



Outline of the Michigan Tax System

February 2006

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OUTLINE OF THE MICHIGAN TAX SYSTEM

February 2006

Citizens Research Council of Michigan

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SIGNIFICANT EVENTS IN THE HISTORY OF THE MICHIGAN TAX SYSTEM

1893	General Property Tax Act enacted
1899	Inheritance Tax Act enacted
1905	Motor Vehicle Weight Tax enacted
1925	Gas Tax enacted
1933	<ul style="list-style-type: none"> – 15 Mill property tax limitation amended to State Constitution – Sales Tax enacted at 3% – Taxation of liquor initiated with Liquor Markup – Beer and Wine Taxes enacted – Horse Race Wagering Tax enacted
1938	State Constitution amended by “Anti-Diversion Amendment” to dedicate gas taxes for highway purposes
1939	State takes over collection of Intangibles Tax, sharing 100% of revenues with local government
1946	State Constitution amended by “Sales Tax Diversion Amendment” to share revenues with schools and local governments
1947	First Tobacco Tax enacted
1953	Business Activities Tax enacted
1959	Liquor Excise Tax enacted
1960	Sales Tax increased to 4%
1963	New Constitutional includes ban on graduated income tax
1964	Uniform City Income Tax Act enacted
1967	State Individual Income Tax enacted/State Corporate Income Tax replaces Business Activities Tax
1974	State Constitution amended to remove food and drugs from Sales Tax base
1975	Single Business Tax enacted to replace seven state taxes and one local tax
1978	State Constitution amended by “Headlee Amendment” to limit state and local taxation
1993	Inheritance Tax repealed and replaced with “pick-up” tax
1994	Proposal A (property assessment cap amended to Constitution, Sales and Use tax rates increased to 6%, Tobacco Products Tax rate increased to 75 cents/pack, State Education and Real Estate Transfer taxes enacted to replace local school property taxes).
1995	Intangibles Tax phase out enacted
1999	<ul style="list-style-type: none"> – State Income Tax phased rate reduction initiated – Single Business Tax phase out initiated

OUTLINE OF THE MICHIGAN TAX SYSTEM

Introduction

This outline is designed to be a ready reference to the taxes levied by state and local government in Michigan. It contains information on each of the 47 state and local taxes as of September 15, 2005, including:

- a description of each of the 47 state and local taxes and historical collections from major taxes (Pages 1 - 65).
- a summary of major tax law enacted by the state Legislature between January 1, 2002 and August 12, 2005 (Pages 69 - 71).
- a table of tax collections for years 2001-2004 (Page 74).

Taxes Defined

A “tax” is an enforced proportionate burden, charge, or contribution exacted by the state or its municipal subdivisions for the support of government in the discharge of its various functions. State and local governments in Michigan levy several types of taxes.

- **Income taxes** are levied based on income earnings. The state income tax and local income taxes are based on federal adjusted gross income. Local nonresident income taxes are based on earnings from within the taxing cities. Only the state government and cities are authorized to levy income taxes in Michigan.
- **Business privilege taxes** are levied on firms that do business in Michigan or, in some cases, engage in a specific line of business. The major business privilege tax is a value-added tax (the Single Business Tax) which is often categorized as an income tax, enacted to replace 8 state and local taxes that formerly were levied on property and income. The state government is authorized to levy eight types of business privilege taxes in Michigan, and local government is authorized to levy one type of business privilege tax.
- **Sales-related taxes** are levied in several forms in Michigan. The Sales and Use taxes are levied on the retail sale or use of tangible personal property. Only the state government is authorized to levy sales and use taxes in Michigan. Excise taxes are levied, like sales and use taxes, on the purchase of individual products and services. In addition to the excise taxes included under the sales-related taxes, motor fuel taxes are listed separately under transportation taxes because they are, in large measure, user charges.
- **Property taxes** are levied based on the value of property. In addition to the taxation of real and personal property that typically falls under the local general property tax, local governments are authorized to levy three other ad valorem taxes and the state government is authorized to levy 3 other ad valorem taxes. Although registration taxes are not typically associated with property taxes, because Michigan taxes personal passenger vehicles based on their value, this part of the Motor Vehicle Registration Tax qualifies as a property tax. Michigan local governments are authorized to levy eight different types of specific taxes in lieu of ad valorem property taxes, several of which were created as economic development tools to reduce the tax burden on individual taxpayers.
- **Transportation taxes** are sales-related and property taxes levied on items used for transportation purposes. Each of these taxes is earmarked specifically to transportation infrastructure. For ease of use, they are grouped as transportation taxes in this outline.

When is a charge considered a tax?

This question is significant in Michigan with the limitations placed on taxation in the State Constitution. Specifically, amendments to the State Constitution adopted in 1978 (commonly referred to as the “Headlee Amendment”) directly affect the level of state taxes and means of collecting local taxes. As part of a national taxpayer revolt, the Headlee Amendment was adopted by the voters of Michigan to limit legislative expansion of requirements placed on local government, to control increases in government spending, and to limit taxes both at the local and state level.

State vs. Local Taxes. One ramification of the Headlee Amendment is the differentiation of state and local taxes. Section 26, of Article IX, of the 1963 Constitution placed a limit on the growth of total state revenues.

There is hereby established a limit on the total amount of taxes which may be imposed by the legislature in any fiscal year on the taxpayers of this state. . . . The legislature shall not impose taxes of any kind which, together with all other revenues of the state, federal aid excluded, exceed the revenue limit established in this section. . .

For the purposes of this document, CRC has divided taxes according to which level of government actually levies the tax, recognizing that all taxing authority ultimately comes from the state. If the levy of a tax requires local action, it is considered a local tax. All other taxes are considered state taxes. State taxes are most directly affected by this limitation. Specifically, the question of which taxes are state-levied is significant in calculating the ratio later spelled out in this section. While local taxes are not affected by this limitation directly, the drafters of the Headlee Amendment considered the possibility that one means of evading this restriction would be to pass functions to local government. Section 25 of Article IX, provided for such a possibility by providing that

... The state is prohibited from requiring any new or expanded activities by local governments without full state financing, from reducing the proportion of state spending in the form of aid to local governments, or from shifting the tax burden to local government. . .

Some taxes are very clearly state taxes. These taxes are levied on a statewide basis, uniform across all taxpayers, and the revenues from these taxes are deposited into state funds to finance state government activities. For other taxes the distinction is not so clear. Some taxes are state taxes levied for local purposes. The Airport Parking Excise Tax for instance, is levied only on the parking facilities in and around the Detroit Metropolitan Wayne County Airport and the revenues may be used only for support of that airport. Even though the revenues are used for seemingly local purposes, this tax is considered a state tax.

Other taxes are state taxes collected by local government. Cities and townships are responsible for collecting property taxes for all units that geographically overlap their boundaries, including: counties, local school districts, intermediate school districts, and special authorities. With enactment of the State Education Tax as part of Proposal A of 1994, cities and townships became responsible for collection of that tax as well. Although taxpayers pay this tax to local units of government, it is levied uniformly across the state, revenues are transferred to a state account, and it is dedicated to the state School Aid Fund, making it a state tax. [State taxes are designated with black headers in the tax descriptions; local taxes are designated with blue headers.]

Taxes vs. Fees. Because of the number of local units of government, it is not practical to place an overall limit on the total revenue of local government in a state. Instead, the Headlee Amendment attempted to limit local tax revenues in two different ways. First, it attempted to control the property tax burden, the primary means of funding local government in Michigan, by limiting net growth in the tax yield on a unit-wide basis. Second, and more significant, it required voter approval for the levy of new local taxes or increasing the rate of existing local taxes. Section 31 of Article IX provides

Units of Local Government are hereby prohibited from levying any tax not authorized by law or charter when this section is ratified or from increasing the rate of an existing tax above that rate authorized by law or charter when this section is ratified, without the approval of a majority of the qualified electors of that unit of Local Government voting thereon. . .

This provision has come under some scrutiny over the question of taxes versus fees. In a 1998 state Supreme Court decision, *Bolt v City of Lansing*, the court laid out three criteria to distinguish a fee from a tax:

1. User fees must serve a regulatory purpose rather than a revenue-raising purpose;
2. User fees must be proportionate to the necessary costs of the service or commodity, and imposed on those benefiting from the right/service/improvement supported by the fee; and
3. User fees are voluntary in nature.

Contrasted with fees are taxes levied by government. By implication, a tax:

1. Is to be levied to raise revenue for the general operation of government;
2. Is to be levied to benefit the general public; and
3. Is compulsory in nature.

A fee may be thought of as a charge that permits an individual or other entity access to a government service or to a privilege granted by government, whereas a tax simply underwrites the provision of governmental services available to anyone, whether the tax has been paid or not. For example, a toll on a bridge or highway permits a specific individual access to the bridge or highway and is, therefore, a fee. On the other hand, a gasoline tax, which also pays for bridges and highways, confers no special privilege and is, therefore, a tax.

CLASSIFICATION OF MICHIGAN TAXES

The Michigan system of state and local taxes contains 47 elements, including 32 identifiable taxes imposed by the state for its own use and 15 taxes imposed by or for local governments. In this report, state and local taxes are classified according to the basis of taxation:

Income Taxes — directly on or measured by the income of individuals; *Business Privilege Taxes* — on the privilege of doing business in Michigan; *Sales-Related Taxes* — on general retail sales and on transactions involving specific goods; *Property Taxes* — on property or in lieu of property taxes; *Transportation Taxes* — on the direct users of transportation facilities.

TAX DESCRIPTIONS

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(Data used to prepare these charts were drawn from reports of the Michigan Department of Treasury, the Michigan Unemployment Insurance Agency, and the State Tax Commission from various years and may be found on the CRC website at <http://www.crcmich.org>.)

Acknowledgment

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INCOME TAXES

Personal Income Tax
Uniform City Income Tax

PERSONAL INCOME

LEGAL CITATION: M.C.L. 206.1 et seq.; M.S.A. 7.557(101) et seq.; 1967 PA 281; Sec. 7 of Art. 9, state Constitution.

YEAR ADOPTED: 1967

BASIS OF TAX: A direct tax on income.

MEASURE OF TAX (BASE): Federal adjusted gross income of individuals, estates and trusts, with certain adjustments.

Additions include all or part of (1) interest income from state/local obligations other than Michigan, and certain other exclusions from federal adjusted gross income, and (2) refunds received under the Michigan Education Trust Act for a terminated advance tuition payment contract.

Subtractions include personal and dependency exemptions indexed to inflation (\$3,100 for 2004), special exemptions for dependents (\$600 per child under 19 years of age), the handicapped, senior citizens, and certain unemployment compensation recipients (\$2,000 for 2004). Also excluded are all or part of:

- (1) interest income from federal government obligations;
- (2) armed forces compensation;
- (3) public retirement or pension benefits; private retirement or pension benefits limited to \$38,550 for the 2004 tax year (\$77,100 for a joint return), limits are indexed each year;
- (4) political contributions up to \$50 (\$100 for a joint return);
- (5) advance tuition payments made under the State Education Trust Act;
- (6) up to \$8,595 (\$17,190 for a joint return) of interest, dividends, or capital gains earned by a senior citizen: maximum deduction reduced by pension deduction claimed, limits are indexed each year;
- (7) claims for recovered assets received by Holocaust victims;
- (8) educational savings account contributions up to \$5,000 (\$10,000 for a joint return) and interest earned on those contributions;
- (9) income earned and interest, dividends, and capital gains received by residents of a renaissance zone. Special provisions exist for estates and trusts;
- (10) distribution of assets to a qualified charitable organization not more than 60 days after the taxpayer received the assets from a retirement or pension plan.

Credits against tax liability as follows:

(1) *Homestead property taxes*. Limited to \$1,200, figured as follows:

- (a) general taxpayers — 60% of taxes in excess of 3.5% of household income;
- (b) senior citizens, paraplegics — 100% of taxes in excess of 0 to 3.5% of household income, varying with size of household income;
- (c) special computations for certain servicemen, veterans or their spouses, blind persons, farmers, and senior citizens whose rent exceeds a certain percent of income.

(2) *Property taxes on rented homesteads* assumed to equal 20% of gross rent paid (10% in certain subsidized housing projects). Credit reduced by proportion of income from welfare. Credit reduced by 10% at \$73,650 income and by another 10% for each \$1,000 of income thereabove.

(3) *Farmland property taxes*. Available to farmers who have entered into an agreement not to develop their land for another use for a minimum of 10 years. For individuals, partnerships, S corporations and grantor trusts, credit is 100% of taxes in excess of 7% of household income.

(4) <i>City income taxes</i> .	<u>Tax Paid:</u>	<u>Credit Received:</u>
	\$100 or less	20% of tax paid
	\$100.01-\$150	\$20 plus 10% of amount over \$100
	Over \$150	\$25 plus 5% of amount over \$150 (up to \$10,000)

PERSONAL INCOME (CONTINUED)

(5) *Contributions*. Limited to lesser of 50% of qualifying gifts or \$100 (\$200 on joint returns; \$5,000 for estates or trusts):

- (a) Michigan colleges, universities, public broadcast stations, public libraries, artwork, state museums or archives,
- (b) community foundations,
- (c) food banks and shelters for homeless persons.

(6) Expenditures made for *rehabilitation of a historic resource*. Equal to 25% of qualified expenditures reduced by the credit received under section 47(a)(2) of the internal revenue code.

(7) *Income tax paid to another state*.

(8) *Home heating costs for low-income families* (excluding dependent full-time students). Credit varies with household income, number of exemptions, and heating costs.

(9) *Donated Automobiles*. A nonrefundable credit is available for automobiles donated to a charitable organization that intends to provide the automobile to a qualified recipient. A qualified recipient is generally an employed person receiving public assistance and without access to public transportation to travel to and from work. The credit is limited to the lesser of half the value determined by the organization or an appropriate appraisal guide published by the National Automobile Dealers Association. The credit is capped at \$50 for a single return and \$100 for a joint return and is effective for tax years beginning after December 31, 2004 and before January 1, 2010.

(10) *College tuition tax credit*. Limited to returns with adjusted gross income less than \$200,000. In order to qualify for the credit a Michigan college or university must not have increased tuition and fees by more than the percent increase in the United States Consumer Price Index in the previous tax year. The credit per student is the lesser of 8% of the tuition and fees paid to attend a qualifying Michigan college or university or \$375.

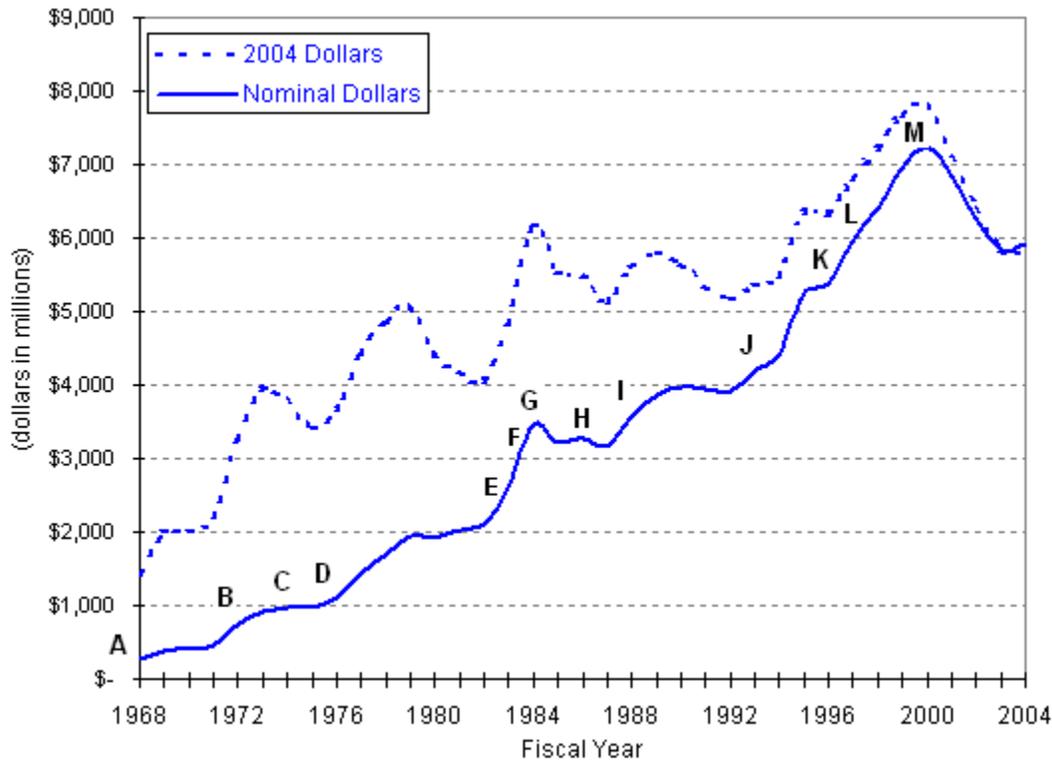
(11) *Adoption expenses*. Refundable credit, up to \$1,200 per child, for qualified adoption expenses.

(12) The difference between the amount repaid by the Michigan Early Stage Venture Capital Investment Fund and the negotiated repayment amount if the fund could not repay the negotiated return on a person's investment. This credit is available after 2009 and before 2020.

RATE:	3.9%
ADMINISTRATION:	Michigan Department of Treasury, Bureau of Revenue.
REPORT AND PAYMENT:	Due April 15. Estimated tax declarations and payments due on 15th of April, June, September, and January. Balance of tax due April 15. Withholding required.
DISPOSITION:	General Fund, with 25.9% of gross collections before refunds to School Aid Fund.
2003-04 COLLECTIONS:	\$7,461,049,000 gross; \$1,548,788,000 refunds and credits; \$5,912,261,000 net.
2003-04 COLLECTIONS/UNIT:	\$1,877 million/1% gross; \$1,487 million/1% net after refunds and credits.

PERSONAL INCOME (CONTINUED)

Chart 1
Michigan Personal Income Tax Revenue, 1968 - 2004



- A 1967 PA 281 — Personal Income Tax established with a 2.6% tax rate and \$1,200 personal exemption effective July 20, 1967.
- B 1971 PA 76 — Increased tax rate to 3.9%.
- C 1973 PA 20 — Increased personal exemption to \$1,500 effective January 1, 1974.
- D 1975 PA 19 — Increased tax rate to 4.6%.
- E 1982 PA 155 — Increased tax rate to 5.6% effective April 1, 1982 through September 30, 1982.
— Returned tax rate to 4.6% effective October 1, 1982.
- F 1983 PA 15 — Increased tax rate to 6.35% for calendar year 1983.
- G 1984 PA 221 — Reduced tax rate to 5.35% as of September 1, 1984.
- H 1986 PA 16 — Reduced tax rate to 4.6% effective April 1, 1986.
- I 1987 PA 254 — Increased the personal exemption to \$1,600 for 1987, \$1,800 for 1988, \$2,000 for 1989, and \$2,100 for 1990.
- J 1993 PA 328 — Decreased tax rate to 4.4% effective May 1, 1994.
- K 1995 PAs 2&3 — Increased the personal exemption to \$2,400 in 1995, to \$2,500 for tax years beginning after 1996, and indexed the personal exemption to the consumer price index in \$100 increments,
- L 1997 PA 86 — Beginning with the 1998 tax year, increased the personal exemption by \$200.
- M 1999 PA 2-6 — Reduced the tax rate by one-tenth of a percentage point per year beginning in tax year 2000, with the final reduction to 3.9% occurring in 2004.

UNIFORM CITY INCOME

LEGAL CITATION:	M.C.L. 141.501 et seq.; M.S.A. 5.3194(1) et seq.; 1964 PA 284; Sec. 7 of Art. 9, state Constitution.
YEAR ADOPTED:	Uniform state law adopted in 1964. Individual cities adopted by ordinance in various years, subject to referendum upon petition of voters.
BASIS OF TAX:	A direct tax on income (residents); a direct tax on earnings (nonresidents).
MEASURE OF TAX (BASE):	(1) Compensation, net profits, investments and other income of city residents; (2) Income earned in the city by nonresidents; (3) Corporate income earned in the city (allocation based on property, sales, payroll). Personal exemption allowed by United States internal revenue code, except that by ordinance a city may adopt an exemption of not less than \$600. A resident is allowed credit for income taxes paid to another city as a nonresident. A resident may deduct certain income earned, capital gains, and lottery winnings received while a resident of a renaissance zone and a business may deduct income attributable to business activity in a renaissance zone.
RATE:	<p>Generally, 1% on residents and corporations; 0.5% on income of nonresidents earned in imposing city. The nonresident rate cannot exceed one-half of the resident rate.</p> <p>The city council in cities over 750,000 (Detroit) may impose rates of up to 2.5% on residents, 1.0% on corporations, 1.25% on nonresidents. Rates may be further reduced until the rates reach 2.0% and 1.0% respectively (see box). (The rate actually appearing on income tax forms each calendar year is the average rate from before and after July 1 of that year.)</p>

Detroit Income Tax Rate Cuts

Public Act 500 of 1998 provided for reductions of the city personal income tax rate for resident and non-resident taxpayers in Detroit. Beginning with tax rates of 3.0% on residents and 1.5% on non-residents in 1999, the law provides that the tax rates are to be reduced by one-tenth of a percentage point per year for residents and one-twentieth of a percentage point per year for non-residents. The reductions occur each year for a ten-year period until the new rates are 2.0% and 1.0% respectively, providing certain unfavorable financial conditions related to the city, as defined in the law, do not occur. The conditions suspending the rate reductions must include any three of the following: (1) two consecutive years of withdrawals from the city's budget stabilization fund or exhaustion of the fund balance; (2) a year-to-year decline in income tax revenue, after adjusting for inflation, of more than 5%; (3) a city unemployment rate of 10% or higher; or (4) a provision which compares the growth ratio of the city's taxable value with the comparable statewide figure and computes a ratio which must fall below .80 (in order for the ratio to fall below .80 with the state taxable value holding constant, the city's taxable value would have to decline 20%. It is unlikely that this will ever occur). At least three of these conditions were met in the years 2003, 2004, and 2005, causing Detroit to suspend the tax rate reduction and pushing back the schedule to reach a 2.0% rate on residents until 2011 or later.

The reductions were part of an agreement related to major changes in the state revenue sharing formula contained in PA 532 of 1998. On a full-year basis, each one-tenth of percentage point of reduced rate results in a reduction in revenue of about \$12 million in current dollars or about a \$120 million total drop in revenues, ignoring growth in the tax base.

UNIFORM CITY INCOME (CONTINUED)

The city council in certain cities under 750,000 (Highland Park, Saginaw, and Grand Rapids) may impose rates of up to 2% on residents and corporations and 1% on nonresidents.

Rates over 1% on residents and corporations, and a city income tax imposed for the first time after January 1, 1995, must be approved by voters.

ADMINISTRATION: Administrator designated by the city. Collected by city treasurer.

REPORT AND PAYMENT: Due April 30 (when tax year ends December 31). Quarterly estimates and payments due April 30, June 30, September 30, and January 31. Withholding required.

DISPOSITION: General fund of the city.

2004 COLLECTIONS:

<u>City</u>	<u>Year</u> <u>Adopted</u>	<u>Tax Rates</u>			<u>2004</u> <u>Net Collections</u>
		<u>Resident</u>	<u>Corporation</u>	<u>Nonresident</u>	
Albion	1972	1.0%	1.0%	0.5%	\$ 1,012,407
Battle Creek	1967	1.0	1.0	0.5	13,993,831
Big Rapids	1970	1.0	1.0	0.5	1,814,042
Detroit	1962	2.5	1.0	1.25	299,939,086
Flint	1965	1.0	1.0	0.5	19,418,236
Grand Rapids	1967	1.3	1.3	0.65	51,595,499
Grayling	1972	1.0	1.0	0.5	406,124
Hamtramck	1962	1.0	1.0	0.5	2,893,611
Highland Park	1966	2.0	2.0	1.0	2,444,530
Hudson	1971	1.0	1.0	0.5	352,846
Ionia	1994	1.0	1.0	0.5	1,465,736
Jackson	1970	1.0	1.0	0.5	5,997,186
Lansing	1968	1.0	1.0	0.5	27,413,270
Lapeer	1967	1.0	1.0	0.5	2,154,905
Muskegon	1993	1.0	1.0	0.5	6,972,190
Muskegon Heights	1990	1.0	1.0	0.5	913,757
Pontiac	1968	1.0	1.0	0.5	14,179,790
Port Huron	1969	1.0	1.0	0.5	5,733,248
Portland	1969	1.0	1.0	0.5	577,930
Saginaw	1965	1.5	1.5	0.75	12,716,168
Springfield	1989	1.0	1.0	0.5	559,484
Walker	1988	1.0	1.0	0.5	<u>7,387,763</u>
TOTAL					\$479,941,638

Earmarking

Each tax description includes the disposition of revenues. This is more significant in Michigan than in most other states due to the prevailing use of earmarking.

Earmarking, or dedicating, refers to the practice of reserving revenues from specific sources for specific functions. Earmarking may take two forms:

- A fixed dollar amount of the revenues from a given source, or
- A percentage of the revenues from a given source.

The common practice in Michigan has been to earmark a percentage of the revenues from a given source to a specific function.

Michigan has a long history with earmarking. One of the rationales for the 1961 Constitutional Convention and adoption of the 1963 State Constitution was the inability to control the state budget caused by the high percentage of tax revenues earmarked to specific functions. By 1960, 60% of total state tax revenues were constitutionally earmarked to finance education, state revenue sharing, and highway maintenance and construction. Other state taxes were statutorily dedicated for other purposes, bringing total earmarking to over 70% of total state tax revenues.

The new constitution effectively reduced the amount of earmarking, but nearly every tax imposed since the early 1960s has had a portion of the resulting revenues dedicated to one or more specific functions. Because Proposal A of 1994 replaced locally-levied property taxes with dedicated state taxes, the percentage of state tax revenues constitutionally and statutorily earmarked to specific functions has increased to 64% of total taxes, the same level that existed before the 1963 Constitution.

In certain instances, earmarking of a tax may be justified because the tax acts as a user charge. For example, there is a rough relationship between the amount of gasoline consumed and the amount of highway miles driven. And, since the gasoline tax is levied on the amount of gasoline purchased, rather than its value, the tax is considered a reasonable proxy for highway usage and is, therefore, dedicated to highway funding.

In other cases, there is little or no relationship between the payment of a tax and the function it funds. The sales tax, much of which is dedicated to K-12 education, has no relation to the need for or consumption of education services and its dedication must be considered a political decision.

BUSINESS PRIVILEGE TAXES

Single Business Tax
Unemployment Insurance Tax
Oil and Gas Severance Tax
Foreign Insurance Company Retaliatory Tax
Horse Race Wagering Tax
Corporate Organization Tax
State Casino Gaming Tax
Airport Parking Excise Tax
Commercial Mobile Radio Service Tax
Quality Assurance Assessment Fees
Accommodations (Hotel-Motel) Taxes

SINGLE BUSINESS¹

LEGAL CITATION:	M.C.L. 208.1 et seq.; M.S.A. 7.558(1) et seq.; 1975 PA 228.
YEAR ADOPTED:	1975
BASIS OF TAX:	Privilege of doing business in Michigan. Tax applies to corporations and unincorporated businesses with gross receipts exceeding \$350,000.

Elimination of the Single Business Tax (SBT)

Public Act 115 of 1999 provided for reduction of the Single Business Tax (SBT) rate by one-tenth of a percentage point per year from its 1998 rate of 2.3% until the tax is eliminated. This process has been accelerated through the initiative process. On August 9, 2006 the Michigan Legislature approved an initiation of legislation to repeal the SBT effective for tax years beginning after December 31, 2007. The initiated law resulted from obtaining more than the required number of certified signatures of registered Michigan voters on the petitions. Legislative approval of initiation of legislation is not subject to veto by the Governor, unlike conventional bills introduced by legislators and approved by both houses of the legislature. The revenue effect of the repeal of the SBT will be approximately \$1.9 billion on a full-year basis and fall entirely on the General Fund of the state, with some of the loss affecting FY2008 and the remainder FY2009. The initiated law contains language that encourages the legislature to: "adopt a tax that is less burdensome and less costly to employers, more equitable, and more conducive to job creation and investment."

MEASURE OF TAX (BASE): A value-added type tax imposed basically on business income plus compensation paid, interest paid, and depreciation, with major deductions for new capital investments and labor intensity. Compensation excludes social security and Medicare contributions, unemployment insurance and workers' compensation payments, and a portion of health and welfare payments for Michigan residents. Effective after December 31, 1999, the deduction for capital investments was replaced by an investment tax credit. Business conducted in the state is subject to the tax even if the business does not have a physical presence in the state.

Adjustments to Base:

Base begins with federal taxable income of business entity, adjusted to:

- (1) add back certain federal tax deductions (e.g. Single Business Tax paid; income taxes; compensation paid; depreciation; loss carryback/forward; interest; dividends; dividend income from Michigan bonds and certain Michigan obligations; partnership losses; royalties paid (except system software); certain capital gains);
- (2) deduct certain items included in federal taxable income (dividends, interest, partnership income, royalties received, excluding certain royalties paid by television broadcasters and by theaters to film distributors, oil and gas royalties, cable franchise fees paid to units of government and computer software royalties (except system software); certain capital losses); income due to grants received from certain funds established to aid the development of a small business involved in technology industries; payments or credits made to or on behalf of a taxpayer to defray the taxpayer's floor plan interest;
- (3) add the loss or deduct the gain attributable to another taxable business, to the extent included in federal taxable income;
- (4) add rent paid or deduct rent received if attributable to a sale/lease-back arrangement for federal income tax purposes only.

Apportionment:

Entire tax base is allocated to Michigan if business activity is confined to the state. For businesses with multi-state activity, the apportionment formula is: sales 90%, property 5%, and payroll 5%, with exceptions for certain types of businesses.

¹ The Single Business Tax replaced eight previous taxes including an income tax on corporations and financial institutions, an annual corporation franchise fee, the business portion of the intangibles tax, the property tax on inventories, and various privilege taxes on savings and loans and domestic insurance companies.

SINGLE BUSINESS (CONTINUED)

Adjustments to Apportioned Tax Base:

Thereafter, base is adjusted by an addition for proceeds from the disposition of tangible assets for which a deduction for capital expenditures (“capital acquisition deduction”) has previously been taken. Previously unused capital acquisition deductions may be carried forward up to 10 years after year in which originally claimed to offset future tax bases (business loss deductions).

Exemptions are allowed for:

- (1) first \$45,000 of tax base, plus up to \$48,000 for partnerships and small corporations, with reductions as income rises; exemption phased out as modified business income rises;
- (2) governmental agencies;
- (3) most “persons” exempt from federal income taxes;
- (4) nonprofit cooperative housing corporations;
- (5) portion of disability insurance premiums of insurers;
- (6) agricultural producers;
- (7) sales of nursery stock (trees, shrubs, plants) grown by the seller to a nursery dealer;
- (8) certain revenues and expenses of farmers’ cooperatives;
- (9) expenses attributable to multiple employer arrangements to fund dental benefits;

Exclusions are allowed:

- (1) if adjusted base exceeds 50% of gross receipts plus certain adjustments;
- (2) if compensation paid exceeds 63% of tax base;
- (3) if royalties are paid to a franchisor for out of state use of trade names, trademarks, or similar intangible property.

Credits are allowed for:

- (1) up to 100% of tax liability for small businesses with low profits;
- (2) up to 20% of tax liability for “Subchapter S” corporations and unincorporated businesses;
- (3) 5% of state property taxes on state assessed utilities;
- (4) 50% of certain contributions up to a limit;
- (5) federal unemployment penalty taxes paid by new Michigan employers;
- (6) amounts paid for worker’s compensation supplemental cost of living payments;
- (7) business activity in certain areas related to high technology, or in an enterprise zone or renaissance zone;
- (8) 50% of investments in certain minority venture capital companies;
- (9) investment and job creation as determined by Michigan economic growth authority. This credit expires December 31, 2009;
- (10) apprenticeship training between \$1,000 and \$4,000 per apprentice;
- (11) 10% of investments in brownfield redevelopment zones;
- (12) 25% of qualified expenditures made for rehabilitation of certain historic resources;
- (13) the difference between the amount repaid by the Michigan Early Stage Venture Capital Investment Fund and the negotiated repayment amount if the fund could not repay the negotiated return on a person’s investment. This credit is available after 2008 and before 2020;
- (14) 0.85% to 2.30% (depending upon size) of the capital expenditures physically located in the state adjusted down by the proportion of the SBT rate in effect in the year of the capital expenditure divided by the pre-1999 rate of 2.3%;
- (15) \$1 per long ton of low-grade hematite consumed in industrial or manufacturing process.
- (16) Six and a half percent of increased qualified research related to an eligible taxpayer’s pharmaceutical based business activity above
- (17) SBT liability of the start up business in tax years that the qualified business has no business income.
- (18) Percentage of compensation paid to employees in “created jobs” in technology and manufacturing industries.

SINGLE BUSINESS (CONTINUED)

- (19) Fifty percent credit for donations of certain automobile donations to qualified organizations, up to \$100 per vehicle donated.
- (20) Difference between the negotiated rate of return on an original investment in the Michigan Early Stage Venture Capital Investment Fund and the actual repayment.
- (21) Research, development, or manufacturing of an alternative energy system, alternative energy vehicle, alternative energy technology, or renewable fuel based. One credit based qualified business activity; another credit based on qualified payroll amount.

RATE: 1.9% for 2005; alternative tax of 2% of adjusted business income for eligible small businesses; insurance companies are subject to a tax of 1.0735% of adjusted receipts.

ADMINISTRATION: Michigan Department of Treasury, Bureau of Revenue.

REPORT AND PAYMENT: Due April 30. Estimated quarterly returns and payments due last day of April, July, October, and January if estimated liability for year is over \$600 or if expected adjustments for capital acquisitions or dispositions exceed \$100,000; due dates adjusted for taxpayers with fiscal year other than calendar year. A taxpayer with annualized apportioned gross receipts of less than \$350,000 need not file a return.

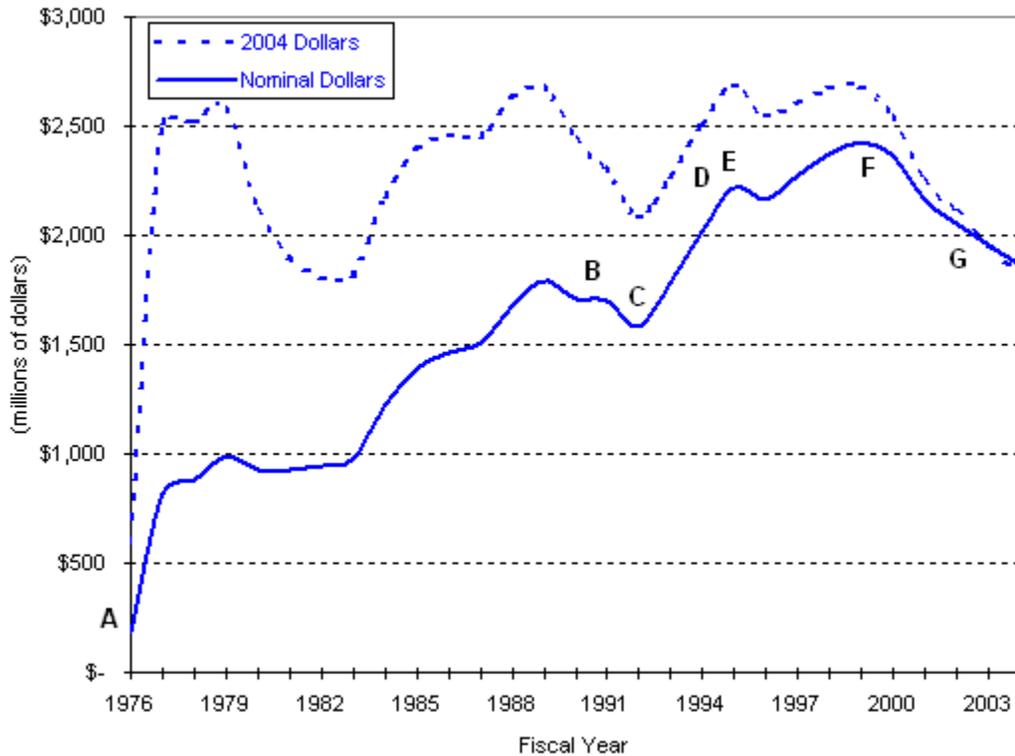
DISPOSITION: 100% to General Fund.

2003-04 COLLECTIONS: \$2,110,713,000 gross; \$251,007,000 refunds; \$1,859,706,000 net. Excludes tax paid by insurance companies.

2003-04 COLLECTIONS/UNIT: \$1,111 million per 1% gross; \$979 million per 1% net after refunds and credits.

SINGLE BUSINESS (CONTINUED)

Chart 2
Michigan Single Business Tax* Revenue, 1976 - 2004



- A 1975 PA 228 — Single Business Tax established at 2.35% replacing eight previous taxes including a corporate and financial institutions income tax, an annual corporation franchise fee, the business portion of the intangibles tax, the property tax on inventories, and various privilege taxes on savings and loans and domestic insurance companies.
- B 1991 PA 77 — Apportionment of tax base changed for tax years 1991 and 1992, so that sales account for 40%, and property and payroll account for 30% each; and, for tax years after 1992, sales account for 50%, and property and payroll account for 25% each; modified capital acquisition deduction to permit deduction of all capital expenditures, including depreciable personal property, regardless of location, apportioned like tax base; increased gross receipts filing exemption to \$60,000 for tax year 1991 and \$100,000 for subsequent years.
- C 1992 PA 98 — Reduced, effective with tax year 1992, the small business alternative tax to 3%.
- D 1994 PA 245 — Reduced the rate of the small business alternative tax from 3% to 2% of adjusted business income.
PA 246 — Increased the gross receipts filing threshold to \$250,000 for tax years beginning after December 31, 1994.
PA 247 — Reduced tax rate to 2.3% effective October 1, 1994.
- E 1995 PAs 282 & 283 — Apportionment of tax base changed for tax years 1997 and 1998, so that sales account for 80%, and property and payroll account for 10% each; for tax years after 1999, sales account for 90%, and property and payroll account for 5% each; CAD limited to Michigan investments multiplied by apportionment factor.
- F 1999 PA 115 — Beginning January 1, 1999 the SBT rate is reduced by 0.1% per year until the tax is eliminated. The Insurance Tax rate is reduced proportionately to the SBT rate. The CAD was replaced with an investment tax credit, for tax years beginning after December 31, 1999.
- G 2002 PA 531 — Halted phase-down in SBT rate. Provides for repeal of SBT in years after 2009.

* 1988 through present excludes Single Business Tax collections paid by insurance companies.

UNEMPLOYMENT INSURANCE

LEGAL CITATION:	M.C.L. 421.1 et seq.; M.S.A. 17.501; 1936 PA 1 (Ex. Sess.).												
YEAR ADOPTED:	1936												
BASIS OF TAX:	To provide for an Unemployment Insurance Fund.												
MEASURE OF TAX (BASE):	Wages paid per covered employee up to a limit of \$9,000 or wages equal to the federal unemployment tax base if higher.												
RATE:	<p>Basic rate is 2.7% on new employers other than construction contractors, who pay the average construction contractor rate. Rate for fully experienced employers (after 4 years experience) may vary from 0.06% to 10.3%, depending on the employer's experience rating and solvency of the fund. Total tax rate calculation is based on the following components:</p> <p>(1) Nonchargeable Benefit Component (NBC): a rate of 0.6-1% to cover certain pooled costs. The 1% rate is charged to employers with recent claims filed against their accounts. If employers' CBC rate (see below) is less than 0.2% or if they have not had any benefit charges over a number of consecutive years, this rate can be reduced in accordance with the following schedule:</p> <table border="1"> <thead> <tr> <th>If Number of Consecutive Years without Claims is:</th> <th>Rate Is:</th> </tr> </thead> <tbody> <tr> <td>5 (or if CBC rate is less than 0.2%)</td> <td>0.10%</td> </tr> <tr> <td>6</td> <td>0.09%</td> </tr> <tr> <td>7</td> <td>0.08%</td> </tr> <tr> <td>8</td> <td>0.07%</td> </tr> <tr> <td>9</td> <td>0.06%</td> </tr> </tbody> </table> <p>(2) Experience Account (5th or subsequent year of liability), which has two parts:</p> <p>(a) Chargeable Benefit Component (CBC), a rate of 0-6.3% measured by the "benefit ratio" (benefits charged to employer's account in the last 5 years as a percent of employer's taxable wages in those years).</p> <p>(b) Account Building Component (ABC), a rate of 0-3% based on a "reserve ratio" deficiency (amount by which an employer's actual reserve falls below 3.75% of total payroll). If overall trust fund balance is at least 1.875% of all contributing employers' payrolls, employer's deficiency, as defined above, is multiplied by 0.25, not to exceed a 2% rate. Otherwise, employer's deficiency is multiplied by 0.5, not to exceed a 3% rate.</p> <p>If overall trust fund balance is 1.2% of all contributing employer's payrolls, all fully experience-rated employers (after 4 years experience) receive a rate reduction of the greater of 10% or 0.1 percentage points in the rate determined by components (1) and (2) above (not in effect for 2005 or 2006 rate years).</p> <p>(3) Solvency Tax, a rate of 0-2% based on a "reserve ratio" deficiency, imposed only on "negative balance" employers (those with deficit in experience account as of prior June 30) and only during years when the fund has interest-bearing loans outstanding.</p>	If Number of Consecutive Years without Claims is:	Rate Is:	5 (or if CBC rate is less than 0.2%)	0.10%	6	0.09%	7	0.08%	8	0.07%	9	0.06%
If Number of Consecutive Years without Claims is:	Rate Is:												
5 (or if CBC rate is less than 0.2%)	0.10%												
6	0.09%												
7	0.08%												
8	0.07%												
9	0.06%												
ADMINISTRATION:	Michigan Department of Consumer and Industry Services, Unemployment Insurance Agency.												
REPORT AND PAYMENT:	By Unemployment Insurance Agency regulation — currently quarterly.												
DISPOSITION:	Deposited with UIA for transfer to U.S. Treasury to establish pool for payment of unemployment insurance benefits, except for solvency tax which goes to contingency fund in state treasury.												
2003-04 COLLECTIONS:	\$1,360,234,000												

OIL AND GAS SEVERANCE

LEGAL CITATION:	M.C.L. 205.301 et seq.; M.S.A. 7.351 et seq.; 1929 PA 48
YEAR ADOPTED:	1929
BASIS OF TAX:	Privilege of producing oil and gas.
MEASURE OF TAX (BASE):	Gross cash market value of oil and gas severed. Exemption for certain hydrocarbon fuels qualifying for federal tax credits and acquired pursuant to royalty interests sold by the state.
RATE:	Oil — 6.6%; Gas — 5%; Stripper wells and marginal properties — 4%.
ADMINISTRATION:	Michigan Department of Treasury, Bureau of Revenue.
REPORT AND PAYMENT:	Due by 25th of each month.
DISPOSITION:	General Fund; the greater of 2% or \$1 million to Orphan Well Fund if unexpended balance in that fund is less than \$3 million.
2003-04 COLLECTIONS:	\$49,478,000

FOREIGN INSURANCE COMPANY RETALIATORY

LEGAL CITATION:	M.C.L. 500.440a-500.476c; M.S.A. 24.1440(1)-24.1476(3); 1956 PA 218.
YEAR ADOPTED:	1869
BASIS OF TAX:	Privilege of transacting business in Michigan.
MEASURE OF TAX (BASE):	Gross premiums of out-of-state insurance companies, with certain exclusions.
RATE:	Foreign insurers, an amount equal to taxes and other costs that would be imposed upon a Michigan insurer doing business in the foreign insurer's state or taxation imposed by the SBT, whichever is higher; unauthorized insurers, 2%.
ADMINISTRATION:	Retaliatory tax – Michigan Department of Treasury, Bureau of Revenue. Unauthorized insurers – Michigan Department of Consumer and Industry Services, Insurance Bureau.
REPORT AND PAYMENT:	Estimated quarterly payments due before April 30, July 31, October 31, January 31; report and additional amounts due before March 1 for preceding calendar year.
DISPOSITION:	General Fund.
2003-04 COLLECTIONS:	\$233,895,000. Includes Single Business Tax paid by insurance companies.

HORSE RACE WAGERING

LEGAL CITATION:	M.C.L. 431.301-431.336; M.S.A. 18.966(301)-18.966(336); 1995 PA 279.
YEAR ADOPTED:	1933
BASIS OF TAX:	Privilege of engaging in interstate and inter-track horse race simulcast wagering.
MEASURE OF TAX (BASE):	Amounts wagered by pari-mutuel methods on interstate and inter-track simulcasts of thoroughbred, standard bred, quarter horse, Appaloosa, and Arabian horse racing.
RATE:	3.5%.
ADMINISTRATION:	Michigan Department of Agriculture, Racing Commissioner.
REPORT AND PAYMENT:	Licensee makes daily remittance with detailed statement.
DISPOSITION:	Agriculture Equine Industry Development Fund.
2003-04 COLLECTIONS:	\$11,812,000

CORPORATE ORGANIZATION

LEGAL CITATION:	M.C.L. 450.2062; M.S.A. 21.200(1062); 1972 PA 284.
YEAR ADOPTED:	1891
BASIS OF TAX:	Privilege of incorporating, renewing, and exercising franchise.
MEASURE OF TAX (BASE):	Domestic — authorized capital stock; Foreign — capital stock attributable to Michigan.
RATE:	Domestic — \$50 initially for first 60,000 shares (and \$30 for each additional 20,000 shares and with increase in stock); Foreign — \$50 initially for shares deemed attributable to Michigan (\$30 for each 20,000 share increase in stock).
ADMINISTRATION:	Michigan Department of Labor and Economic Growth, Bureau of Commercial Services, Corporation Division.
REPORT AND PAYMENT:	Due at time of incorporation, admission, or increase in stock.
DISPOSITION:	General Fund.
2003-04 COLLECTIONS:	\$19,802,000

STATE CASINO GAMING

LEGAL CITATION:	M.C.L. 432.201-432.216; M.S.A. 18.969(201)-18.969(216); Initiated Law of 1996
YEAR ADOPTED:	1996
BASIS OF TAX:	Privilege of operating a casino in the City of Detroit.
MEASURE OF TAX (BASE):	Adjusted gross receipts received by a gaming licensee.
RATE:	Until August 31, 2004: 18%. This may be levied as a state tax or individually as a state tax (at the rate of 8.1%) and a local tax (at the rate of 9.9%). Detroit imposes a tax, so the latter approach is used. Beginning September 1, 2004, an additional 6% tax is imposed subject to several provisions that may cause the rate to increase or decrease in the future. The additional revenues are allocated 1/3 to the city, 7/12 to the General Fund, and 1/12 to the Agriculture Equine Industry Development Fund. Provisions are made for payments to be made directly to the city with offsetting reductions in the amounts paid to the State. Casinos failing to become fully operational (“permanent”) until after July 1, 2009, would pay higher additional tax rates: 7% in 2009, 8% in 2010, and 9% in 2011. Once a casino is certified to be fully operational, the additional tax rate is reduced to 1%, entirely payable to the City.
ADMINISTRATION:	Michigan Department of Treasury, Michigan Gaming Control Board.
REPORT AND PAYMENT:	Due daily.
DISPOSITION:	55% of 18% tax or 100% of revenue from 9.9% tax to City of Detroit; 45% of 18% tax or 100% of revenue from 8.1% tax to School Aid Fund. One-third of the additional 6% tax is allocated to the City of Detroit, 7/12 to the State’s General Fund and 1/12 to the Michigan Agriculture Equine Industry Development Fund.
2003-04 COLLECTIONS:	\$99,568,000 - State (October to September State fiscal year) \$116,145,598 - Local (July to June City fiscal year)

AIRPORT PARKING EXCISE

LEGAL CITATION:	M.C.L. 207.371-207.383; M.S.A. 7.559(101)-7.559(113); 1987 PA 248.									
YEAR ADOPTED:	1987									
BASIS OF TAX:	Privilege of providing public parking at a “regional” airport. The latter term refers to an airport which services 4,000,000 or more enplanements annually (Detroit Metropolitan Wayne County Airport).									
MEASURE OF TAX (BASE):	Amount charged for parking.									
RATE:	27%									
ADMINISTRATION:	Michigan Department of Treasury, Bureau of Revenue.									
REPORT AND PAYMENT:	Due at same time and manner as Use Tax.									
DISPOSITION:	Airport Parking Fund to be used as follows: <table border="0" style="margin-left: 40px;"> <tr> <td>State Aeronautics Fund</td> <td>\$6 million</td> <td>safety and security projects at state airports</td> </tr> <tr> <td>City of Romulus</td> <td>\$1.5 million</td> <td>general fund</td> </tr> <tr> <td>Wayne County</td> <td>balance of revenues</td> <td>indigent care</td> </tr> </table>	State Aeronautics Fund	\$6 million	safety and security projects at state airports	City of Romulus	\$1.5 million	general fund	Wayne County	balance of revenues	indigent care
State Aeronautics Fund	\$6 million	safety and security projects at state airports								
City of Romulus	\$1.5 million	general fund								
Wayne County	balance of revenues	indigent care								
2003-04 COLLECTIONS:	\$14,737,000									

COMMERCIAL MOBILE RADIO SERVICE

LEGAL CITATION:	M.C.L. 484.1408 et. seq.; M.S.A. 22.1467(408) et. seq.; 1999 PA 78
YEAR ADOPTED:	1999 (scheduled to sunset December 31, 2006)
BASIS OF TAX:	Use of commercial mobile radio service (CMRS).
MEASURE OF TAX (BASE):	Commercial Mobile Radio Service (cellular telephone) connections.
RATE:	\$.52 per month for each CMRS connection.
ADMINISTRATION:	Michigan Department of Treasury, Bureau of Revenue
REPORT AND PAYMENT:	Due 30 days after the end of each quarter.
DISPOSITION:	CMRS Emergency Telephone Fund. Revenues are used for 9-1-1 service in the universal emergency number system.
2003-04 COLLECTIONS:	\$28,638,000

QUALITY ASSURANCE ASSESSMENT FEES

LEGAL CITATION:	M.C.L. 333.20161, M.C.L. 500.224b, M.C.L. 400.109f; 2002 PA 303, 304, & 562; 2005 PA 83
YEAR ADOPTED:	2002 (Long-term Care Facilities, Hospitals, and Health Maintenance Organizations) and 2005 (Community Mental Health Plans).
BASIS OF TAX:	Privilege of participating in the Medicaid program.
MEASURE OF TAX (BASE):	<p>Assessments are charged by the State on hospitals, nursing and long-term care facilities and health maintenance organizations (HMO) that have managed care contracts with the State. The resulting revenue collections, combined with federal matching revenues, are used to increase the rates paid by the State to these providers of services to patients participating in the Medicaid program.</p> <p>The tax base varies by type of provider. For hospital and nursing and long-term care facilities, the number of licensed beds is assessed a uniform charge per bed. For HMO's, the assessment is based on the non-Medicare premiums collected by the HMO.</p>
RATE:	<p>The rates for the three types of providers, the rates are as follows:</p> <ul style="list-style-type: none"> • <i>For nongovernmentally owned nursing homes and long-term care units</i>, an amount resulting in not more than 6% of total industry revenues. • <i>For hospitals</i>, a fixed or variable rate that generates funds not more than the maximum allowable under federal matching requirements. • <i>For HMO's having Medicaid managed care contracts</i>, 6% of non-Medicare premiums collected by the HMO.
ADMINISTRATION:	Department of Community Health.
REPORT AND PAYMENT:	The Department of Community Health sends each provider a statement of the amounts owed for the particular assessment. Payments received are deposited in the State Treasury.
DISPOSITION:	The assessment revenues are appropriated as a part of the financing of the Medicaid program and are restricted for that purpose.
2003-04 COLLECTIONS:	\$325,188,000

ACCOMMODATIONS (HOTEL-MOTEL)²

LEGAL CITATION:	M.C.L. 141.861 et seq.; M.S.A. 5.3194(371) et seq.; 1974 PA 263. M.C.L. 207.621-207.640; M.S.A. 7.559(21)-7.559(40); 1985 PA 106.									
YEAR ADOPTED:	1974 (enabling act for certain counties under 600,000 which may adopt by ordinance). 1985 (for certain counties over 600,000).									
BASIS OF TAX:	Privilege of engaging in business of providing accommodations.									
MEASURE OF TAX (BASE):	In counties under 600,000 and with a city over 40,000: amount charged transient guests for lodging in any hotel/motel. In counties over 600,000 (Wayne, Oakland, and Macomb) and with a 350,000 sq. ft. convention facility and/or 2,000 rooms: amount charged transient guests for lodging in a hotel/motel of over 80 rooms.									
RATE:	<p>Rate varies according to the population of the county in which the hotel/motel is located. Rate further varies if the hotel/motel is located within a “Qualified Governmental Unit,” which is defined as a city (Detroit) that is the owner or lessee of a convention facility with 350,000 square feet or more of total exhibit space (Cobo Hall).</p> <p>In counties under 600,000: not more than 5%, as determined by county.</p> <p>In counties over 600,000:</p> <table border="1"> <thead> <tr> <th>No. Rooms Available:</th> <th>“Qualified Governmental Unit” (Detroit):</th> <th>Other Governmental Units (Wayne, Oakland, Macomb):</th> </tr> </thead> <tbody> <tr> <td>81-160</td> <td>3%</td> <td>1.5%</td> </tr> <tr> <td>161 or more</td> <td>6%</td> <td>5.0%</td> </tr> </tbody> </table>	No. Rooms Available:	“Qualified Governmental Unit” (Detroit):	Other Governmental Units (Wayne, Oakland, Macomb):	81-160	3%	1.5%	161 or more	6%	5.0%
No. Rooms Available:	“Qualified Governmental Unit” (Detroit):	Other Governmental Units (Wayne, Oakland, Macomb):								
81-160	3%	1.5%								
161 or more	6%	5.0%								
ADMINISTRATION:	In counties under 600,000: determined by county; collected by county treasurer. In counties over 600,000: Michigan Department of Treasury, Bureau of Revenue.									
REPORT AND PAYMENT:	In counties under 600,000: determined by county. In counties over 600,000: same as use tax.									
DISPOSITION:	In counties under 600,000: special fund for use by county or authority organized under state law. In counties over 600,000: Convention Facility Development Fund for distribution to units of local government. Fiscal-year end excess to General Fund for distribution to qualified units of local government.									
2003-04 COLLECTIONS:	\$15,858,000 (1985 PA 106 only).									

² Accommodations also are taxed under the Use Tax. See page 24.

SALES-RELATED TAXES

Sales Tax
Use Tax
Tobacco Products Tax
Beer Tax
Wine Tax
Liquor Markup
Liquor Taxes
Stadium and Convention Facility Taxes
Uniform City Utility Users Tax

LEGAL CITATION:	M.C.L. 205.51 et seq.; M.S.A. 7.521 et seq.; 1933 PA 167; Sec. 8 of Art. IX, state Constitution.
YEAR ADOPTED:	1933
BASIS OF TAX:	Privilege of selling at retail.
MEASURE OF TAX (BASE):	<p>Gross proceeds from retail sale of tangible personal property for use or consumption. Also includes certain conditional and installment lease sales; sales to consumers of electricity, gas, and steam; and sales to persons in real estate construction and improvement business. Certain sales with the following characteristics are exempt from taxation, as follows:</p> <p>Exemptions based on status of purchaser:</p> <ul style="list-style-type: none"> • property not purchased for resale by various nonprofit organizations and used primarily to carry out the organization's purposes; • property sold to churches for noncommercial purposes and certain vans and buses used to transport persons for religious purposes; • food sold to enrolled students by an educational institution not operated for profit; • property affixed to the real estate of nonprofit hospitals and nonprofit housing; • certain property sold to commercial radio and television station licensees; • vehicles not purchased for resale which are used by nonprofit corporations organized exclusively to provide a community with ambulance or fire department service; • property purchased with scrip by inmates in correctional or penal institutions; • textbooks sold by a school to kindergarten through 12th grade students; • vehicles which are purchased by nonresident active military personnel for titling in his or her home state; • property purchased for use in a "qualified business activity" as defined in the Enterprise Zone Act; • property sold to certain businesses engaged in a high technology activity; • property sold to the federal government or to an instrumentality thereof; • tangible personal property for fund-raising purposes purchased by certain nonprofit organizations with calendar year sales of less than \$5,000; • trucks and trailers owned by motor carriers engaged in interstate commerce to the extent of out-of-state usage; • passenger or cargo aircraft with a certified takeoff weight of at least 6,000 pounds, or parts and materials (except shop equipment or fuel) sold to a domestic air carrier; • employees of restaurants for food provided by their employer; • motor vehicles, recreational watercraft, snowmobiles, or all terrain vehicles, and mobile homes sold to resident tribal members if the purchased item is for personal use and is to be used on the resident tribal member's tribe agreement area. <p>Exemptions based on item purchased:</p> <ul style="list-style-type: none"> • copyrighted motion picture films, newspapers, and periodicals classified as second class mail; • hearing aids, contact lenses if prescribed for a specific disease precluding the use of eyeglasses, prosthetic devices, and eyeglasses prescribed by an ophthalmologist, optometrist, or optician; • prescription drugs for human use; • food for human use not prepared for immediate consumption; • beverage containers to the extent of any deposits; • railroad cars, locomotives, and accessories; • vehicles to the extent of any refund of the purchase price because the vehicle is returned pursuant to the automobile lemon law; • commercial advertising elements; • non-alcoholic beverages in sealed containers or food not artificially heated or cooled that are sold from a mobile facility or vending machine, except fresh fruit; tax may be paid on either sales of non-exempt vended food or sum of 45% of all vended sales other than carbonated beverages ;

SALES (CONTINUED)

- water delivered through water mains or in bulk tanks in amounts over 500 gallons;
- personal property for resale, for lease if rental receipts are subject to Use Tax, and for demonstration purposes;
- partial exemption (from two percentage points of the tax rate): sales for residential use of electricity, natural gas, and home heating fuel;
- investment coins and bullion;

Exemptions based on transaction type:

- certain food or tangible personal property purchased with federal food stamps;
- property which is part of a drop shipment;
- property which results in uncorrectable debt;

Exemptions based on status of seller:

- certain vending machine merchandise to the extent of any commissions paid to certain tax-exempt organizations;
- property on an isolated basis by property owners not required to have Sales Tax license;
- services in corporate sponsor contracts sold by the organizing entity of an internationally televised athletic events;

Exemptions based on the use of the property or service:

- tangible personal property purchased by a person engaged in constructing, altering, repairing, or improving real estate if it is to be affixed or made a structural part of a sanctuary;
- specially-ordered commercial vessels of at least 500 tons engaged in interstate commerce and fuel, provisions, and supplies therefore;
- property used in production of horticultural or agricultural products as a business enterprise;
- property used or consumed in industrial processing;
- certain property used to provide any combination of telecommunications services which are subject to the Use Tax;
- certain products, equipment, machinery, and utilities used or consumed by an industrial laundry;
- grain drying equipment and natural or propane gas used to fuel the equipment for agricultural purposes;
- computer equipment for data transfer by companies whose business includes publishing doctoral dissertations and information archiving and sells the majority of its products to non-profit organizations exempt from the federal income tax.

RATE: 6% (state constitutional limitation). The Sales Tax can be considered two taxes, a 4% tax and a 2% tax. The 4% tax is established by law within the confines of a 4% limitation placed in the State Constitution. These percentage points are expressed as the maximum rate that may be set by the legislature. The voters approved the remaining 2% tax rate in 1994. Because the State Constitution states that this additional tax shall be imposed, the 2% tax is the minimum rate that must be levied by the legislature.

ADMINISTRATION: Michigan Department of Treasury, Bureau of Revenue.

REPORT AND PAYMENT: Most taxpayers: payment is due by 15th day of month following sale, with discount for early remittance.

Very large taxpayers (those with sales tax liability, or use tax liability, or both, of \$720,000 or more during the prior calendar year): make two payments each month. Unlike most taxpayers, both payments are related to the sales of the current month. The first payment is due by the 15th of the month and is equal to the lesser of (a) 50% of the tax liability for the same month in the prior calendar year or (b) 50% of actual liability for current month reported, plus a reconciliation payment equal to the difference between previous month's liability minus tax already paid for that month. The second payment is due by the last day of the month and is equal to the lesser of (a) 50% of the tax liability for the same month in the prior calendar year or (b) 50% of actual liability for current month reported.

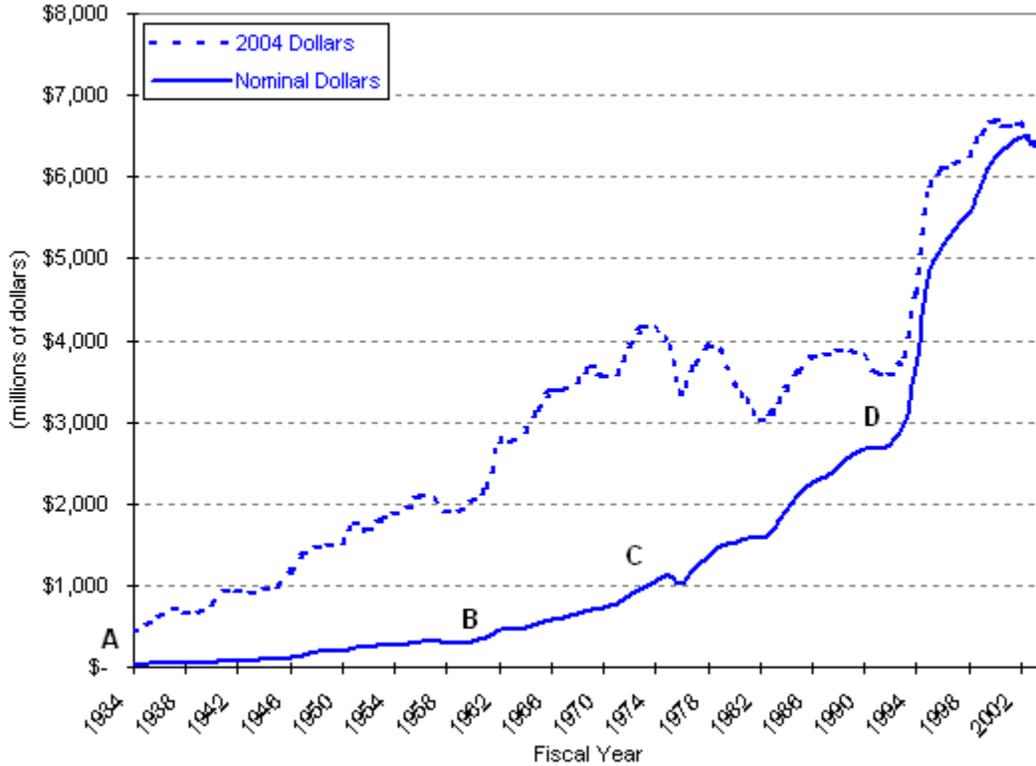
SALES (CONTINUED)

DISPOSITION: 73.3% to School Aid Fund; 23.7% to units of local government; 1.7% to General Fund; and 1.3% to Comprehensive Transportation Fund.³

2003-04 COLLECTIONS: \$6,457,613,000

2003-04 COLLECTIONS/UNIT: \$1,076 million per 1%

**Chart 3
Michigan Sales Tax Revenue, 1934 - 2004**



- A 1933 PA 167 — Sales Tax established at 3%.
- B 1960 Const Amend — Increased tax rate limitation to 4%.
- C 1974 Const Amend — Eliminated sales and use taxes on food and prescription drugs.
- D 1993 PA 325 — Increased tax rate to 6% effective May 1, 1994, subsequent to adoption of Proposal A.

³ The 6% Sales Tax rate consists of a 4% rate, which took effect in 1960, and an additional rate of 2%. Sixty percent of the revenue from the 4% rate, together with 100% of the revenue from the additional rate of 2% (60% of 4% + 100% of 2% = 73.3%) is constitutionally dedicated to the School Aid Fund. Another 35.6% (15% constitutionally, 20.6% statutorily (21.3% when lag in payment schedule is accounted for)) of the revenue from the 4% rate only (35.6% of 4% + 0% of 2% = 23.7%) is dedicated to cities, villages, and townships for revenue sharing.

Are Local Sales Taxes Constitutionally Permitted in Michigan?

Local units in many states levy sales taxes that are piggy-backed on a uniform state sales tax rate. Such situations create unevenness among local jurisdictions and competitive disadvantages for businesses in the higher tax jurisdictions. They also yield a significant revenue source that relieves pressure on the property tax and shifts some of the costs for local services outside the boundaries of the governmental unit.

Michigan's Constitution fails to deal explicitly with the question of whether local units could be permitted to levy a sales tax. Instead, the 1963 Constitution set a maximum rate of 4% that the legislature could levy and later, as a result of Proposal A, an additional 2% rate was mandated for local public schools.

Confronted with this question in 1970, the Attorney General ruled that local sales taxes are not permitted under Michigan's Constitution. In 1991, the legislature approved a bill permitting certain municipalities to impose an excise tax at a rate not to exceed 1% of the gross receipts of restaurants and hotels and 2% of automobile rental company gross receipts. These excise taxes reflect most of the elements of a sales tax and the tax on restaurants appears to fully meet all criteria defining a sales tax, notwithstanding the "excise tax" disguise.

Readers interested in more information on this subject are encouraged to review Report 305, Issues Relative to the Constitutionality of Local Sales Taxation in Michigan, June 1992, available on the CRC website at www.crcmich.org.

Catalog and E-commerce Sales

Under current state and federal law, purchases of merchandise by Michigan citizens from firms without physical presence in the state do not carry with them the requirement that the business collect sales and use taxes and remit them to the state. Instead, consumers are liable for the tax and a mechanism is provided to remit the tax as part of filing the annual personal income tax form. Relatively little revenue is collected through this process (a little over \$4 million in 2005 compared with an estimated liability of about \$300 million). It should also be noted that some sellers who are not required to collect Michigan's tax do so as a service to their customers who would otherwise owe the tax plus penalties and interest if not paid timely.

For several years a national effort involving 36 states, including Michigan, has been underway to capture the sales and use taxes on remote sales. In order to make the assessment and collection of the taxes by merchants or agencies acting in states' behalf feasible, the states agreed on a number of simplifications, including making collection and filing of taxes more uniform, and a set of uniform definitions covering certain items that are considered by different states as taxable or exempt in different ways, hence the term tax simplification. In 2004 Michigan passed a package of bills that became PAs 172-175 of 2004. These bills contain the technical and administrative features needed to comply with the multi-state agreement.

Other states participating in this effort have completed the required modifications in their individual state laws in numbers sufficient for the implementation of the collection process to begin. This will likely involve third-party agencies performing the work needed to calculate individual state and local taxes due as a centerpiece of the simplifications being offered. At this time negotiations are underway with private firms who have expressed an interest in being certified by the states. It is unlikely that Michigan will begin to benefit financially to any significant degree until those negotiations are completed and sellers can sign up to collect the tax.

LEGAL CITATION:	M.C.L. 205.91 et. seq.; M.S.A. 7.555(1) et seq.; 1937 PA 94; Sec. 8 of Art. 9, state Constitution.
YEAR ADOPTED:	1937
BASIS OF TAX:	Privilege of using, storing, and consuming certain tangible personal property, plus the services of telephone, telegraph, and other leased wire communications; used auto sales between individuals; and use of transient hotel and motel rooms. Designed to complement the Sales, Mobile Home Trailer Coach, Aircraft Weight, Watercraft Registration, and Snowmobile Registration Taxes.
MEASURE OF TAX (BASE):	<p>Purchase price of tangible personal property or service. Certain sales with the following characteristics is exempt from taxation, as follows:</p> <p>Exemptions based on status of purchaser:</p> <ul style="list-style-type: none"> • property purchased for resale, for demonstration, or for lend-lease to a public or parochial school offering drivers education; • property of a nonresident brought into Michigan on a temporary basis and not used in non-transitory business activity for a period exceeding 15 days; • property sold to the federal government or to an instrumentality thereof, the American Red Cross and its chapters and branches, and departments, institutions, or subdivisions of state government; • property sold to nonprofit organizations used primarily for the organization's purposes; • property sold to churches for noncommercial purposes and certain vans and buses used to transport persons for religious purposes; • certain property sold to commercial radio and television station licensees; • vehicles purchased in another state by nonresident active military personnel and upon which a sales tax was paid in the other state; • vehicles not purchased for resale which are used by nonprofit corporations organized exclusively to provide a community with ambulance or fire department service; • property donated by a manufacturer to certain tax exempt organizations; • property purchased by a specified relative of seller; • parts, excluding shop equipment and fuel, affixed to certain passenger and cargo aircraft owned or used by a domestic air carrier; • the storage, use, or consumption of certain trucks, trailers, and parts affixed thereto used by interstate motor carriers; • the storage, use, or consumption of a passenger or cargo aircraft purchased by, or leased to, a domestic air carrier with a maximum certified takeoff weight of at least 6,000 pounds; • employees of restaurants for food provided by their employer; • motor vehicles, recreational watercraft, snowmobiles, or all terrain vehicles, and mobile homes sold to resident tribal members if the purchased item is for personal use and is to be used on the resident tribal member's tribe agreement area. <p>Exemptions based on item purchased:</p> <ul style="list-style-type: none"> • property which Michigan is prohibited by federal law from taxing; • copyrighted motion picture films, newspapers, and periodicals classified as second class mail; • vehicles purchased in another state and delivered to Michigan or purchased in Michigan but for use outside Michigan; • hearing aids, contact lenses if prescribed for a specific disease precluding the use of eyeglasses, prosthetic devices, and eyeglasses prescribed by an ophthalmologist, optometrist, or optician; • water delivered through water mains or bulk tanks of at least 500 gallons; • certain components of water and air pollution control facilities; • aircraft operating under a federal certificate which have a maximum takeoff weight of at least 12,500 pounds and used solely to transport cargo or commercial passengers; • railroad cars, locomotives, and accessories;

USE (CONTINUED)

- certain property purchased for resale as promotional merchandise;
- prescription drugs for human use;
- food for human use not prepared for immediate consumption;
- deposits on returnable beverage containers;
- international and WATS line telephone calls;
- commercial advertising elements;
- assessments for hotel or motel rooms imposed pursuant to accommodations taxes;
- partial exemption (from two percentage points of the tax rate): consumption for residential use of electricity, natural gas, and home heating fuel;
- prepaid telephone cards, prepaid authorization numbers, and charge for Internet access;
- storage, use, and consumption of investment coins and bullion;

Exemptions based on status of seller:

- services in corporate sponsor contracts sold by the organizing entity of an internationally televised athletic events;

Exemptions based on transaction type:

- property upon which the Michigan Sales Tax has been paid;
- property upon which sales or use tax was paid in another state or local unit of another state if that tax was at least equal to the Michigan use tax and the other state has a reciprocal exemption for Michigan taxes paid;
- property, possession of which was taken outside Michigan and the value of which does not exceed \$10 during one calendar month;
- certain food or tangible personal property purchased with federal food stamps;

Exemptions based on the use of the property or service:

- tangible personal property purchased by a person engaged in constructing, altering, repairing, or improving real estate if it is to be affixed or made a structural part of a sanctuary;
- property used in production of horticultural or agricultural products as a business enterprise;
- property used or consumed in industrial processing;
- specially-ordered commercial vessels of at least 500 tons engaged in interstate commerce, and fuel, provisions, and supplies therefor;
- certain machinery and equipment used to provide any combination of telecommunications services;
- certain products, equipment, machinery, and utilities used or consumed by an industrial laundry after December 31, 1997;
- computer equipment for data transfer by companies whose business includes publishing doctoral dissertations and information archiving and sells the majority of its products to non-profit organizations exempt from the federal income tax.

RATE: 6% (state constitutional limitation) Like the Sales Tax, the Use Tax can be considered two different taxes. The 4% tax was established by law to parallel the Sales Tax rate. The voters approved the remaining 2% tax rate in 1994. Because the State Constitution states that this additional tax shall be imposed, the 2% tax is the minimum rate that must be levied by the legislature.

ADMINISTRATION: Michigan Department of Treasury, Bureau of Revenue.

REPORT AND PAYMENT: Most taxpayers: payment is due by 15th day of month following sale, with discount for early remittance.

Very large taxpayers (those with sales tax liability, or use tax liability, or both, of \$720,000 or more during the prior calendar year): make two payments each month. Unlike most taxpayers, both payments are related to the sales of the current month. The first payment is due by the 15th of the month and is equal to the lesser of (a) 50% of the tax liability for the same month in the prior calendar year or (b) 50% of actual liability for current month reported, plus a reconciliation payment equal to the difference between previous month's liability minus

USE (CONTINUED)

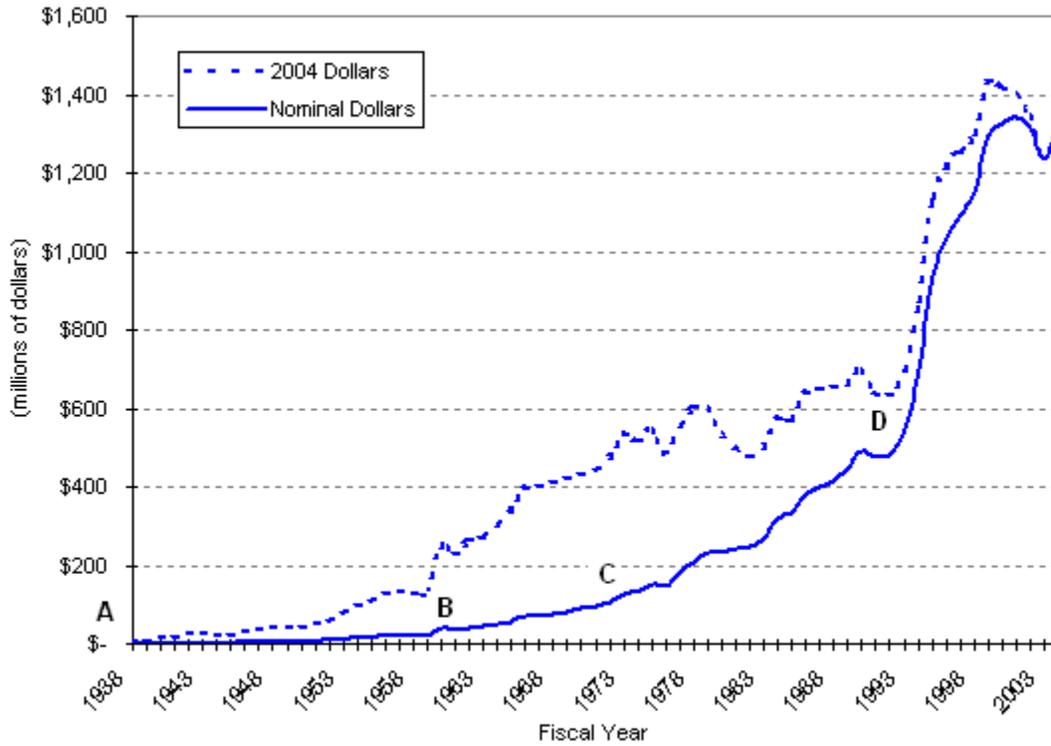
tax already paid for that month. The second payment is due by the last day of the month and is equal to the lesser of (a) 50% of the tax liability for the same month in the prior calendar year or (b) 50% of actual liability for current month reported.

DISPOSITION: 67% to General Fund; 33% to School Aid Fund.⁴

2003-04 COLLECTIONS: \$1,317,494,000

2003-04 COLLECTIONS/UNIT: \$220 million per 1%

Chart 4
Michigan Use Tax Revenue, 1938 - 2004



- A 1937 PA 94 — Use Tax established at 3%.
- B 1960 (2ES) PA 2 — Increased tax rate to 4%.
- C 1974 Const Amend — Eliminated sales and use taxes on food and prescription drugs.
- D 1993 PA 326 — Increased tax rate to 6% effective May 1, 1994.

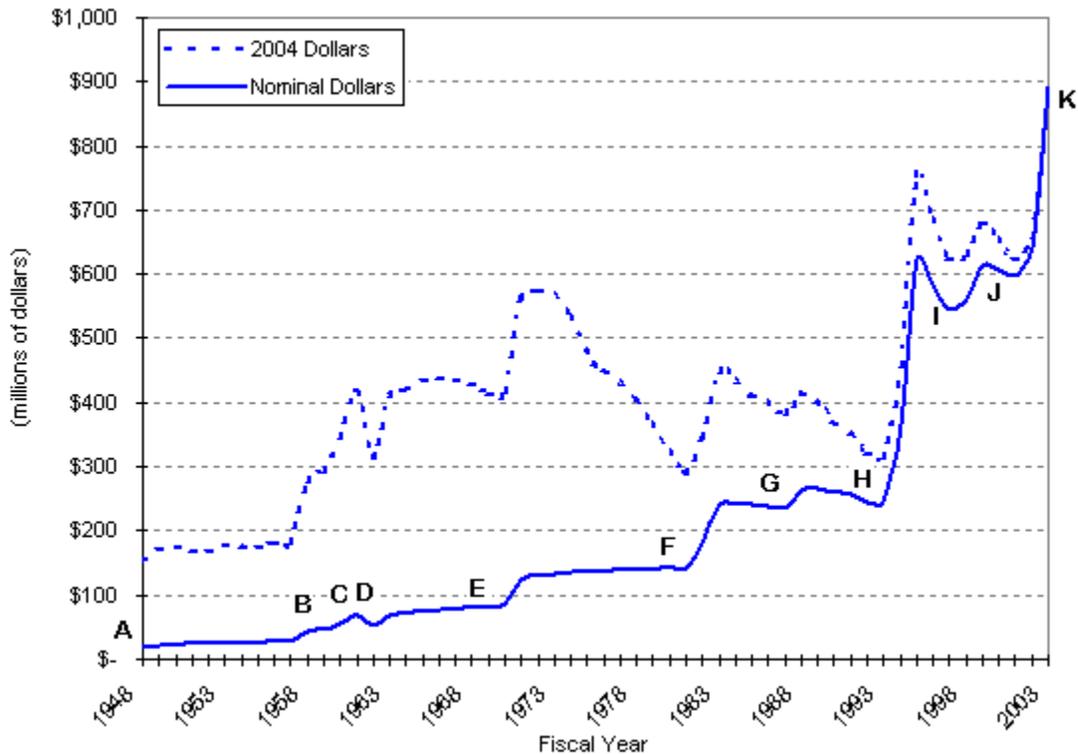
⁴ The 6% use tax rate consist of a 4% rate, which took effect in 1960, and an additional rate of 2%, which took effect in 1994. One hundred percent of the revenue from the 4% rate (100% of 4% plus 0% of 2% equals 67%) is statutorily dedicated to the General Fund. In addition, 100% of the revenue from the additional rate of 2% (0% of 4% plus 100% of 2% equals 33%) is constitutionally dedicated to the School Aid Fund.

TOBACCO PRODUCTS

LEGAL CITATION:	M.C.L. 205.421 et seq.; M.S.A. 7.411(31) et seq.; 1993 PA 327.		
YEAR ADOPTED:	1993. The former Cigarette Tax (1947 PA 265) was repealed as of May 1, 1994.		
BASIS OF TAX:	Privilege of selling tobacco products.		
MEASURE OF TAX (BASE):	Tobacco products sold in Michigan.		
RATE:	<p><u>Prior to July 1, 2004</u> Cigarettes: 62.5 mills per cigarette (\$1.25 per pack); cigars, non-cigarette smoking tobacco, and smokeless tobacco: 20% of wholesale price.</p> <p><u>After July 1, 2004</u> Cigarettes: 100 mills per cigarette (\$2.00 per pack); cigars, non-cigarette smoking tobacco, and smokeless tobacco: 32% of wholesale price.</p>		
ADMINISTRATION:	Michigan Department of Treasury, Bureau of Revenue.		
REPORT AND PAYMENT:	Due by 20th of each month.		
DISPOSITION:		<u>July 1, 2002 to Sept. 30, 2005</u>	<u>After September 30, 2005</u>
	Cigarette proceeds:		
	School Aid Fund	41.620%	41.620%
	General Fund	10.388%	19.7625%
	Healthy Michigan Fund	3.750%	3.750%
	Health and Safety Fund	2.438%	2.438%
	Wayne County Indigent Health Care	0.555%	0.555%
	Medicaid Benefits Trust Fund	41.250%	31.875%
	Cigar, non-cigarette smoking tobacco, and smokeless tobacco proceeds:		
	Medicaid Benefits Trust Fund	100.0%	75.0%
	General Fund		25.0%
2003-04 COLLECTIONS:	\$956,035,000		

TOBACCO PRODUCTS (CONTINUED)

Chart 5
Michigan Tobacco Products Tax Revenue, 1948 - 2004



- A 1947 PA 265 — Cigarette Tax established at 1.5 mills per cigarette (3 cents per pack).
- B 1959 PA 274 — Increased tax rate to 2 mills per cigarette (4 cents per pack).
- C 1961 PA 156 — Increased tax rate to 2.5 mills per cigarette (5 cents per pack).
- D 1962 PA 215 — Increased tax rate to 3.5 mills per cigarette (7 cents per pack).
- E 1970 PA 11 — Increased tax rate to 5.5 mills per cigarette (11 cents per pack).
- F 1982 PA 73 — Increased tax rate to 10.5 mills per cigarette (21 cents per pack) effective May 1, 1982.
- G 1987 PA 219 — Increased tax rate to 12.5 mills per cigarette (25 cents per pack) effective January 1, 1988.
- H 1993 PA 327 — Tobacco Products Tax established.
— Repealed 1947 PA 265 (Cigarette Tax).
— Increased tax rate to 37.5 mills per cigarette (75 cents per pack) effective May 1, 1994.
- I 1997 PA187 — Non-Cigarette Tobacco Products Tax established at 16% of wholesale price.
— Tax stamp for cigarettes sold in state created, effective May 1, 1998 for wholesalers, September 1, 1998 for retailers.
- J 2002 PA 503 — Increased tax rate to 62.5 mills per cigarette (\$1.25 per pack) effective August 1, 2002.
— Non-cigarette tobacco products tax increased to 20% of wholesale price effective August 1, 2002.
- K 2004 PA 164 — Increased tax rate to 100 mills per cigarette (\$2.00 per pack). Non-cigarette tobacco products tax increased to 32% of wholesale price. All became effective July 1, 2004.

BEER

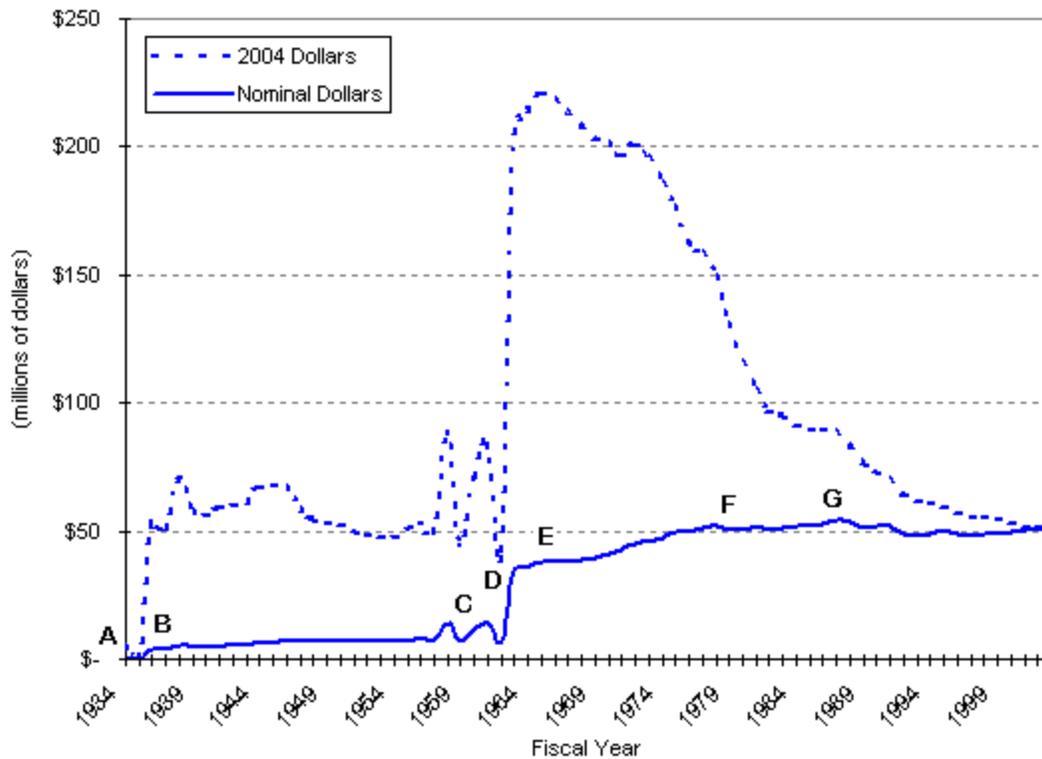
LEGAL CITATION:	M.C.L. 436.1409; M.S.A. 18.1175(409); 1998 PA 58.
YEAR ADOPTED:	1933. The former statute (1933 PA 8 (Ex. Session)) was repealed and replaced by 1998 PA 58.
BASIS OF TAX:	Privilege of manufacturing and selling beer.
MEASURE OF TAX (BASE):	Beer manufactured or sold in Michigan; credit for beer shipped out of state for sale and consumption or sold to a military installation or an Indian reservation; exemption for beer consumed on manufacturing premises or damaged and not offered for sale.
RATE:	\$6.30 per barrel, with \$2 per barrel credit for brewers producing less than 20,000 barrels annually.
ADMINISTRATION:	Michigan Department of Consumer and Industry Services, Liquor Control Commission.
REPORT AND PAYMENT:	Due by 8th of each month.
DISPOSITION:	General Fund.
2003-04 COLLECTIONS:	\$42,646,537
2003-04 COLLECTIONS/UNIT:	\$6.8 million per \$1

WINE

LEGAL CITATION:	M.C.L. 436.1301; M.S.A. 18.1175(301); 1998 PA 58.
YEAR ADOPTED:	1933. The former statute (1933 PA 8 (Ex. Session)) was repealed and replaced by 1998 PA 58.
BASIS OF TAX:	Privilege of manufacturing and selling wine.
MEASURE OF TAX (BASE):	Wine sold in Michigan; credit for wine shipped out of state for sale and consumption or sold to a military installation or an Indian reservation; exemption for sacramental wine used by churches.
RATE:	13.5 cents per liter if 16% alcohol or less; 20 cents per liter if over 16% alcohol.
ADMINISTRATION:	Department of Consumer and Industry Services, Liquor Control Commission.
REPORT AND PAYMENT:	Due by 15th of each month.
DISPOSITION:	General Fund.
2003-04 COLLECTIONS:	\$8,864,020

BEER AND WINE (CONTINUED)

Chart 6
Michigan Beer and Wine Tax Revenues, 1934 - 2004



- A 1933 (ES) PA 8 — Beer Tax established at \$1.25 per barrel.
- B 1937 PA 281 — Wine Tax established at 50 cents per gallon.
- C 1959 PA 273 — Increased Beer Tax rate to \$2.50 per barrel.
- D 1962 PA 217 — Increased Beer Tax rate to 2 cents per 12 ounces (\$6.61 per barrel).
- E 1966 PA 330 — Decreased Beer Tax rate to \$6.30 per barrel.
- F 1981 PA 153 — Increased Wine Tax for wines with 16% alcohol or less by volume to a rate of 13.5 cents per liter (51.17 cents per gallon); for wines with 16 to 21% alcohol a rate of 20 cents per liter (75.8 cents per gallon).
- G 1989 PA 118 — Imposed a tax of 48 cents per liter on mixed-spirit drinks.

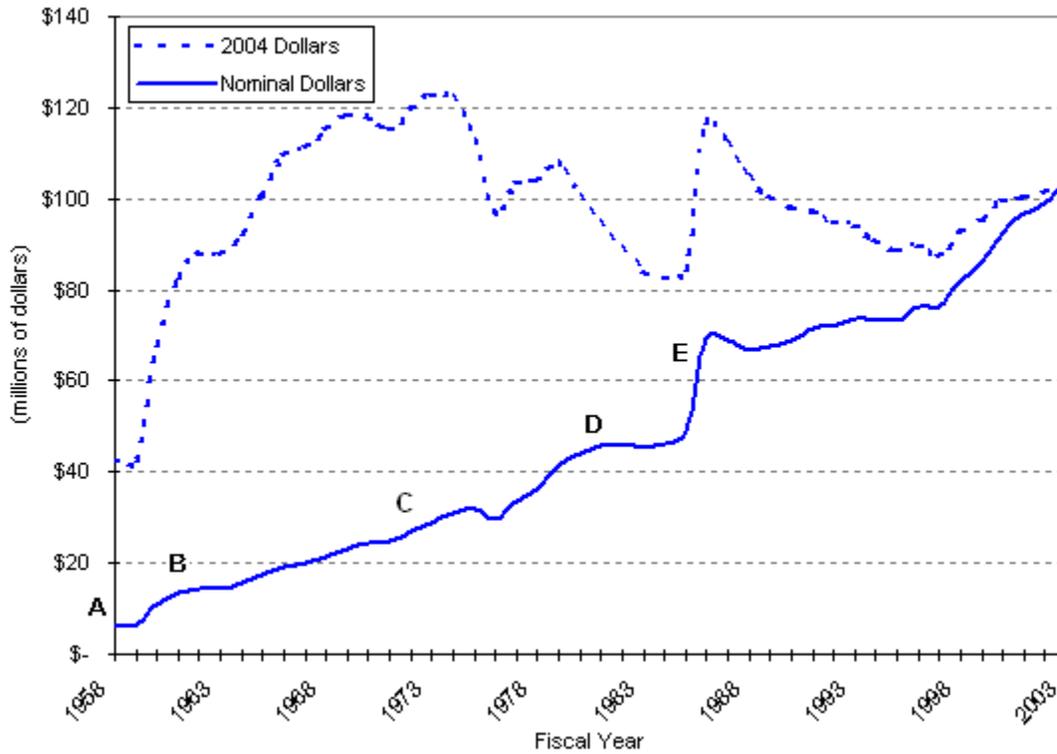
LIQUOR

LEGAL CITATION:	M.C.L. 436.2201-436.2207; M.S.A. 18.1175(1201)-18.1175(1207); 1998 PA 58.
YEAR ADOPTED:	1957, 1959, 1972, and 1985. The former statutes (1959 PA 94; 1962 PA 218; 1972 PA 213; and, 1985 PA 107) were repealed and replaced by 1998 PA 58.
BASIS OF TAX:	Privilege of selling spirits.
MEASURE OF TAX (BASE):	Retail selling price of spirits.
RATE:	On premise consumption, 12%; off premise consumption, 13.85%.
ADMINISTRATION:	Michigan Department of Consumer and Industry Services, Liquor Control Commission.
REPORT AND PAYMENT:	By Liquor Control Commission regulation.
DISPOSITION:	4% - General Fund; 4% - School Aid Fund; 1.85% - Liquor Purchase Revolving Fund; for distribution to local governments; 4% - Convention Facility Development.

2003-04 COLLECTIONS:	4%: \$33,023,000	2003-04 COLLECTIONS/UNIT:	4%: \$8.3 million/1%
	4%: 32,405,000		4%: \$8.1 million/1%
	1.85%: 11,989,000		1.85%: \$6.5 million/1%
	4%: <u>32,516,000</u>		4%: \$8.1 million/1%
	TOTAL \$103,686,000		

LIQUOR (CONTINUED)

Chart 7
Michigan Liquor Tax Revenues, 1958 - 2004



- A 1959 PA 94 — Liquor Excise Tax established at 4%.
- B 1962 PA 218 — Liquor Specific Tax established at 4%.
- C 1972 PA 213 — Liquor Specific Tax established at 1.85%.
- D 1982 PA 462, 463, 464 — Added spirits with alcohol content under 22% to Liquor Tax base.
- E 1985 PA 107 — Liquor Specific Tax established at 4%.

LIQUOR MARKUP

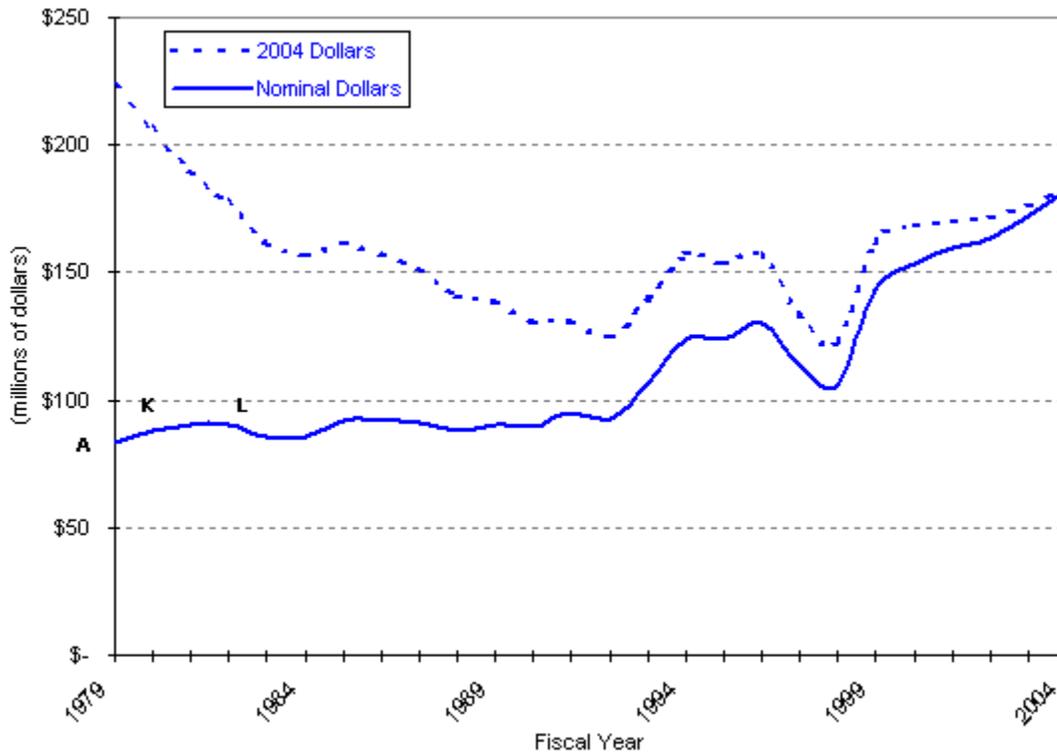
LEGAL CITATION:	M.C.L. 436.1233; M.S.A. 18.1175(233); 1998 PA 58.
YEAR ADOPTED:	1933. The former statute (1933 PA 8 (Ex. Session)) was repealed and replaced by 1998 PA 58.
BASIS OF TAX:	State gross sales minus cost of goods sold from sale and distribution of alcoholic liquor.
MEASURE OF TAX (BASE):	Wholesale price of liquor.
RATE:	Uniform prices are established by the Liquor Control Commission that will return a gross profit of at least 51% and not more than 65%. Currently, the full 65% markup from cost is applied to set the retail price of the liquor. A discount of 17% is deducted from the price to establish the cost of the liquor for retail sales outlets.
ADMINISTRATION:	Michigan Department of Consumer and Industry Services, Liquor Control Commission.
REPORT AND PAYMENT:	Subject to general business practices regarding the wholesaling of the merchandise and remittance of the State's gross profit.
DISPOSITION:	General Fund.
2003-04 COLLECTIONS:	\$182,120,499

Inclusion of Liquor Markup

The profit from the sale of liquor is not ordinarily defined as a tax. However, the markup mechanism exhibits characteristics of a tax and it has been included in the tax outline. The principal features providing the rationale for including the markup are (1) the final price paid by the consumer includes the markup and cannot be avoided, just as is the case with the Sales and Use Taxes; (2) the markup is applied as a uniform increase from cost to retail price; (3) the revenues generated are well above the cost to regulate the liquor industry; and (4) the revenues generated are deposited into the state General Fund for any use rather than being deposited into a specific fund for regulatory purposes.

LIQUOR MARKUP (CONTINUED)

Chart 8
Michigan Liquor Markup Tax Revenue, 1979 - 2004



- A 1935 PA 281 — Liquor Markup Tax established with a 45% markup rate effective January 1, 1934.
- B 1937 — — Increased markup rate to 55% effective August, 1937.
- C 1940 — — Decreased markup rate to 50% effective July, 1940.
- D 1941 — — Decreased markup rate to 46% effective October, 1941.
- E 1945 PA 33 — Discount rate established at 10% for off-premise purchases and 15% for on-premise purchases effective April 30, 1945.
- F 1947 PA 350 — Discount rate decreased to 12.5% for on-premise purchases effective July 3, 1947.
- G 1952 — — Decreased markup rate to 44% effective July, 1952.
- H 1966 — — Increased markup rate to 46% effective March, 1966.
- I 1967 PA 90 — Increased the discount rate for off-premise purchases to 11.5% effective February 26, 1967.
- J 1975 — — Increased markup rate to 48% and increased the discount rates to 15% for both off-premise purchases and on-premise purchases effective January, 1975.
- K 1980 — — Increased markup rate to 51% and increased the discount rates to 17% for both off-premise and on-premise purchases effective October, 1980.
- L 1983 — — Increased markup rate to 65% effective May, 1983.

STADIUM AND CONVENTION FACILITY

LEGAL CITATION:	M.C.L. 207.751-207.759; M.S.A. 7.559(1)-7.559(9); 1991 PA 180.
YEAR ADOPTED:	1991. Selected cities and counties may adopt by ordinance upon approval by voters. Wayne County voters approved the tax, on hotels and automobile leasing companies only, in November 1996.
BASIS OF TAX:	Privilege of operating restaurants, hotels and automobile leasing companies.
MEASURE OF TAX (BASE):	Gross receipts of restaurants, hotels and automobile leasing companies in selected municipalities.
RATE:	Restaurants and hotels, not to exceed 1%; automobile leasing companies not to exceed 2%.
ADMINISTRATION:	Michigan Department of Treasury, Bureau of Revenue upon agreement with municipality.
REPORT AND PAYMENT:	Determined by ordinance.
DISPOSITION:	Special fund of municipality.
2003-04 COLLECTIONS:	\$15,858,000

UNIFORM CITY UTILITY USERS

LEGAL CITATION:	M.C.L. 141.1151 et seq.; M.S.A. 5.3188(251); 1990 PA 100.
YEAR ADOPTED:	1990. Originally enacted as 1970 PA 198, but expired on June 30, 1988.
BASIS OF TAX:	Privilege of consuming public telephone, electric, steam, or gas services in a city of 750,000 or more (Detroit). Exemption for facility located in a renaissance zone.
RATE:	To be established by increments of one-fourth of 1%, not to exceed a maximum rate of 5%. Rate reduced by increments of one-fourth of 1% for each full 5% by which revenues exceed \$45 million, unless such amounts are dedicated to hire and retain additional police officers.
ADMINISTRATION:	Administrator designated by the city. Collected by the city treasurer.
REPORT AND PAYMENT:	Due by last day of month. Annual return due by end of fourth month following end of tax year.
DISPOSITION:	To hire police officers.
2003-04 COLLECTIONS:	\$51,504,927
2003-04 COLLECTIONS/UNIT:	\$10.3 million/1%

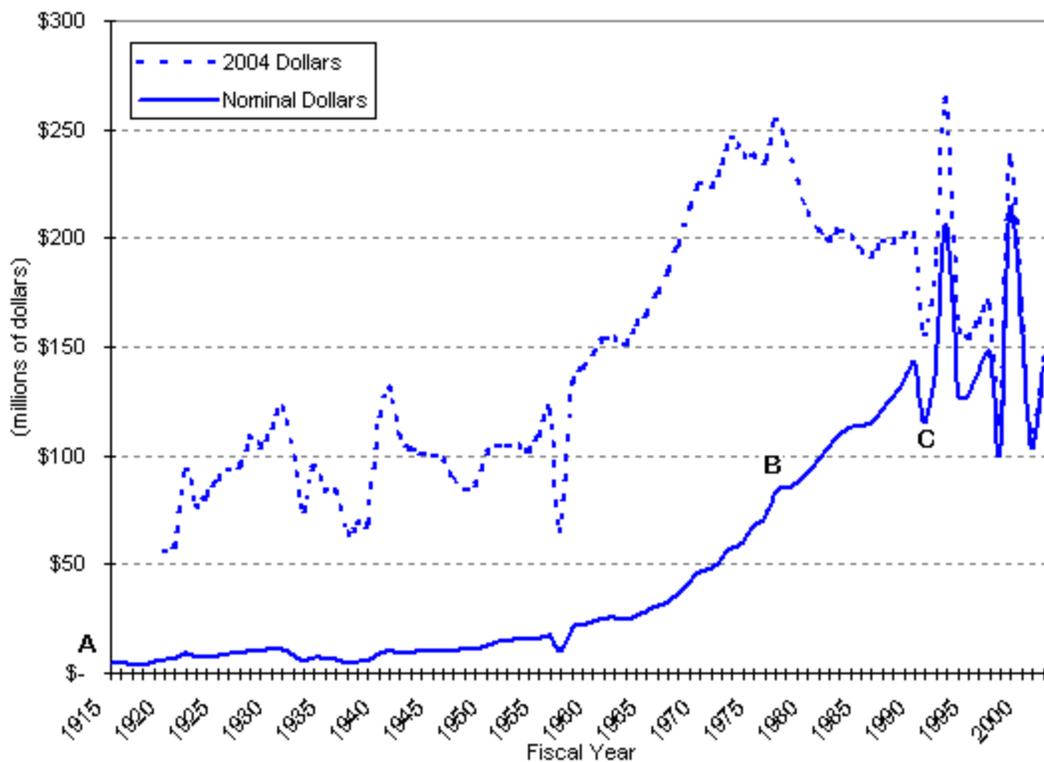
PROPERTY TAXES

Utility Property Tax
Estate Tax
State Real Estate Transfer Tax
State Education Tax
General Property Tax
Ad Valorem Special Assessments
Commercial Forest Tax
Private Forest Tax
Industrial Facilities Tax
Technology Park Facilities Tax
Enterprise Zone Facilities Tax
Neighborhood Enterprise Zone Facilities Tax
Commercial Rehabilitation Tax
Mobile Home Trailer Coach Tax
Low Grade Iron Ore Specific Tax

UTILITY PROPERTY

LEGAL CITATION:	M.C.L. 207.1 et seq.; M.S.A. 7.251 et seq., 1905 PA 282; Sec. 5 of Art. 9, state Constitution.
YEAR ADOPTED:	1905
BASIS OF TAX:	In lieu of other general property taxes.
MEASURE OF TAX (BASE):	Taxable value of all property of telephone and telegraph, railroad, car loaning, sleeping car, and express car companies including franchise owned and used in connection with doing business in Michigan. Railroads receive credit equal to 25% of expenditures for maintenance and improvement of rights-of-way in Michigan, if certain conditions are met.
RATE:	Average statewide general property tax paid by other business property in preceding calendar year.
ADMINISTRATION:	Assessment: Michigan Department of Treasury, State Tax Commission. Collection: Michigan Department of Treasury, Bureau of Revenue.
REPORT AND PAYMENT:	Report due March 31. Tax due July 1 or 1/2 by August 1 and the rest by December 1.
DISPOSITION:	General Fund.
2003-04 COLLECTIONS:	\$114,702,000

Chart 9
Michigan Utility Property Tax Revenue, 1915 - 2004



- A 1905 PA 282 — Utility Property Tax established.
- B 1980 PA 322 — Codified means of determining average tax rate.
- C 1993 PA 332 — Required that utility property tax rate be the average statewide ad valorem tax rate levied upon other commercial, industrial, and utility property.

ESTATE

LEGAL CITATION: M.C.L. 205.201 et seq.; M.S.A. 7.561 et seq.; 1899 PA 188.

YEAR ADOPTED: 1899 (referred to as Inheritance Tax until amended by 1993 PA 54.)

BASIS OF TAX: Privilege of transferring an interest in the property of a decedent.

MEASURE OF TAX (BASE): Gross estate as determined under federal internal revenue code.

The federal tax-reform package passed in 2001 eliminates the allowable federal credit over a four-year period beginning in 2002. Unless the state takes some action to offset the federal change, the state Estate Tax revenues will be eliminated.

RATE: Tax imposed up to maximum allowable federal credit for state inheritance taxes paid.

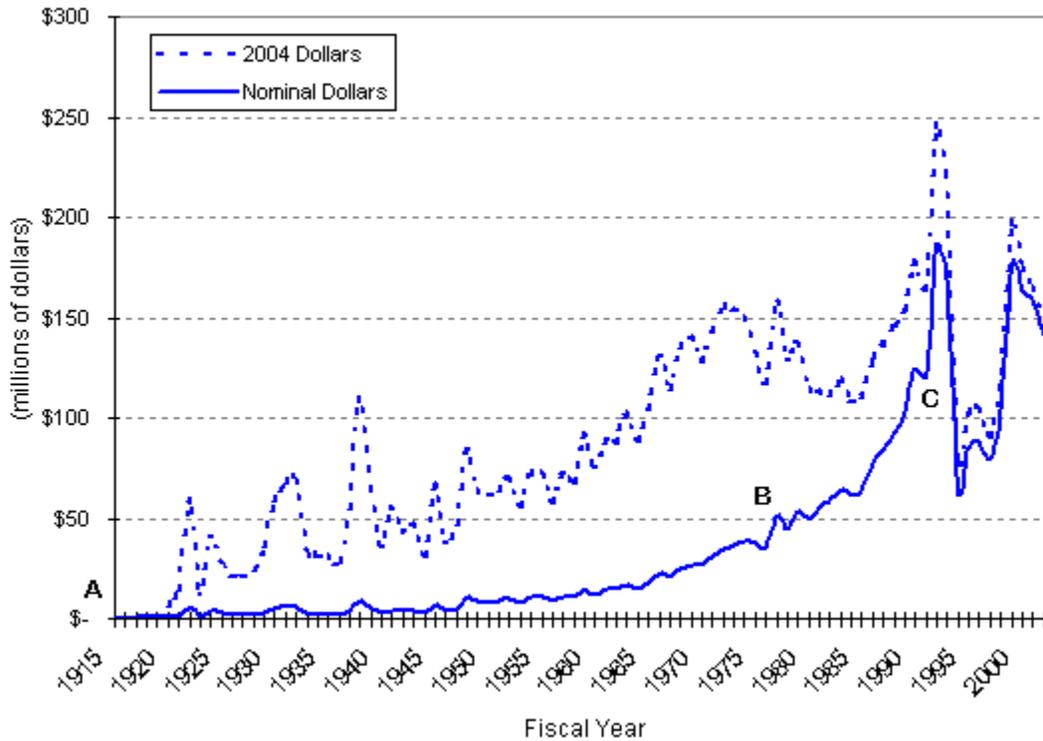
ADMINISTRATION: Michigan Department of Treasury, Bureau of Revenue.

REPORT AND PAYMENT: Due by same date as federal estate tax.

DISPOSITION: General Fund.

2003-04 COLLECTIONS: \$80,968,000

Chart 10
Michigan Estate Tax Revenue, 1915 - 2004



- A 1899 PA 188 — Inheritance Tax established (Direct heirs 2-8%; collateral heirs 10-15%).
- B 1978 PA 628 — Increased maximum tax rate on direct heirs to 10%; increased minimum tax rate on collateral heirs to 12 percent and maximum tax rate to 17%.
- C 1993 PA 54 — Inheritance Tax replaced by Estate Tax.

STATE REAL ESTATE TRANSFER

LEGAL CITATION:	M.C.L. 207.521 et seq.; M.S.A. 7.456(21) et seq.; 1993 PA 330.
YEAR ADOPTED:	1993
BASIS OF TAX:	Privilege of transferring interests in real property.
MEASURE OF TAX (BASE):	Fair market value of written instrument by which property is transferred. Exemptions: written instruments involving the following: (1) transfers of less than \$100; (2) transfers of land outside Michigan; (3) transfers which the state is prohibited by federal law from taxing; (4) security or an assignment or discharge of a security interest; (5) transfers evidencing a leasehold interest; (6) personal property; (7) transfers of interests for underground gas storage purposes; (8) transfers where a governmental unit is the grantor; (9) transfers involving foreclosure by a governmental unit; (10) certain interspousal transfers; (11) transfers ordered by a court if no consideration is ordered; (12) transfers to straighten boundary lines if no consideration is paid; (13) transfers to correct a title flaw; (14) land contracts in which title does not pass until full consideration is paid; (15) transfers of mineral rights; (16) creation of joint tenancies if at least one joint tenant already owned the property; (17) sales agreements entered into before enactment of the tax; (18) transfers to persons considered to be "single employers" under the internal revenue code; (19) transfers to a bankruptcy trustee, receiver, or administrator; (20) transfers between religious societies of property exempt from property taxes; (21) transfers from one religious institution to another religious institution.
RATE:	\$3.75 per \$500 (0.75%) or fraction thereof of total value.
ADMINISTRATION:	Collection: County treasurer. Supervision: Michigan Department of Treasury, Bureau of Revenue.
REPORT AND PAYMENT:	Due by 15th of each month.
DISPOSITION:	School Aid Fund.
2003-04 COLLECTIONS:	\$318,029,000

STATE EDUCATION

LEGAL CITATION:	M.C.L. 211.901 et seq.; M.S.A. 7.557(31) et seq.; 1993 PA 331.
YEAR ADOPTED:	1993
BASIS OF TAX:	Same as General Property Tax.
MEASURE OF TAX (BASE):	Same as General Property Tax.
RATE:	6 mills – Not subject to tax rate rollbacks under the Headlee Amendment (see General Property Tax).
ADMINISTRATION:	Collection: Township, city, and county treasurers. Supervision: Michigan Department of Treasury.
REPORT AND PAYMENT:	Same as general property tax.
DISPOSITION:	School Aid Fund.
2003-04 COLLECTIONS:	\$1,542,252,000
2003-04 COLLECTIONS/UNIT:	\$257 million per mill

GENERAL PROPERTY

LEGAL CITATION: M.C.L. 211.1 et seq.; M.S.A. 7.1 et seq.; 1893 PA 206; Sec. 3 and 6 of Art. 9, state Constitution.

YEAR ADOPTED: Territorial Act (current basic act enacted in 1893).

BASIS OF TAX: Real and personal property not otherwise exempted.

Real versus Personal Property

The distinction between real and personal property is relatively straightforward. Real property is basically land and buildings. Personal property is generally movable and not affixed to the land. Personal property includes a broad array of assets, including most equipment, furniture, and fixtures used by businesses. In addition, electric transmission and distribution equipment, gas transmission and distribution equipment, and oil pipelines are all considered personal property.

Establishing the assessed value of real versus personal property involves different methodologies, although all taxable property is required to be assessed at 50% of true cash value, the state equalized valuation. Real property assessments are developed by comparing similar properties and principally use sales and cost data to establish assessment changes. Personal property assessments use acquisition costs adjusted by depreciation multipliers to reflect declining values, as an asset ages.

Property taxes are determined by multiplying the tax rate times the taxable value of a parcel of property. The taxable value of a parcel may differ from the state equalized value due to limits on increases placed in the Michigan Constitution by Proposal A of 1994. Taxable value may not rise by more than the lesser of the increase in the consumer price index or 5%. The methodology used to assess personal property virtually assures that a parcel's assessed and taxable values will be the same. In contrast, the aggregate of real property reflected a gap of over 22% between assessed and taxable values in 2004.

MEASURE OF TAX (BASE): Taxable value, which cannot increase in any one year by more than the lesser of 5% or inflation, excluding additions and losses. When transferred, property is reassessed in accordance with state equalized valuation which equals 50% of true cash value. The assessment for agricultural property being transferred between owners will remain capped if the new owner keeps the property in agricultural use for at least seven years from the date of transfer. If the property ceases to be agricultural property within the seven-year period, the property's assessment will be adjusted to reflect the property's state equalized valuation.

Numerous **exemptions** exist, notably:

- (1) certain property owned by nonprofit religious, charitable, or educational organizations;
- (2) government property;
- (3) property subject to specific state taxes (e.g., railroad and telephone property, intangibles, motor vehicles);
- (4) property subject to specific local taxes in lieu of property taxation, such as commercial forest land; mobile homes; low grade iron ore; certified industrial, commercial, technological, commercial housing facilities;
- (5) certain household property, personal business property and mechanic's tools;
- (6) personal property used in agricultural operations;
- (7) inventory property;
- (8) special manufacturing tools (dies, jigs, fixtures, molds, etc.);
- (9) solar, water or wind energy conversion devices (pre-1984);
- (10) property in transit located in a public warehouse, dock or port facility;
- (11) property located in a renaissance zone, except for the portion of tax attributable to special assessments, taxes levied for the payment of general obligation bonds, intermediate-school-district wide enhancement mills and local school district sinking fund millages. Credits for property taxes paid: see Personal Income Tax.

RATE: Varies by local unit, but certain statewide constitutional and statutory restrictions exist. The rate may not exceed 15 mills (\$15 per \$1,000) or 18 mills in counties with separate, voter-fixed allocations for all jurisdictions. (These limitations were reduced by the number of mills allocated to local school districts in 1993, after which local school districts may not receive allocated millage.)

GENERAL PROPERTY (CONTINUED)

The foregoing limitations may be increased up to 50 mills with voter approval. Excluded from these limitations are:

- (1) Debt service taxes for all full faith and credit obligations of local units (after December 22, 1978, this exclusion applies only for obligations approved by voters);
- (2) Taxes imposed by units having separate tax limitations provided by charter or general law (cities, villages, charter townships, and charter counties);
- (3) Taxes imposed by certain districts or authorities having separate limits (e.g., charter water authorities, port districts, metropolitan districts, and downtown development authorities);
- (4) Certain taxes imposed by municipalities for special purposes (garbage services, library services, services to the aged, and police and fire pension funding).

The state constitutional tax limitation amendment of 1978 (Headlee) requires a taxing jurisdiction to roll back maximum authorized rates if the state equalized value, excluding new construction, increases faster than the rate of inflation, and state law requires a rate rollback to offset assessment increases (which the governing body can overcome by vote). Local school district operating taxes are limited to the lesser of 18 mills or the 1993 millage rate. Homestead and qualified agricultural property is exempt from this millage. However, school districts with a 1994-95 per pupil foundation allowance of over \$6,500 may reduce the exemption on homestead and qualified agricultural property by the number of mills necessary to raise that portion of their per pupil foundation allowance over \$6,500 and, if necessary, also may levy additional mills on all property to generate that per pupil dollar amount. In addition, voters in intermediate school districts may approve up to 3 additional mills for operating purposes. In calendar 2004, the state average millage rate, including the 6-mill state education tax, was 40.00 mills.

ADMINISTRATION: Property assessed by city and township assessors; values equalized by county and state among six classifications of real property (residential, commercial, industrial, developmental, agricultural, and timber cutover) plus personal property. Collection by township, city, and village treasurers. Delinquent taxes on real property collected by county treasurers (except in Kalamazoo).

REPORT AND PAYMENT: Township and county taxes due December 1. School taxes due December 1, unless school board elects to make all or one-half due July 1. City and village taxes due in accordance with charters.

DISPOSITION: As locally determined. The state reimburses local governments for certain lands controlled by the Michigan Department of Natural Resources, in lieu of property taxes (often called “the swamp tax”); this reimbursement is equal to \$2.00 an acre. (M.C.L. 324.2150; M.S.A. 13A.2150)

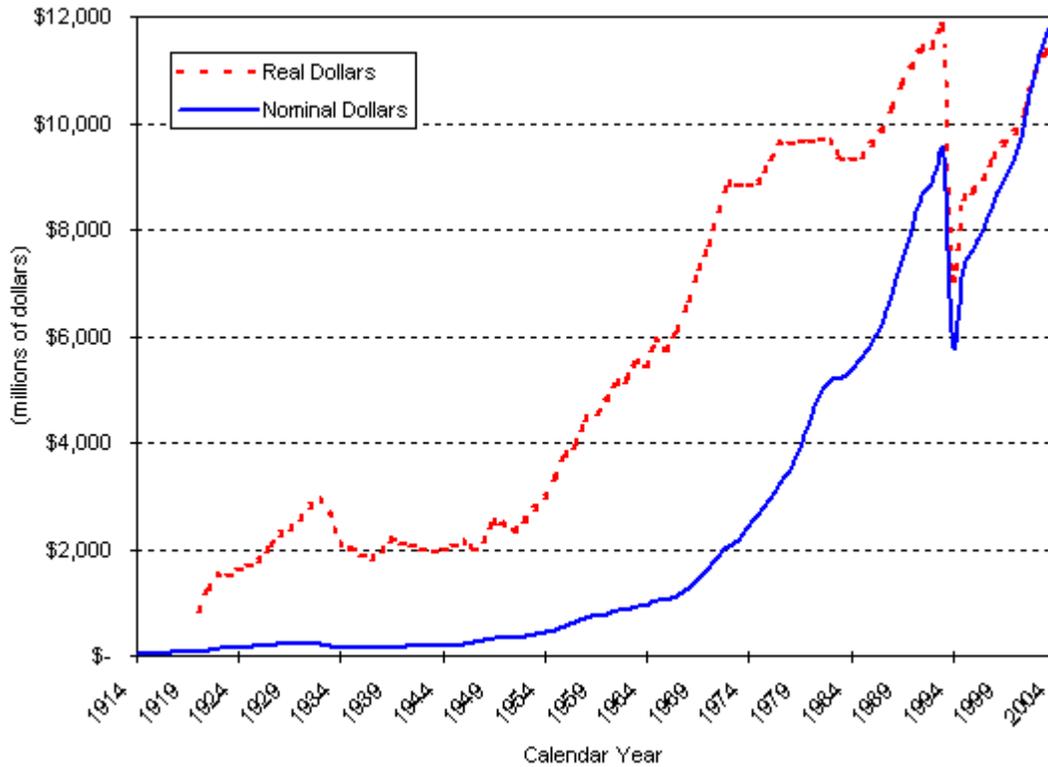
2003 & 2004 COLLECTIONS:	<u>2003 Levy</u>		<u>2004 Levy</u>	
School ⁵	\$5,134,551,438	52.26%	\$5,440,921,510	52.47%
City	2,108,627,550	21.46	2,178,716,784	21.01
County	1,811,694,276	18.44	1,918,051,074	18.50
Township	683,401,082	6.96	743,252,490	7.17
Village	<u>86,913,597</u>	0.88	<u>88,174,916</u>	0.85
Total Levy	\$9,825,189,945	100.00%	\$10,369,118,778	100.00%

2004 COLLECTIONS/UNIT: \$305 million per mill

⁵ Includes local school districts, intermediate school districts, and community colleges.

GENERAL PROPERTY (CONTINUED)

Chart 11
Total Michigan State and Local Property Tax Collections, 1914 - 2004



- A 1933 Cor
- B 1979 Const Amend — Headlee Amendment established requiring voter approval for any new local taxes and limited the rate of growth for the assessed values of property for each local unit of government.
- C 1993 PA 145 — exempted, beginning December 31, 1993, property from millage levied by a local or intermediate school district for school operating purposes.
- PA 312 — limited school operating property taxes on non-homestead property to lesser of 18 mills or 1993 rate; exempted homestead and qualified agricultural property from school operating millage in most school districts; authorized school districts to levy up to 3 additional mills with voter approval.
- PA 331 — State Education Tax established at 6 mills beginning in 1994.
- D 1994 Const Amend — Proposal A established cap on assessments and taxable value as the tax base.

GENERAL PROPERTY (CONTINUED)

Chart 12
Michigan Statewide Average Property Tax Rate, 1927 – 2004
 (Non-Homestead and Homestead Tax Rates, 1994 - 2003)

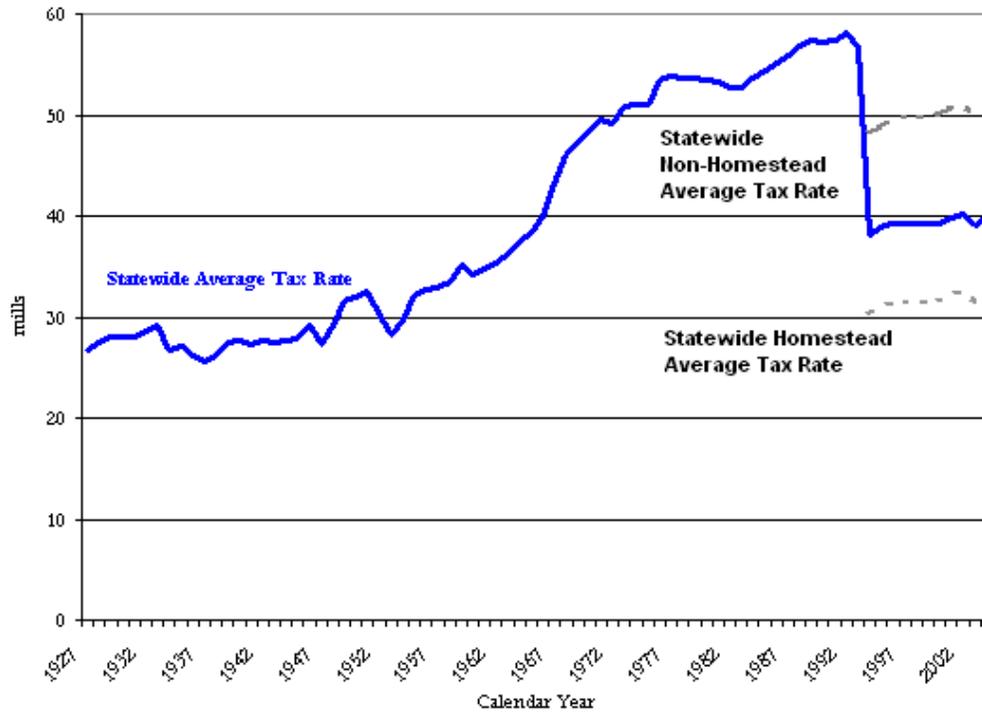
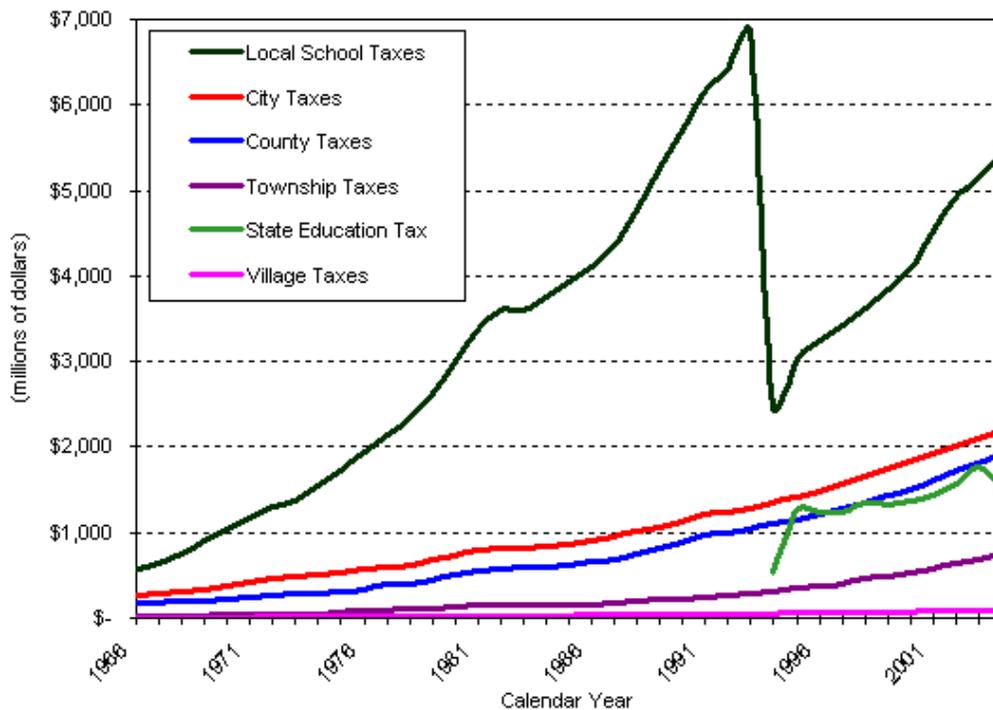


Chart 13
Michigan Property Tax Revenues by Unit of Government, 1966 – 2004



AD VALOREM SPECIAL ASSESSMENTS

LEGAL CITATION:	M.C.L. 41.801; M.S.A. 5.2640(1); 1951 PA 33.
YEAR ADOPTED:	1951.
BASIS OF TAX:	Real property. Unit of government may impose assessment on property exempt from general property tax.
MEASURE OF TAX (BASE):	Taxable value of the real property subject to the assessment. Property that is exempt from the general property tax, such as religious, charitable, or educational property is not exempt from the base of special assessments unless the statute authorizing the special assessment so provides.

When Special Assessments Look Like Property Taxes

Although not subject to many of the controls and limits imposed on the General Property Tax, ad valorem special assessments often take a form making them virtually indistinguishable from the property tax. Many examples exist of local units financing services by unit-wide ad valorem special assessments, although most units usually pay for such services from general revenues. In 1998, 131 special assessment districts in 43 of Michigan's counties levied unit-wide special assessments. Approximately 11% of the tax base in the state was subject to one or more unit-wide levies in 2004.

In 1996 the Attorney General ruled that ad valorem special assessment levies must be applied against State Equalized Value (SEV) instead of taxable value as defined by the Proposal A of 1994 Constitutional amendment. In Public Acts 542 through 545 of 1998, the Michigan legislature eliminated the distinction in the base upon which levies are applied. A separate 2000 Attorney General ruling required all property to be subject to ad valorem special assessments, even that exempt from property taxation. In Public Act 501 of 2002, the legislature responded by exempting from ad valorem special assessments property that is exempt from property taxes. With these changes, ad valorem special assessments are virtually indistinguishable from property taxes.

Readers interested in more information on this subject are encouraged to review Report 319 and Note 97-01 available on the CRC website at <http://www.crcmich.org>.

RATE:	Determined as a rate by dividing the cost of the public improvement or service being financed by the taxable value of the special assessment district, which may be the entire unit of government in the case of Act 33 purposes. Limited to 10 mills for equipment, no limit for operations.
ADMINISTRATION:	Same as General Property Tax.
REPORT AND PAYMENT:	Same as General Property Tax.
DISPOSITION:	Locally determined. Used to finance infrastructure improvements creating benefits for specific properties in a unit. Used to finance cost of services such as police and fire protection for an entire unit of local government and be levied uniformly across the entire unit.
2002 COLLECTIONS:	\$96,951,267 from unit-wide special assessments.

COMMERCIAL FOREST

LEGAL CITATION:	M.C.L. 324.51101-324.51120; M.S.A. 13A.51101-13A.51120; 1995 PA 57.
YEAR ADOPTED:	1925. The former statute (1925 PA 94) was repealed and replaced by 1995 PA 57.
BASIS OF TAX:	In lieu of general property taxation.
MEASURE OF TAX (BASE):	Lands placed in commercial forest reserve and cash value of timber thereon (generally, 40 acre minimum).
RATE:	Specific: \$1.10 per acre (state also pays \$1.20 per acre to each county within which acreage is located). Withdrawal: \$1.00 per acre application fee, plus per acre penalty equal to per acre average ad valorem tax on timber cutover real property in the township where the property is located times the number of years (to a maximum of 7 years or 15 years, depending upon when the property was determined to be commercial forest) that the property was subject to the tax.
ADMINISTRATION:	Department of Natural Resources; Township Assessors, Township and County Treasurers.
REPORT AND PAYMENT:	Specific: with property tax; Stumpage: Feb. 28, Aug. 31; Withdrawal: with application to withdraw.
DISPOSITION:	Distributed to local units in same proportion as General Property Tax except that school operating portion is paid to School Aid Fund.

PRIVATE FOREST

LEGAL CITATION:	M.C.L. 324.51301 et seq.; M.S.A. 13A.51301; 1995 PA 57.
YEAR ADOPTED:	1917. The former statute (1917 PA 86) was repealed and replaced by 1995 PA 57.
BASIS OF TAX:	In lieu of general property taxation.
MEASURE OF TAX (BASE):	Lands placed in private forest reserve and cash value of timber thereon (40 acre maximum).
RATE:	Specific: \$1 per acre; Stumpage: 5% of value of timber cut; Withdrawal: 5% of value of timber on the stump.
ADMINISTRATION:	Department of Natural Resources; Township Assessors, Township and County Treasurers.
REPORT AND PAYMENT:	Specific: with property tax; Stumpage: when cut; Withdrawal: upon withdrawing.
DISPOSITION:	Distributed to local units in same proportion as General Property Tax except that school operating portion is paid to School Aid Fund.

INDUSTRIAL FACILITIES

LEGAL CITATION:	M.C.L. 207.551 et. seq.; M.S.A. 7.800 (1) et seq.; 1974 PA 198.
YEAR ADOPTED:	1974
BASIS OF TAX:	In lieu of general property taxation for up to 12 years after completion of facilities granted exemption certificates within plant rehabilitation or industrial development districts.
MEASURE OF TAX (BASE):	Restored or replacement facility: taxable value of facility, excluding land and inventory, in year prior to granting of exemption certificate. New or speculative facility: current taxable value of facility, excluding land and inventory. Partial exemption for facility located in a renaissance zone.
RATE:	Restored facility; same as the local property tax rate. New or replacement facility: (if granted before January 1, 1994) 1/2 of 1993 school operating taxes plus 1/2 of other property taxes except state education tax; (if granted after December 31, 1993) 1/2 of all taxes other than the state education tax plus the state education tax. Certificate applicants and the granting municipality must enter into an agreement before the State Tax Commission can approve an exemption certificate.
ADMINISTRATION:	Same as General Property Tax. Local legislative body and State Tax Commission must approve issuance of certificate with concurrence of Michigan Strategic Fund.
REPORT AND PAYMENT:	Same as General Property Tax.
DISPOSITION:	Distributed on same basis as general property tax except that all or part of school district share is credited to the School Aid Fund.

TECHNOLOGY PARK FACILITIES

LEGAL CITATION:	M.C.L. 207.701 et seq.; M.S.A. 7.800(101) et. seq.; 1984 PA 385.
YEAR ADOPTED:	1984
BASIS OF TAX:	In lieu of general property taxation for up to 12 years after completion of facilities granted exemption certificates within technology park districts. Partial exemption for facility located in a renaissance zone.
MEASURE OF TAX (BASE):	Current state-equalized value of the facility, excluding land.
RATE:	1/2 of 1993 school operating taxes plus 1/2 of other property taxes, except state education tax.
ADMINISTRATION:	Same as general property tax. Local legislative body must approve issuance of certificate. Authority to issue certificates expired on December 31, 1993, but an exemption then in effect continues until expiration of certificate.
REPORT AND PAYMENT:	Same as General Property Tax.
DISPOSITION:	Same as Industrial Facilities Tax.

ENTERPRISE ZONE FACILITIES

LEGAL CITATION:	M.C.L. 125.2101 et seq.; M.S.A. 3.540(301) et seq.; 1985 PA 224.
YEAR ADOPTED:	1985
BASIS OF TAX:	In lieu of general property taxation for up to 10 years after a business is certified as a qualified business.
MEASURE OF TAX (BASE):	State-equalized value of real and personal property of a qualified business exclusive of exemptions. Partial exemption for facility located in a renaissance zone.
RATE:	Qualified business: 1/2 the statewide average property tax rate on commercial, industrial, and utility property. Certain other business: the local property tax rate, with credits that can reduce rate to statewide average property tax rate.
ADMINISTRATION:	Issuance of certification requires approval of Michigan Enterprise Zone Authority.
REPORT AND PAYMENT:	Same as General Property Tax.
DISPOSITION:	To the local unit in which such property is located, with certain exceptions.

NEIGHBORHOOD ENTERPRISE ZONE FACILITIES

LEGAL CITATION:	M.C.L. 207.771 et seq.; M.S.A. 7.800(171) et seq.; 1992 PA 147.
YEAR ADOPTED:	1992
BASIS OF TAX:	In lieu of general property taxation for up to 12 years after rehabilitation or completion of facility granted exemption. Partial exemption for facility located in a renaissance zone.
MEASURE OF TAX (BASE):	Rehabilitated facility: state-equalized value of facility in year prior to granting of exemption certificate, excluding land. New facility: state-equalized value of facility.
RATE:	New or rehabilitated facility: Homesteads: 1/2 of the state average rate paid by other homestead or qualified agricultural property; Nonhomesteads: 1/2 the state average rate paid by other commercial, industrial, and utility property.
ADMINISTRATION:	Same as General Property Tax.
REPORT AND PAYMENT:	Same as General Property Tax.
DISPOSITION:	Same as Industrial Facilities Tax.

COMMERCIAL REHABILITATION

LEGAL CITATION:	M.C.L. 207.841 et. seq.; M.S.A. 7.800 (41) et seq.; 2005 PA 210.
YEAR ADOPTED:	2005 (The Commercial Redevelopment Act, 1978 PA 255, was effectively allowed to sunset with the provision that new exemptions could not be issued after December 31, 1985. Exemptions issued in 1985 for 12 years expired in 1997.)
BASIS OF TAX:	In lieu of general property taxation for up to 10 years after completion of facilities granted exemption certificates within commercial rehabilitation districts.
MEASURE OF TAX (BASE):	The tax base is the sum of three measurements. <i>Land:</i> Taxable value of the land in the current year. <i>Facility:</i> Taxable value of the facility in year prior to granting of exemption certificate. <i>Personal Property:</i> Taxable value of personal property in the current year.
RATE:	The total tax liability is the sum of a three part tax rate application. <i>Land:</i> Total millage levied by all taxing jurisdictions within which the property is located. <i>Facility:</i> Total millage levied by all taxing jurisdictions within which the property is located. <i>Personal Property:</i> Total of the millage for school operations and the State Education Tax.
ADMINISTRATION:	Same as General Property Tax. County can object to creation of district. Local legislative body and State Tax Commission must approve issuance of certificate with concurrence of Michigan Strategic Fund. Authority to issue certificates expires on December 31, 2015, but an exemption then in effect will continue until expiration of the certificate.
REPORT AND PAYMENT:	Same as General Property Tax.
DISPOSITION:	Distributed on same basis as general property tax except that all or part of school district share is credited to the School Aid Fund.

MOBILE HOME TRAILER COACH

LEGAL CITATION:	M.C.L. 125.1041; M.S.A. 5.278(71); 1959 PA 243.
YEAR ADOPTED:	1959
BASIS OF TAX:	In lieu of general property taxation.
MEASURE OF TAX (BASE):	Occupied trailer coaches (including mobile homes) in licensed trailer coach parks.
RATE:	\$3 per month per occupied trailer coach.
ADMINISTRATION:	Township or city treasurer.
REPORT AND PAYMENT:	Due each month.
DISPOSITION:	\$2 per coach to School Aid Fund; 50 cents per coach to counties and municipalities, respectively.

LOW GRADE IRON ORE SPECIFIC

LEGAL CITATION:	M.C.L. 211.621 et seq.; M.S.A. 13.157 (1) et seq.; 1951 PA 77.
YEAR ADOPTED:	1951
BASIS OF TAX:	In lieu of general property taxation.
MEASURE OF TAX (BASE):	Rated annual capacity of production and treatment plant, and gross ton value of ore.
RATE:	Prior to full production: rated annual capacity times 0.55% of value per gross ton, times percent completion of plant. Subsequently: 5-year average production times 1.1% of value per gross ton.
ADMINISTRATION:	Assessment: Township or city assessor; Michigan Department of Natural Resources, Geological Division. Collection: Township or city treasurer.
REPORT AND PAYMENT:	Same as General Property Tax.
DISPOSITION:	Distributed to local units in same proportion as general property tax except that school portion is paid to School Aid Fund.

COUNTY REAL ESTATE TRANSFER

LEGAL CITATION:	M.C.L. 207.501 et seq.; M.S.A. 7.456 (1) et seq.; 1966 PA 134.
YEAR ADOPTED:	1966
BASIS OF TAX:	Privilege of transferring any interest in real property.
MEASURE OF TAX (BASE):	Fair market value of written instrument. Numerous exemptions including transfers of less than \$100, instruments where a government is seller or grantor, certain conveyances between spouses, transfers of mineral rights.
RATE:	55 cents per \$500 (0.11%) or fraction thereof of total value. Wayne County is statutorily authorized to impose a rate of 75 cents per \$500 (0.15%), but voter approval is required. It currently levies the tax at a rate of 0.11%.
ADMINISTRATION:	Supervision: Department of Treasury. Collection: Treasurer of county in which transfer occurs.
REPORT AND PAYMENT:	Due when transaction is recorded.
DISPOSITION:	General fund of county in which tax is collected.

TRANSPORTATION TAXES

Gasoline Tax
Diesel Fuel Tax
Motor Carrier Fuel Tax
Motor Carrier Single State Registration Tax
Liquefied Petroleum Gas Tax
Aviation Gasoline Tax
Aircraft Weight Tax
Snowmobile Registration Tax
Watercraft Registration Tax
Motor Vehicle Weight or Value Tax

GASOLINE

LEGAL CITATION:	M.C.L. 207.1001 et seq.; M.S.A. 7.323(1) et seq.; 2000 PA 403; Sec. 9 of Art. IX, state Constitution.
YEAR ADOPTED:	1925 The Gasoline Tax (1925 PA 150), the Diesel Fuel Tax (1951 PA 54), and the Liquefied Petroleum Gas Tax (1953 PA 147) were recodified by 2000 PA 403.
BASIS OF TAX:	Privilege of using highways.
MEASURE OF TAX (BASE):	Gasoline sold or used in operating vehicles on public highways. Exemption for gasoline used in <ol style="list-style-type: none"> (1) vehicles owned by state or federal government; (2) vehicles owned or leased and operated by units of local government. (3) school buses owned and operated by private nonprofit parochial, or denominational schools, college, or universities. Refund of tax on gasoline purchased for <ol style="list-style-type: none"> (1) a purpose other than operation of a vehicle on public highways; (2) five or more person capacity vehicles operated under a municipal franchise; (3) passenger vehicles used to transport school children; (4) community action agencies.
RATE:	19 cents per gallon.
ADMINISTRATION:	Department of Treasury, Bureau of Revenue.
REPORT AND PAYMENT:	Due by 20th of each month.
DISPOSITION:	Michigan Transportation Fund: 2% to Recreation Improvement Fund; \$5 million to Critical Bridge Fund; \$3 million to Rail Grade Crossing Account; Transportation Economic Development Fund; 10% earmarked to Comprehensive Transportation Fund; of remainder, 39.1% to State Trunkline Fund; 39.1% to county road commissions; 21.8% to cities and villages.
2003-04 COLLECTIONS:	\$927,010,000
2003-04 COLLECTIONS/UNIT:	\$48.8 million per 1 cent.

DIESEL FUEL

LEGAL CITATION:	M.C.L. 207.1001 et seq.; M.S.A. 7.323(1) et seq.; 2000 PA 403; Sec. 9 of Art. IX, state Constitution.
YEAR ADOPTED:	1951 The Gasoline Tax (1925 PA 150), the Diesel Fuel Tax (1951 PA 54), and the Liquefied Petroleum Gas Tax (1953 PA 147) were recodified by 2000 PA 403.
BASIS OF TAX:	Privilege of using highways.
MEASURE OF TAX (BASE):	Diesel fuel sold or used in operating vehicles on public highways. Exemption for diesel fuel used in or for <ol style="list-style-type: none"> (1) vehicles owned by the state or federal government; (2) vehicles owned or leased and operated by units of local government; (3) school buses owned and operated by private nonprofit parochial, or denominational schools, college, or universities; (4) off-highway use; (5) home heating oil; (6) export; (7) as other than motor fuel; (8) for use in trains. Refund of tax on diesel fuel purchased for use in ten or more person capacity vehicles operated under a municipal franchise.
RATE:	15 cents per gallon with discount of 6 cents for vehicles taxed under the Motor Carriers Fuel Tax.
ADMINISTRATION:	Department of Treasury, Bureau of Revenue.
REPORT AND PAYMENT:	Due by 20th of each month.
DISPOSITION:	Michigan Transportation Fund (See Gasoline Tax).
2003-04 COLLECTIONS:	\$119,218,000

Diesel Fuel Tax and the Motor Carrier Fuel Tax

Michigan is one of only a few states in the nation that levy sales taxes on motor fuel sales and include federal motor fuel taxes with the fuel price as part of the sales tax base. As a result, an additional cost must be paid for fuel purchases in Michigan, creating a potential disincentive for such purchases in Michigan.

To compensate for this, the Diesel Fuel Tax was amended in 1980 to establish a 6-cent-per-gallon discount for fuel delivered into a vehicle bearing a motor carrier permit. A companion Motor Carrier Fuel Tax Act was enacted to effectively change the tax on motor carriers' diesel fuel from a tax paid on fuel purchased in the state to a tax paid on fuel used in the state. This change allowed the state to impose for the first time a tax on fuel purchased out-of-state but used on Michigan roads. Truckers driving in Michigan could no longer avoid the state tax by purchasing fuel in another state.

The interaction of these two taxes requires motor carriers to pay the Diesel Fuel Tax "at the pump." (Wholesale distributors actually pay motor fuel taxes in Michigan, but the additional cost is passed on to the final purchasers, so that the taxes can be considered to be paid at the pump.) Motor carriers pay the Motor Carrier Fuel Tax on fuel used in Michigan but for which no Diesel Fuel Tax has been paid.

The Diesel Fuel Tax imposed at the pump is effectively a partial prepayment of the final tax owed. Because the Diesel Fuel Tax is paid and the Motor Carrier Fuel Tax allows a credit for this payment, revenues equal to 9 cents per gallon from motor fuel taxes levied on motor carriers are attributable to Diesel Fuel Taxes. This, in addition to the 6 cents collected from the Motor Carrier Fuel Tax, yields the total of 15 cents per gallon.

A fuller explanation of the interaction of these two taxes can be found in Memorandum 1047, *The Taxation of Diesel Fuel* (November 1997). This document is available on the CRC website at <http://www.crcmich.org/>.

MOTOR CARRIER FUEL

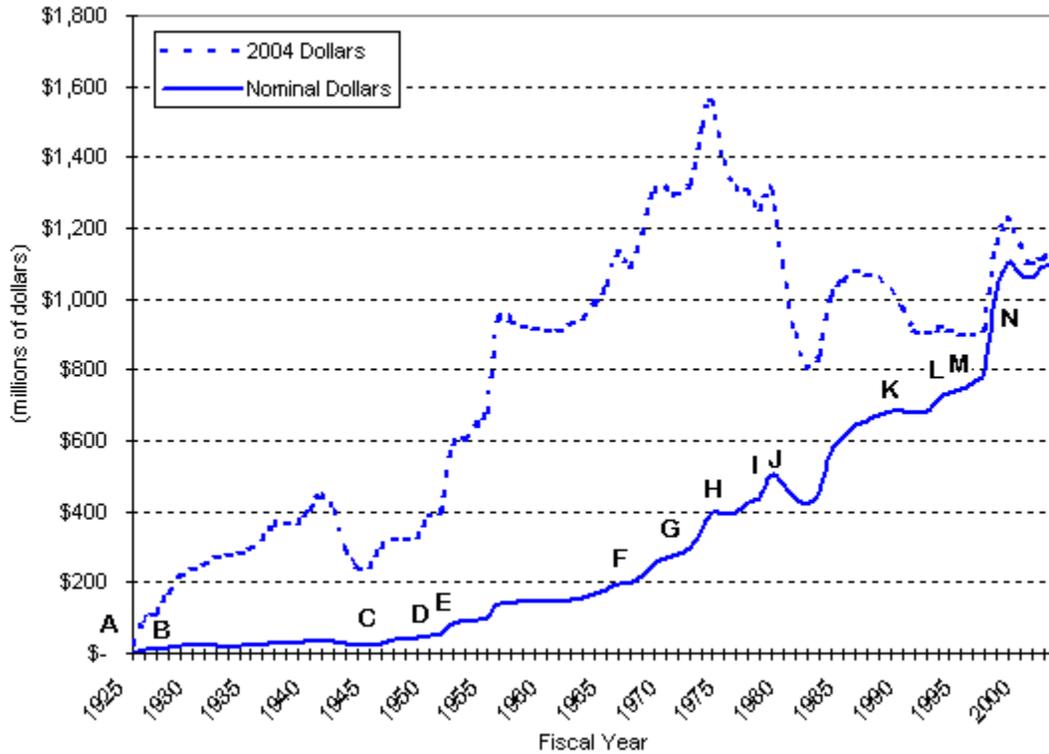
LEGAL CITATION:	M.C.L. 207.211 et seq.; M.S.A. 7.340 (1) et. seq.; 1980 PA 119; Sec. 9 of Art. IX, state Constitution.
YEAR ADOPTED:	1980
BASIS OF TAX:	Privilege of using Michigan highways.
MEASURE OF TAX (BASE):	Motor fuel consumed in operating vehicles on public highways.
RATE:	21 cents per gallon with a 15 cent credit for fuel purchased in Michigan (Note, motor carriers taxed under this act are also taxed under the Diesel Fuel Tax for a net total tax rate of 15 cents per gallon.)
ADMINISTRATION:	Michigan Department of Treasury, Bureau of Revenue.
REPORT AND PAYMENT:	Due by 20th of month quarterly.
DISPOSITION:	Michigan Transportation Fund (See Gasoline Tax).
2003-04 COLLECTIONS:	\$18,078,000

MOTOR CARRIER SINGLE STATE REGISTRATION

LEGAL CITATION:	M.C.L. 478.1-478.8; M.S.A. 22.560-22.565 (1); 1933 PA 254.
YEAR ADOPTED:	1933
BASIS OF TAX:	Privilege of using highways.
MEASURE OF TAX (BASE):	Vehicles operated on highways by common and contract carriers.
RATE:	\$50 per vehicle for trucks or tractors used exclusively for transporting household goods. \$100 per vehicle for all others.
ADMINISTRATION:	Department of Consumer and Industry Services, Public Service Commission; and Department of State Police.
REPORT AND PAYMENT:	Due annually by December 1.
DISPOSITION:	Michigan Transportation Fund and Truck Safety Fund.
2003-04 COLLECTIONS:	\$6,146,000

MOTOR FUELS

Chart 14
Michigan Motor Fuel Tax* Revenues, 1925 - 2004



- A 1925 PA 2 — Gasoline Tax established at 2 cents per gallon.
- B 1927 PA 150 — Increased tax rate to 3 cents per gallon; repealed 2 PA 1925.
- C 1947 PA 319 — Diesel Fuel Tax established at 5 cents per gallon.
- D 1951 PA 54 — Increased Gas Tax rate to 4.5 cents per gallon; added Chapter 2 (Diesel Fuel Tax) to 150 PA 1927 at 6 cents per gallon; repealed 1947 PA 319.
- E 1953 PA 147 — Added Chapter 3 (Liquefied Petroleum Gas Tax) to 150 PA 1927 at 4.5 cents per gallon.
- F 1967(ES) PA 5 — Increased tax rates to 7 cents per gallon.
- G 1972 PA 326 — Gas and Liquefied Petroleum Gas tax rates increased to 9 cents per gallon.
- H 1978 PA 426 — Gas and Liquefied Petroleum Gas tax rates increased to 11 cents per gallon.
 — Increased Diesel Fuel Tax rate to 9 cents per gallon.
- I 1980 PA 118 — Raised Diesel Fuel Tax rate to 11 cents per gallon; allowed a 6 cent per gallon discount to commercial vehicles.
 PA 119 — Motor Carriers Fuel Tax established at rate equal to Diesel Fuel Tax rate on commercial vehicles for road use based on miles driven in state.
- J 1982 PA 437 — Created formula for altering gas tax rate in 1983 and 1984; set Diesel Fuel and Liquefied Petroleum Gas tax rates equal to Gasoline Tax rate (increased tax rates to 13 cents per gallon in 1983 and 15 cents per gallon in 1984).
- K 1992 PA 225 — Altered the collection point of Gasoline and Diesel Fuel taxes from wholesalers to suppliers.
- L 1996 PA 584 — Increased Motor Carriers Fuel Tax rate to 21 cents per gallon with 15-cent credit for fuel purchased in Michigan.
- M 1997 PA 83 — Increased Gasoline Tax rate to 19 cents per gallon.
- N 2000 PA 403 — Gasoline, Diesel Fuel, and Liquefied Petroleum Gas taxes recodified.

* Motor Fuels Taxes include the Gasoline, Diesel Fuel, and Liquefied Petroleum Gas, and Motor Carrier Fuel Taxes.

LIQUEFIED PETROLEUM GAS

LEGAL CITATION:	M.C.L. 207.1151 et seq.; M.S.A. 7.323(151) et seq.; 2000 PA 403; Sec. 9 of Art. IX, state Constitution.
YEAR ADOPTED:	1953 The Gasoline Tax (1925 PA 150), the Diesel Fuel Tax (1951 PA 54), and the Liquefied Petroleum Gas Tax (1953 PA 147) were recodified by 2000 PA 403.
BASIS OF TAX:	Privilege of using highways.
MEASURE OF TAX (BASE):	Liquefied petroleum gas sold or used in operating vehicles on public highways. Refund of tax on gasoline purchased for <ol style="list-style-type: none"> (1) a purpose other than operation of a vehicle on public highways; (2) vehicles owned by state or federal government; (3) vehicles owned or leased and operated by units of local government. (4) five or more person capacity vehicles operated under a municipal franchise.
RATE:	15 cents per gallon.
ADMINISTRATION:	Department of Treasury, Bureau of Revenue.
REPORT AND PAYMENT:	Due by 20th of each month.
DISPOSITION:	Michigan Transportation Fund (See Gasoline Tax)
2003-04 COLLECTIONS:	\$656,000
2003-04 COLLECTIONS/UNIT:	\$43,733 per 1 cent.

AVIATION GASOLINE

LEGAL CITATION:	M.C.L. 259.203; M.S.A. 10.303; 1945 PA 327.
YEAR ADOPTED:	1929
BASIS OF TAX:	Privilege of using aviation facilities.
MEASURE OF TAX (BASE):	Fuel sold or used for propelling aircraft.
RATE:	3 cents per gallon. Refund of 1.5 cents per gallon to airline operators on interstate scheduled operations.
ADMINISTRATION:	Department of Treasury, Bureau of Revenue.
REPORT AND PAYMENT:	Due by 20th of each month.
DISPOSITION:	Aeronautics Fund.
2003-04 COLLECTIONS:	\$7,674,000

AIRCRAFT WEIGHT

LEGAL CITATION:	M.C.L. 259.77; M.S.A. 10.177; 1945 PA 327.
YEAR ADOPTED:	1923
BASIS OF TAX:	In lieu of all other general property taxes on aircraft.
MEASURE OF TAX (BASE):	The greater of maximum gross weight or maximum takeoff weight. Many exemptions exist.
RATE:	1 cent per pound.
ADMINISTRATION:	Michigan Department of Transportation, Aeronautics Commission.
REPORT AND PAYMENT:	Due by each August 1st.
DISPOSITION:	Aeronautics Fund.
2003-04 COLLECTIONS:	\$314,000

SNOWMOBILE REGISTRATION

LEGAL CITATION:	M.C.L. 257.1504; M.S.A. 9.3200; 1968 PA 74.
YEAR ADOPTED:	1968
BASIS OF TAX:	Required registration by owner of each snowmobile in state.
MEASURE OF TAX (BASE):	Each snowmobile considered a separate unit subject to registration.
RATE:	Registration for 3-year period, rate is \$22.00.
ADMINISTRATION:	Collection: Michigan Department of State. Enforcement: Department of Natural Resources, county sheriffs.
REPORT AND PAYMENT:	Due by October 1 every three years.
DISPOSITION:	General Fund. Not less than 50% of registration receipts appropriated to the Department of Natural Resources for planning, construction, maintenance, and acquisition of trails for snowmobile use.
2003-04 COLLECTIONS:	\$1,985,000

WATERCRAFT REGISTRATION

LEGAL CITATION:	M.C.L. 324.80115-324.80128; M.S.A. 13A.80115-13A.80128; 1995 PA 58.																
YEAR ADOPTED:	1967. The former statute (1967 PA 303) was repealed and replaced by 1995 PA 58.																
BASIS OF TAX:	In lieu of general property tax for privilege of operating motor boats and other vessels on Michigan waters.																
MEASURE OF TAX (BASE):	Length of boat. Exemptions for lifeboats; hand propelled vessels 16' or less; non-motorized canoes not used for rental or commercial purposes, all-terrain vehicles; rafts, surfboards, swim floats; vessels used temporarily on state waters.																
RATE:	Registration for 3-year period. Rates for motor boats (in feet): <table style="width: 100%; border: none;"> <tr> <td style="width: 25%;">Under 12,</td> <td style="width: 10%;">\$14</td> <td style="width: 25%;">16-less than 21,</td> <td style="width: 10%;">\$42</td> <td style="width: 25%;">28-less than 35,</td> <td style="width: 10%;">\$168</td> <td style="width: 25%;">42-less than 50,</td> <td style="width: 10%;">\$280</td> </tr> <tr> <td>12-less than 16,</td> <td>\$17</td> <td>21-less than 28,</td> <td>\$115</td> <td>35-less than 42,</td> <td>\$244</td> <td>50 or more,</td> <td>\$448</td> </tr> </table> <p>Separate rates for pontoon boats and motorized canoes, non-powered vessels 12 feet or over, and vessels carrying freight and passengers for hire.</p>	Under 12,	\$14	16-less than 21,	\$42	28-less than 35,	\$168	42-less than 50,	\$280	12-less than 16,	\$17	21-less than 28,	\$115	35-less than 42,	\$244	50 or more,	\$448
Under 12,	\$14	16-less than 21,	\$42	28-less than 35,	\$168	42-less than 50,	\$280										
12-less than 16,	\$17	21-less than 28,	\$115	35-less than 42,	\$244	50 or more,	\$448										
ADMINISTRATION:	Collection: Michigan Department of State. Enforcement: Department of Natural Resources, county sheriffs.																
REPORT AND PAYMENT:	Due by each January 1.																
DISPOSITION:	17.5% to State Waterways Fund; 33.5% to Harbor Development Fund; 49% to Marine Safety Fund.																
2003-04 COLLECTIONS:	\$9,647,000																

Motor Vehicle Registrations: Weight versus Value

Until 1983, automobile registration taxes were based on the weight and age of the vehicle. These taxes were determined using a schedule of fees that required occasional revision to reflect inflation, changing funding needs, and automobile market changes. Automobile registration taxes were not a high growth item prior to 1983. Public Act 439 of 1982 changed the basis for collecting automobile registration taxes from weight-based to price-based. Individual owners of motor vehicles built since 1984 pay an initial registration of 0.5% of the list price of the vehicle (the base sticker price) for the first registration, with a minimum of \$30. The taxes decrease by 10% for each of the next three years and then remain constant.

Registration amounts for owners of used automobiles depend on the model year of the vehicle. Registration taxes on automobiles of model years prior to 1984 continue to be based on weight. Registration taxes on automobiles of model years 1984 or later are price- and age-based.

Because they are based on the vehicle price, motor vehicle ad valorem tax revenues depend on the number of vehicle registrations, the age of the autos, and the price of the vehicles. Changing registration taxes from a weight-based system to a price-based system fairly effectively protects the state from the erosion of revenues experienced as cars became lighter. As the prices of automobiles increase, revenues increase to keep pace with inflation.

MOTOR VEHICLE REGISTRATION

LEGAL CITATION:	M.C.L. 257.801-257.810; M.S.A. 9.2501-9.2510; 1949 PA 300.
YEAR ADOPTED:	1905
BASIS OF TAX:	In lieu of general property and other taxes.
MEASURE OF TAX (BASE):	Weight of vehicle – or the type or sales price of vehicle. Elected gross vehicle weight (the empty weight of a vehicle or combination of vehicles plus the weight of the maximum load the owner has elected to carry) for large trucks.

RATE: 1. **Personal passenger vehicles purchased new, or vehicles of the 1984 model year or later which are subsequently resold as used**, are assessed on the following schedule:

<u>Base List Price</u>	<u>Tax in 1st Year of Ownership</u>
Up to \$6,000	\$30
\$6,001 to \$7,000	\$33
\$7,001 to \$30,000	\$33, plus \$5 for each \$1,000 above \$7,000 base list price.
More than \$30,000	0.5% of base list price.

The above rates are adjusted annually in accordance with increase in state personal income. During the 2nd, 3rd, and 4th years, the tax on such vehicles is reduced by 10% from the prior year's level and remains constant thereafter.

Additional charges and service fees are levied for special plates bearing insignia (e.g. military veterans) and pictorial scenes of state significance (e.g. the Mackinac Bridge). Also, plates bearing special messages and nicknames ("vanity plates") are available at additional cost.

Pickup trucks and vans under 5,000 lb., passenger cars, and motor homes purchased before October 1, 1983 are assessed on the basis of the following schedule in lieu of a value tax:

0-3,000 lb. \$29	4,501-5,000 lb. \$47	6,501-7,000 lb. \$67	8,501-9,000 lb. \$86
3,001-3,500 lb. \$32	5,001-5,500 lb. \$52	7,001-7,500 lb. \$71	9,001-9,500 lb. \$91
3,501-4,000 lb. \$37	5,501-6,000 lb. \$57	7,501-8,000 lb. \$77	9,501-10,000 lb. \$95
4,001-4,500 lb. \$43	6,001-6,500 lb. \$62	8,001-8,500 lb. \$81	Over 10,000 lb. add \$.90/100 lb.

2. Varied rates for **specialized vehicles** such as buses and taxicabs, motorcycles, certain farm equipment, ambulances and hearses, moving vans.

3. **Commercial pickup trucks under 5,000 lb.:** 0-4,000 lb. \$39; 4,001-4500 lb. \$44; 4,501-5,000 lb. \$49.

4. **Trucks weighing 8,000 lb. or less and tow trucks** (\$38 minimum; fee per 100 lb.):
 0-2,500 lb. \$1.40 4,001-6,000 lb. \$2.20 8,001-10,000 lb. \$3.25 Over 15,000 lb. \$4.39
 2,501-4,000 lb. \$1.76 6,001-8,000 lb. \$2.72 10,001-15,000 lb. \$3.77

5. For **trucks weighing 8,000 lb. or less towing a trailer or for trucks weighing 8,001 lb. and over, road tractors, and truck tractors**, a flat fee on elected gross weight (shown here in lbs.):

0-24,000: \$491	36,001-42,000: \$874	66,001-72,000: \$1,529	115,001-130,000: \$2,448
24,001-26,000: \$558	42,001-48,000: \$1,005	72,001-80,000: \$1,660	130,001-145,000: \$2,670
26,001-28,000: \$558	48,001-54,000: \$1,135	80,001-90,000: \$1,793	145,001-160,000: \$2,894
28,001-32,000: \$649	54,001-60,000: \$1,268	90,001-100,000: \$2,002	Over 160,000: \$3,117
32,001-36,000: \$744	60,001-66,000: \$1,398	100,001-115,000: \$2,223	

ADMINISTRATION: Michigan Department of State; certain fees, Michigan Department of Natural Resources.

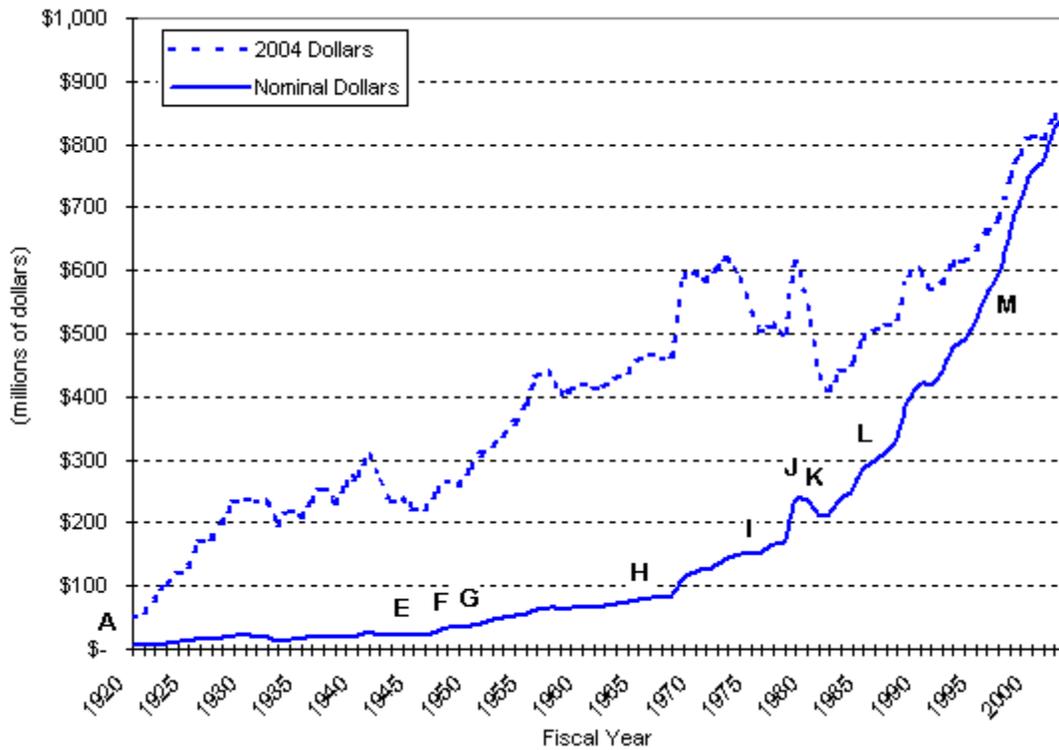
MOTOR VEHICLE REGISTRATION (CONTINUED)

REPORT AND PAYMENT: Registration expires annually on owner’s birthday, except for certain commercial vehicles and trailers owned by “persons” other than individuals (last day of Feb.), for motorcycles (March 31), and for historic vehicles (on April 15 in the 5th year after the date of issue). Tax due with new registration.

DISPOSITION: Michigan Transportation Fund; certain fees, Scrap Tire Regulation Fund.

2003-04 COLLECTIONS: \$934,689,000

Chart 15
Michigan Motor Vehicle Registration Tax Revenue, 1920 – 2004



- A 1905 PA — Established a \$2 per automobile license plate fee.
- B 1909 PA 318 — Superseded the 1905 PA.
- C 1913 PA 181 — Revised 1909 PA 318.
- D 1915 PA 302 — Motor Vehicle Weight Tax established.
- E 1945 PA 255 — Revised 1915 PA 302.
- F 1949 PA 300 — Established Motor Vehicle Code with revised registration fee schedules.
- G 1951 PA 55 — Established new fee schedules for various classifications of vehicle based on vehicle weight.
- H 1967(ES) PA 3 — Established new fee schedules for various classifications of vehicle based on vehicle weight.
- I 1978 PA 427 — Established new fee schedules for various classifications of vehicle based on vehicle weight.
- J 1982 PA 439 — Established new fee schedules for various classifications of vehicle based on vehicle weight.
- K 1983 PA 165 — Replaced weight tax with a value tax of 0.4% of purchase price for personal passenger vehicles purchased after September 30, 1983.
- L 1987 PA 238 — Required value tax of 0.5% of list price for personal passenger motor vehicles purchased after September 30, 1983 based on manufacturer’s base list price.
- M 1997 PA 80 — Increased tax imposed upon certain passenger vehicles and trucks
- M 1997 PA 80 — Increased certain truck registration fees.

CHANGES IN MICHIGAN TAX LAWS

CHANGES IN MICHIGAN TAX LAWS, 2002 THROUGH AUGUST 2005

Tax Administration

- 2002 PA 267: Allows a local assessing unit to provide for voluntary electronic filing of real or personal property statements using uniform formats prescribed by the State Tax Commission. Requires that a local tax-collecting unit accept electronic or facsimile signature using a procedure prescribed by the State Tax Commission.
- PA 457: Eliminates the \$1 registration fee for obtaining a sales tax license.
- PA 479: Provides that unpaid property taxes levied on buildings and improvements on leased land are subject to the same collection procedures as taxes levied on personal property.
- PA 486: Requires the Department of Treasury to include in the Income Tax instruction booklet a clear and concise explanation of each credit and deduction allowed and reference to a detailed explanation.
- PA 505: Permits local tax-collecting units to use computerized data base systems as the tax roll for the General Property Tax, subject to approval from the State Tax Commission.
- PA 579-581: Requires a corporation authorized to transact business in Michigan, that submitted a certificate of dissolution or withdrawal from the State, to request from the Department of Treasury within 60 days a certificate stating that sales, use, or income taxes were not due.
- PA 607: Allows businesses that collect and remit the tobacco products tax to deduct the amount of bad debts. The amount deducted would have to be charged off as uncollectible on the books of the licensee.
- 2003 PA 23-25: PA 23 extends provisions in the Revenue Act concerning the personal liability of certain officers to pay taxes, if a corporation is dissolved, to limited liability companies, limited liability partnerships, partnerships, and limited partnerships and their individual members, managers and partners. PAs 24 and 25 delete language in the Use Tax and Sales Tax Acts that is similar to the new language in PA 23.
- PA 92: Requires the Department of Treasury to make available in printed and electronic form bulletins or letter rulings issued on or after August 18, 2000.
- PA 168: Revises the statutory allocation of sales tax revenues in FY02 and FY03 to the General Revenue Sharing program by reducing the payments for FY04 below the amounts received in FY03. The change is part of an action to divert revenue sharing funds to the state's General Fund to assist in balancing the budget.
- 2004 PA 108: Provides a \$2.50 per parcel collection fee to be retained from the proceeds of the State Education Tax (SET) by local units of government that would not otherwise levy summer taxes and by counties collecting the SET on behalf of affected local units.

Income Taxes

Personal Income Tax

- 2002 PA 75: Extends the personal income tax and single business tax credits to property subject to an agricultural conservation easement or purchase of development rights.
- PA 615: Allow resident tribal members to deduct from taxable income all non-business income earned or received in the period during which a tribal agreement was in full force and effect.

- 2003 PA 21: Includes in the taxable income of nonresidents, casino winnings and winnings from pari-mutuel wagering at licensed horse racing meetings.
- PA22, 45-51: Seven bills implement the requirement that income tax be withheld from (1) distributions made by flow through entities to non-resident members; (2) casino winnings of non-residents reportable under federal law; and (3) winnings from pari-mutuel wagering reportable under federal law by race meeting licensees and track licensees.
- PA 28&29: Permits special assessments on property for police, fire, and advanced life support to be used in computing the homestead property tax credit beginning in the 2003 tax year. Such assessments must be levied and based on state equalized value or taxable value.
- PA 52: Revises and broadens the definition of business income to include gains or losses from stock or securities, dividend and interest income; income from isolated sales, leases, and other transactions involving property used in the taxpayer's business; and income derived from the sale of a business.
- PA 239: Delays the rate reduction from 4.0% to 3.9% from January 1, 2004, to July 1, 2004.
- PA 295: Allows a credit for the difference between the amount repaid by the Michigan Early Stage Venture Capital Investment Fund and the negotiated repayment amount if the fund could not repay the negotiated return on a person's investment. This credit is available after 2009 and before 2020.
- 2004 PA 313: Provides credit for automobile donations that goes to an employed person receiving public assistance.

Business Privilege Taxes

Single Business Tax

- 2002 PA 75: Extends the personal income tax and single business tax credits to property subject to an agricultural conservation easement or purchase of development rights.
- PA 442: Permits a Canadian taxpayer without a permanent establishment in the United States to use amounts properly calculated under the Canadian Income Tax Act that reasonably approximate business income and adjustments related to United States business activity required under Michigan's Single Business Tax act.
- PA 531: Repeals the tax for tax years beginning after 2009, raises the gross receipts threshold for taxation from \$250,000 to \$350,000, and provides for non-refundable energy-related credits. The provisions are repealed effective January 1, 2007.
- PA 588: Allows certain pharmaceutical companies to take a credit equal to 6.5 percent of the amount by which its qualified research expenses for in-state pharmaceutical-based business activity ("qualified research expenses") paid in a given tax year exceeded the average of the qualified research expenses that it paid during the immediately preceding three years.
- PA 603: For purposes of determining compensation of a "professional employer organization" (PEO), compensation would include payments by the PEO to the officers and employees of an entity whose employment operations were managed by the PEO.
- PA 606: Excludes certain items from the definition of "gross receipts" for the purpose of calculating a taxpayer's tax liability.

CHANGES IN MICHIGAN TAX LAWS, 2002 THROUGH AUGUST 2005

- 2003 PA 240-241: Alters definition of compensation to exclude payments for health and welfare and noninsured benefit plans for the benefit of persons who are residents of Michigan in the following amounts: 5% for payments made in calendar year 2004, 20% in 2005, 40% in 2006, and 50% for years thereafter.
- PA 249: Revises the expiration date for credits under the Michigan economic growth authority program to December 31, 2009.
- PA 273: Increases the credit for apprenticeship training from \$2,000 to \$4,000.
- PA 297: Allows a credit for the difference between the amount repaid by the Michigan Early Stage Venture Capital Investment Fund and the negotiated repayment amount if the fund could not repay the negotiated return on a person's investment. This credit is available after 2008 and before 2020.

Airport Parking Excise Tax

- 2002 PA 680: Reduces the tax rate from 30% to 27% of the amount charged for the transaction and alters the distribution of revenues to send \$6 million to the State Aeronautics Fund to be used for safety and security projects at state airports throughout the state; \$1.5 million to the City of Romulus; and the balance to Wayne County for indigent health care.

Casino Gaming Tax

- 2004 PA 306: Beginning September 1, 2004 an additional 6% wagering tax (on top of 18%) was imposed on casinos in the City of Detroit subject to several provisions that may cause the rate to increase or decrease in the future. The additional revenues are allocated 1/3 to the city, 7/12 to the General Fund, and 1/12 to the Agriculture Equine Industry Development Fund. Provisions are made for payments to be made directly to the city with offsetting reductions in the amounts paid to the State. Casinos failing to become fully operational ("permanent") until after July 1, 2009 would pay higher additional tax rates: 7% in 2009, 8% in 2010, and 9% in 2011. Once a casino is certified to be fully operational, the additional tax rate is reduced from 6% or higher to 1%, entirely payable to the city.

Quality Assurance Assessment Fee

- 2002 PA 303: Authorizes the quality assurance assessment fee for nursing homes and hospital long-term care.
- PA 304: Authorizes the quality assurance assessment fee for health maintenance organizations.
- PA 562: Authorizes the quality assurance assessment fee for hospitals.
- 2003 PA 113: Further specifies the fee amount limits and change effective date of implementation.
- 2004 PA 393: Extends sunset date from September 30, 2004 to October 1, 2007.
- 2005 PA 83: Authorizes the quality assurance assessment fee for community mental health plans as specialty prepaid health plans.
- PA 84: Defines specialty prepaid health plans as an additional provider type covered under health maintenance organizations.

Sales-Related Taxes

Sales Tax

- 2002 PA 457: Updates a reference in the Sales Tax act exempting from the sales tax equipment used to provide mobile telecommunications services taxable under the use tax.
- PA 510: Allows the organizing entity of an internationally televised athletic event to apply the tax only to the amount charged for the taxable tangible personal property.
- PA 617: Exempts sales of motor vehicles, recreational watercraft, snowmobiles, or all terrain vehicles, and mobile homes to resident tribal members if the purchased item is for personal use and is to be used on the resident tribal member's tribe agreement area.
- 2004 PA172,173,174, 175: Taken together, the bills authorize the state's participation in the Streamlined Sales Tax Project, a multi-state effort to simplify sales and use tax collection and administration thereby increasing compliance with the taxes. To the extent that voluntary compliance is increased for remote sales involving mail order and Internet media, some portion of the estimated \$250 million to \$300 million would be collected. The simplified definitions in the act reduce revenues by an estimated \$18 million, mostly in the sales tax.

Use Tax

- 2002 PA 110: Implements by law the established practice of taxing dealers exceeding the maximum number of allowable tax-exempt demonstration vehicles. The monthly tax equals (1) the use tax rate (6%) times 2.5% of the value of the vehicle (2) plus \$30.
- PA 255: Permits a lessor to elect to pay the use tax on receipts from the rental or lease of tangible personal property instead of paying sales or use tax on the full cost at the time of acquisition. Lessors of aircraft, in order to make a valid election, must obtain a use tax registration by the earlier of the date set for the first payment of use tax under the lease agreement or 90 days after the aircraft is brought into the state.
- PA 455: Permits a service provider to separate intrastate and interstate taxable and nontaxable telecommunications and other services if the provider can reasonably identify the charges from records kept in the regular course of business.
- PA 456: Provides that the consumption of mobile telecommunications services are taxable in the same manner as tangible personal property regardless of where the services originated, terminated, or passed through. The determination of whether services are taxable is based on the location of the place of primary use, either in or outside of Michigan.
- PA 511: Allows the organizing entity of an internationally televised athletic event (intended presently to cover Ryder Cup in 2004 and Super Bowl in 2006) to apply the tax only to the amount charged for the rental of taxable tangible personal property or taxable services.
- PA 614: Exempts sales of motor vehicles, recreational watercraft, snowmobiles, or all terrain vehicles, and mobile homes to resident tribal members if the purchased item is for personal use and is to be used on the resident tribal member's tribe agreement area.
- PA 669: Provides for calculation of the tax on the price of diesel fuel used by interstate motor carriers in a qualified commercial motor vehicle, and requires this tax to be collected under the International Fuel Tax Agreement.

CHANGES IN MICHIGAN TAX LAWS, 2002 THROUGH AUGUST 2005

- 2003 PA 27: Exempts tangible personal property purchased out of the state, used solely for personal purposes, and brought into the state more than 90 days after the purchase.
- 2004 PA 172: See 2004 Public Acts 172-175 described in the Sales Tax portion of this section.

Tobacco Products Tax

- 2002 PA 503: Increases the tax rate on cigarettes from \$.75 to \$1.25 per pack and other tobacco products from 16% to 20% of the wholesale price. Allocates the proceeds of the tax to various state funds and program uses.
- 2004 PA 164: Increased the tax on a pack of cigarettes from \$1.25 to \$2.00 effective July 1, 2004. Also the tax on other tobacco products was increased from 20% of the wholesale price to 32% of the wholesale price. The bill also specifies the distribution of tobacco products tax revenues to support various expenditures in the state budget.

Uniform City Utility Users Tax

- 2002 PA 50: Establishes a tax credit of 6% of eligible broadband investments and costs imposed by maintenance fees on telecommunications providers.

Property Taxes

Utility Tax

- 2002 PA 610: Provides that the true cash value of property of telephone and telegraph companies is to be determined in the same manner as property assessed under the General Property Tax Act.

State Education Tax

- 2002 PA 243: Requires that the tax be collected in a summer levy for 2003 and subsequent years. For 2003 only, the tax rate is reduced from 6 mills to 5 mills.
- PA 244: Prohibits a city or township levying property taxes in December 2002 from increasing the proportion of its mills levied in the summer 2003.

General Property Tax

- 2002 PA 549: Exempts "alternative energy personal property" from the collection of personal property taxes for taxes levied after December 31, 2002 and before January 1, 2013.
- PA 624: Allows a homeowner to claim a homestead property tax exemption for up to three previous years and to claim a rebate for overpayment of taxes for those years and for the year in which the appeal was filed.
- PA 744: Provide that in determining the true cash value of personal property owned by an electric utility cooperative, the assessor has to consider the number of kilowatt hours of electricity sold per mile of distribution line compared to the average number of kilowatt hours sold per mile of distribution line for all electric utilities.
- 2003 PA126-130, 140 & 141: Amends various acts to replace the term "homestead" with the term "principal residence."
- PA 105: Provides for audits of homestead exemptions claimed by taxpayers to reduce the incidence of exemptions incorrectly claimed or allowed.
- PA 114: Permits a person to disclose tax information if the disclosure is necessary for the proper administration of the General Property Tax Act.
- PA 247: Retains May 1 as the deadline for filing an affidavit claiming a homestead exemption for school operating taxes.

- PA 274: Replaces the definition of "special tools", and defines "standard tools", for the purpose of a personal property tax exemption.

- 2004 PA 4: Amends the definition of "standard tools."

Ad Valorem Special Assessments

- 2002 PA 501: Provide that a special assessment of up to two mills may be collected at the same time and in the same manner as the July levy. Also provides that special assessments do not apply to lands and premises exempt from property taxes under the General Property Tax Act.

Commercial Rehabilitation Tax

- 2005 PA 210: Created a tax in lieu of the property tax to provide tax relief for developers rehabilitating shopping malls.

Low Grade Iron Ore Specific Tax

- 2002 PA 443: Reduces for the 5-year period December 31, 2001 through December 31, 2006, the multiplier used to calculate the tax from 1.1% to .75%.

Transportation Taxes

Diesel Fuel Tax

- 2002 PA 668: Eliminates the two-tiered system for collecting the diesel-fuel tax but retain the 15-cent per gallon tax.

Motor Carrier Fuel Tax

- 2002 PA 667: Requires that a motor carrier licensed under the act pay a 15 cents per gallon road tax calculated on the amount of motor fuel consumed in qualified commercial motor vehicles on public roads or highways.

Motor Vehicle Registration Tax

- 2002 PA 490: Changes amount charged to manufacturers, dealers, and transporters of vehicles to \$10 per plate from the former charges of \$30 for the first two plates, \$15 for the third plate and \$8 for each additional plate.

GLOSSARY

Ad Valorem Tax: A tax computed from the value of a property. Property taxes and part of the Michigan vehicle weight tax are levied based on the value of the property or automobile. Contrasted with these taxes are most special assessments, which are levied based on a measure of how the property is benefited by a capital improvement such as frontage, or the prior method of taxing vehicle registrations, which was the weight of the automobile.

Carryback: A loss sustained or a portion of a credit not used in a given period that may be deducted from taxable income for a prior period.

Collateral Heirs: Persons who receive the assets of an individual who has died.

Earmarked: The dedication or setting aside of assets or revenues for a specific use.

Excise Tax: A tax levied on the purchase of individual products and services. Taxes levied on tobacco products, alcohol, beer and wine, gasoline are examples of excise taxes. Contrasted with these are general sales and use taxes that are levied because a retail sale has occurred rather than because of the product purchased.

Fiscal Year: An accounting period of twelve months at the end of which a government determines its financial condition and the results of its operations and closes its books. The state fiscal year runs from October 1 through September 30 of the following year. Many Michigan local governments have fiscal years that run quarterly: January 1 to December 31, April 1 to March 31, July 1 to June 30, or October 1 to September 30.

Grantor Trusts: Trusts where the income is taxed to the party placing the money into the trust or some other person under subpart E of subchapter J of the federal internal revenue code.

Mill: One one-thousandth of a dollar of assessed value, meaning that one mill is worth \$1 of tax per \$1,000 of assessed value.

Nexus: The amount or level of presence in a state that is required before a company is subject to taxation by that state.

Par Value: The face value of a security.

Pari-Mutuel: A system of betting in which the amounts wagered are placed in a pool to be shared by those who bet on the winners minus a percentage for the management.

Personal Property: Generally considered things movable. Contrasted with personal property is real property, which is all things attached to the realty. Personal property is embraces both tangible property other than realty and intangible property.

Severance Tax: A tax imposed distinctively on removal of natural products such as oil, gas, other minerals, timber, or fish and measured by value or quantity of products removed or sold.

Situs: The place where something exists or originates. For tax purposes, examples of situs might include the location of a residence or business, the place of work, and the origination of an estate or trust.

Specific Tax: Article IX, Section 3, of the Michigan Constitution provides for the uniform general ad valorem taxation of real and tangible personal property not exempt by law. The Constitution permits the legislature to provide for alternative means of taxation of designated real and tangible personal property in lieu of general ad valorem taxation. These taxes levied in lieu of ad valorem taxes are specific taxes.

Stumpage Value: Values determined from log grade value tables.

Subchapter S Corporation: A small business corporation limited to no more than 15 shareholders. Statutorily, it is defined as a corporation electing taxation under subchapter S of chapter 1 of subtitle A of the internal revenue code, sections 1361 to 1379 of the internal revenue code.

Tangible Assets: Items that are capable of being perceived especially by the sense of touch. Contrasted with tangible assets are intangible assets, which include items such as stocks, bonds, and bank holdings. Intangible assets were taxed under the property tax in Michigan until 1939, when the state began collecting the Intangibles Tax. The Intangibles Tax was phased out as of January 1, 1998.

Transient Guest: A person staying less than 30 consecutive days at a particular establishment.

True Cash Value: A cash value of property determined by finding out what one could reasonably expect to get in an “arms length” transaction.

Value Added: Microeconomics explains that for a business endeavor to be successful, revenues will be equal to the cost of labor, the cost of materials, depreciation, and interest as well as allowing some profit for the owners or investors. The “value added” is simply the difference between these revenues and the value of the cost of materials purchased from other firms to produce the product.

Value Added Tax: A broad-based tax levied on that portion the “value added” of the final product of a business that is over and above the value of

the materials it purchased. Each business is taxed on the addition to value it contributes to the final product or service. By applying the tax against the added value, multiple taxation of the same business activity is avoided and transactions between business are treated the same as those between internally integrated operations within a single firm.

There are two methods of arriving at this tax base for a value-added tax: the deduction method and the addition method. Under the deduction method, the value added by any individual firm is equivalent to its total sales receipts less its costs for materials. Michigan utilized the deduction method when it levied the Business Activities Tax from 1953 to 1967. The addition method bases the tax on the total of the firm's profits, that is federal taxable income, with the addition of items that reflect the value added by the business that are excluded from federal taxation. These include the cost of labor, depreciation, and interest. This method is used in computing the Single Business Tax.

COLLECTIONS FROM MAJOR MICHIGAN TAXES, 2001-2004

(In Millions)

	State Taxes	2001	2002	2003	2004	Data Sources
Income Taxes	Personal Income	\$ 6,839	\$ 6,260	\$ 5,846	\$ 5,912	A
Business Privilege	Single Business	\$ 2,164	\$ 2,052	\$ 1,957	\$ 1,860	A
	Unemployment Compensation	977	946	1,082	1,360	B
	Oil & Gas Severance	61	35	54	49	A
	Insurance Company Retaliatory	195	219	230	234	A
	Horse Race Wagering	12	13	12	12	A
	Corporate Organization	12	12	13	20	A
	State Casino Gaming	75	92	91	100	A
	Airport Parking Excise	18	14	14	15	A
	Quality Assurance Assessment Fees	-	-	*	325	A
	Subtotal	\$ 3,514	\$ 3,407	\$ 3,480	\$ 4,003	
Sales-Related	Sales	\$ 6,365	\$ 6,493	\$ 6,409	\$ 6,458	A
	Use	1,344	1,316	1,236	1,317	A
	Tobacco Products	582	622	874	932	A
	Beer and Wine	50	50	51	52	A
	Liquor	97	99	104	110	A
	Liquor Markup	160	163	172	182	E
	Subtotal	\$ 8,598	\$ 8,743	\$ 8,846	\$ 9,051	
Property	Utility Property	\$ 103	\$ 141	\$ 133	\$ 115	A
	Intangibles	-	-	(1)	-	A
	Estate	159	141	107	81	A
	State Real Estate Transfer	263	254	258	318	A
	State Education	1,429	1,579	1,776	1,542	A
	Subtotal	\$ 1,954	\$ 2,115	\$ 2,273	\$ 2,056	
Transportation	Gasoline	\$ 924	\$ 948	\$ 937	\$ 927	A
	Diesel Fuel	135	143	155	137	A
	Motor Vehicle Weight or Value	778	824	846	935	A
	Other	24	25	26	27	A
	Subtotal ⁷	\$ 1,861	\$ 1,940	\$ 1,963	\$ 2,026	
	Total State Taxes⁷	\$22,766	\$22,465	\$ 22,407	\$ 23,048	
	Local Taxes					
Income	City Income	\$ 517*	\$ 504	\$ 459	\$ 480	C
Business Privilege	Casino Gaming	\$ 86	\$ 109	\$ 111	116	F
Sales-Related	Utility Users	\$ 50	\$ 56	\$ 51	\$ 51	C
Property	General Property ⁷	\$ 8,705	\$ 9,385	\$ 9,825	\$ 10,369	D
	Total Local Taxes⁷	\$ 9,376	\$10,070	\$ 10,463	\$ 11,032	
	Total State and Local Taxes⁷	\$32,142	\$32,535	\$ 32,870	\$ 34,080	

Data Sources: ^AAnnual Reports of the State Treasurer (state fiscal year basis).
^BMichigan Unemployment Insurance Agency (state fiscal year basis).
^CState Tax Commission (calendar year basis).
^DState Tax Commission (local fiscal year basis).
^EMichigan Department of Consumer and Industry Services, Liquor Control Commission (state fiscal year basis).
^FDetroit Comprehensive Annual Financial Report (local fiscal year basis).

* Quality Assurance Assessment Fees collected in 2003 but not reported in Annual Report of State Treasurer.

⁷ Omits collections from certain minor taxes.