3.9%	14,489	7,412,592	17,868	2,911,407
2,001 - 4,000	161,084	3.5%	13,668	6,158,960	57,702	9,401,881
4,001 - 6,000	157,603	3.4%	18,731	8,234,739	85,732	13,969,061
6,001 - 8,000	155,964	3.4%	24,788	10,908,878	111,007	18,087,206
8,001 - 10,000	168,683	3.7%	38,345	17,778,067	159,278	25,952,372
10,001 - 12,000	161,374	3.5%	39,189	18,338,230	172,022	28,028,946
12,001 - 14,000	163,325	3.5%	46,405	22,101,991	211,659	34,487,225
14,001 - 16,000	154,915	3.4%	45,680	21,468,120	214,485	34,947,784
16,001 - 18,000	142,486	3.1%	44,571	20,522,293	208,774	34,017,204
18,001 - 20,000	129,795	2.8%	40,464	17,927,415	188,666	30,740,842
20,001 - 25,000	285,871	6.2%	90,303	38,539,319	436,643	71,145,708
25,001 - 30,000	248,115	5.4%	77,461	31,234,941	400,294	65,223,012
30,001 - 35,000	216,182	4.7%	65,022	24,917,576	363,061	59,156,435
35,001 - 40,000	193,080	4.2%	54,380	20,352,556	333,884	54,402,329
40,001 - 45,000	167,427	3.6%	41,243	12,976,547	299,323	48,771,066
45,001 - 50,000	149,962	3.3%	30,471	4,783,109	278,549	45,386,246
50,001 - 55,000	138,941	3.0%	3,019	412,332	267,559	43,595,448
55,001 - 60,000	129,523	2.8%	412	89,738	259,803	42,331,792
60,001 - 70,000	229,588	5.0%	193	62,264	492,821	80,299,256
70,001 - 80,000	197,408	4.3%	87	44,567	455,608	74,235,789
80,001 - 90,000	165,035	3.6%	55	23,378	400,115	65,193,835
90,001 - 100,000	135,649	2.9%	27	16,185	342,422	55,793,440
Over 100,000	615,322	13.3%	96	55,239	1,665,725	271,409,731
TOTAL	4,613,905	100.0%	702,568	$292,529,007	7,423,000	$1,209,488,015

(1) Effective exemptions in this exhibit are personal exemptions that offset exemptions. This number does not include disabled and other special exemptions.

(2) Includes 147,335 credit-only returns.

Exhibit 14
Effective Income Tax Rates by Income Class, CY 2012[1]

Adjusted Gross Income	Total Adjusted Gross Income	Total Income Tax Paid	Effective Tax Rate
Zero Income[2]	($4,850,024,535)	($59,413,538)	
$0 - 2,000	149,490,437	(57,021,652)	-38.14%
2,001 - 4,000	483,052,362	(23,837,981)	-4.93%
4,001 - 6,000	788,006,652	(20,560,289)	-2.61%
6,001 - 8,000	1,091,710,700	(19,356,702)	-1.77%
8,001 - 10,000	1,524,084,750	(22,610,289)	-1.48%
10,001 - 12,000	1,773,850,149	(16,059,329)	-0.91%
12,001 - 14,000	2,124,580,495	(14,533,121)	-0.68%
14,001 - 16,000	2,323,409,112	(3,281,888)	-0.14%
16,001 - 18,000	2,418,638,909	6,797,916	0.28%
18,001 - 20,000	2,464,656,154	19,279,384	0.78%
20,001 - 25,000	6,413,647,765	79,289,648	1.24%
25,001 - 30,000	6,810,296,197	119,596,487	1.76%
30,001 - 35,000	7,013,854,713	148,164,876	2.11%
35,001 - 40,000	7,232,849,508	172,538,320	2.39%
40,001 - 45,000	7,106,561,445	183,412,049	2.58%
45,001 - 50,000	7,117,303,119	197,420,651	2.77%
50,001 - 55,000	7,290,239,066	209,052,322	2.87%
55,001 - 60,000	7,442,832,342	214,289,019	2.88%
60,001 - 70,000	14,896,044,721	437,740,039	2.94%
70,001 - 80,000	14,775,256,843	444,360,897	3.01%
80,001 - 90,000	14,000,919,162	427,209,633	3.05%
90,001 - 100,000	12,861,163,984	399,947,362	3.11%
Over 100,000	165,257,176,758	4,222,070,198	2.55%
TOTAL	$288,509,600,808	$7,044,494,012	2.44%

Effective rate excluding zero income AGI and Taxes Paid	2.42%
Effective rate excluding zero income AGI	2.40%

(1) Values in this table are based on a sample of the 4,514,771 MI-1040 and MI-1040CR returns.

(2) Includes 99,134 credit-only returns (zero income).

Exhibit 15
Tax Expenditures as a Percent of Adjusted Gross Income, CY 2012

Adjusted Gross Income	Effective Exemptions[1]	Adjustments to Income	Nonrefundable Credits[2]	Prop. Tax Credits
Less Than $2,000	500.9%	35.4%	-1.6%	787.2%
2,001 - 4,000	119.6%	18.2%	-0.5%	117.5%
4,001 - 6,000	81.5%	18.6%	-0.2%	76.5%
6,001 - 8,000	66.1%	20.4%	0.1%	61.4%
8,001 - 10,000	59.1%	19.8%	-0.1%	52.6%
10,001 - 12,000	51.9%	21.7%	0.1%	44.4%
12,001 - 14,000	49.6%	20.5%	0.0%	38.8%
14,001 - 16,000	44.3%	20.5%	0.0%	32.4%
16,001 - 18,000	40.4%	19.8%	-0.1%	28.1%
18,001 - 20,000	35.6%	20.1%	0.0%	23.5%
20,001 - 25,000	31.1%	20.1%	0.1%	18.6%
25,001 - 30,000	26.2%	19.5%	0.1%	13.5%
30,001 - 35,000	22.7%	19.2%	0.2%	9.9%
35,001 - 40,000	19.9%	18.7%	0.1%	7.5%
40,001 - 45,000	18.1%	19.0%	0.2%	4.8%
45,001 - 50,000	16.6%	19.0%	0.2%	1.8%
50,001 - 55,000	15.4%	19.4%	0.2%	0.2%
55,001 - 60,000	14.6%	19.9%	0.2%	0.0%
60,001 - 70,000	13.6%	19.3%	0.2%	0.0%
70,001 - 80,000	12.5%	18.6%	0.3%	0.0%
80,001 - 90,000	11.6%	18.4%	0.3%	0.0%
90,001 - 100,000	10.8%	17.8%	0.3%	0.0%
Over 100,000	4.1%	37.0%	0.1%	0.0%

(1) The effective exemption number includes special exemptions (e.g., disabled exemption).

(2) Income tax credits were divided by the tax rate (4.33%) to determine the equivalent tax deduction. Nonrefundable credits include the credit for taxes paid to other states, and the historic preservation credit.

Exhibit 16
Property Tax Credits by County, CY 2012

County	General Number	General Amount	Seniors Number	Seniors Amount	Veterans Number	Veterans Amount
ALCONA	400	$104,700	400	$177,400	< 50	$1,600
ALGER	400	119,400	300	125,300	< 50	1,500
ALLEGAN	5,600	1,954,600	3,100	1,743,600	< 50	2,600
ALPENA	1,500	401,600	1,300	552,900	100	4,500
ANTRIM	1,100	398,800	800	431,900	< 50	2,200
ARENAC	700	201,900	600	285,200	< 50	2,000
BARAGA	200	67,800	200	91,200	< 50	1,600
BARRY	2,500	898,700	1,600	885,200	< 50	2,500
BAY	7,100	2,264,700	4,900	2,494,500	100	11,700
BENZIE	900	290,100	500	242,400	< 50	1,700
BERRIEN	10,100	3,441,200	6,000	3,253,000	100	6,200
BRANCH	2,200	707,200	1,300	660,600	< 50	2,900
CALHOUN	9,000	3,287,900	4,900	2,828,400	100	9,600
CASS	2,100	693,700	1,400	709,500	< 50	2,200
CHARLEVOIX	1,800	621,700	1,100	625,800	< 50	1,400
CHEBOYGAN	1,200	320,600	700	319,000	< 50	3,300
CHIPPEWA	1,700	480,100	1,000	468,100	100	6,500
CLARE	1,600	446,800	1,000	413,800	< 50	4,000
CLINTON	2,900	1,176,200	2,000	1,156,400	< 50	1,200
CRAWFORD	600	164,300	400	172,100	< 50	2,900
DELTA	1,900	564,300	1,400	701,000	100	10,000
DICKINSON	1,400	416,900	1,100	586,200	100	7,700
EATON	7,700	3,089,500	4,300	2,490,900	< 50	3,300
EMMET	2,600	884,200	1,200	707,500	< 50	1,600
GENESEE	29,400	9,907,000	12,200	5,571,100	200	28,700
GLADWIN	1,100	345,200	1,100	465,400	< 50	3,600
GOGEBIC	700	195,000	600	267,200	< 50	7,000
GRAND TRAVERSE	7,500	2,975,600	3,400	2,089,700	< 50	3,700
GRATIOT	2,100	627,800	1,300	622,300	< 50	3,000
HILLSDALE	2,300	758,600	1,400	692,200	100	6,400
HOUGHTON	1,500	447,700	800	371,100	100	7,800
HURON	1,700	650,400	1,900	1,099,300	< 50	4,900
INGHAM	24,400	10,284,100	8,400	5,405,400	100	7,300
IONIA	3,200	1,058,200	1,700	845,200	< 50	2,900
IOSCO	1,200	319,100	1,000	377,300	100	8,300
IRON	500	122,000	500	218,700	100	6,600
ISABELLA	3,800	1,271,200	1,300	729,900	< 50	3,100
JACKSON	9,500	3,255,800	5,200	2,656,800	100	9,000
KALAMAZOO	19,700	7,483,100	8,000	4,889,800	100	10,800
KALKASKA	900	269,000	500	197,100	< 50	2,000
KENT	49,100	18,249,000	18,600	10,670,100	100	15,200
KEWEENAW	100	14,800	0	15,400	< 50	800

Exhibit 16 (Continued)

County	General		Seniors		Veterans	
	Number	Amount	Number	Amount	Number	Amount
LAKE	500	$157,500	400	$167,100	< 50	$2,000
LAPEER	4,100	1,414,300	2,300	1,108,200	< 50	3,500
LEELANAU	800	282,400	600	320,100	< 50	600
LENAWEE	6,100	2,206,700	3,800	2,077,600	< 50	3,500
LIVINGSTON	500	157,500	400	167,100	< 50	2,000
LUCE	200	38,600	100	21,400	< 50	1,500
MACKINAC	500	168,400	400	180,400	< 50	1,300
MACOMB	68,100	33,168,800	38,500	24,657,700	200	24,700
MANISTEE	1,300	413,200	1,100	571,100	< 50	3,000
MARQUETTE	3,600	1,106,100	1,600	769,100	100	11,600
MASON	2,000	663,100	1,400	805,800	< 50	1,800
MECOSTA	2,000	644,600	1,100	490,700	< 50	3,800
MENOMINEE	900	273,300	700	320,400	100	5,300
MIDLAND	4,500	1,492,000	2,400	1,276,200	100	6,200
MISSAUKEE	600	192,100	400	197,200	< 50	1,400
MONROE	6,600	2,397,300	4,500	2,247,200	< 50	3,900
MONTCALM	3,700	1,166,900	2,200	1,075,600	< 50	3,300
MONTMORENCY	400	120,300	400	154,200	< 50	2,700
MUSKEGON	12,100	4,074,900	6,200	3,248,700	100	13,000
NEWAYGO	2,300	805,900	1,600	855,000	< 50	3,500
OAKLAND	75,400	37,979,200	36,600	25,227,700	200	22,600
OCEANA	1,500	456,100	1,100	548,500	< 50	2,900
OGEMAW	1,000	289,400	800	350,300	< 50	2,500
ONTONAGON	200	73,200	200	94,700	< 50	4,800
OSCEOLA	1,100	318,100	900	418,400	< 50	2,400
OSCODA	300	60,100	200	57,200	< 50	1,400
OTSEGO	1,300	394,400	700	295,000	< 50	2,100
OTTAWA	16,100	5,769,500	8,600	4,865,700	100	5,100
PRESQUE ISLE	500	140,600	600	268,100	< 50	3,500
ROSCOMMON	1,200	357,500	1,100	438,200	100	5,100
SAGINAW	12,300	3,751,900	6,300	2,869,000	200	18,700
ST. CLAIR	10,300	3,709,500	6,100	3,285,000	100	11,300
ST. JOSEPH	3,500	1,093,000	1,900	959,600	< 50	3,900
SANILAC	2,300	786,600	1,600	826,000	< 50	4,200
SCHOOLCRAFT	300	84,500	200	82,000	< 50	3,400
SHIAWASSEE	4,700	1,516,700	2,900	1,400,200	100	6,300
TUSCOLA	2,900	919,000	2,000	982,500	100	5,900
VAN BUREN	5,000	1,818,700	2,900	1,696,900	< 50	3,000
WASHTENAW	24,000	11,765,400	7,300	5,357,900	< 50	5,000
WAYNE LESS DETROIT	78,500	38,361,100	39,200	25,940,900	200	22,200
WEXFORD	2,100	665,700	1,200	605,600	< 50	4,800
OUTSIDE OF MICHIGAN	5,600	2,235,900	2,000	1,183,600	< 50	3,600
DETROIT	98,900	44,775,700	22,700	14,109,500	200	39,700
TOTAL	702,600	$292,529,000	330,100	$194,074,800	4,600	$510,200

Exhibit 16 (Continued)

County	Blind and Disabled		Farmland		Total Credits	
	Number	Amount	Number	Amount	Number	Amount
ALCONA	100	$35,100	< 50	$17,600	900	$336,400
ALGER	100	30,600	< 50	300	800	277,000
ALLEGAN	800	435,900	100	889,600	9,800	5,026,200
ALPENA	400	158,900	< 50	21,100	3,200	1,138,900
ANTRIM	200	80,400	< 50	53,000	2,200	966,200
ARENAC	200	72,300	100	229,800	1,500	791,100
BARAGA	100	23,000	< 50	0	500	183,600
BARRY	300	172,000	100	464,800	4,500	2,423,300
BAY	1,500	757,800	200	1,376,200	13,800	6,904,900
BENZIE	100	59,400	< 50	3,000	1,600	596,500
BERRIEN	1,600	870,800	100	319,100	17,800	7,890,300
BRANCH	300	157,100	200	853,800	4,100	2,381,600
CALHOUN	1,900	1,099,300	200	904,300	16,000	8,129,600
CASS	300	134,900	100	847,200	3,900	2,387,400
CHARLEVOIX	200	94,900	< 50	35,800	3,200	1,379,500
CHEBOYGAN	200	100,900	< 50	16,200	2,200	759,900
CHIPPEWA	300	113,400	< 50	28,800	3,000	1,096,900
CLARE	300	135,300	< 50	111,200	3,000	1,111,000
CLINTON	400	210,900	200	786,100	5,500	3,330,800
CRAWFORD	100	46,600	< 50	0	1,100	385,900
DELTA	400	199,100	< 50	57,900	3,900	1,532,200
DICKINSON	200	100,200	< 50	18,600	2,800	1,129,700
EATON	900	521,700	100	552,300	13,100	6,657,700
EMMET	200	99,000	< 50	9,700	4,000	1,702,000
GENESEE	5,400	2,883,700	100	335,300	47,200	18,725,700
GLADWIN	300	106,500	< 50	32,900	2,500	953,600
GOGEBIC	100	47,700	< 50	0	1,500	516,900
GRAND TRAVERSE	700	396,100	< 50	63,400	11,700	5,528,500
GRATIOT	400	155,900	400	1,764,500	4,100	3,173,500
HILLSDALE	400	184,200	200	667,200	4,300	2,308,700
HOUGHTON	200	81,500	< 50	0	2,500	908,100
HURON	300	118,900	900	5,974,000	4,900	7,847,400
INGHAM	2,900	1,834,600	100	1,172,800	35,800	18,704,100
IONIA	500	243,900	100	753,500	5,500	2,903,700
IOSCO	300	117,400	< 50	36,700	2,700	858,800
IRON	100	40,500	< 50	2,000	1,100	389,800
ISABELLA	400	204,600	100	526,200	5,700	2,735,000
JACKSON	1,700	938,800	100	337,200	16,600	7,197,700
KALAMAZOO	2,400	1,407,400	100	567,000	30,300	14,358,100
KALKASKA	100	52,700	< 50	3,600	1,500	524,300
KENT	5,400	3,163,500	100	647,000	73,300	32,744,800
KEWEENAW	< 50	5,100	< 50	0	100	36,100

Exhibit 16 (Continued)

	Blind and Disabled		Farmland		Total Credits	
County	**Number**	**Amount**	**Number**	**Amount**	**Number**	**Amount**
LAKE	200	$75,800	< 50	$6,900	1,100	$409,300
LAPEER	600	295,800	100	193,300	7,100	3,015,000
LEELANAU	100	42,300	< 50	52,900	1,400	698,400
LENAWEE	1,100	593,400	400	2,198,700	11,400	7,080,000
LIVINGSTON	700	414,300	< 50	6,900	12,300	6,186,300
LUCE	< 50	9,400	< 50	1,600	300	72,500
MACKINAC	100	29,200	< 50	4,500	1,000	383,900
MACOMB	8,100	5,636,900	< 50	112,900	114,900	63,601,000
MANISTEE	300	111,600	< 50	4,000	2,700	1,102,800
MARQUETTE	400	188,400	< 50	3,500	5,800	2,078,800
MASON	300	165,000	100	236,000	3,800	1,871,600
MECOSTA	300	142,500	< 50	170,300	3,400	1,452,000
MENOMINEE	100	51,000	< 50	69,300	1,800	719,300
MIDLAND	600	326,200	100	208,300	7,700	3,308,900
MISSAUKEE	100	50,600	100	492,400	1,300	933,600
MONROE	1,000	539,700	100	578,400	12,400	5,766,600
MONTCALM	700	336,800	200	799,900	6,800	3,382,400
MONTMORENCY	100	36,300	< 50	6,200	900	319,700
MUSKEGON	2,600	1,445,300	< 50	204,300	21,100	8,986,300
NEWAYGO	500	232,600	100	256,700	4,500	2,153,700
OAKLAND	7,200	5,076,200	< 50	122,000	119,300	68,427,600
OCEANA	300	129,400	100	202,500	2,900	1,339,500
OGEMAW	300	117,100	< 50	99,900	2,100	859,300
ONTONAGON	100	23,200	< 50	2,000	600	197,900
OSCEOLA	200	86,900	100	241,700	2,200	1,067,400
OSCODA	100	24,200	< 50	0	500	142,900
OTSEGO	100	61,800	< 50	0	2,100	753,300
OTTAWA	1,700	978,000	200	1,673,400	26,600	13,291,700
PRESQUE ISLE	100	47,600	< 50	40,400	1,300	500,100
ROSCOMMON	300	117,900	< 50	22,600	2,600	941,300
SAGINAW	2,600	1,313,700	500	1,998,600	21,700	9,952,000
ST. CLAIR	1,600	906,700	< 50	181,700	18,200	8,094,200
ST. JOSEPH	600	277,300	100	748,100	6,200	3,081,900
SANILAC	400	172,100	500	1,838,300	4,700	3,627,300
SCHOOLCRAFT	100	22,100	< 50	4,100	600	196,100
SHIAWASSEE	900	450,300	200	781,900	8,600	4,155,600
TUSCOLA	600	245,900	600	3,573,100	6,200	5,726,400
VAN BUREN	900	463,000	100	448,900	8,800	4,430,400
WASHTENAW	1,900	1,292,700	200	1,223,800	33,400	19,644,900
WAYNE LESS DETROIT	9,900	7,140,500	< 50	146,100	127,700	71,610,900
WEXFORD	400	204,900	< 50	51,600	3,800	1,532,700
OUTSIDE OF MICHIGAN	600	348,800	< 50	286,100	8,200	4,058,000
DETROIT	12,700	8,633,500	< 50	100	134,500	67,558,500
TOTAL	93,600	$56,549,100	7,600	$39,982,100	1,138,400	$583,645,200

Federal Income Tax Expenditures

Michigan's income tax uses the federal definition of AGI as the starting point in calculating taxable income. Therefore, income sources excluded from AGI at the federal level are excluded automatically from state income taxation unless the state explicitly adds these items back. This section lists income sources that are not included in the federal definition of AGI and are not added back to Michigan taxable income.

Federal income tax expenditure estimates were derived using a three-step formula:

1. Federal (national) government tax expenditure estimate times Michigan's apportionment factor equals Michigan's share of federal government revenue loss.

2. Michigan's share of federal revenue loss divided by the average marginal tax rate for federal taxpayers equals Michigan income excluded from federal taxation.

3. Michigan income excluded from federal taxation times the state income tax rate equals Michigan's tax expenditure due to federal deductions or exemptions.

Federal government estimates are from the *Budget of the United States Government*.

The apportionment factors for the various expenditures are based on relevant statistics from the Bureau of Economic Analysis, the U.S. Census Bureau, and other sources. Federal marginal tax rates are from the U.S. Department of Treasury.

The reader is again cautioned regarding the reliability of federal income tax expenditure estimates. The accuracy of these estimates is dependent upon the accuracy of federal estimates, apportionment factor estimates, and marginal tax rate estimates.

	FY 2016 Estimate
Accelerated Depreciation When a person buys property to be used in a business or to earn rent and the property has a useful life of more than one year, the cost of the property is typically depreciated over its expected life. For tax purposes, a person may deduct depreciation at an accelerated rate. The federal tax expenditure estimate for depreciation now compares tax law depreciation with the estimated economic depreciation adjusted for inflation.	$67,431,000
Employer Contributions to Health and Life Insurance Exempts employer payments for employee medical insurance from taxation. Also exempts employer payments for life insurance premiums on the first $50,000 of life insurance.	$1,153,266,000

	FY 2016 Estimate
Employer Pension Plans Exempts employer payments into qualified employee pension plans from taxation.	$753,480,000
Federal Adjustments to Income Excludes moving expenses, health insurance purchased by self-employed persons, and alimony paid from the calculation of federal AGI.	$56,292,000
Fellowships and Scholarships Excludes most fellowships and scholarships used for tuition and fees for degree-seeking candidates from the calculation of federal AGI.	$16,826,000
Gain on Sale of Primary Residence Excludes from AGI a gain from the sale of a primary residence. To qualify for the full exemption, the taxpayer must have owned and lived in the home for at least two of the past five years and not claimed a similar exclusion in the previous two years. The maximum exclusion is $250,000 for a single return and $500,000 for a joint return.	$249,263,000
Income Maintenance Benefits Excludes public assistance benefits such as Temporary Aid to Needy Families (TANF) and general assistance from taxation.	$5,688,000
Individual Retirement Accounts Since 1982, taxpayers could establish an IRA and deduct from taxable income contributions up to $2,000 per year. In 1987, this deduction was reduced or eliminated for some taxpayers. Federal tax legislation enacted in 2001 increased the maximum contribution limit to $5,500 for 2014. Only persons with an AGI below $96,000 on a joint return ($60,000 on a single return) or not covered by an employer retirement plan can take the full $5,500 deduction. A partial deduction, phased out according to income, is available between $96,000-$116,000 for joint filers and $60,000-$70,000 for single filers.	$299,376,000
Interest on Life Insurance Savings Exempts interest earned from life insurance from tax if used to buy additional life insurance.	$104,883,000
Medical Care Savings Account Reduces income by the amount contributed by or on behalf of a taxpayer to a qualified medical care savings account.	$7,806,000

	FY 2016 Estimate
Railroad Retirement Benefits Exempts most Type I railroad retirement benefits, which are taxed the same as social security benefits (see below).	$2,457,000
Social Security Benefits Exempts most social security benefits. Federal social security benefits are not taxable under federal law unless half of these benefits plus modified AGI exceed $32,000 on a joint return or $25,000 on an individual return. If benefits exceed this amount, a portion (generally no more than 50 percent but potentially up to 85 percent of social security benefits) is taxable under federal law. This estimate is only for the portion of Social Security benefits that are excluded from federal AGI. The portion included in AGI is reported separately above.	$411,307,000
Student Loan Deduction Allows a deduction for interest paid on qualified education loans. The Federal Taxpayer Relief Act of 1997 provides a maximum deduction of $2,500 for tax year 2001 and following.	$4,113,000
Veterans' Benefits Excludes veterans' benefits administered by the Veterans' Administration from AGI.	$79,188,000
Workers' Compensation Exempts workers' compensation received by the worker or his or her beneficiaries from taxation.	$70,021,000

CHAPTER 7

TRANSPORTATION TAX EXPENDITURES

Transportation tax expenditures are projected to essentially remain unchanged, decreasing from $48.21 million in FY 2015 to $48.18 million in FY 2016. Transportation tax expenditure estimates were based on FY 2012 and FY 2013 data.

Estimate Reliability	(1)	Aviation Fuel Tax
		Motor Vehicle Registration Fee
		Watercraft Registration Fee
	(2)	Marine Vessel Fuel
		Motor Fuel Tax

Because most transportation tax expenditures require taxpayers to claim a refund from the state, transportation tax expenditure estimates have a relatively high degree of reliability. In addition, most of the estimates were based on recent data.

Transportation Tax Expenditure Changes

No changes in 2013.

Aircraft Registration and Transfer Fee

In lieu of general or local property taxes on aircraft, the state levies an aircraft registration fee. The tax base is either the maximum gross weight or maximum take-off weight, whichever is greater. The registration fee is assessed at one cent per pound. The transfer fee is $1. These fees will yield an estimated $354,000 to the state's Aeronautics Fund in FY 2016.

Aviation Fuel Tax Expenditures

Enacted in 1929, the aviation fuel tax is a tax on fuel sold for propelling aircraft. It is levied on the privilege of using aviation facilities, and the rate is three cents per gallon. In FY 2016, the aviation fuel tax is projected to yield $5.1 million, which is deposited into the state's Aeronautics Fund.

	FY 2016 Estimate
Federally-Owned Aircraft Exempts the federal government from the aviation gasoline tax for fuel used in federally-owned aircraft.	$317,000

	FY 2016 Estimate
Interstate Flight Refund Airlines that operate scheduled interstate flights receive a refund of 1.5 cents per gallon of aviation fuel used.	$3,216,000

Marine Vessel Fuel Tax Expenditures

Enacted in 1947, the marine vessel fuel tax is levied on the privilege of operating vessels on navigable streams. The rate is 15 cents per gallon on diesel fuel. Two percent of gasoline sales is assumed to be for off-road use and is earmarked to the Recreation Improvement Fund. Not less than 80 percent of this amount is transferred to the Waterways Fund.

	FY 2016 Estimate
Marine Vessel Exemption Exempts watercraft used: by federal, state, or local governments; for commercial fishing; by the Sea Scouts; in interstate or foreign commerce; by a railroad company; and in connection with an activity providing a person's chief means of livelihood from the tax on marine fuels.	$740,000

Motor Carrier Privilege Fee

A $100 fee is assessed on most vehicles operating on highways as common and contract carriers. Buses, trucks, or tractors used solely for the transportation of household goods pay a $50 fee. The fee was enacted in 1929 for the privilege of using highways. Revenue is deposited into the Michigan Transportation Fund. There are no tax expenditures associated with this fee.

Motor Fuel Taxes

Motor fuel taxes include gasoline, diesel fuel, motor carrier diesel fuel, and liquefied petroleum gas taxes. The tax rate on gasoline is 19 cents per gallon. The diesel fuel tax rate is 15 cents per gallon. Revenue is earmarked to the Michigan Transportation Fund, and distributed to the state, counties, and cities to maintain roads, and to the Comprehensive Transportation Fund to help finance public transportation. In FY 2016, motor fuel taxes will yield an estimated $944.4 million.

	FY 2016 Estimate
Diesel Fuel for Railroads Exempts diesel fuel used by railroad locomotives from motor fuel taxes.	n.a.
Evaporation and Loss Allowance The 2 percent evaporation and loss allowance was replaced in 1997 by a 1.5 percent allowance for the collection of fuel taxes.	$12,320,000
Fuel for Job Sites and Charter Firms Exempts fuel consumed on job sites or by private and public charter bus trips from the gasoline and diesel fuel taxes.	$5,530,000
Fuel for Off-Road Use Exempts fuel purchased for motor vehicles used exclusively on nonpublic roads.	$1,100,000
Municipal Franchise Vehicles Refunds gasoline tax to persons operating passenger vehicles under a municipal franchise, license, permit, agreement or grant, such as taxi cabs.	$420,000
Public Vehicles Exempts fuel purchased for motor vehicles owned or leased by state, federal, or local governments from motor fuel taxes.	$12,960,000
Tribal Tax Agreements Provides for tribes to obtain tax-free motor fuel for use by the tribe, tribal entities, and resident tribal members. Sales to other parties made by tribal retailers will be fully taxed.	n.a.

Motor Vehicle Registration Fee

The motor vehicle registration fee was based originally on vehicle weight and type and was levied in lieu of the general property tax. Beginning with model year 1984, the registration fee for passenger vehicles became based on the vehicle's value rather than its weight. Other vehicles are still taxed on their weight. Registrations are effective for one year and expire annually on the owner's birthday. For FY 2016, the motor vehicle registration fee is projected to yield $966.0 million.

	FY 2016 Estimate
Disabled Veterans' Vehicles Provides totally disabled veterans free vehicle license plates.	$560,000
Handicapper Vans Reduces the tax by 50 percent for vans that are owned by persons using a wheelchair.	n.a.
Intercity Commercial Buses Intercity commercial buses pay a registration fee of $25 rather than a tax based on weight.	n.a.
Public and Nonprofit Vehicles Motor vehicles owned and operated by the state, a state institution, a municipality, a nonprofit college or university, or other nonprofit organization pay a lower rate of $5 for license plates with a five-year registration period.	$11,000,000

Watercraft Registration Fee

A fee is assessed on motorboats and other vessels operating in Michigan waters based on boat type and length. The fee was enacted in 1967. The Marine Safety Fund receives 49 percent of the revenue, the Waterways Fund receives 17.5 percent, and the Harbor Development Fund receives the remaining 33.5 percent. Registrations are valid for three years.

	FY 2016 Estimate
Publicly-Owned Watercraft Levies a special fee of $1.50 for publicly-owned vessels if the vessels are not used for recreational, commercial, or rental purposes.	$14,000

CHAPTER 8

PROPERTY AND OTHER LOCAL TAX EXPENDITURES

Property tax expenditures include expenditures associated with general property, iron ore specific, mobile home, real estate property transfer, and city income taxes. Local property and other local tax expenditures are projected to increase 2.3 percent from $7,710.3 million in FY 2015 to $7,890.8 million in FY 2016. Estimates related to property taxes have stopped decreasing due to the stabilization of property values in many parts of the state. Estimates were based on FY 2012 and FY 2013 data.

Estimate Reliability	(1)	Railroad Right-of-Way
	(3)	Tax-Exempt Property
	(1-2)	Homestead Exemption for Farm and Homestead Property
		Other Local Taxes
		Technology Parks

Tax expenditure estimates attributable to tax-exempt property are not reliable due to the inherent difficulty of estimating values of tax-exempt properties within each of Michigan's 83 counties. County equalization directors provide these estimates based on their own estimates or surveys of local units. Estimates are somewhat arbitrary because equalization directors use different methods to derive estimates. In many cases, equalization directors did not provide estimates, and estimates from previous years were used. These latter cases are noted in the exhibits.

Other local tax expenditures include accommodations, city income, and city utility users' tax. For most of these categories, data were not available to estimate the statewide value of tax expenditures associated with these taxes. The two exceptions are the Nonresident Reduced Rate and Personal Exemption tax expenditures associated with the city income tax. These estimates were based on a survey of city treasurers and are relatively stable from year to year.

Property and Other Local Tax Expenditure Changes

Public Act 25 of 2013 amended the Water Resource Improvement Tax Increment Finance Authority Act to allow the creation of a new authority or the expansion of the boundaries of an existing development plan under the Act. P.A. 25 would also expand the types of water improvement projects that may be included in a development plan under the Act.

Public Act 40 of 2013 amended the State Education Tax Act to require a school district that improperly collected millage for retired bonds to remit the excess collected to the State Treasurer and give a credit against the State Education Tax (SET) to property within the school district equal to the excess funds divided by the taxable value of all property subject to the SET. The excess funds received by the State Treasurer from the school district would be deposited into the School Aid Fund.

Public Acts 42 through 50 of 2013 amended multiple acts to encourage participation in the Qualified Forest Property Program. Among other things, the Public Acts allow land owners in the Commercial Forest Program to move to the Qualified Forest Property Program from the Commercial Forest Program under certain conditions without penalty, create the Private Forestland Enhancement Fund, and levy a fee of 2 mills on each parcel of qualified forest property. Parcels enrolled in the Qualified Forest Property Program are exempt from school operating taxes.

Public Acts 61 through 64 and 66 through 68 of 2013 amended several acts to prohibit tax increment financing plans from capturing taxes levied for the Detroit Zoo or the Detroit Institute of Arts.

Public Act 115 of 2013 amended the Obsolete Property Rehabilitation Act to require an obsolete property rehabilitation exemption certificate to be considered issued on December 31 in the year in which application for the certificate was approved by the local governmental unit, under certain circumstances. To qualify, the application must have been approved by the local unit before October 1 of the year, the approved application was forwarded to the State Tax Commission after October 1 but before March 30 of the following year, and the State Tax Commission approved the application.

Public Act 126 of 2013 amended Chapter 2 of Public Act 120 of 1961 affecting business improvement zones to change the process of establishing and operating a business improvement zone. Among other things, Public Act 126 extended the time period for a zone to operate from seven years to ten years, and expanded the activities that a qualified zone may conduct.

Public Act 140 of 2013 amended the General Property Tax Act to allow a property owner to file a request with the Department of Treasury for a principal residence exemption for property owned and occupied by the owner in any year before the three immediately preceding tax years if the exemption was not on the tax roll due to a qualified error on the part of the local tax collecting unit. Generally, a request for an exemption for a prior year due to an error can only be made for the three immediately preceding years. If the Department of Treasury approved the request and the exemption results in an overpayment of tax by the property owner, the property owner would be issued a refund by the local tax collecting unit.

Public Act 153 of 2013 amended the General Property Tax Act to revise the exemption for industrial or commercial personal property owned by a single taxpayer where the combined value of all such property owned by or under control of that taxpayer in the same local unit is less than a specified amount. Among other things, Public Act 153 changes the specified value of personal property from a taxable value of $40,000 to a true cash value of $80,000; revises the description of eligible property; permits the denial of an exemption to be appealed; and requires a taxpayer’s statement of personal property for 2015 to indicate if and when the property will qualify for an exemption for eligible manufacturing personal property.

Public Act 154 of 2013 amended the General Property Tax Act to revise the exemptions for industrial and commercial personal property that is new or previously existing eligible manufacturing personal property. Among other things, Public Act 154 changes the calculation of use in industrial processing or direct integrated support within the definition of eligible manufacturing personal property; revises the definitions of industrial processing, direct integrated support, and new personal property and further specifies that an exemption for new personal property applies to all existing and subsequently acquired qualified new personal property; and revises when a taxpayer is not required to file an affidavit claiming an exemption or a statement of personal property in subsequent years.

Public Act 161 of 2013 amended the General Property Tax Act to exempt from taxation the homestead of a veteran who is totally and permanently disabled, is a recipient of assistance due to disability for specially adapted housing, or has been rated by the U.S. Department of Veterans Affairs as unemployable.

Public Act 162 of 2013 amended the General Property Tax Act to exclude agricultural property from sales studies if there was not a current affidavit attesting that the property would remain in agricultural use on file when the ownership was transferred. Sales studies are compiled by local assessors with the sales prices of similarly classified property that has been recently sold to ensure that properties within a classification are assessed properly. Including properties that are sold with the intent to convert the property into commercial or industrial use may raise the sale prices and make the property sold materially different from property that remains in agricultural use.

Public Acts 184 and 185 amended the Revised School Code and the Revised Judicature Act, respectively, to prohibit judgment levies against school districts and intermediate school districts (ISDs) for certain unpaid contracts under certain conditions.

Public Act 204 of 2013 amended the General Property Tax Act to expand the tax exemption from school operating taxes for new construction on development property to include the land on which the new construction is located.

Public Act 232 of 2013 amended the Corridor Improvement Authority Act to allow the initial assessed value of property within the boundaries of the development area to be modified once if the existing plan failed to generate captured assessed value for three consecutive years due to declines in assessed value.

Public Acts 238 and 239 of 2013 amended the Next Michigan Development Act to allow the board of the Michigan Strategic Fund to designate an additional Next Michigan Development Corporation and to give preference when determining whether to make such a designation to an eligible entity formed under the Urban Cooperation Act that meets certain conditions. These conditions would limit the area receiving preference to Marquette and Delta counties.

Public Act 265 of 2013 amended the Obsolete Property Rehabilitation Act to create exceptions to the eligibility criteria for approving an obsolete property exemption certificate.

Utility Property Tax Expenditures

The State of Michigan levies a utility property tax on certain public utilities doing business in Michigan. The tax base is equal to 50 percent of the true cash value of all property owned by railroad, railroad car, and telephone and telegraph companies. Enacted in 1905, the utility property tax rate equals the average statewide general property tax rate in the preceding year on commercial and industrial property. Revenue is deposited into the General Fund, and FY 2016 collections are projected to total $44.0 million.

	FY 2016 Estimate
Broadband Investment Credit Public Act 50 of 2002 provides a credit for the state utility property tax for a company that installs telecommunications equipment with information carrying capability exceeding 200 kilobits per second in both directions. This credit was intended to accelerate the introduction of broadband Internet access to Michigan.	$25,600,000
Railroad Right-of-Way Provides a credit to railroad companies for maintaining or improving certain rolling stock and rights-of-way in Michigan.	$26,600,000

General Property Tax

Enacted in 1893, Michigan's general property tax is the main source of revenue for local governments. The property tax is levied on a base of taxable value. Taxable value cannot increase in any one year by more than 5 percent or the rate of inflation, whichever is less (excluding transfers, new construction, and additions). Rates may vary by local unit, though each local unit's rate is subject to the State Constitution (Article IX, Sec. 6) and various statutes. The following table lists average statewide millage rates since 1990. The one-year reduction in the State Education Tax to 5 mills was responsible for the decline in average millage rates for 2003.

Average Statewide Millage Rates

Calendar Year	Homestead Property	Non-homestead Property	All Property
1993	n.a.	n.a.	56.64
1994	30.22	48.17	38.19
1995	31.00	48.79	38.88
1996	31.36	49.54	39.32
1997	31.36	49.63	39.25
1998	31.43	49.68	39.27
1999	31.40	49.76	39.16
2000	31.54	50.10	39.32
2001	32.12	50.72	39.78
2002	32.60	51.00	40.17
2003	31.81	49.74	39.00
2004	32.71	50.81	40.00
2005	32.60	51.38	39.88
2006	32.66	51.38	39.96
2007	32.72	51.49	39.89
2008	33.14	50.94	38.94
2009	32.86	51.09	39.13
2010	33.13	50.40	39.70
2011	33.68	50.97	40.00
2012	33.47	51.24	40.40

Source: All Property Millage Rates from State Tax Commission except 1994; CY 1994 All Property Rate and Homestead and Non-homestead millage rates.

FY 2016 Estimate

Agricultural Transfers $34,900,000

Increases in the taxable value of property are capped at 5 percent or the rate of inflation, whichever is less. When ownership in property is transferred, the taxable value is set equal to the state equalized value, which is 50 percent of the true cash value. This provision exempts transfers of agricultural property from the “pop up” in taxable value when the new owner certifies that the property will continue to be used in agriculture.

	FY 2016 Estimate
Air and Water Pollution Control Exempts air and water pollution control equipment from the property tax after approval and certification by the State Tax Commission.	$130,000,000
Cultural Organizations Exempts from the property tax real property owned and occupied by a nonprofit organization meeting specific requirements. Some of the requirements are that the organization must be: incorporated under state law; devoted exclusively to the development of literature, music, painting or sculpture; and available to the general public on a regular basis. Data are not available to estimate this item.	n.a.
Disabled Veteran Homestead Exemption Exempts from property taxes real property used and owned by a disabled veteran who is entitled to veterans' benefits at the 100 percent rate, has received or is receiving assistance due to disability for specially adapted housing, or has be rated by the U.S. Department of Veterans Affairs as unemployable.	$18,000,000
Energy Conservation Devices Exempts energy conservation devices from property tax. This exemption must be approved and certified by the State Tax Commission.	$60,000
Fairground Property Exempts property owned by an agricultural society and used primarily for fair purposes.	n.a.
Homestead Exemption Exempts most owner-occupied housing that is the primary residence of the owner from local school operating mills, generally 18 mills.	$3,193,700,000
Homestead Exemption for Farm Property Exempts qualified agricultural property, including houses, from local school operating mills.	$166,400,000
Industrial Facilities Development Allows local governments to grant property tax exemptions for up to 12 years to encourage the establishment of new industrial facilities and the creation, restoration, or replacement of obsolete facilities. In lieu of property tax, an industrial facilities tax is levied on industrial property (building, machinery, and equipment, but not land).	$238,100,000

	FY 2016 Estimate
For a restored facility, the industrial facilities tax is levied at the same rate as the local property tax, but only on the taxable value of the property before the exemption. Therefore, the value of restoration or replacement is exempt from the industrial facilities tax. For a new facility approved after 1993, the industrial facility tax is half the property tax rate applied to the taxable value of the new facility. The full 6-mill State Education Tax rate is levied unless reduced by the Director of the Strategic Fund. Exhibit 18 displays a partial estimate of the taxable value of property subject to the industrial facilities development program. Public Act 39 of 2007 and Public Act 457 of 2008 reduced the tax on new facility personal property on land classified as industrial or commercial real property.	
Neighborhood Enterprise Zones	$23,500,000
Allows local units of government that participate in this program to grant property tax abatements. For new housing, the property tax rate is equal to one-half the statewide average millage rate. For rehabilitated housing, assessments are frozen so that the value of improvements is not taxed. Currently, 19 cities participate in this program.	
Next Energy Exemption	$4,000,000
Provides an exemption for alternative energy personal property certified by the Michigan Next Energy Authority from personal property taxes. The exemption is intended to help promote the research, development, and manufacturing of alternative energy technologies in Michigan.	
Obsolete Property Rehabilitation Exemption	$12,000,000
Under the Obsolete Property Rehabilitation Act (OPRA), commercial buildings in qualified local governmental units may be granted an OPRA abatement certificate, which results in reduced property taxes on the increased value of renovated and redeveloped facilities.	
Personal Property Ad Valorem Exemptions	$379,100,000
Exempts industrial personal property from the 18-mill property tax for local schools and the state education tax (6 mills). Commercial personal property is exempt from 12 of the 18 mills for schools.	

	FY 2016 Estimate
Personal Property Industrial Facilities Provides an exemption from the industrial facilities tax equal to the portion of the tax attributable to the 6 mills for state education tax and the 18 mills for school operations.	$71,300,000
Personal Property Small Taxpayer Exemption Provides an exemption for personal property classified as industrial or commercial personal property if, among other qualifications, the true cash value of all industrial and commercial personal property owned by, leased by or in the possession of the owner in the local tax collecting unit is less than $80,000.	$80,000,000
Poverty Exemption Provides an exemption for impoverished individuals who, in the judgment of the township supervisor and board of review, are unable to contribute towards the provision of public services.	$8,800,000
Renaissance Zones Exempts individuals who are residents of a Renaissance Zone or a business that is located and conducts business activity within a Renaissance Zone from most property taxes.	$89,000,000
Tax-Exempt Property Exhibit 18 reports the results from the 2012 County Survey of Tax-Exempt Property. The survey includes seven categories of tax-exempt property reported by county. These estimates of the taxable value of exempt property were provided by county equalization departments, as required by Public Act 155 of 1925. Exhibit 17 contains a map of Michigan's counties. The total estimated taxable value of exempt property (not including tax-exempt property for industrial facility development) reported was $34.2 billion. If taxed at the 2012 average nonhomestead statewide rate of 51.24 mills, tax-exempt property would have yielded $1.75 billion in property tax revenue. Note: Tax-exempt property for Ingham and Wayne counties is not included in estimates. Both counties contain *substantial* tax-exempt property used for public education, state and federal government, municipal and personal purposes. Estimates for the various classifications of tax-exempt property are presented below.	$1,839,000,000

	FY 2016 Estimate
Tax-Exempt Acreage Exhibit 19 shows exempt nonprofit religious or educational property by county. Properties are exempt under Article IX, Sec. 4, of the State Constitution. Tax-exempt acreage totaled an estimated 432,489 acres in 2012.	n.a.
Tax-Exempt County and Municipal Property Exempts real property owned by counties, townships, cities, villages, and school districts.	$252,000,000
Tax-Exempt Federal Property Exempts real property belonging to the United States government.	$344,000,000
Tax-Exempt Other Real Tax Exempt Property Exempts other real property including hospitals, charitable institutions, selected nonprofit organizations, cemeteries, and utilities.	$176,000,000
Tax-Exempt Personal Property Exempts specific items from the property tax. Examples include hospital equipment, special tools, inventories, solar wind and water energy equipment, air and water pollution equipment, and wood and fish harvesting equipment. Examples of personal property owners receiving the exemption include charitable institutions, libraries, banks and trusts, credit unions, parent-cooperative preschools, government units, airports, memorial posts, and public service organizations. The estimate does not include personal property owned by religious and nonprofit educational organizations.	$408,000,000
Tax-Exempt Public Education Property Exempts real property owned, leased, loaned, or otherwise made available to school districts if the property is used primarily for public school purposes.	$482,000,000
Tax-Exempt Specifically-Taxed Property Imposes a registration fee on motor vehicles, boats, and aircraft in lieu of property taxes. The difference between the revenue from the registration fee compared to revenue that would result from a property tax represents a tax expenditure.	n.a.
Tax-Exempt State Property Exempts real property owned by the State of Michigan.	$177,000,000

	FY 2016 Estimate
Tax Increment Financing Allows municipalities to create tax increment finance plans under the Downtown Development Authority Act, P.A. 197 of 1975; the Tax Increment Finance Authority Act, P.A. 450 of 1980; the Local Development Finance Authority Act, P.A. 281 of 1986; and the Brownfield Redevelopment Act, P.A. 381 of 1996. Each authority may capture millage from the general property tax and industrial and commercial facilities taxes. The captured revenue, which would normally accrue to the city, county, and school district, is diverted to finance commercial and industrial costs. Estimates of the cost of tax increment financing assume that local units would have invested in projects without assistance from tax increment finance plans. To the extent these investments would not have occurred without funding through the tax increment finance plan, the tax expenditure estimates are overstated.	$320,000,000
Taxable Value Cap Limits the rate of increase in property tax assessments to 5 percent or the rate of inflation, whichever is less. Taxable value becomes 50 percent of true cash value when ownership is transferred.	$925,900,000
Veterans' Organizations Exempts real and personal property owned and occupied by veterans' organizations. Previously, exemptions were limited to those buildings used as residences. Some revenue will be lost through the exemption, but only a few headquarters are currently on the tax rolls.	n.a.
Water Softeners and Water Coolers Exempts rented or leased water softener equipment and leased bottled water coolers from the personal property tax.	$1,290,000

Iron Ore Specific Tax

The iron ore tax is levied on iron ore mines in lieu of property tax. The tax was enacted in 1951 to encourage commercial development of mineral resources in Michigan. The rate is 1.1 percent of the value per gross ton of iron ore pellets, and it is levied only in Marquette County. The iron ore tax yielded $15.4 million in FY 2013. The state's share of the iron ore specific tax is deposited into the School Aid Fund. The state received $6.7 million in FY 2013.

Exhibit 17
Counties of Michigan

Exhibit 18
Estimated Taxable Value of Exempt Real and Personal Property by County, 2013
(Taxable Value in Thousands)

County	Industrial Facilities Tax	Federal	State	County and Municipal	Public Education
ALCONA	$0	$95,382	$7,010	$23,649	$15,357
ALGER*	113	22,328	1,757	2,230	7,253
ALLEGAN	102,725	0	0	0	0
ALPENA *	8,372	9,094	68,954	103,000	68,200
ANTRIM *	0	0	0	0	0
ARENAC	2,181	517	2,663	1,437	1,150
BARAGA *	6,550	20,100	39,143	20,860	24,515
BARRY	6,770	800	48,300	23,374	48,976
BAY*	144,357	15,669	13,958	19,377	212,856
BENZIE*	0	33,116	85,394	20,320	5,463
BERRIEN *	56,197	0	0	0	0
BRANCH *	55,737	0	854	10,450	4,500
CALHOUN *	197,092	n.a	n.a	n.a	n.a
CASS	22,739	10	3,419	20,837	133,043
CHARLEVOIX *	101,829	979	22,066	24,426	44,643
CHEBOYGAN *	0	2,192	72,007	38,012	21,395
CHIPPEWA *	1,869	1,243,228	50,000	3,000	54,000
CLARE *	8,209	927	25,013	3,443	37,108
CLINTON *	18,536	15	3,200	15,000	25,000
CRAWFORD *	915	28,545	330,000	6,233	21,150
DELTA *	20,090	56,950	14,051	12,450	27,608
DICKINSON	15,656	8,300	9,500	8,300	45,000
EATON	145,258	300	19,200	119,000	42,000
EMMET	7,571	0	9,333	349	7
GENESEE	62,983	18,364	61,406	525,485	612,781
GLADWIN	5,210	50,000	25,000	13,000	31,000
GOGEBIC *	906	29,214	105	12,521	2,287
GRAND TRAVERSE	6,778	8,954	45,046	114,401	37,472
GRATIOT *	28,137	1,650	9,250	8,700	185,000
HILLSDALE	46,432	269	640	20,200	70,000
HOUGHTON	0	15,919	91,862	10,108	119,944
HURON*	56,841	39,400	10,542	85,700	0
INGHAM *	186,082	n.a.	n.a	n.a.	n.a.
IONIA *	16,624	0	3,297	17,255	21,800
IOSCO	0	7,893	49,295	3,394	185
IRON	3,000	24,000	16,000	8,000	530
ISABELLA	10,494	n.a.	n.a.	n.a.	n.a.
JACKSON *	94,089	2,000	201,000	38,000	98,000
KALAMAZOO	137,689	38,897	395,437	835,169	1,548,608
KALKASKA *	2,996	1,000	100,000	100,000	95,000
KENT *	543,538	24,450	23,766	174,895	484,900
KEWEENAW *	0	67,495	7,610	10,594	1,629

Exhibit 18 (Continued)

County	Personal Property	Other	Exempt Total	Total Taxable Value Real and Personal Property	Exempt as a Percent of Taxable
ALCONA	$0	$834	$142,232	$758,426	15.8%
ALGER*	55,000	0	88,568	$360,698	19.7%
ALLEGAN	113,900	0	113,900	$4,366,727	2.5%
ALPENA *	174,760	0	424,008	$903,663	31.9%
ANTRIM *	0	0	0	$1,695,722	0.0%
ARENAC	31,115	0	36,882	$552,952	6.3%
BARAGA *	53,017	125,669	283,304	$247,542	53.4%
BARRY	67,958	36,115	225,523	$1,906,375	10.6%
BAY*	255,154	2,593	519,607	$2,959,599	14.9%
BENZIE*	0	15,503	159,796	$1,110,688	12.6%
BERRIEN *	0	0	0	$7,080,114	0.0%
BRANCH *	0	6,500	22,304	$1,320,788	1.7%
CALHOUN *	n.a	n.a	0	$3,741,724	0.0%
CASS	0	0	157,309	$1,877,492	7.7%
CHARLEVOIX *	3,526	13	95,653	$1,996,542	4.6%
CHEBOYGAN *	28,393	9,494	171,493	$1,364,362	11.2%
CHIPPEWA *	21,200	3,500	1,374,928	$1,158,882	54.3%
CLARE *	72,638	0	139,129	$1,036,880	11.8%
CLINTON *	43,215	0	86,430	$2,458,483	3.4%
CRAWFORD *	53,403	20,000	459,331	$538,917	46.0%
DELTA *	0	0	111,059	$1,220,165	8.3%
DICKINSON	14,905	0	86,005	$1,000,529	7.9%
EATON	131,045	145,000	456,545	$3,388,925	11.9%
EMMET	0	0	9,689	$2,616,310	0.4%
GENESEE	486,277	0	1,704,313	$8,673,491	16.4%
GLADWIN	2,900	2,460	124,360	$948,440	11.6%
GOGEBIC *	330	302	44,759	$507,238	8.1%
GRAND TRAVERSE	13	17,587	223,473	$4,443,842	4.8%
GRATIOT *	135,000	10,000	349,600	$1,307,563	21.1%
HILLSDALE	48,663	42,500	182,272	$1,302,852	12.3%
HOUGHTON	2,425	9,504	249,762	$800,909	23.8%
HURON*	0	0	135,642	$1,993,008	6.4%
INGHAM *	n.a.	n.a.	n.a.	$7,074,926	n.a.
IONIA *	3,900	0	46,252	$1,487,196	3.0%
IOSCO	0	597	61,364	$1,105,895	5.3%
IRON	0	0	48,530	$496,645	8.9%
ISABELLA	n.a.	n.a.	0	$1,669,924	0.0%
JACKSON *	200,000	5,000	544,000	$4,334,199	11.2%
KALAMAZOO	142,050	113,193	3,073,354	$8,005,344	27.7%
KALKASKA *	100,000	55,000	451,000	$732,514	38.1%
KENT *	1,840,872	158,010	2,706,893	$20,429,301	11.7%
KEWEENAW *	361	60,227	147,916	$147,369	50.1%

Exhibit 18 (Continued)

County	Industrial Facilities Tax	Federal	State	County and Municipal	Public Education
LAKE*	$118	$73,422	$41,768	$8,266	$9,252
LAPEER*	57,151	3,272	16,794	140,854	98,456
LEELANAU	5	429,884	6,064	29,543	14,000
LENAWEE *	100,337	1,500	34,800	76,300	228,800
LIVINGSTON	95,744	439	1,846	171,299	172,351
LUCE *	11,500	50	8,000	2,571	4,301
MACKINAC *	n.a.	22,794	73,314	10,193	15,013
MACOMB *	795,737	2,939,414	82,904	461,687	880,193
MANISTEE	14,454	138,510	40,589	36,102	38,732
MARQUETTE	20,100	63,000	45,000	24,000	210,000
MASON	10,288	134,000	32,800	88,000	168,400
MECOSTA	51,772	6,924	3,000	11,000	350,000
MENOMINEE *	3,679	0	74,966	94	705
MIDLAND *	132,212	335	9,130	75,210	90,150
MISSAUKEE *	4,360	72	109,533	4,577	19,780
MONROE	132,623	145	10,908	80,528	177,373
MONTCALM	8,531	n.a.	0	n.a.	n.a.
MONTMORENCY *	360	120,000	36,000	20,000	13,000
MUSKEGON	79,951	17,203	85,847	144,474	261,309
NEWAYGO *	3,172	n.a.	n.a.	n.a.	n.a.
OAKLAND	252,415	n.a.	n.a.	n.a.	n.a.
OCEANA *	7,218	16,500	6,100	2,200	15,000
OGEMAW *	533	6,230	12,830	8,171	6,256
ONTONAGON	907	219,559	27,817	4,454	11,583
OSCEOLA	14,029	0	4,616	5,493	22,949
OSCODA *	734	279,766	96,109	21,910	33,483
OTSEGO *	2,041	2,016	22,300	6,285	80,000
OTTAWA	712,321	18,434	27,448	183,395	770,587
PRESQUE ISLE *	373,177	0	40,315	108,911	n.a.
ROSCOMMON*	1,485	113	230,000	5,717	32,088
SAGINAW	159,755	25,650	154,550	210,120	683,100
SAINT CLAIR*	71,092	12,699	66,192	217,989	246,092
SAINT JOSEPH *	104,296	n.a.	n.a.	n.a.	n.a.
SANILAC	8,290	n.a.	n.a.	n.a.	n.a.
SCHOOLCRAFT	10,039	n.a.	n.a.	n.a.	48,867
SHIAWASSEE *	6,074	675	18,500	68,000	93,000
TUSCOLA*	13,292	0	0	0	0
VAN BUREN *	97,974	0	1,000	12,500	7,500
WASHTENAW *	280,902	0	230	474	10,259
WEXFORD	17,060	n.a.	n.a.	n.a.	0
TOTAL	$5,594,211	$6,400,564	$3,287,347	$4,693,485	$8,960,939

Note: Wayne and Ingham Counties are not in totals. 2012 taxable value for Wayne County was $41.4 billion.

* Based on surveys from current and prior years as counties did not provide estimates.

Exhibit 18 (Continued)

County	Personal Property	Other	Exempt Total	Total Taxable Value Real and Personal Property	Exempt as a Percent of Taxable
LAKE*	$680	$5,462	$138,850	$569,025	19.6%
LAPEER*	184,151	0	443,527	$2,664,019	14.3%
LEELANAU	0	45,833	525,324	$2,642,307	16.6%
LENAWEE *	0	21,000	362,400	$3,257,096	10.0%
LIVINGSTON	0	0	345,935	$7,670,778	4.3%
LUCE *	650	1,749	17,321	$187,402	8.5%
MACKINAC *	7,817	2,164	131,295	$935,183	12.3%
MACOMB *	159,121	415,808	4,939,127	$25,010,295	16.5%
MANISTEE	50,815	55,928	360,676	$1,108,857	24.5%
MARQUETTE	0	242,000	584,000	$2,222,891	20.8%
MASON	28,000	50,000	501,200	$1,671,110	23.1%
MECOSTA	72,932	22,590	466,446	$1,287,171	26.6%
MENOMINEE *	0	4,431	80,196	$708,786	10.2%
MIDLAND *	154,540	110,240	439,605	$3,834,097	10.3%
MISSAUKEE *	0	0	133,962	$571,937	19.0%
MONROE	0	8,671	277,625	$5,750,147	4.6%
MONTCALM	89,554	0	89,554	$1,736,166	4.9%
MONTMORENCY *	0	175,000	364,000	$505,559	41.9%
MUSKEGON	567,395	0	1,076,228	$4,347,465	19.8%
NEWAYGO *	n.a.	n.a.	0	$1,418,304	0.0%
OAKLAND	111,016	n.a.	111,016	$49,480,631	0.2%
OCEANA *	4,100	0	43,900	$1,149,583	3.7%
OGEMAW *	0	2,844	36,331	$833,260	4.2%
ONTONAGON	28,794	118,449	410,656	$248,657	62.3%
OSCEOLA	185,311	6,526	224,895	$702,857	24.2%
OSCODA *	7,365	7,552	446,185	$392,524	53.2%
OTSEGO *	45,800	3,665	160,066	$1,178,264	12.0%
OTTAWA	0	701,302	1,701,166	$10,167,629	14.3%
PRESQUE ISLE *	n.a.	n.a.	149,226	$649,523	18.7%
ROSCOMMON*	8,400	9,514	285,832	$1,252,054	18.6%
SAGINAW	1,661,116	245,000	2,979,536	$5,121,276	36.8%
SAINT CLAIR*	129,346	178,053	850,371	5,620,838	13.1%
SAINT JOSEPH *	n.a.	n.a.	0	1,987,670	0.0%
SANILAC	n.a.	n.a.	0	1,517,112	0.0%
SCHOOLCRAFT	n.a.	n.a.	48,867	368,532	11.7%
SHIAWASSEE *	12,000	0	192,175	1,686,863	10.2%
TUSCOLA*	0	0	0	1,516,778	0.0%
VAN BUREN *	1,500	0	22,500	3,168,449	0.7%
WASHTENAW *	774	647	12,384	14,415,739	0.1%
WEXFORD	n.a.	n.a.	0	939,817	0.0%
TOTAL	$7,593,197	$3,274,029	$34,209,561	$274,544,887	11.1%

Note: Wayne and Ingham Counties are not in totals. 2012 taxable value for Wayne County was $41.4 billion.

* Based on surveys from current and prior years as counties did not provide estimates.

Exhibit 19
General Property Tax – Estimated Exempt Acreage by County, 2013

County	Estimated Acreage	County	Estimated Acreage
ALCONA	410	LAKE *	1,052
ALGER*	14,000	LAPEER*	4,600
ALLEGAN *	1,000	LEELANAU	2,675
ALPENA *	5,800	LENAWEE *	9,200
ANTRIM *	1,000	LIVINGSTON	4,582
ARENAC *	5,434	LUCE *	2,300
BARAGA	147,046	MACKINAC *	240
BARRY	31,219	MACOMB *	5,467
BAY*	3,650	MANISTEE	4,400
BENZIE *	554	MARQUETTE	190
BERRIEN *	6,812	MASON	620
BRANCH *	425	MECOSTA	2,700
CALHOUN *	5,670	MENOMINEE *	141
CASS	773	MIDLAND *	2,000
CHARLEVOIX *	350	MISSAUKEE *	1,440
CHEBOYGAN *	10,950	MONROE	3,200
CHIPPEWA *	1,500	MONTCALM *	7,000
CLARE *	172	MONTMORENCY *	200
CLINTON *	100	MUSKEGON	2,100
CRAWFORD *	1,519	NEWAYGO *	6,800
DELTA *	700	OAKLAND	4,305
DICKINSON	250	OCEANA *	500
EATON	3,165	OGEMAW *	693
EMMET	1,000	ONTONAGON	200
GENESEE	12,000	OSCEOLA	1,285
GLADWIN	1,000	OSCODA *	211
GOGEBIC *	2,300	OTSEGO *	735
GRAND TRAVERSE	2,490	OTTAWA	6,300
GRATIOT *	300	PRESQUE ISLE *	92,659
HILLSDALE	2,900	ROSCOMMON *	1,398
HOUGHTON	5,263	SAGINAW	4,500
HURON*	341	SAINT CLAIR *	11,972
INGHAM *	n.a.	SAINT JOSEPH *	8,712
IONIA *	544	SANILAC *	0
IOSCO *	32,857	SCHOOLCRAFT *	n.a.
IRON	645	SHIAWASSEE *	325
ISABELLA *	2,882	TUSCOLA *	475
JACKSON *	3,020	VAN BUREN *	4,530
KALAMAZOO	40,000	WASHTENAW *	200
KALKASKA *	340	WEXFORD	343
KENT *	3,200		
KEWEENAW *	3,670	TOTAL	557,501

* Based on a previous year's survey.

Notes: Many estimates are rounded to the nearest hundred. Wayne County is not included. Total may differ due to rounding.

Mobile Home Tax

Enacted in 1959, the mobile home tax is levied on mobile homes in lieu of property tax. The tax rate is $3 per month per occupied mobile home located in licensed mobile home parks. Township or city treasurers administer the mobile home tax. Counties and municipalities keep 50 cents each, while the remaining $2 is remitted to the state and deposited into the School Aid Fund. The 2013 state share of this tax totaled $3.2 million indicating $4.8 million in total state and local collections. Exhibit 20 only shows the county share of the tax.

	FY 2016 Estimate
Mobile Home Tax Expenditure The tax burden on mobile home occupants ($36 per year) is small compared with the tax burden on homeowners. The reported figure is an estimate of the difference between the amount of property taxes that would be paid on mobile homes if they were not exempt and the amount collected from the mobile home tax.	$56,400,000
Out-of-State Coaches Exempts out-of-state coaches when accompanied by an out-of-state auto for an accumulated period of up to 90 days during any 12-month period if the occupants are tourists and not engaged in business in Michigan.	n.a.

Real Estate Property Transfer Tax

Enacted in 1966, the county real estate property transfer tax is a tax on the transfer of an interest in real property. The tax is levied at a rate of 55 cents per $500 (0.11 percent), or fraction thereof, on the fair market value of the property being transferred. The treasurer of the county in which the transfer takes place collects the tax, and the revenue goes to the county general fund. The estimated statewide revenue yield was approximately $28.1 million in 2012 (see Exhibit 20).

The School Finance Reform Package of 1994 created a state real estate property transfer tax in addition to the county tax. The rate is $3.75 per $500 (0.75 percent), or fraction thereof, on the fair market value of the property being transferred. The tax is collected by the county treasurer and forwarded to the state. Revenue is deposited into the School Aid Fund. The state real estate transfer tax is projected to yield $259.0 million in FY 2016.

Although several exemptions from the state and county transfer tax are permitted, they are designed to define which real estate transfers are subject to the tax. The act does not define real estate transfers explicitly, but by exclusion. Exempt transfers include transfers involving federal, state and local units of governments, certain conveyances between spouses, instruments used to straighten boundary lines when no money is paid, and land contracts in which the title passes to the grantee only when the contract has been paid. Public Act 203 of 2000 added churches and church property to the list of exempt transfers. Transfers of less than $100 are also exempt. There are no estimates regarding these tax expenditures due to an absence of data.

Accommodations Tax

Under Public Act 263 of 1974, owners of businesses providing rooms to transient guests are subject to the accommodations tax which is collected by the county treasurer. Housing and nursing homes are excluded from the tax. Only counties with a population of less than 600,000 that have a city with a population of at least 40,000 may levy the tax. Counties currently imposing the tax include: Calhoun, Genesee, Ingham, Kalamazoo, Kent, Muskegon, Saginaw, Washtenaw, and Wexford. The tax is levied on the amount transient guests pay for lodging. The maximum rate is 5 percent and is determined by the county. Revenues (less administrative costs) are dedicated to convention facilities and the promotion of conventions and tourism. The tax yielded approximately $21.4 million in 2012 (see Exhibit 20).

City Income Tax

A city income tax is levied by adoption of a city ordinance subject to voter approval. Income earned and received by city residents, income earned in the city by nonresidents, and corporate income earned in the city are subject to city income taxes. In CY 2012, city income taxes totaled $441.3 million (see Exhibit 22). Currently, 22 cities levy a city income tax. While rates vary, most cities levy a 1.0 percent tax on residents and corporations and a 0.5 percent tax on nonresidents. Revenue collections go to the general fund of the taxing city, and most revenue comes from city residents.

	FY 2016 Estimate
Federal Deductions Tax expenditures for city income taxes are similar to those for state and federal income taxes. However, most city income taxes are based on gross income from salaries, bonuses, wages, commissions, interest, and dividends rather than on federal AGI.	n.a.
Net Profits of Financial Institutions Exempts net profits of financial institutions and insurance companies from the city income tax. No statewide estimate is available.	n.a.

Exhibit 20
Miscellaneous Local Taxes Kept by Counties, 2012

County	Accommodations	Mobile Home (County Share)	Real Estate Prop. Trans.
ALCONA	$0	$0	$36,544
ALGER	0	168	21,494
ALLEGAN	0	28,145	375,424
ALPENA	0	842	72,955
ANTRIM	0	258	136,637
ARENAC	0	2,056	31,815
BARAGA	0	0	16,183
BARRY *	0	5,103	162,711
BAY	0	13,780	185,739
BENZIE	0	426	102,903
BERRIEN	0	16,247	583,193
BRANCH	0	3,778	107,342
CALHOUN *	1,195,830	13,220	267,581
CASS	0	4,883	153,112
CHARLEVOIX	0	3,012	174,824
CHEBOYGAN	0	1,006	99,458
CHIPPEWA	0	2,291	66,541
CLARE	0	1,712	57,542
CLINTON	0	10,583	219,966
CRAWFORD	0	0	31,648
DELTA	0	2,557	73,038
DICKINSON	0	2,168	56,751
EATON	0	8,680	240,597
EMMET	0	2,431	239,761
GENESEE	1,190,274	57,305	685,551
GLADWIN	0	1,314	64,808
GOGEBIC	0	71	29,235
GRAND TRAVERSE	0	9,969	519,923
GRATIOT	0	4,296	82,690
HILLSDALE	0	1,843	96,293
HOUGHTON	0	216	51,467
HURON	0	2,468	101,260
INGHAM	2,587,096	12,674	651,955
IONIA	0	4,374	106,867
IOSCO	0	315	63,310
IRON	0	251	30,917
ISABELLA	0	4,328	123,098
JACKSON	0	20,484	294,082
KALAMAZOO	2,138,989	14,746	813,057
KALKASKA	0	103	42,140
KENT	6,597,840	48,995	2,116,711
KEWEENAW	0	0	10,999

Exhibit 20 (Continued)

County	Accommodations	Mobile Home (County Share)	Real Estate Prop. Trans.
LAKE	$0	$0	$32,041
LAPEER	0	11,507	226,346
LEELANAU	0	635	219,373
LENAWEE	0	11,075	253,727
LIVINGSTON	0	21,621	695,977
LUCE	0	0	14,193
MACKINAC	0	52	46,822
MACOMB	0	69,197	2,511,500
MANISTEE	0	588	76,230
MARQUETTE	0	3,275	227,747
MASON	0	3,341	89,198
MECOSTA	0	2,738	94,530
MENOMINEE	0	854	47,809
MIDLAND	0	4,906	246,945
MISSAUKEE *	0	62	28,364
MONROE	0	33,769	306,702
MONTCALM	0	3,652	124,510
MONTMORENCY	0	73	29,559
MUSKEGON	914,573	18,686	398,847
NEWAYGO	0	5,141	115,536
OAKLAND	0	79,418	5,597,645
OCEANA	0	1,235	76,940
OGEMAW *	0	457	38,328
ONTONAGON	0	0	13,830
OSCEOLA	0	315	43,218
OSCODA	0	0	20,341
OTSEGO	0	1,947	72,987
OTTAWA	0	30,273	982,710
PRESQUE ISLE *	0	354	32,736
ROSCOMMON	0	1,561	98,421
SAGINAW	2,513,793	11,858	313,237
SAINT CLAIR	0	22,473	422,771
SAINT JOSEPH	0	5,198	129,100
SANILAC	0	6,294	126,464
SCHOOLCRAFT	0	84	24,227
SHIAWASSEE	0	12,965	134,894
TUSCOLA	0	3,601	95,409
VAN BUREN	0	4,843	243,313
WASHTENAW	4,291,760	36,702	1,595,468
WAYNE *	0	73,975	2,729,406
WEXFORD	0	6,469	78,587
TOTAL	$21,430,155	$798,285	$28,054,109

* Figures carried forward from a previous year.

	FY 2016 Estimate
Nonresident Reduced Rate Nonresidents' income is taxed at half the rate paid by residents.	$165,056,000
Pensions, Annuities, and Retirement Plans Exempts proceeds of pensions, annuities, and retirement plans from the city income tax. Although no statewide estimate is available, this tax expenditure is likely to be substantial.	n.a.
Personal Exemption Exempts a certain amount of income for each person claimed on the federal form. The exemption amounts for the various cities are listed in Exhibit 22. While most cities record the number of personal exemptions provided, some do not. In these cases, personal exemptions are estimated based on the number of tax returns multiplied by a weighted average number of exemptions.	$12,700,000
Supplemental Unemployment Benefits Exempts supplemental unemployment benefits from the city income tax. A statewide estimate is not available.	n.a.

City Utility Users' Tax

The uniform city utility users' tax is based on the privilege of consuming public telephone, electric, steam, or gas services in a city of one million or more. Currently, Detroit is the only city in Michigan eligible to levy the tax. The maximum rate is 5 percent, which is the current rate in Detroit. Revenues are earmarked for increased law enforcement. Collections totaled $40.0 million in 2012.

Exhibit 21
Estimated Tax Expenditures From
City Income Tax Personal Exemptions, 2012

City	Resident Quantity	Resident Amount	Nonresident and Partial-Year Resident Quantity	Nonresident and Partial-Year Resident Amount
Albion *	3,881	$23,286	3,310	$11,467
Battle Creek	33,434	250,755	39,371	147,641
Big Rapids	2,858	17,148	13,294	39,882
Detroit *	205,610	3,022,467	297,485	2,186,515
Flint	34,538	207,228	59,022	177,066
Grand Rapids *	217,800	1,960,200	291,923	1,313,654
Grayling	807	24,210	3,892	58,380
Hamtramck *	20,156	120,936	6,629	19,887
Highland Park *	8,591	103,092	3,620	21,720
Hudson	1,863	18,630	1,249	6,245
Ionia	5,942	41,594	12,785	44,748
Jackson	17,492	104,952	30,808	92,424
Lansing	70,528	423,168	99,457	298,371
Lapeer	6,709	40,254	16,796	50,388
Muskegon	12,272	73,632	28,906	86,718
Muskegon Heights *	1,783	10,698	5,010	15,030
Pontiac	14,180	85,080	48,174	144,522
Port Huron	18,593	111,558	22,264	66,792
Portland *	3,795	37,950	2,295	11,475
Saginaw	26,400	297,000	40,981	230,518
Springfield *	3,735	28,013	7,149	26,809
Walker	19,615	117,690	32,985	98,955
TOTAL	730,582	$7,119,541	1,067,405	$5,149,206

* Based on a previous year's survey.

Exhibit 22
City Tax Rates and Exemption Allowances, 2012

	City Income Tax Rate				
City	Resident	Non-Resident	Corporation	Personal Exemption	Collections (000s)
Albion	1.00%	0.50%	1.00%	$600	$997
Battle Creek	1.00%	0.50%	1.00%	750	15,462
Big Rapids	1.00%	0.50%	1.00%	600	1,965
Detroit	2.45%	1.23%	2.00%	600	245,055
Flint	1.00%	0.50%	1.00%	600	14,024
Grand Rapids	1.50%	0.75%	1.50%	600	71,656
Grayling	1.00%	0.50%	1.00%	3,000	433
Hamtramck	1.00%	0.50%	1.00%	600	1,773
Highland Park	2.00%	1.00%	2.00%	600	2,562
Hudson	1.00%	0.50%	1.00%	1,000	357
Ionia	1.00%	0.50%	1.00%	700	2,111
Jackson	1.00%	0.50%	1.00%	600	7,253
Lansing	1.00%	0.50%	1.00%	600	28,265
Lapeer	1.00%	0.50%	1.00%	600	2,565
Muskegon	1.00%	0.50%	1.00%	600	7,473
Muskegon Heights	1.00%	0.50%	1.00%	600	933
Pontiac	1.00%	0.50%	1.00%	600	9,964
Port Huron	1.00%	0.50%	1.00%	600	5,765
Portland	1.00%	0.50%	1.00%	1,000	625
Saginaw	1.50%	0.75%	1.50%	750	12,601
Springfield	1.00%	0.50%	1.00%	750	754
Walker	1.00%	0.50%	1.00%	600	8,659
TOTAL					$441,252