Citizens Research Council of Michigan

Outline of the Michigan Tax System

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CRC

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CITIZENS RESEARCH COUNCIL OF MICHIGAN

MAIN OFFICE 38777 Six Mile Road, Suite 208 • Livonia, MI 48152-3974 • 734-542-8001 • Fax 734-542-8004

LANSING OFFICE 115 West Allegan, Suite 480 • Lansing, MI 48933-1738 • 517-485-9444 • Fax 517-485-0423

CRCMICH.ORG

Outline of the Michigan Tax System

2013 Update

On the heels of monumental changes to the state's business tax structure as well as major changes to the treatment of pension income under the state personal income tax in 2011, one might expect that tax policy changes for the proceeding two years would be more incidental in comparison. Yet, state policymakers enacted a number of major tax reform initiatives in 2012 and 2013. While these reforms may not stack up to 2011's historic changes in terms of overall significance, it is fair to say that they also brought major changes to the state's tax structure.

Most significantly, since the last update of this report in March 2012, state policymakers enacted legislation in 2012 to phase-out most of the personal property tax (PPT) paid by Michigan businesses on commercial and industrial personal property. More recently, these changes were revisited by the legislature, with significant revisions enacted regarding the level of reimbursement to local units of government for lost PPT revenues. Another major change was implemented in 2013 with enactment of legislation establishing "sales tax on the difference" with regard to automobile and watercraft trade-ins. The new law requires that sales tax be imposed only on the difference between the purchase price and the trade-in price, rather than the entire purchase price as under previous law.

Both sets of tax changes share an important feature. The new exemptions are phased in over extended periods. As such, they make significant changes to the current tax base but do so in a manner that results in relatively little immediate revenue loss. As is discussed in more detail below, the revenue impacts will only be fully felt years later – and will have significant impacts on the state budget and, to a lesser extent, on some local budgets.

Phasing Out the Personal Property Tax

Michigan business groups have long pointed to what they see as the heavy disincentives on investment that arise from Michigan's property tax on commercial and industrial personal property. The tax is based on the taxable value of various types of tangible personal property, including business equipment and machinery. They argue the tax results in a decreased return on business investment, discouraging business expansions and job creation.

After many years of trying, this sentiment prevailed with the enactment of a series of bills that will phase out the PPT over a number of years. Business taxpayers with a combined true cash value of less than $80,000 in commercial and industrial personal property will be exempt from the tax beginning in 2014, while businesses with personal property valued in excess of that threshold will see their tax on certain "manufacturing personal property" tied to industrial processing phased out between 2016 and 2023. Success of the package hinged on providing a mechanism to address an issue that had been a perennial stumbling block in past efforts at PPT reform: How do you replace the over half-billion dollars in local revenue that the PPT currently provides to local units of government?

The mechanism to replace local revenues, as amended by a package of bills enacted in April of 2014, addresses the issue in two ways. First, a portion of state use tax revenues will be redirected to a newly created special authority for distribution to local units of government. Second, a new state essential services assessment will be levied on ownership, lease, or possession of certain eligible industrial and/or commercial personal property to lessen the financial impact of these changes on the state budget. Language was included, however, requiring that this redirection of state revenue be submitted to the voters in August 2014 for approval. Thus, Michigan voters will be asked to decide this issue on the upcoming ballot. The legislation provided that the entire personal property tax reform package would be repealed if the ballot measure failed. Given the significance of these changes, this version of the Tax Outline incorporates the tax changes established by this new 2014 legislation.

Sales Tax on the Difference

Prior to 2014, Michigan was one of a small number of states that charged its sales tax on the full purchase price of a new motor vehicle, without regard to the value of any trade-in vehicle. In most states, the sales tax is assessed only against the difference between the purchase price and the agreed-on value of the trade-in vehicle, a practice commonly referred to as "sales tax on the difference".

Beginning on December 15, 2013, Michigan joined the majority of other states in adopting this special treatment for trade-in vehicles. However, the trade-in exemption will be phased in over a number of years. Public Act 160 of 2013 exempts the first $2,000 of the agreed-upon value of any trade-in motor vehicle or recreational vehicle from the sales tax when the trade-in value is applied toward the purchase of new or used vehicle. This $2,000 limit is then raised by $500 annually on January 1st of each year and would reach $14,000 on January 1, 2038. Barring further legislative changes, the limit would then be eliminated on January 1, 2039, at which time the full value of any trade-in vehicle would become exempt. A similar exemption for the agreed-upon value of a watercraft trade-in is implemented immediately and in full without the phase-in period.

State and Local Budget Impacts

Both the personal property tax reforms and the "sales tax on the difference" change will have profound long-term impacts on state revenues. But as noted, the full impact of the changes won't be felt for many years given their phase-in schedules.

Legislative analyses of the newly-enacted 2014 PPT package suggest that state general fund/general purpose (GF/GP) revenues would be reduced by $126 million in FY2016 (first year of the phased-in exemption on manufacturing-related personal property) and would grow to $483 million by FY2023 (fully phased-in exemption). For local units, unreimbursed losses for would decline significantly under the revisions adopted by the legislature. Cities are expected to see little or no net revenue loss from the PPT reforms, but townships and villages will see some unreimbursed revenue losses in 2014 and 2015, as the revisions still provide no reimbursement in those years to these units for revenue losses due to the small taxpayer exemption given to businesses whose personal property has a true cash value of less than $80,000.[1]

Similarly, the state revenue impact of "sales tax on the difference" is also expected to climb sharply in the out years. Analyses suggest the initial state revenue impact in FY2014 will be between $22 million and $24 million. But once the full exemption becomes effective in 2038, annual losses are estimated at anywhere between $250 million and $450 million.[2]

Other Tax Policy Changes

While the changes to the personal property tax and sales tax took center stage during 2012 and 2013, a number of other smaller, and yet significant, tax reforms were also enacted. These changes include:

- Freezing the individual income tax rate at 4.35% until January 1, 2013, and then reducing the rate to 4.25%, where it currently stands. Previous provisions required the rate to fall by 0.1 percentage points each year, beginning October 1, 2011, until the rate eventually settled at 3.9% on October 1, 2015.

- Creation of a new 2.75% minerals severance tax on the extraction or beneficiation of certain nonferrous metallic minerals; taxpayers subject to the new tax would be exempt from income tax, sales and use tax, and property tax that would be otherwise be owed on relevant activity.

- Adding a sales tax exemption for over-the-counter medications for human use when those medications are obtained under a prescription; prescription-only drugs are already exempt from the sales tax under the State Constitution.

- A four-year extension of the legislative sunset provision on the 1% Health Insurance Claims Assessment which became effective in 2012 to help meet state Medicaid costs; the fee will now expire on January 1, 2018.

Conclusion

While perhaps falling short of the massive tax restructuring legislation of 2011 in terms of impact, tax policy changes in 2012 and 2013 were quite significant in their own right. If approved by voters in August 2014, the phase-out of the personal property tax represents a second major reduction in tax burden for Michigan businesses under the Snyder administration.

However, these changes will also have a growing impact on state and local budgets in terms of foregone revenues. Michigan is still struggling to regain job losses incurred during the first decade of the new century, and that stagnant economy also stifled revenue growth at the state and local levels bringing persistently tight budgets. Local units of government face a particular challenge since constitutional limits on property tax growth constrain their ability to make up for property tax revenue losses that resulted from the housing crisis. The changes related to personal property taxes and sales tax on the difference will undoubtedly bring tax relief to businesses and consumers, but evaluating their long-run impacts will have to include their effects on the ability of the public sector to deliver necessary public services – and, of course, defining what constitutes necessary public services is at the core of virtually every budget debate.

Further, it seems likely that tax policy changes will continue to be of major interest in Lansing in the upcoming year. With the state's economy showing signs of strength after more than a decade of relatively slow growth, the state's revenue picture looks about as strong as it has in many, many years. Already in 2014, state legislators have proposed significant reductions to the state personal income tax rate, and Governor Snyder proposed revisions to the homestead property tax credit in his February budget proposal.

1 Senate Fiscal Agency, Personal Property Tax Revisions: Enrolled Version, March 26, 2014.
2 House Fiscal Agency, Legislative Analysis of Senate Bill 89 (H-7) as enrolled, October 23, 2013.

Outline of the Michigan Tax System

The Michigan system of state and local taxes contains 59 elements, including 38 identifiable taxes imposed by the state for its own use and 21 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 (selective sales taxes); *Property* Taxes — on property or in lieu of property taxes; *Transportation Taxes* — on the direct users of transportation facilities.

TAX DESCRIPTIONS

TAX CHANGES

State Taxes **Local Taxes**

REVENUE HISTORY CHARTS

(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 www.crcmich.org.)

Acknowledgment

The Citizens Research Council of Michigan wishes to acknowledge the generous assistance rendered by Michigan Department of Treasury staff in preparation of this document. However, any errors or omissions are solely the responsibility of the Citizens Research Council.

Outline of the Michigan Tax System

Introduction

This outline is designed to be a ready reference to the 59 taxes levied by state and local government in Michigan. It contains information on each of the 38 state and 21 local taxes effective as of the publication date, including`:

— a description of each of the 59 state and local taxes and historical collections from major taxes (pages 1 to 74).

— a summary of major tax law enacted by the state legislature between January 1, 2012 and December 31, 2013 as well as the recently enacted 2014 legislative package related to local reimbursement for losses due to the phase-out of the personal property tax on certain commercial and industrial personal property (pages 74 to 80).

— a table of tax collections for fiscal years 2009-2012 (page 83).

Taxes Defined

A tax is an enforced financial charge exacted by a government for the support of its various functions. State and local governments in Michigan levy several types of taxes. This report categorizes Michigan taxes as follows:

- **Income taxes** are levied based on income earnings. The state and local personal income taxes are based on federal adjusted gross income. Non-resident local income taxes are based on earnings from within the taxing cities. In 2011, the state enacted a 6% Corporate Income Tax levied only on C corporations. Only the state and city governments 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. With the Single Business Tax, in effect from 1975 to 2007, and the Michigan Business Tax, in effect from 2007 to 2011, Michigan businesses were subject to a value-added tax with the SBT and to a hybrid of two individual taxes, a business income tax and a modified gross receipts tax. The Michigan Business Tax was eliminated effective January 1, 2012 for most business firms, and replaced with the Corporate Income Tax. State government is authorized to levy twelve types of business privilege taxes in Michigan. Counties in Michigan are authorized to levy one type of business privilege tax (9-1-1 charge) and the only municipal government authorized to levy a tax is the City of Detroit, which can levy a casino gaming tax on the three Detroit casinos (a complement to the state-level tax levied on the casinos).
- **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 (See box on page 26). Excise or selective sales 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. State government is authorized to levy nine types of sales-related taxes in Michigan. Pending the August 2014 election, a statewide special authority will be authorized to levy a local use tax. Counties are authorized to levy three types of taxes. And the City of Detroit is authorized to levy a sales-related tax.
- **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 (unit-wide special assessments, Low Grade Iron Ore Tax, and the County Real Estate Transfer Tax) and the state government is authorized to levy five ad valorem taxes (State Education Tax, Utility Property Tax, State Real Estate Transfer Tax, State Essential Services Assessment Tax, and Motor Vehicle Registration Tax). Motor vehicle registration taxes are not typically associated with property taxes; however, because Michigan taxes personal passenger vehicles based on their value, the Motor Vehicle Registration Tax qualifies as a property tax. Michigan local governments are authorized to levy nine 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 purposes (i.e., operating and capital expenditures). For ease of use, they are grouped as transportation taxes in this outline as opposed to another type of tax.

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.

> 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, in addition to the categorization by tax type, 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 constitutionally-established ratio noted above. 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 majority of the revenues are used to support primarily local functions, such as general assistance to the City of Romulus and indigent health care in Wayne County. Even though the majority of 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.

Taxes vs. Fees. Because of the number and variety 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.

Outline of the Michigan Tax System

SIGNIFICANT EVENTS IN THE HISTORY OF THE MICHIGAN TAX SYSTEM

1890

- 1893 - General Property Tax Act enacted
- 1899 - Inheritance Tax Act enacted
- 1905 - Motor Vehicle Weight Tax enacted

1910

- 1925 - Gasoline Tax enacted

1930

- 1933
  - 15 Mill property tax limitation added 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 gasoline taxes for highway purposes
- 1939 - State takes over collection of Intangibles Tax, sharing 100% of revenues with local government
- 1946 - "Sales Tax Diversion Amendment" to State Constitution to share revenues with schools and locals
- 1947 - First Tobacco Tax enacted

1950

- 1953 - Business Activities Tax enacted
- 1959 - Liquor Excise Tax enacted
- 1960 - Sales Tax increased to 4%
- 1963 - New Constitution 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

1970

- 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

1990

- 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
  - State Income Tax phased rate reduction initiated
  - Single Business Tax phase out initiated
- 2006 - Single Business Tax eliminated by legislative enactment of petition-initiated legislation
- 2007 - Michigan Business Tax enacted

2010

- 2011 - Corporate Income Tax replaces Michigan Business Tax
- 2012 - Personal property exempted from property taxation. Portion of Use Tax diverted to local tax for reimbursement of foregone revenues

INCOME TAXES

Personal Income Tax
Corporate Income Tax
Uniform City Income Tax

PERSONAL INCOME TAX

LEGAL CITATION: M.C.L. 206.1 et seq.; 1967 PA 281; Section 7, Article IX, 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, state and local income tax paid, 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 ($3,950 in 2013 and $4,000 in 2014) that are indexed to inflation from the 2012 base exemption of $3,700 (i.e., the indexing will become effective once the $4,000 floor is reached), and special exemptions for totally or permanently disabled, and disabled veterans. Also excluded are all or part of:

(1) interest income from federal government obligations;

(2) armed forces compensation;

(3) railroad pension;

(4) National Guard pension or retirement benefits;

(5) Social Security;

(6) retirement benefits (public and private), based on the taxpayer's birth year:

Taxpayer Born Before 1946*	**Taxpayer Born 1946 to 1952***	**Taxpayer Born After 1952***
Public pensions are exempt. Private pensions, subtract up to $48,302 for single and $96,605 for for joint return (based on 2013 indexed to inflation); maximum deduction reduced by any public benefits exempted. Subtract up to $10,767 for single and $21,534 for a joint return (based on 2013 indexed to inflation) of interest, dividends, or capital gains earned by a senior citizen: maximum deduction allowed is reduced by pension deduction claimed.	Before taxpayer reaches 67: For public and private pensions, subtract up to $20,000 for single and $40,000 for joint return.** After taxpayer reaches 67: Can take standard deduction from all income up to for $20,000 for single and $40,000 joint return.** No specific pension or retirement benefit deduction. Standard deduction is reduced by any military or railroad retirement benefits.	After taxpayer reaches 67: Taxpayer can choose: A) Take a standard deduction from all income up to $20,000 for single and $40,000 for joint return.** Social Security, military pension, and railroad pension income are subject to tax. Also, taxpayer can not claim personal exemption. B) Social Security, military pension, and railroad pension are exempt from tax; taxpayer may may claim personal exemption.

* For married couples filing jointly, the age of the oldest spouse determines the age bracket into which the couple falls.

** Limits are increased to $35,000 single/$55,000 joint for persons receiving benefits from governmental agency not covered by Social Security.

(7) advance tuition payments made under the Michigan Education Trust Act;

(8) for taxpayer born before 1946, up to $10,767 ($21,534 for a joint return) of interest, dividends, or capital gains earned in 2013; maximum deduction is indexed for inflation and is reduced by pension deduction claimed (see table);

(9) claims for recovered assets received by Holocaust victims;

(10) educational savings account contributions up to $5,000 per education savings account

PERSONAL INCOME (CONTINUED)

($10,000 for a joint return) and interest earned on those contributions;

(11) gain from an initial equity investment made before 2010 of at least $100,000, if the investment plus the gain, or a portion of it, is reinvested in an equity investment in a "qualified business". The deduction is available after 2006 and the initial equity investment has to be made before 2010.

Credits against tax liability as follows:

(1) Homestead property taxes. Limited to homesteads (excluding unoccupied agricultural properties) with a taxable value of $135,000 or less and maximum credit is $1,200:

(a) for taxpayers other than senior citizens – 60% of taxes in excess of 3.5% of total household resources if total household resources are $41,000 or less; credit reduced by 10% for each $1,000 increment of total household resources (eliminated when the total household resources is $50,000);

(b) for senior citizens – 100% of taxes in excess of 3.5% of total household resources if total household resources are $21,000 or less; credit phases down by 4 percentage points for each $1,000 increment of household resources until the credit reaches 60% ($30,000 total household resources); credit is reduced further for total household resources above $41,000 (10% for each $1,000 increment of total household resource) and is eliminated when total household resources is $50,000;

(c) for veterans, surviving spouses and blind individuals – credit based on taxable value allowance of between $2,500 and $4,500 depending on taxpayer's status (e.g. veteran, spouse, blind); allowance divided by homestead's taxable value to determine percent of tax relief; calculated percentage is multiplied by property taxes assessed to determine credit of up to $1,200; credit is reduced further for total household resources above $41,000 (10% for each $1,000 increment of total household resource) and is eliminated when total household resources is $50,000;

(2) Property taxes on rented homesteads. Equal to 20% of gross rent paid (10% in certain subsidized housing projects). Credit reduced by proportion of income from welfare. Credit reduced by 10% at $41,000 income and by another 10% for each $1,000 increment above $41,000.

(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 3.5% of household income.

(4) Earned income. Equal to 6% of the Federal Earned Income Tax Credit (EITC). To qualify for the Federal EITC, taxpayers must meet certain requirements and file a tax return, even if they did not earn enough money to be obligated to file a return.

(5) Income tax paid to another state.

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

RATE: 4.25%

ADMINISTRATION: Michigan Department of Treasury.

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.

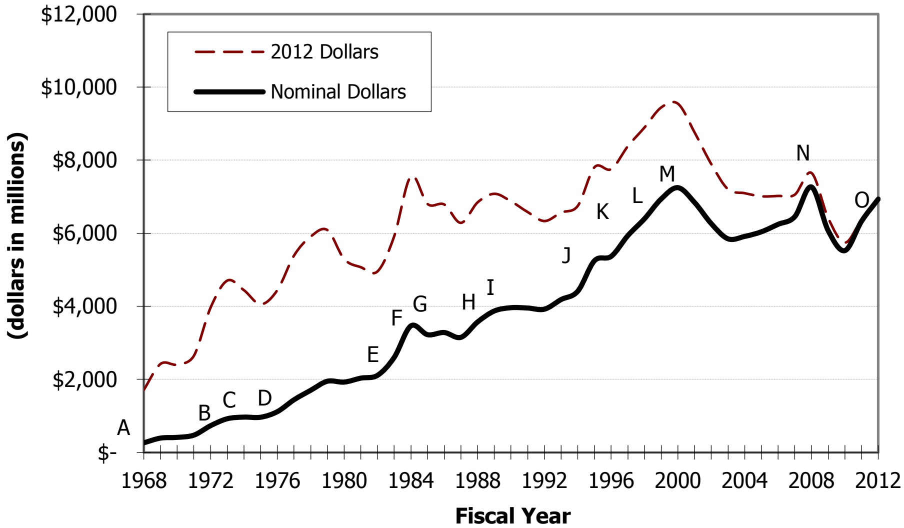
PERSONAL INCOME (CONTINUED)

DISPOSITION: General Fund, with 23.26% of gross collections before refunds to School Aid Fund at 4.35% tax rate (earmarking is determined by calculating 1.012% divided by the tax rate).

2011-12 COLLECTIONS: $9,105,125,877 gross; $2,171,274,215 refunds and credits; $6,933,851,662 net.

2011-12 COLLECTIONS/UNIT: $196 million/0.1% gross; $145 million/0.1% net (after refunds and credits)

Chart 1
Michigan Personal Income Tax Revenue, 1968 - 2012



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	— Increased the personal exemption by $200 beginning with the 1998 tax year.
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.
N	2007	PA 94	— Increased tax rate to 4.35% effective October 1, 2007. Beginning October 1, 2011, and each October 1st after 2011, the rate is reduced 0.1% until the rate reaches 3.95%. On October 1, 2015, the rate is 3.9%.
O	2011	PA 38	— Maintained the rate at 4.35% until January 1, 2013. Under 2007 PA 94 (see N above) rate was scheduled to be

CORPORATE INCOME TAX

LEGAL CITATION:	M.C.L. 206.601 et seq.; 2011 PA 39; Section 7, Article IX, state Constitution.
YEAR ADOPTED:	2011. Originally authorized in 1967.
BASIS OF TAX:	The tax is comprised of three distinct taxes; a corporate income tax on C corporations (and entities taxed as C corporations for federal income tax purposes); a premiums tax on insurance companies; and a franchise tax on financial institutions. The income tax is a direct tax on business income. The premiums tax is a direct tax on premiums written on property or risk located or residing in Michigan. The franchise tax is a direct tax on apportioned net capital. Each tax applies to businesses with activity in the state and gross receipts exceeding $350,000 sourced to Michigan.

MEASURE OF TAX (BASE):

Corporate Income Tax

The basis of the corporate income tax begins with business income for federal income tax purposes, subject to certain adjustments both before and after allocation or apportionment to Michigan. Federal taxable income is adjusted to:

(1) add back certain federal income tax deductions (e.g., interest income and dividends from other states' obligations; income taxes paid; net operating loss carryback/forward; royalty, interest, or other expense paid to a person related to the taxpayer by ownership or control for the use of an intangible asset);
(2) deduct certain items included in federal taxable income (e.g., dividends and royalties from non-United States entities; interest income from U.S. obligations; income and expenses from producing oil and gas);
(3) deduct any business loss.

Apportionment: For corporations with activity entirely within Michigan, the tax base is allocated entirely to Michigan. For corporations with multi-state activity, the tax base is allocated in proportion to sales in Michigan.

Credit: The alternative small business tax credit is available to corporations with gross receipts that do not exceed $20 million and with adjusted business income, minus losses, that does not exceed $1.3 million (adjusted annually for inflation).

Premiums Tax

The basis of the premiums tax is gross direct premiums written on property or risk located or residing in Michigan, excluding:
(1) premiums on policies not taken;
(2) returned premiums on canceled policies;
(3) receipts from the sale of annuities;
(4) receipts on reinsurance premiums if the tax was paid on the original premium; and
(5) the first $190 million of disability insurance premium, other than credit insurance and disability income insurance premiums

Franchise Tax

The basis of the franchise tax is the financial institution's net capital after allocation or apportionment to Michigan. Net capital is averaged over a five-year period and excludes goodwill and the average daily value of obligations of the United States and Michigan.

CORPORATE INCOME TAX (CONTINUED)

RATE:	Corporate Income Tax: 6% Premiums Tax: 1.25% Franchise Tax: 0.29%
ADMINISTRATION:	Michigan Department of Treasury.
REPORT AND PAYMENT:	Due April 30. Estimated quarterly returns and payments due by the 15th day of April, July, October, and January if estimated liability for year is over $800; due dates adjusted for taxpayers with fiscal year other than calendar year. A taxpayer, other than an insurance company or financial institution, with annualized apportioned gross receipts of less than $350,000 need not file a return.

BUSINESS ACTIVITY, CORPORATE INCOME, SINGLE BUSINESS, MICHIGAN BUSINESS, CORPORATE INCOME TAXES

Chart 2
Michigan Corporate Income Tax / Value Added Tax Revenues, 1976 - 2012

A	1953	PA 150	— Business Activity Tax established at rate of 2 mills on gross receipts less certain taxes, purchases, interest, rent, and reasonable depreciation on real property.
B	1967	PA 281	— Corporate Income Tax established at 7.8% replacing the Business Activity Tax.
C	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.
D	1991	PA 77	— Apportionment of SBT 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 (CAD) 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.
E	1992	PA 98	— Reduced, effective with tax year 1992, the small business alternative tax to 3%.
F	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 SBT tax rate to 2.3% effective October 1, 1994.
G	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.
H	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.
I	2006		— Legislative enactment of voter-initiated legislation to repeal SBT effective for tax years beginning after December 31, 2007.
J	2007	PA 36	— Michigan Business Tax Act, consisting of an income tax (4.95% rate) and a modified gross receipts tax (0.8% rate), enacted to replace SBT as the primary business privilege tax in the state effective January 1, 2008. The MBT also replaced some personal property taxes.
K	2011	PA 39	— Corporate Income Tax, consisting of an income tax (6.0% rate), premiums tax (1.25% rate), and franchise tax (0.29% rate), enacted to replace MBT as the primary business privilege tax in the state effective January 1, 2012.

* 1988 through 2007 excludes Single Business Tax collections paid by insurance companies.

UNIFORM CITY INCOME TAX

LEGAL CITATION:	M.C.L. 141.501 et seq.; 1964 PA 284; Section 7, Article IX, 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:

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.

The city council in cities over 600,000 (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 appearing on income tax forms each calendar year is the average rate from before and after July 1 of that year.)

Detroit Income Tax Rate Revisions

Public Act 394 of 2012 amends the City Income Tax Act to freeze a scheduled rollback of income tax rates for resident and nonresident taxpayers in the City of Detroit. The act establishes a new maximum rate of 2.4% for residents and 1.2% for nonresidents effective in the 2013 tax year. The act was part of a legislative package that authorized the creation of a public lighting authority within the city to service and operate the municipally owned lighting system. The act provides that if such an authority is created (which the Detroit City Council did vote to approve in 2013), the revenue collected from 0.2% of the rate levied on residents and 0.1% of the rate levied on nonresidents is dedicated to the city's police department budget.

Beginning in the tax year immediately following the year in which all bonds and indebtedness issued by the new lighting authority have been fully paid, the maximum rates will be reduced to 2.2% for residents and 1.1% for nonresidents.

The new act effectively suspends the income tax rate rollback required in Public Act 500 of 1998. That law required that the resident tax rate be reduced by one-tenth of a percentage point per year from its 1999 level of 3.0%, with the nonresident rate reset to one-half of the resident rate, over a ten-year period until the new rates became 2.0% and 1.0% respectively.

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.

UNIFORM CITY INCOME (CONTINUED)

DISPOSITION: General fund of the city. A portion of Detroit's city income tax revenue is earmarked to the city police budget (see box on "Detroit Income Tax Revisions").

2012 COLLECTIONS:

City	Year Adopted	Tax Rates: Resident	Tax Rates: Corporation	Tax Rates: Nonresident	2012 Net Collections
Albion	1972	1.0%	1.0%	0.5%	$ 997,411
Battle Creek	1967	1.0	1.0	0.5	15,462,357
Big Rapids	1970	1.0	1.0	0.5	1,964,555
Detroit	1962	2.45	1.0	1.25	245,055,109
Flint	1965	1.0	1.0	0.5	14,024,105
Grand Rapids	1967	1.5	1.5	0.75	71,656,141
Grayling	1972	1.0	1.0	0.5	432,758
Hamtramck	1962	1.0	1.0	0.5	1,773,430
Highland Park	1966	2.0	2.0	1.0	2,561,778
Hudson	1971	1.0	1.0	0.5	356,552
Ionia	1994	1.0	1.0	0.5	2,110,904
Jackson	1970	1.0	1.0	0.5	7,253,042
Lansing	1968	1.0	1.0	0.5	28,265,043
Lapeer	1967	1.0	1.0	0.5	2,564,591
Muskegon	1993	1.0	1.0	0.5	7,472,938
Muskegon Heights	1990	1.0	1.0	0.5	933,287
Pontiac	1968	1.0	1.0	0.5	9,964,026
Port Huron	1969	1.0	1.0	0.5	5,764,626
Portland	1969	1.0	1.0	0.5	625,103
Saginaw	1965	1.5	1.5	0.75	12,601,060
Springfield	1989	1.0	1.0	0.5	753,977
Walker	1988	1.0	1.0	0.5	8,659,087
TOTAL					$441,251,881

BUSINESS PRIVILEGE TAXES

Unemployment Insurance Tax
Quality Assurance Assessment Fees
Health Insurance Claims Assessment Fee
Foreign Insurance Company Retaliatory Tax
State Casino Gaming Tax
Oil and Gas Severance Tax
Corporate Organization Tax
Horse Race Wagering Tax
Captive Insurance Company Tax
State 9-1-1 and Emergency 9-1-1 Charges
Minerals Severance Tax
Local Casino Gaming Tax
County 9-1-1 Charges

UNEMPLOYMENT INSURANCE TAX

LEGAL CITATION:	M.C.L. 421.1 et seq.; 1936 PA 1 (Extra Session).
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 $9,500 or wages equal to the federal unemployment tax base if higher; limit lowered to $9,000 for nondelinquent employers if Unemployment Compensation Fund balance reaches $2.5 billion.

RATE:

Basic rate is 2.7% on new employers for their first two years of liability, except for 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:

(1) Nonchargeable Benefit Component (NBC): a rate of 0.06-1% to cover certain benefit costs not directly charged to an employer account (e.g., employer is out of business). These costs are pooled across all employers. The 1% standard rate is charged to employers with recent claims filed against their accounts. If an employer's CBC rate (see below) is less than 0.2%, that employer's NBC rate falls to 0.5%. If the employer has not had any benefit charges over a number of consecutive years, the NBC rate can be further reduced in accordance with the following schedule:

If Number of Consecutive Years without Claims is:	Rate Is:
5	0.10%
6	0.09%
7	0.08%
8	0.07%
9	0.06%

(2) Experience Account, which has two parts:

(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 3 years as a percent of employer's taxable wages in those years).

(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 annual 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.

If overall trust fund balance is 1.2% of all contributing employer's payrolls, all fully experience-rated employers (after 2 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).

(3) Solvency Tax, a rate of 0-2% based on a "reserve ratio" deficiency, imposed only on "negative balance" employers (those with deficit in their experience account as of the prior June 30) who have been contributing employers for five or more years; solvency tax imposed only during years when the fund has interest-bearing loans outstanding; tax is not currently imposed

ADMINISTRATION:	Michigan Department of Licensing and Regulatory Affairs, 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.
2011-12 COLLECTIONS:	$1,903,575,000

QUALITY ASSURANCE ASSESSMENT FEES

LEGAL CITATION:	M.C.L. 333.20161, M.C.L. 400.109f; 2002 PA 303, 304, & 562; 2005 PA 83
YEAR ADOPTED:	2002 (hospitals and nursing and long-term care facilities). A similar tax on Medicaid health maintenance organizations (adopted in 2003) and mental health prepaid inpatient health plans (adopted in 2005) was repealed in 2009.
BASIS OF TAX:	Privilege of participating in the Medicaid program.
MEASURE OF TAX (BASE):	The tax base varies by type of provider. For hospitals, the number of licensed beds is assessed a uniform charge per bed. For nursing and hospital long-term care units, the assessment is based on the total number of patient days of care each nursing and long-term care unit provided to non-Medicare patients during the preceding year. Assessments are charged by the state on hospitals, and nursing and long-term care facilities. 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.
RATE:	The rates for the providers are as follows: • *For hospitals*, a fixed or variable rate that generates funds not more than the maximum allowable under federal matching requirements. • *For nursing and hospital long-term care units*, an amount resulting in not more than 6% of total industry revenues.
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 finance part of the Medicaid program and are restricted for that purpose. This revenue is used to capture additional Federal funding for the Medicaid program and offset the amount of General Fund resources allocated to the program.
2011-12 COLLECTIONS:	$969,767,000

Medicaid Managed Care Organizations

Effective October 1, 2009, the Federal Deficit Reduction Act required that a quality assurance assessment program (QAAP) fee charged by a state must be uniform across all service providers, regardless of whether or not they serve Medicaid-eligible individuals. This uniformity requirement effectively prevented the State of Michigan from assessing the QAAP fee selectively to support the state's Medicaid program and to provide general budgetary relief. In response to this, the state enacted changes to the Use Tax Act (PA 440 of 2008) to apply the 6% use tax to the use or consumption of medical services provided by Medicaid managed care organizations (health maintenance organizations (HMOs) and prepaid inpatient health plans (PIHPs)), the same organizations that were previously subject to the QAAP. The use tax changes took effective April 1, 2009.

PA 440 of 2008 also repealed the relevant sections of the Social Welfare Act that authorized the QAAP fee for the HMOs and PIHPs, effectively terminating the assessments for these entities on April 1, 2009.

PA 141 of 2011 amended the Use Tax Act to terminate the use tax on medical services provided by Medicaid managed care organizations and prepaid inpatient health plans effective March 31, 2012. To replace the lost state revenue from the use tax changes (approximately $400 million annually), PA 142 of 2011 requires a 1% assessment on health insurance claims effective January 1, 2012 (see Health Insurance Claims Assessment Fee).

HEALTH INSURANCE CLAIMS ASSESSMENT FEE

LEGAL CITATION: M.C.L. 550.1731 et seq., 2011 PA 142

YEAR ADOPTED: 2011 (effective January 1, 2012). Authorizing act will sunset on January 1, 2018.

BASIS OF TAX: Direct assessment on paid health care claims.

MEASURE OF TAX (BASE): Paid claims include actual payments, net of recoveries, made to a health and medical services provider or reimbursed to an individual by a carrier, third party administrator, or excess loss or stop loss carrier.

Certain claims and health-related payments are exempt from the assessment:

- Payments for services provided before January 1, 2012;
- Claims paid for services provided to persons who are not residents of Michigan;
- Claims paid for services provided outside of Michigan to Michigan residents;
- Claims-related expenses;
- Claims paid under specified accident or accident-only coverage, credit, disability income, long-term care, automobile insurance, homeowners insurance, farm owners' insurance, commercial multi-peril coverage, worker's compensation, and coverage issued as a supplement to liability insurance;
- Claims paid under a federal employee health benefit program, Medicare, Medicare Advantage, Medicare Part D, Tricare, by the U. S. Veterans Administration and for certain high risk pools; and
- Reimbursements to individuals under a flexible spending arrangement, a health savings account, an Archer medical savings account, a Medicare Advantage medical savings account, or other health reimbursement arrangements authorized under federal law.

RATE: 1% on paid claims; however, there is a cap of $10,000 per individual. Also, certain commercial carriers would be subject to an assessment of 0.1%.

ADMINISTRATION: Department of Treasury.

REPORT AND PAYMENT: Quarterly payments due on April 30, July 30, October 30, and January 30.

DISPOSITION: Deposited in the Health Insurance Claims Assessment Fund to finance part of the Medicaid program and are restricted for that purpose.

2011-12 COLLECTIONS: $112,360,000

FOREIGN INSURANCE COMPANY RETALIATORY TAX

LEGAL CITATION:	M.C.L. 500.440a-500.476c; 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:	For out-of-state 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 Michigan Business Tax, whichever is higher; for unauthorized insurers, 2% tax plus 0.5% regulatory fee on premiums written in Michigan.
ADMINISTRATION:	*Retaliatory tax* – Michigan Department of Treasury. *Unauthorized insurers* – Department of Insurance and Financial Services
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.
2011-12 COLLECTIONS:	$293,555,000. Includes Michigan Business Tax paid by insurance companies.

STATE CASINO GAMING TAX

LEGAL CITATION:	M.C.L. 432.201-432.216; Initiated Law 1 of 1996
YEAR ADOPTED:	1996
BASIS OF TAX:	Privilege of operating a casino. Initiated Law 1 of 1996 authorized three licensees in the City of Detroit.
MEASURE OF TAX (BASE):	Adjusted gross receipts received by a gaming licensee.
RATE:	8.1%.
ADMINISTRATION:	Michigan Gaming Control Board in Michigan Department of Treasury.
REPORT AND PAYMENT:	Due daily.
DISPOSITION:	100% to School Aid Fund.
2011-12 COLLECTIONS:	$115,020,000
2012-13 COLLECTIONS:	$110,667,000

OIL AND GAS SEVERANCE TAX

LEGAL CITATION:	M.C.L. 205.301 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:	Department of Treasury.
REPORT AND PAYMENT:	Due by 25th of the month following the production.
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.
2011-12 COLLECTIONS:	$53,785,000

CORPORATE ORGANIZATION TAX

LEGAL CITATION:	M.C.L. 450.2062; 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 Licensing and Regulatory Affairs, Corporations, Securities, and Commercial Licensing Bureau.
REPORT AND PAYMENT:	Due at time of incorporation, admission, or increase in stock.
DISPOSITION:	General Fund.
2011-12 COLLECTIONS:	$21,663,000

HORSE RACE WAGERING TAX

LEGAL CITATION:	M.C.L. 431.301-431.336; 1995 PA 279.
YEAR ADOPTED:	1995. Originally authorized in 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, American paint horse, and Arabian horse racing.
RATE:	3.5%.
ADMINISTRATION:	Michigan Gaming Control Board.
REPORT AND PAYMENT:	Licensee makes daily remittance with detailed statement.
DISPOSITION:	Michigan Agriculture Equine Industry Development Fund.
2011-12 COLLECTIONS:	$4,959,000

CAPTIVE INSURANCE COMPANY TAX

LEGAL CITATION:	M.C.L. 500.4601-500.4813; 2008 PA 29.
YEAR ADOPTED:	2008
BASIS OF TAX:	Privilege of transacting business in Michigan.
MEASURE OF TAX (BASE):	Annual volume of insurance and reinsurance premiums written by captive insurance companies.

RATE:

For annual premiums:	Amount of Tax:
Less than $5,000,000	$5,000
Equal to or greater than $5,000,000 but less than $10,000,000	$10,000
Equal to or greater than $10,000,000 but less than $15,000,000	$15,000
Equal to or greater than $15,000,000 but less than $25,000,000	$25,000
Equal to or greater than $25,000,000 but less than $40,000,000	$40,000
Equal to or greater than $40,000,000 but less than $55,000,000	$50,000
Equal to or greater than $55,000,000 but less than $75,000,000	$75,000
Equal to or greater than $75,000,000	$100,000

ADMINISTRATION:	Department of Insurance and Financial Services.
REPORT AND PAYMENT:	March 1st of each calendar year.
DISPOSITION:	Captive Insurance Regulatory and Supervision Fund.
2011-12 COLLECTIONS:	$39,402

STATE 9-1-1 AND EMERGENCY 9-1-1 CHARGES

LEGAL CITATION:	M.C.L. 484.1401a et. seq.; 2007 PA 164.
YEAR ADOPTED:	1999 (scheduled to sunset December 31, 2021)
BASIS OF TAX:	Communication services capable of accessing a 9-1-1 system.
MEASURE OF TAX (BASE):	All communication services capable of accessing a 9-1-1 system, including local telephones, contractual and prepaid cellular telephones, wireless communications, and interconnected voice over Internet devices.
RATE:	For all communication services other than prepaid cellular telephones: For the first ten lines per service user: $0.19 per line per month. For additional lines: rate is $0.019 per line per month. For pre-paid cellular telephones per service user: 1.92% surcharge on total transaction amount imposed by retailers at point of sale.
ADMINISTRATION:	Department of State Police and Department of Treasury.
REPORT AND PAYMENT:	Due 30 days after the end of each quarter.
DISPOSITION:	Service suppliers allowed to retain 2% of the 9-1-1 charge for billing and collection costs. Remainder deposited in the Emergency 9-1-1 Fund distributed as follows: Counties (per capita): 49.50% Counties (equal share): 33.00% Local exchange providers: 7.75% Emergency 9-1-1 centers for training: 6.00% State Police: 3.75% Through FY2015, up to $150,000 of the allocation for local exchange providers may be retained by the Department of Treasury to cover program administration costs.
2011-12 COLLECTIONS:	$28,039,000

MINERALS SEVERANCE TAX

LEGAL CITATION:	M.C.L. 211.781 et seq.; 2012 PA 410
YEAR ADOPTED:	2012
BASIS OF TAX:	Privilege of extracting or beneficiating minerals in this state.
MEASURE OF TAX (BASE):	Total value (both cash and non-cash) received by a taxpayer for the sale or transfer of taxable minerals, with no deductions.
RATE:	2.75%.
ADMINISTRATION:	Department of Treasury.
REPORT AND PAYMENT:	Paid to local tax collecting unit by February 15 of each year.
DISPOSITION:	65% to the State of Michigan, local school districts, and local governmental units in the same proportion as general ad valorem property taxes are distributed. 35% to the Rural Development Fund created under 2012 PA 411.

LOCAL CASINO GAMING TAX

LEGAL CITATION:	M.C.L. 432.201-432.216; Initiated Law 1 of 1996, as amended by 2004 PA 306.
YEAR ADOPTED:	1996
BASIS OF TAX:	Privilege of operating a casino. Initiated Law 1 of 1996 authorized three licensees in the City of Detroit.
MEASURE OF TAX (BASE):	Adjusted gross receipts received by a gaming licensee.
RATE:	10.9%.
ADMINISTRATION:	City of Detroit.
REPORT AND PAYMENT:	Due daily.
DISPOSITION:	City of Detroit.
2011-12 COLLECTIONS:	$181,575,000 (July to June City fiscal year)

COUNTY 9-1-1 CHARGE

LEGAL CITATION:	M.C.L. 484.1401b et. seq.; 2007 PA 164.
YEAR ADOPTED:	2007 (scheduled to sunset December 31, 2021)
BASIS OF TAX:	Communication services capable of accessing a 9-1-1 system.
MEASURE OF TAX (BASE):	All communication services capable of accessing a 9-1-1 system, including local telephones, contractual cellular telephones, wireless communications, and interconnected voice over Internet devices.
RATE:	Counties can charge up to $.42 per line per month by resolution of the county board of commissioners and up to a maximum of $3.00 per line per month with the approval of the voters of the county. Service users with multiple access points/lines are charged the full rate for the first ten access points/lines and then one charge for each additional ten access points/lines.
ADMINISTRATION:	County.
REPORT AND PAYMENT:	Due quarterly to the county.
DISPOSITION:	Service suppliers may retain 2% to cover billing and collection costs. Remainder is distributed to the Primary 9-1-1 centers.

SALES-RELATED TAXES

Sales Tax
Use Tax/State Share Tax
Tobacco Products Tax
Liquor Markup
Liquor Taxes
Beer Tax
Wine Tax
Mixed Spirits Tax
Airport Parking Excise Tax
Local Community Stabilization Share Tax
Accommodations (Hotel-Motel) Tax
Convention and Tourism Marketing Fees
Stadium and Convention Facility Tax

SALES TAX

LEGAL CITATION:	M.C.L. 205.51 et seq.; 1933 PA 167; Section 8, Article IX, state Constitution.
YEAR ADOPTED:	1933
BASIS OF TAX:	Privilege of selling at retail.

MEASURE OF TAX (BASE): 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:

Exemptions based on status of purchaser:

- 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, including county long-term medical care facilities;
- 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;
- 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 the federal government or to an instrumentality thereof;
- property sold to qualified taxpayers to be used at a producing nonferrous mineral mine or a facility where nonferrous minerals are beneficiated;
- tangible personal property for fund-raising purposes purchased by certain nonprofit organizations with calendar year sales of less than $5,000;
- trucks, trailers and certain property affixed to trucks or 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.

Exemptions based on item purchased:

- copyrighted motion picture films, newspapers, and periodicals classified as second class mail;
- prosthetic devices, durable medical equipment, and mobility enhancing devices;
- prescription drugs and over-the-counter drugs obtained under a prescription 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;
- commercial advertising elements;

SALES TAX (CONTINUED)

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

Exemptions based on transaction type:

- statutorily-defined portion ($2,000 in 2014) of the agreed-upon trade-in value of a motor vehicle or recreational vehicle that is applied toward the purchase of another new or used motor vehicle or recreational vehicle; allowable credit is increased incrementally until January 1, 2038 when the full trade-in value becomes tax exempt;
- agreed-upon trade-in value of a watercraft that is applied toward the purchase of another new or used watercraft;
- certain food or tangible personal property purchased with federal food stamps;
- property which is part of a drop shipment;
- property which results in uncollectible debt;

Exemptions based on status of seller:

- certain vending machine merchandise to the extent that commissions are paid to tax-exempt organizations;
- property on an isolated basis by property owners not required to have Sales Tax license;

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. Be-

SALES TAX (CONTINUED)

cause 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.

REPORT AND PAYMENT: For most taxpayers: payment is due by 20th day of month following sale, with discount for early remittance.

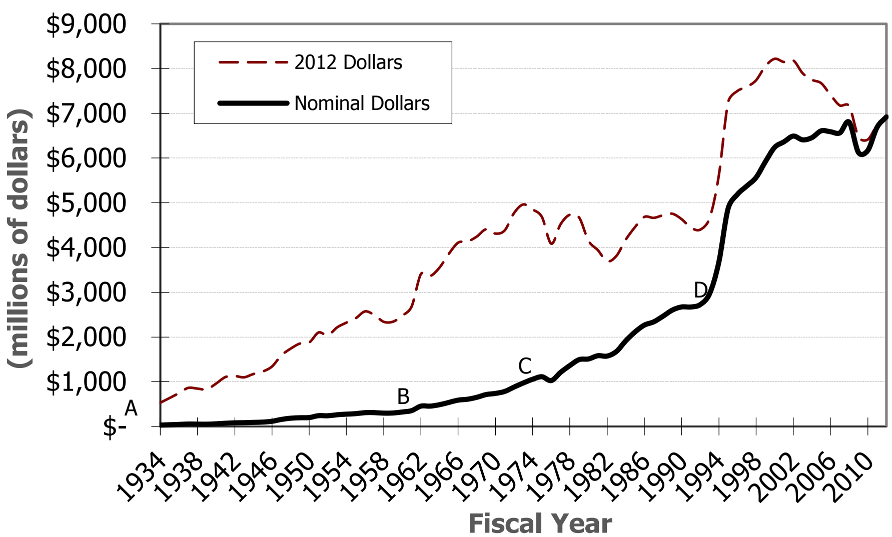
Very large taxpayers (those with sales tax liability, or use tax liability, or both, of $720,000 or more during the prior calendar year) make a monthly payment due by the 20th of the month that is equal to the lesser of (a) 75% of the tax liability for the same month in the prior calendar year or (b) 75% of liability for the previous month. In either case, a reconciliation payment is also required equal to any shortfall in the prior month's payment based on final sales.

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. For Fiscal Year 2013 only, up to $110 million in sales tax revenue (from 4% base) was earmarked for road maintenance and the State Aeronautics Fund.[1]

2011-12 COLLECTIONS: $6,922,040,000

2011-12 COLLECTIONS/UNIT: $1,154 million per 1%

Chart 3
Michigan Sales Tax Revenue, 1934 - 2012



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.

[1] The 6% Sales Tax rate consists of a 4% rate, which took effect in 1960, and an additional rate of 2% that was added in 1994. 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. The legislature may appropriate less than the 20.6% statutorily dedicated for state 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.

Proposed Changes in Disposition of Use Tax Revenue

Michigan voters will be asked to decide on a significant proposed change to the disposition of Michigan's use tax revenue on the August 2014 ballot. The change is related to legislative packages enacted in 2012 and 2014 that would phase out the personal property tax on eligible industrial and commercial personal property. The phase out would lead to significant reductions in local property tax revenues. In order to reimburse local governments for at least some of those lost revenues, the legislation sets aside a portion of use tax revenues for payments to eligible local units. Public Act 80 of 2014 would divide the use tax into two distinct taxes: a local community stabilization share tax to be levied by a newly created Local Community Stabilization Authority, ostensibly a local unit of government governed by a council composed of 5 members appointed by the Governor; and a state share tax which would continue to be levied by the state.

The rate of the local community stabilization share would be calculated annually by the Michigan Department of Treasury to equal the rate necessary to generate specific revenue targets contained in the legislation. This component of the use tax would take in $96.1 million in FY2016, $380.6 million in FY2017, and then gradually rise to $572.6 million in FY2028. After FY2028, the revenue target would be adjusted by an annual 1% growth factor. The state share rate would then be the current 6 percent use tax rate minus the calculated local community stabilization share rate. All of the funds attributed to the local community stabilization share would come out of revenues generated from the original 4 percent use tax rate that is currently deposited into the general fund. The general fund would then receive the remaining revenue from the tax at the 4 percent rate. The tax's allocation to the School Aid Fund from the additional 2 percent rate approved in 1994 would be unaffected.

The legislature, however, included language in Public Act 80 requiring that the question of whether to approve the new local component of the use tax levy be put to the state's voters on the August 2014 ballot. All the changes contained in the package – those involving both the personal property tax reductions and the changes to the use tax – are contingent upon an affirmative vote in August. Should the measure fail at the ballot, all of the revisions within the package will be repealed.

USE TAX / STATE SHARE TAX

LEGAL CITATION: M.C.L. 205.91 et. seq.; 1937 PA 94; Section 8, Article IX, state Constitution.

YEAR ADOPTED: Originally adopted as the use tax in 1937. Use tax was reorganized into the State Share Tax and Local Community Stabilization Share Tax by 2014 PA 80; the changes will become effective October 1, 2015 if approved by Michigan voters in August 2014.

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): Purchase price of tangible personal property or service. Certain sales with the following characteristics are exempt from taxation, as follows:

Exemptions based on status of purchaser:
- property purchased for resale or for demonstration;
- property purchased 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 sold to qualified taxpayers to be stored, used, or consumed at a producing nonferrous mineral mine or a facility where nonferrous minerals are beneficiated;
- property donated by a manufacturer, retailer, or wholesaler 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;
- equipment sold to an extractive operator (i.e., natural resources);
- the storage, use, or consumption of certain trucks, trailers, as well as parts and certain property 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.

Exemptions based on item purchased:
- property which Michigan is prohibited by federal law from taxing;
- copyrighted motion picture films, newspapers, and periodicals classified as second class mail;
- vehicle purchased for resale by a new vehicle dealer;

USE / STATE SHARE TAX (CONTINUED)

- certain computer software that was written for exclusive use of the purchaser and related technical support;
- prosthetic devices, durable medical equipment, and mobility enhancing devices;
- 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;
- 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;
- prepaid telephone cards, prepaid authorization numbers, and charge for Internet access;
- storage, use, and consumption of investment coins and bullion;
- certain aircraft and aircraft parts temporarily located in Michigan;
- partial exemption (from two percentage points of the tax rate): consumption for residential use of electricity, natural gas, and home heating fuel;

Exemptions based on transaction type:

- statutorily-defined portion ($2,000 in 2014) of the agreed-upon trade-in value of a motor vehicle or recreational vehicle that is applied toward the purchase of another new or used motor vehicle or recreational vehicle; allowable credit is increased incrementally until January 1, 2038 when the full trade-in value becomes tax exempt;
- agreed-upon trade-in value of a watercraft that is applied toward the purchase of another new or used watercraft;
- 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 real estate located in another state or 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 thereof;
- 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;
- 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.

USE / STATE SHARE TAX (CONTINUED)

RATE: 6% through September 30, 2015. Beginning October 1, 2015, the new state share rate will be 6% minus the local community stabilization share rate as determined annually by the Department of Treasury if Michigan voters approve recently enacted changes to the Use Tax Act on the August 2014 ballot (see related box).

The original 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.

These limitations would apply to the combined State Share Tax rate and Local Community Stabilization Share Tax rate if the enacted changes are approved by voters in August 2014.

ADMINISTRATION: Michigan Department of Treasury.

REPORT AND PAYMENT: For most taxpayers: payment is due by 20th 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 a monthly payment due by the 20th of the month that is equal to the lesser of (a) 75% of the tax liability for the same month in the prior calendar year or (b) 75% of actual liability for the previous month. In either case, a reconciliation payment equal to any shortfall in the prior month's payment based on final sales.

DISPOSITION: Revenue generated from the additional rate of 2% approved by Michigan voters in March 1994 is deposited in the School Aid Fund.

From the revenue generated by the original 4% rate, revenue is deposited in the School Aid Fund in an amount equal to the revenue loss from the State Education Tax and certain school operating millages attributable to property tax exemptions enacted in 2014 for certain commercial and industrial personal property.

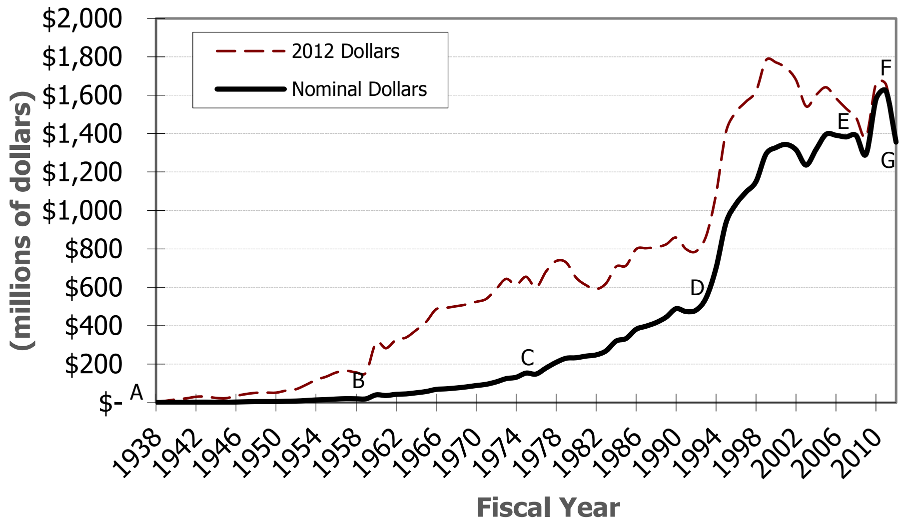
Remaining revenue goes to the General Fund.

2011-12 COLLECTIONS: $1,355,875,000

2011-12 COLLECTIONS/UNIT: $226 million per 1%

USE / STATE SHARE TAX (CONTINUED)

Chart 4
Michigan Use Tax Revenue, 1938 - 2012



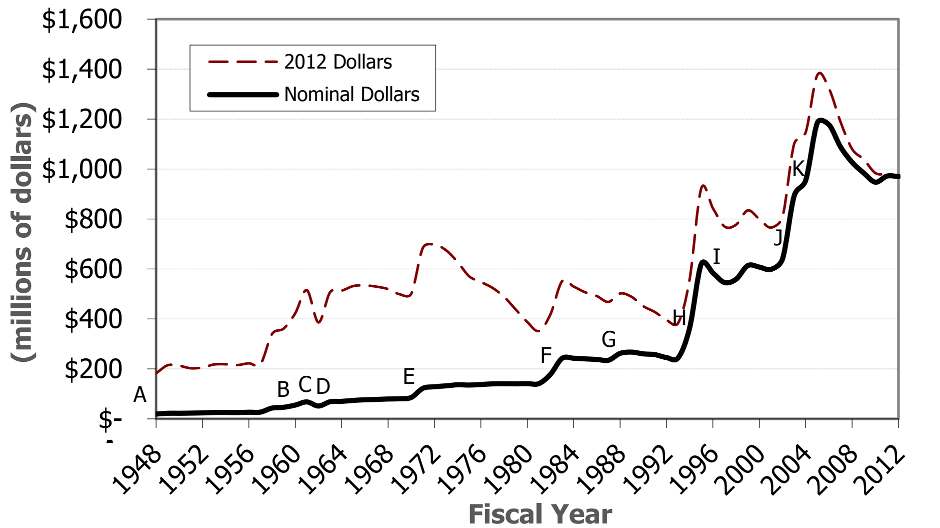
A	1937	PA 94	— Use Tax established at 3%.
B	1960(2ES) PA 2		— Increased tax rate to 4%.
C	1974	Const Amend	— Eliminated sales and use taxes on food and prescription drugs.
D	1993	PA 326	— Increased tax rate to 6% effective May 1, 1994.
E	2008	PA 440	— Added to the tax base the use or consumption of medical services provided by Medicaid managed care organizations.
F	2011	PA 141	— Medical services provided by Medicaid managed care organizations is removed from base of Use Tax effective March 31, 2012.
G	2014	PA 80	— Use tax was reorganized into the State Share Tax and Local Community Stabilization Share Tax.

TOBACCO PRODUCTS TAX

LEGAL CITATION:	M.C.L. 205.421 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:	*Cigarettes*: 100 mills per cigarette ($2.00 per pack); *cigars, non-cigarette smoking tobacco, and smokeless tobacco*: 32% of wholesale price; however, the tax on an individual cigar is capped at $0.50 through October 31, 2016.
ADMINISTRATION:	Michigan Department of Treasury.
REPORT AND PAYMENT:	Due by 20th of each month.
	Licensees may retain 1.5% of the total tax due on cigarettes and 1.0% of the total tax due on other tobacco products as compensation for compliance costs, as well as 1.5% of the total tax that otherwise would be due on untaxed cigarettes sold to Indian tribes in Michigan. Digital stamping agents responsible for tax stamps may retain 0.5% of the total tax due on cigarettes until the agent is compensated for the direct costs of necessary technology and equipment upgrades related to the digital stamps. These agents will also be reimbursed for the costs of eligible equipment purchases by retaining 1/18 of the purchase price from monthly taxes collected over the first 18 months after digital stamping is implemented.
DISPOSITION:	*Cigarette* proceeds: School Aid Fund 41.620% Medicaid Benefits Trust Fund 31.875% General Fund 19.7625% Healthy Michigan Fund 3.750% Health and Safety Fund 2.4375% Wayne County Indigent Health Care 0.555% *Cigar, non-cigarette smoking tobacco, and smokeless tobacco* proceeds: Medicaid Benefits Trust Fund 75.0% General Fund 25.0%
2011-12 COLLECTIONS:	$970,287,330

TOBACCO PRODUCTS (CONTINUED)

Chart 5
Michigan Tobacco Products Tax Revenue, 1948 - 2012



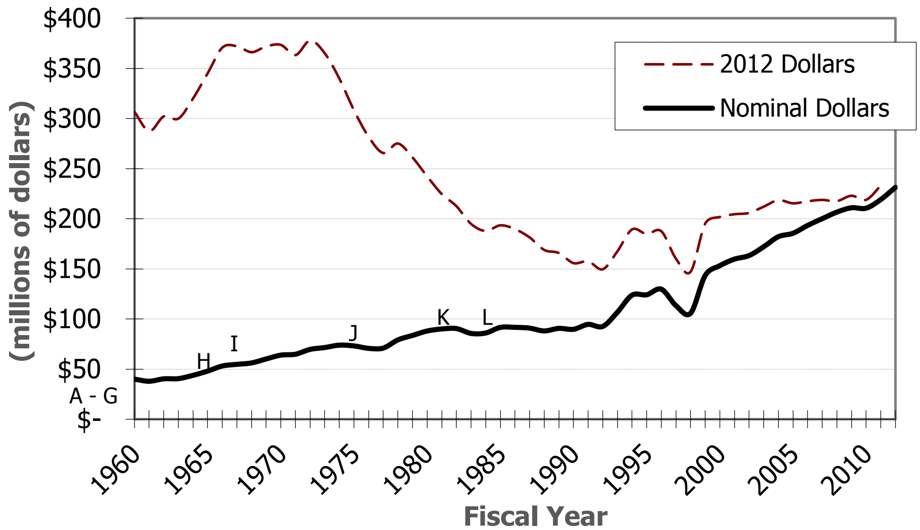
A	1947	PA 265	—	Cigarette Tax established at 1.5 mills per cigarette (3 cents per pack).
B	1959	PA 274	—	Increased tax rate to 2 mills per cigarette (4 cents per pack).
C	1961	PA 156	—	Increased tax rate to 2.5 mills per cigarette (5 cents per pack).
D	1962	PA 215	—	Increased tax rate to 3.5 mills per 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.
			—	Non-Cigarette Tobacco Products Tax established at 16% of wholesale price.
I	1997	PA187	—	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.

LIQUOR MARKUP

LEGAL CITATION:	M.C.L. 436.1233; 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 Licensing and Regulatory Affairs, 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.
2011-12 COLLECTIONS:	$231,353,509

LIQUOR MARKUP (CONTINUED)

Chart 6
Michigan Liquor Markup Tax Revenue, 1960 - 2012



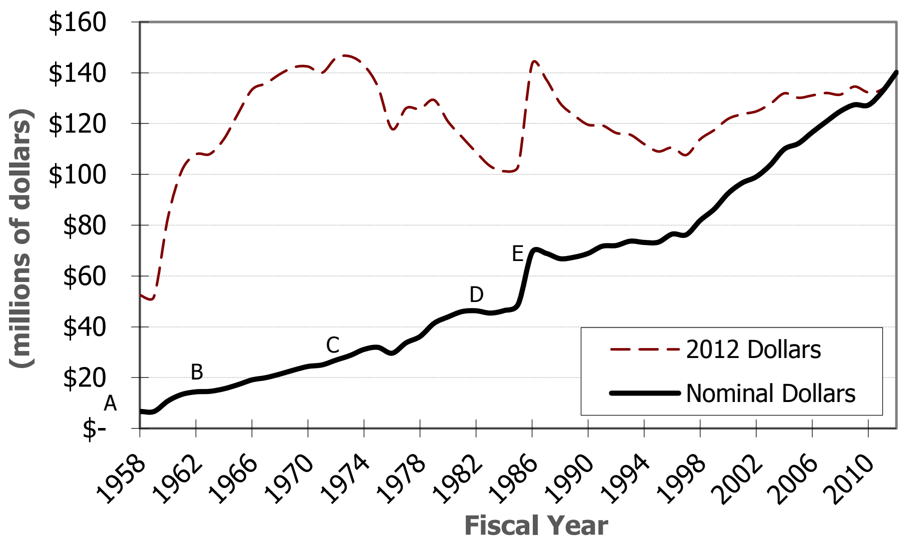
A	1933	PA 8 (ES)	—	Liquor Markup Tax established with a 45% markup rate effective January 1, 1934.
B	1937	__	—	Increased markup rate to 55% effective August 1937.
C	1940	__	—	Decreased markup rate to 50% effective July 1940.
D	1941	__	—	Decreased markup rate to 46% effective October 1941.
E	1945	PA 33	—	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.

LIQUOR TAX

LEGAL CITATION:	M.C.L. 436.2201-436.2207; 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):	Wholesale base price of spirits sold to retail liquor licensees. Tax is passed through to retail customers in final retail selling price.
RATE:	12% of base price of liquor sold to retail licensee effective October 1, 2012. Effective rate on retail price is 10.8%. (2011 PA 166 repealed the 1.85% specific tax on the retail selling price of spirits for off-site consumption effective October 1, 2012.)
ADMINISTRATION:	Michigan Department of Energy, Labor and Economic Growth, Liquor Control Commission.
REPORT AND PAYMENT:	Liquor Control Commission regulation.
DISPOSITION:	4% rate (specific) - General Fund; 4% rate (excise) - School Aid Fund; 4% rate (specific) - Convention Facility Development Fund. 1.85% specific tax on liquor sales for off-site consumption was repealed effective October 1, 2012. Revenue from this component of the tax was deposited in the Liquor Purchase Revolving Fund.

2011-12 COLLECTIONS:		**2011-12 COLLECTIONS/UNIT:**
General Fund:	$41,814,000	$10.5 million/1%
School Aid Fund:	41,266,000	$10.3 million/1%
Liquor Purchase Revolving Fund:	15,737,000	$8.5 million/1%
Convention Facility Development Fund:	41,305,000	$10.3 million/1%
TOTAL	$140,122,000	

Chart 7
Michigan Liquor Tax Revenues, 1958 - 2012



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 bases.
E 1985 PA 107 — Liquor Specific Tax established at 4%.

BEER TAX

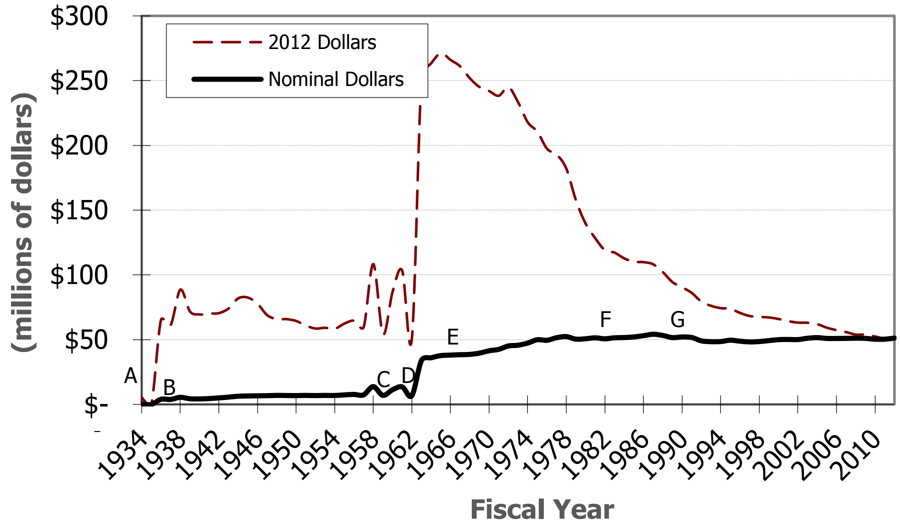
LEGAL CITATION:	M.C.L. 436.1409; 1998 PA 58.
YEAR ADOPTED:	1933. The former statute (1933 PA 8 (Ex. Session)) was repealed and replaced by 1998 PA 58.
BASIS OF TAX:	Privilege of manufacturing and selling beer.
MEASURE OF TAX (BASE):	Beer manufactured or sold in Michigan; credit for beer shipped out of 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. Exemption for beer consumed on premises does not apply to beer sold by brewpubs or micro brewers.
RATE:	$6.30 per barrel (31 gallons = 1 barrel), with $2 per barrel credit, up to 30,000 barrels, for small brewers producing not more than 50,000 barrels annually.
ADMINISTRATION:	Michigan Department of Energy, Labor and Economic Growth, Liquor Control Commission.
REPORT AND PAYMENT:	Due by 8th of each month.
DISPOSITION:	General Fund.
2011-12 COLLECTIONS:	$39,776,489
2011-12 COLLECTIONS/UNIT:	$6.3 million per $1 of tax per barrel.

WINE TAX

LEGAL CITATION:	M.C.L. 436.1301; 1998 PA 58.
YEAR ADOPTED:	1937. 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 Licensing and Regulatory Affairs, Liquor Control Commission.
REPORT AND PAYMENT:	Due by 15th of each month.
DISPOSITION:	General Fund.
2011-12 COLLECTIONS:	$11,457,855

BEER AND WINE TAXES (CONTINUED)

Chart 8
Michigan Beer and Wine Tax Revenues, 1934 - 2012



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	—	Mixed-Spirit Drinks Tax established at 48 cents per liter.

MIXED SPIRITS TAX

LEGAL CITATION:	M.C.L. 436.1301; 1998 PA 58.
YEAR ADOPTED:	1989. The former statute (1933 PA 8 (Ex. Session)) was repealed and replaced by 1998 PA 58.
BASIS OF TAX:	Privilege of manufacturing and selling mixed spirits.
MEASURE OF TAX (BASE):	Mixed spirits drinks (10% or less alcohol by volume and mixed with non-alcoholic beverages or flavorings) manufactured or sold in Michigan; credit for mixed spirits drinks shipped out of state for sale and consumption or sold to a military installation or an Indian reservation or damaged and not offered for sale.
RATE:	48 cents per liter.
ADMINISTRATION:	Michigan Department of Licensing and Regulatory Affairs, Liquor Control Commission.
REPORT AND PAYMENT:	Due by 8th of each month.
DISPOSITION:	General Fund.
2011-12 COLLECTIONS:	$515,800

AIRPORT PARKING TAX

LEGAL CITATION: M.C.L. 207.371-207.383; 1987 PA 248.

YEAR ADOPTED: 1987. 1987 PA 248 will be repealed under the provisions of 2002 PA 680 effective on the date that all bonds described in Section 7a(1)(a) (M.C.L. 207.377a) are retired.

BASIS OF TAX: Privilege of providing public parking at 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.

REPORT AND PAYMENT: Due at same time and manner as Use Tax.

DISPOSITION: Airport Parking Fund to be used as follows:

Dedicated to	Amount	Dedicated for
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

2011-12 COLLECTIONS: $20,585,000

LOCAL COMMUNITY STABILIZATION SHARE TAX

LEGAL CITATION: M.C.L. 205.91 et seq.; 2014 PA 80.

YEAR ADOPTED: 2014. Tax was created as a component of the previously existing Use Tax, which was originally adopted through 1937 PA 94. However, the assessment is contingent upon the approval by Michigan voters of an August 2014 ballot question related to changes in the allocation and disposition of Michigan's use tax.

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.

MEASURE OF TAX (BASE): Purchase price of tangible personal property or service. Certain sales are exempt from taxation; the exemptions are identical to those listed under the State Share Tax (see page X).

RATE: Determined annually by the Department of Treasury. The department is to calculate the annual rate based on specific revenue targets outlined in the authorizing statute. The rate shall be sufficient to generate annual revenues as outlined below:

Fiscal Year	Revenue Target	Fiscal Year	Revenue Target
2016	$96,100,000	2023	$548,000,000
2017	$380,600,000	2024	$561,700,000
2018	$410,500,000	2025	$569,800,000
2019	$437,700,000	2026	$571,400,000
2020	$465,900,000	2027	$572,200,000
2021	$491,500,000	2028	$572,600,000
2022	$521,300,000	2029 and after	1% growth from prior year

ADMINISTRATION: Michigan Department of Treasury.

REPORT AND PAYMENT: Same requirements as the Use Tax / State Share Tax.

DISPOSITION: Deposited with the Local Community Stabilization Authority to be disbursed to local units of government as reimbursement for revenues foregone due to the elimination of the personal property tax on certain eligible personal property. The authority shall disburse these in accordance with the provisions of the Local Community Stabilization Authority Act.

ACCOMMODATIONS (HOTEL-MOTEL) TAXES[3]

LEGAL CITATION: M.C.L. 141.861 et seq.; 1974 PA 263.
M.C.L. 207.621-207.640; 1985 PA 106.

YEAR ADOPTED: 1974 (enabling act for certain counties with populations under 600,000 which may adopt by ordinance).

1985 (for counties with populations over 700,000). Tax is authorized until December 31, 2039, or 30 days after debt issued by the Detroit Regional Convention Facility Authority is retired, whichever is sooner.

BASIS OF TAX: Privilege of engaging in business of providing accommodations.

MEASURE OF TAX (BASE): *In counties under 600,000 population and with a city over 40,000 population*: amount charged transient guests for lodging in any hotel/motel. As of 2013, Calhoun, Genesee, Ingham, Kalamazoo, Kent, Muskegon, Saginaw, and Washtenaw levy the tax.

In counties over 700,000 and with a 350,000 sq. ft. convention facility and/or 2,000 rooms (Wayne, Oakland, and Macomb): amount charged transient guests for lodging in a hotel/motel of over 80 rooms.

RATE: 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).

In counties under 600,000: not more than 5%, as determined by county. As of 2013, all counties levy the tax at the maximum rate.

In counties over 700,000:

No. Rooms Available:	"Qualified Governmental Unit" (Detroit):	Other Governmental Units (Wayne, Oakland, Macomb):
81-160	3%	1.5%
161 or more	6%	5%

ADMINISTRATION: *In counties under 600,000*: determined by county; collected by county treasurer.

In counties over 700,000: Michigan Department of Treasury, Bureau of Revenue.

REPORT AND PAYMENT: *In counties under 600,000*: determined by county.

In counties over 700,000: same as Use Tax / State Share Tax.

DISPOSITION: *In counties under 600,000*: special fund for use by county or authority organized under state law.

In counties over 700,000: Convention Facility Development Fund for distribution to units of local government.

2011-12 COLLECTIONS: $18,578,000 (1985 PA 106 only)

[3] Accommodations also are taxed under the Use Tax. See page 27.

CONVENTION AND TOURISM MARKETING FEES

LEGAL CITATION:	M.C.L. 141.881 et seq.; 1980 PA 383. M.C.L. 141.871 et seq.; 1980 PA 395. M.C.L. 141.891 et seq.; 1989 PA 244. M.C.L. 141.1321 et seq.; 2007 PA 25. M.C.L. 141.1431 et seq.; 2010 PA 254.
YEAR ADOPTED:	1980 (enabling act for a convention bureau within a county having a population more than 1,500,000, and counties contiguous to it – Wayne, Oakland, and Macomb). 1980 (enabling acts for a convention bureau within a county with a population of less than 650,000). 1989 (enabling act for regional marketing organization operating for at least 10 years and operates in a region composed of 15 counties - Upper Peninsula). 2007 (enabling act for a convention bureau within a municipality with a population of more than 570,000 and less than 775,000 - Kent County). 2010 (enabling act for a convention bureau within a county with a population of more than 80,000 and less than 115,000 and that contains a city with a population of more than 35,000 and less than 45,000, and shares a border with a county that levies a tax under 1974 PA 263 - Bay and Midland Counties).
BASIS OF TAX:	Privilege of operating a transient facility (e.g., hotel/motel) with a minimum number of rooms; 35 rooms (PA 383 and PA 25), 10 rooms (PA 395 and PA 244), and 2 rooms (PA 254).
MEASURE OF TAX (BASE):	Room charges imposed on transient guests for lodging in transient facilities, excludes charges for food, beverages, state use tax, telephone service, or services paid in connection with the room charge.
RATE:	Rate varies according to the population of the county in which the hotel/motel is located: In counties over 1,500,000: not more than 2% of the room charges. In counties under 650,000: not more than 5% of the room charges. In Upper Peninsula counties: not more than 1% of the room charges. In counties of more than 570,000 and less than 775,000: not more than 2% of the room charges. In counties of more than 80,000 and less than 115,000 and with a city of 35,000 to 45,000: not more than 5% of the room charges.
ADMINISTRATION:	Convention bureau of the county or region.
REPORT AND PAYMENT:	30 days after the end of each month.
DISPOSITION:	Depository of the convention bureau.

UNIFORM CITY UTILITY USERS TAX

LEGAL CITATION:	M.C.L. 141.1151 et seq.; 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 600,000 or more (Detroit). Exemption for facility located in a renaissance zone.
RATE:	To be established by increments of one-fourth of 1%, Detroit levies at the maximum rate of 5%.
ADMINISTRATION:	Administrator designated by the city. Collected by the city treasurer.
REPORT AND PAYMENT:	Amounts owed for a given month are due before the last day of the following month. Annual return due by end of fourth month (April 30) following end of tax year.
DISPOSITION:	First $12.5 million to any city-established lighting authority; remainder to retain or hire police officers.
2012 COLLECTIONS:	$39,828,340
2012 COLLECTIONS/UNIT:	$8.0 million per 1%

STADIUM AND CONVENTION FACILITY TAX

LEGAL CITATION:	M.C.L. 207.751-207.759; 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 upon agreement with municipality.
REPORT AND PAYMENT:	Determined by ordinance.
DISPOSITION:	Special fund of municipality.
2011-12 COLLECTIONS:	$7,449,000

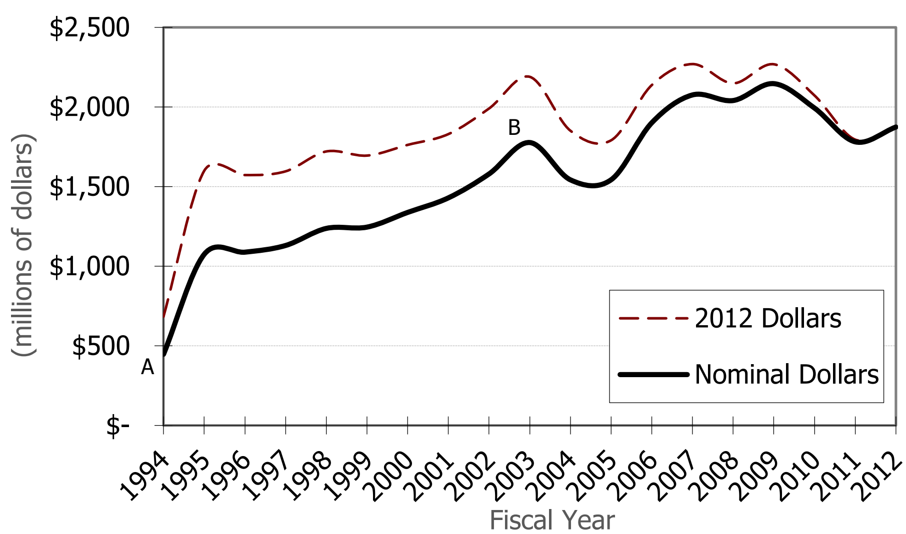
PROPERTY TAXES

State Education Tax
State Real Estate Transfer Tax
Utility Property Tax
State Essential Services Assessment Tax
General Property Tax
Ad Valorem Special Assessments
Mobile Home Trailer Coach Tax
Industrial Facilities Tax
Obsolete Properties Tax
Neighborhood Enterprise Zone Facilities Tax
Enterprise Zone Facilities Tax
Low Grade Iron Ore Specific Tax
County Real Estate Transfer Tax
Commercial Rehabilitation Tax
Commerical Facilities Tax
Commercial Forest Tax
Qualified Forest Tax

STATE EDUCATION TAX

LEGAL CITATION:	M.C.L. 211.901 et seq.; 1993 PA 331.
YEAR ADOPTED:	1993
BASIS OF TAX:	Ownership of real and personal property not otherwise exempted.
MEASURE OF TAX (BASE):	Same as General Property Tax, except property classified as industrial personal property and property occupied by a public school academy (charter school) and used exclusively for educational purposes is exempt. Public Acts 401, 402, and 403 of 2012 would further exempt other personal property from the tax, including: 1) commercial personal property owned by a taxpayer who owns commercial and industrial property with a combined true cash value of $80,000 or less with the local taxing collecting unit; the exemption would be effective in tax year 2014. 2) certain commercial personal property used within industrial processing; the exemption would be phased in between tax year 2016 and 2023. These exemptions, however, are tied to the results of a referendum vote scheduled for August 2014. If voters disapprove the ballot measure, these provisions would be repealed.
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.
2011-12 COLLECTIONS:	$1,780,635,000
2011-12 COLLECTIONS/UNIT:	$297 million per mill

Chart 9
Michigan State Education Tax Revenue, 1994 - 2012



A 1993 PA 331 — State Education Tax established.
B 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.

STATE REAL ESTATE TRANSFER TAX

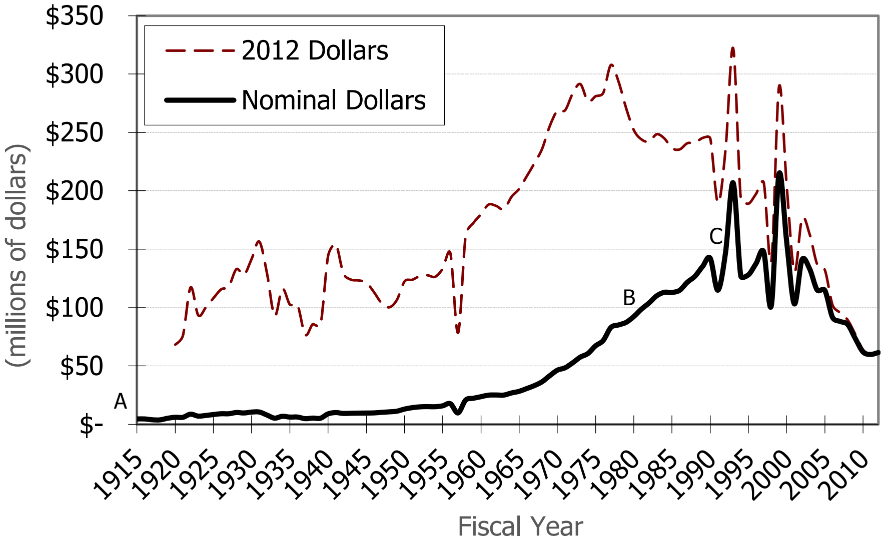
LEGAL CITATION:	M.C.L. 207.521 et seq.; 1993 PA 330.
YEAR ADOPTED:	1993
BASIS OF TAX:	Privilege of transferring interests in real property.
MEASURE OF TAX (BASE):	Fair market value of written instrument by which property is transferred. *Exemptions*: written instruments involving the following: (1) transfers 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 to dissolve corporations; (16) transfers between limited liability corporations and their members; (17) transfers between partnerships and their members; (18) transfers of mineral rights; (19) creation of joint tenancies if at least one joint tenant already owned the property; (20) sales agreements entered into before enactment of the tax; (21) transfers to persons considered to be "single employers" under the internal revenue code; (22) transfers to a bankruptcy trustee, receiver, or administrator; (23) transfers between religious societies of property exempt from property taxes.
RATE:	$3.75 per $500 (0.75%) or fraction thereof of total value.
ADMINISTRATION:	Collection: County treasurer. Supervision: Michigan Department of Treasury.
REPORT AND PAYMENT:	Due by 15th of the month following receipt by county treasurer.
DISPOSITION:	School Aid Fund.
2011-12 COLLECTIONS:	$143,851,000

UTILITY PROPERTY TAX

LEGAL CITATION:	M.C.L. 207.1 et seq.; 1905 PA 282; Section 5, Article IX, state Constitution.
YEAR ADOPTED:	1905
BASIS OF TAX:	In lieu of other general property taxes.
MEASURE OF TAX (BASE):	Taxable value of all real and tangible personal property of telephone companies, the unit value allocated to Michigan of railroad companies, the taxable value of freight cars of private owners allocated to Michigan in connection with doing business in Michigan. *Credits*: 1) Under certain circumstances, railroad companies receive a credit equal to 100% of expenditures for maintaining and improving Michigan rights-of-way, up to company's total tax liability. 2) Railroad companies and private railcar owners receive a credit equal to all of the expenses for maintenance or improvements done in Michigan, up to company's total tax liability. 3) Telephone companies receive: a) A credit equal to 12% of eligible expenditures associated with new equipment capable of carrying 200 kilobits per second in two directions, subject to certain limitations and not to exceed the total tax liability; b) A credit against the remainder of tax liability after taking the investment credit (#3a above) that is equal to certain telecommunication rights-of-way maintenance fees paid, subject to certain limitations and any portion of the credit that exceeds the remaining tax liability for the tax year shall not be refunded but may be carried forward to offset any tax liability in subsequent tax years that remains after any investment credit claimed in that subsequent tax year is determined until used up.
RATE:	Average statewide general property ad valorem tax rate paid by other commercial, industrial, and utility property in preceding calendar year.
ADMINISTRATION:	Assessment: Department of Treasury, State Tax Commission. Collection: Department of Treasury.
REPORT AND PAYMENT:	Report due March 31. Tax due by August 1 to avoid interest penalty; however, if one-half of tax liability is paid by August 1 and the rest by December 1, interest penalty (1% per month) is avoided.
DISPOSITION:	General Fund.
2011-12 COLLECTIONS:	$61,507,000

UTILITY PROPERTY TAX (CONTINUED)

Chart 10
Michigan Utility Property Tax Revenue, 1915 - 2012



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.

STATE ESSENTIAL SERVICES ASSESSMENT TAX

LEGAL CITATION:	State Essential Services Assessment: M.C.L. 211.1051 et seq.; 2014 PA 92. Alternative State Essential Service Assessment: M.C.L. 211.1071 et seq.; 2014 PA 93.
YEAR ADOPTED:	2014. Assessment takes effect on January 1, 2016. However, the assessment is contingent upon the approval by Michigan voters of an August 2014 ballot question related to changes in the allocation and disposition of Michigan's use tax.
BASIS OF TAX:	Ownership, lease, or possession of certain eligible industrial and/or commercial personal property predominantly used in industrial processing or direct integrated support that is otherwise exempt for the general property tax.
MEASURE OF TAX (BASE):	Fair market value of the personal property at time of acquisition, including the cost of freight, sales tax, installation, and other capitalized costs, except capitalized interest. *Exemptions*: The Board of Directors of the Michigan Strategic Fund may, by resolution, exempt eligible personal property from the state assessment and from the alternative state assessment, at its discretion. In order to be eligible for exemption, the personal property must be part of a broader business plan presented by an eligible claimant that demonstrates a minimum of $25.0 million in additional personal property investment within Michigan during the duration of a written agreement between the claimant and the Michigan Strategic Fund.
RATE:	Based on the number of years elapsed since acquisition of the property. Relevant personal property will generally be assessed at the regular rate. Eligible property exempted from the regular rate by the Michigan Strategic Fund may be assessed at the alternative rate, which is one-half the regular rate. The Michigan Strategic Fund may also fully exempt eligible property from any assessment.

Acquisition year precedes assessment year by:	Regular	Alternative
1 to 5 years	2.4 mills	1.2 mills
6 to 10 years	1.25 mills	0.625 mills
More than 10 years	0.9 mills	0.45 mills

ADMINISTRATION:	Michigan Department of Treasury.
REPORT AND PAYMENT:	Due by September 15 of each assessment year.
DISPOSITION:	State general fund.

GENERAL PROPERTY TAX

LEGAL CITATION: M.C.L. 211.1 et seq.; 1893 PA 206; Sections 3 and 6, Article IX, state Constitution.

YEAR ADOPTED: 1893. Territorial Act.

BASIS OF TAX: Ownership of 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. 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 by the taxable value of a parcel of property. The taxable value of a parcel may differ from the state equalized value as a result of 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, real property had a gap of 10.0% between assessed and taxable values in 2013.

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 taxable value 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 taxable value will be adjusted to reflect the property's state equalized valuation. The taxable value for qualified forest property being transferred between owners will remain capped if the new owner keeps the property as qualified forest property for at least 10 years from the date of transfer. If the property ceases to be qualified forest property within the 10-year period, the property's taxable value 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, obsolete property rehabilitation; and certain nonferrous minerals and mineral-producing property.
(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

GENERAL PROPERTY TAX (CONTINUED)

Phase-Out of the Personal Property Tax on Certain Manufacturing Property

Perhaps the most significant change to the state's tax laws during 2012 was the enactment of legislation phasing out the personal property tax (PPT) on industrial property and certain commercial property. An eleven bill package[1] passed in December 2012 and signed by Governor Snyder phases out the imposition of the tax over the 10-year period between 2014 and 2023. Specifically, the bills would:

- Effective for tax year 2014, exempt all commercial and industrial personal property (regardless of use) from the PPT if the combined true cash value of the property owned or controlled by a taxpayer in a given local tax collecting unit is less than $80,000;
- Beginning in tax year 2016, exempt all new industrial personal property and any new commercial personal property used primarily for or in direct support of industrial processing that was purchased and placed into service during or after 2013;
- Beginning in tax year 2016 and continuing thereafter, exempt any industrial personal property and any new commercial personal property used primarily for or in direct support of industrial processing that has effectively been placed in service for the immediately preceding 10 years.

The table below illustrates how the phased in exemption will work. Again, property becomes exempt immediately in 2014 if an individual controls property with a total true cash value below $80,000. Remaining personal property tied to industrial processing will become exempt over time based on the year it was first placed into service. In tax year 2016, new personal property tied to industrial processing and placed into service after December 31, 2012 will all become exempt. Further, any eligible personal property placed into service before 2006 will also become exempt from the PPT. In 2017, the exemption will be expanded to cover eligible personal property placed into service during 2006. Likewise in tax year 2018, property placed into service during 2007 will become exempt. This gradual phase-in will continue until all eligible property becomes exempt in tax year 2023.

Phase-In Schedule for Existing Eligible Personal Property

	Tax Year							
Year placed in service	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
2005	X	X	X	X	X	X	X	X
2006		X	X	X	X	X	X	X
2007			X	X	X	X	X	X
2008				X	X	X	X	X
2009					X	X	X	X
2010						X	X	X
2011							X	X
2012								X
2013	X	X	X	X	X	X	X	X

X = exempt from personal property taxation

The entire legislative package, however, hinges on the results of statewide ballot referendum related to changes in the state's Use Tax Act (see box on page 26 for additional details) to allow for partial reimbursement to local units of government for revenues foregone due to the new personal property tax exemptions. Should the measure fail at the ballot, the exemption provisions would be repealed.

1 The bills (and their corresponding public act numbers) that were part of the package were Senate Bills 1065 through 1071 (which became Public Acts 397 through 403 of 2012, respectively), House Bill 6022 (Public Act 404), and House Bills 6024 through 6026 (Public Acts 406 through 408). The exemption provisions were further revised in 2013 by Senate Bills 489 and 490 (Public Acts 153 and 154 of 2013).

GENERAL PROPERTY TAX (CONTINUED)

assessments, taxes levied for the payment of general obligation bonds, intermediate school district-wide enhancement mills and local school district sinking fund millages;
(12) federally-qualified health centers;
(13) biomass gasification systems, thermal depolymerization systems, and methane digesters;
(14) personal property designated as industrial and commercial property for school operating millages;
(15) new personal property in one or more "distressed parcel", subject to local approval;
(16) supportive housing property for school operating millages;
(17) property occupied by a public school academy (charter school) and used exclusively for educational purposes for school operating millages.

Legislation enacted in 2012 would also: (a) exempt, beginning in 2014, commercial and industrial personal property owned by a taxpayer with a true cash value of less than $80,000 in a particular tax collecting unit; and (b) phase out the tax on certain personal property used primarily for, or in direct support of, industrial processing beginning in 2016 and continuing until all such property is exempt in 2023. However, these provisions require approval of state voters at an August 2014 referendum.

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 without voter approval. (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.)

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;
(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) and state law require a taxing jurisdiction to roll back maximum authorized rates if the state equalized value, excluding new construction, increases faster than the rate of inflation (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. Principal residence, industrial personal property, and qualified agricultural property is entirely exempt from school millages. Commercial personal property is partially exempt (12 of the 18 mills). However, school districts with a 1994-95 per pupil foundation allowance of over $6,500 may reduce the exemption on principal residence and qualified agricultural property by the number of mills necessary to raise that portion of their per pupil foundation allowance that exceeds $6,500 and, if necessary, also may levy additional mills on all property to generate that additional per pupil dollar amount. In addition, voters in intermediate school districts may approve up to 3 additional mills for operating purposes. In calendar year 2012, the state average millage rate, including the 6-mill State Education Tax, was 40.6 mills.

GENERAL PROPERTY TAX (CONTINUED)

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 county 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)

2011 & 2012 COLLECTIONS:

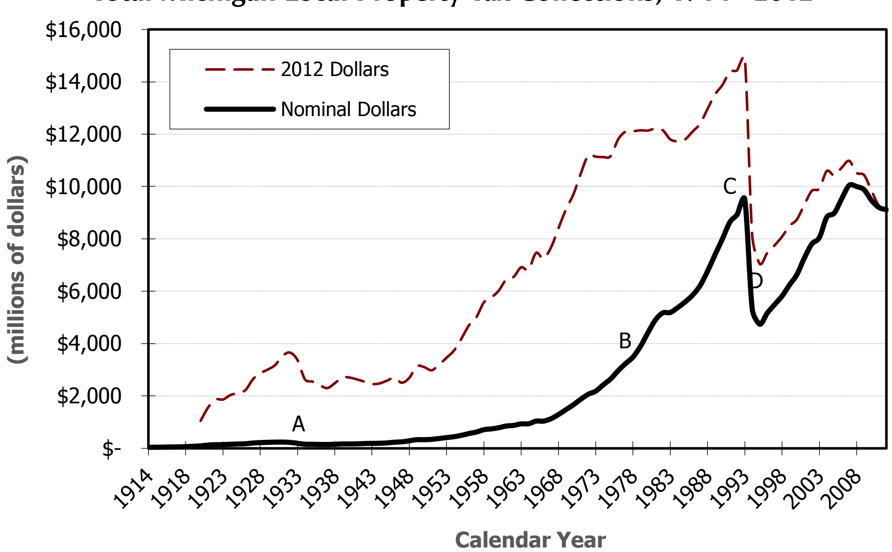
	2011 Levy		2012 Levy	
School[3]	$5,713,864,179	52%	$5,598,604,154	51%
City	2,295,535,955	21	2,289,576,467	21
County	2,124,933,499	19	2,109,017,783	19
Township	850,396,719	8	850,869,531	8
Village	87,390,444	1	86,802,861	1
Total Levy	$11,072,120,796	100%	$10,934,870,796	100%

Note: Percentages may not add to 100 due to rounding.

2012 COLLECTIONS/UNIT: $316 million per mill (based on average rate of 34.6 mills across all units excluding 6-mill State Education Tax)

Chart 11

Total Michigan Local Property Tax Collections, 1914 - 2012



A	1933	Const Amend	—	15 mill limit.
B	1978	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 property from millage levied by a local or intermediate school district for school operating purposes, beginning December 31, 1993.
		PA 312	—	limited school operating property taxes on non-principal residence property to lesser of 18 mills or 1993 rate; exempted principal residence 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.
D	1994	Const Amend	—	Proposal A reduced school operating taxes, established cap on assessments and taxable value as the tax base.

[3] Includes local school districts, intermediate school districts, and community colleges (does not include 6-mill State Education Tax).

GENERAL PROPERTY TAX (CONTINUED)

Chart 12
Michigan Statewide Average Property Tax Rate, 1927 – 2012

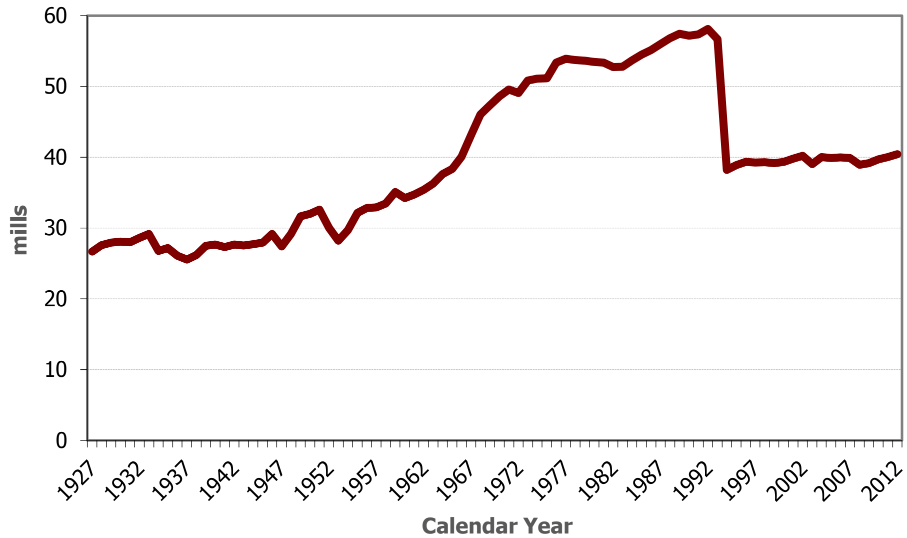
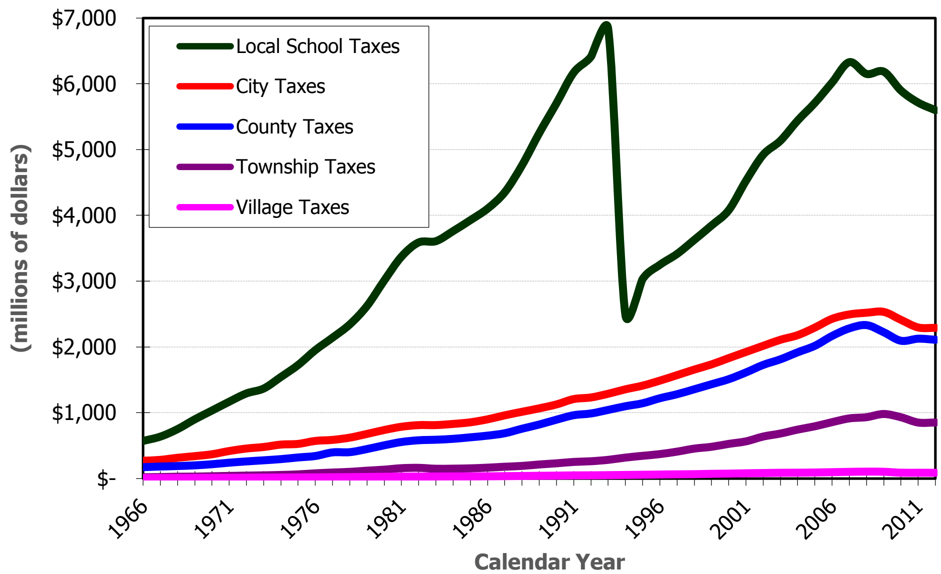


Chart 13
Michigan Property Tax Revenues by Unit of Government, 1966 – 2012



AD VALOREM SPECIAL ASSESSMENTS

LEGAL CITATION:	M.C.L. 117.4d; 1909 PA 279 (public improvements and street lighting – cities); M.C.L. 41.414; 1923 PA 116 (various public improvements – townships and villages); M.C.L. 41.801; 1951 PA 33 (police/fire equipment and operations – cities with less than 10,000 population, townships, and villages); M.C.L. 41.721 et seq.; 1954 PA 188 (various public improvements – townships); M.C.L. 560.192a; 1967 PA 288 (operation and maintenance of storm water retention basins – townships, villages, and cities); M.C.L. 125.1662; 1975 PA 197 (construction, renovation, etc. of facilities, existing buildings and multi-family dwellings – downtown development authorities).
YEAR ADOPTED:	Various (see above).
BASIS OF TAX:	Ownership of real property.
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 specific type of special assessment so provides. PA 33 and PA 197 exempt property that is exempt from the General Property Tax Act. PA 279 prohibits city-wide ad valorem special assessments for street lighting if real property in the city is assessed on ad valorem basis.
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. In some cases, limits, as to the rate, are established in law. PA 33 limits levy to 10 mills for equipment, no limit for operations. PA 116 limits levy for a single assessment to 15% of assessed value and to 45% of assessed value for all assessments under the Act in any single year. PA 197 limits levy to 2 mills.
ADMINISTRATION:	Same as General Property Tax.
REPORT AND PAYMENT:	Same as General Property Tax.
DISPOSITION:	Locally determined.
2012 COLLECTIONS:	$130,603,000 (unit-wide special assessments only).

MOBILE HOME TRAILER COACH TAX

LEGAL CITATION:	M.C.L. 125.1041 et seq.; 1959 PA 243.
YEAR ADOPTED:	1959
BASIS OF TAX:	In lieu of general property taxation.
MEASURE OF TAX (BASE):	Occupied 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 county in which coach is located; and 50 cents per coach to municipality in which coach is located.

INDUSTRIAL FACILITIES TAX

LEGAL CITATION:	M.C.L. 207.551 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):	*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. Industrial personal property subject to the tax may be exempt from the portion of the tax attributable to the State Education Tax or local school operating taxes. Partial exemption for facility located in a renaissance zone.
RATE:	*Replacement facility*: same as the local property tax rate. *New or speculative facility*: The State Education Tax plus 1/2 of all other taxes. 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 the Michigan Economic Development Corporation.
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.

OBSOLETE PROPERTIES TAX

LEGAL CITATION:	M.C.L. 125.2781 et seq.; 2000 PA 146.
YEAR ADOPTED:	2000
BASIS OF TAX:	In lieu of general property taxation for up to 12 years after completion of facility. Partial exemption for facility located in a renaissance zone. New exemptions cannot be granted after December 31, 2016; however, existing exemptions in effect as of this date shall remain in effect until their expiration.
MEASURE OF TAX (BASE):	For all taxes levied, taxable value of facility in year prior to granting of exemption certificate, excluding land and personal property other than buildings on leased land. For local school operating taxes and the State Education Tax, add the increase in the taxable value of the rehabilitated facility to the frozen taxable value of the facility.
RATE:	Varies by local unit. Total millage rate for all taxing units. State Treasurer can exempt, for up to six years on the post-rehabilitation taxable value, up to one-half of the mills levied for local school operating purposes and the State Education Tax.
ADMINISTRATION:	Same as General Property Tax. Local legislative body and State Tax Commission must approve issuance of certificate.
REPORT AND PAYMENT:	Same as General Property Tax.
DISPOSITION:	Same as General Property Tax, except that revenue that is attributable to local school districts and intermediate school districts is credited to the state School Aid Fund.

NEIGHBORHOOD ENTERPRISE ZONE FACILITIES TAX

LEGAL CITATION: M.C.L. 207.771 et seq.; 1992 PA 147.

YEAR ADOPTED: 1992

BASIS OF TAX: In lieu of general property taxation for up to 15 years after rehabilitation or completion of facility granted exemption. Partial exemption for facility located in a renaissance zone.

MEASURE OF TAX (BASE): *New facility*: taxable value of facility, excluding land.

Rehabilitated facility: taxable value of facility in year prior to granting of exemption certificate, excluding land. For last three years of exemption, current taxable value of facility, excluding land.

Homestead facility: taxable value of facility, excluding land.

RATE: *New facility* – principal residence**:** 1/2 of the state average tax rate in the immediately preceding calendar year on other principal residence or qualified agricultural property.

New facility – non-principal residence**:** 1/2 of the state average tax rate in the immediately preceding calendar year on other commercial, industrial, and utility property.

*Rehabilitated facility***:** total property tax rate levied under General Property Tax, varies by local unit.

*Homestead facility***:** total property tax rate levied under General Property Tax less the sum of one-half of the operating tax rate levied by the local unit in which the facility is located and one-half of the operating tax rate levied by the county in which the facility is located.

Two Years before the Exemption Expires

Total property tax rate levied under General Property Tax less the sum of three-eighths of the operating tax rate levied by the local unit in which the facility is located and three-eighths of the operating tax rate levied by the county in which the facility is located.

One Year before the Exemption Expires

Total property tax rate levied under General Property Tax less the sum of one-fourth of the operating tax rate levied by the local unit in which the facility is located and one-fourth of the operating tax rate levied by the county in which the facility is located.

Year that the Exemption Expires

Total property tax rate levied under General Property Tax less the sum of one-eighth of the operating tax rate levied by the local unit in which the facility is located and one-eighth of the operating tax rate levied by the county in which the facility is located.

ADMINISTRATION: Same as General Property Tax. Local legislative body (homestead) or State Tax Commission (new or rehabilitated facility) must approve issuance of certificate.

REPORT AND PAYMENT: Same as General Property Tax.

DISPOSITION: Same as General Property Tax, except that revenue that is attributable to local school districts and intermediate school districts is credited to the state School Aid Fund.

ENTERPRISE ZONE FACILITIES TAX

LEGAL CITATION:	M.C.L. 125.2101 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 businesses*: 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 the property is located, with certain exceptions.

LOW GRADE IRON ORE SPECIFIC TAX

LEGAL CITATION:	M.C.L. 211.621 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 Environmental Quality, Office of Oil, Gas, and Minerals. Collection: Township or city treasurer.
REPORT AND PAYMENT:	Same as General Property Tax.
DISPOSITION:	Same as General Property Tax, except that revenue that is attributable to local school districts and intermediate school districts is credited to the state School Aid Fund.

COUNTY REAL ESTATE TRANSFER TAX

LEGAL CITATION:	M.C.L. 207.501 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 by which property is transferred. Exemptions include 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) transfers to a bankruptcy trustee, receiver, or administrator.
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 55 cents per $500 (0.11%) of taxable value.
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.

COMMERCIAL REHABILITATION TAX

LEGAL CITATION:	M.C.L. 207.841 et seq.; 2005 PA 210.
YEAR ADOPTED:	2005
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. Authority to issue certificates expires on December 31, 2015, but an exemption then in effect will continue until expiration of the certificate.
MEASURE OF TAX (BASE):	Taxable value of facilities, excluding land and personal property, in year prior to granting of exemption certificate. Exemption certificate creates alternate taxable value for all tax levies except school operating millages and State Education Tax.
RATE:	Varies by local unit.
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.
REPORT AND PAYMENT:	Same as General Property Tax.
DISPOSITION:	Same as General Property Tax, except that revenue that is attributable to local school districts and intermediate school districts is credited to the state School Aid Fund.

COMMERCIAL FACILITIES TAX

LEGAL CITATION:	M.C.L. 207.651 et seq.; 1978 PA 255.
YEAR ADOPTED:	1978
BASIS OF TAX:	In lieu of general property taxation for up to 12 years after completion of facilities granted exemption certificates within commercial redevelopment districts. Authority to issue certificates expires on December 31, 2020, but an exemption then in effect continues until expiration of certificate.
MEASURE OF TAX (BASE):	*New or replacement facility*: current taxable value of facility, excluding land and personal property other than buildings or leased land. *Restored facility*: taxable value of facility, excluding land and personal property other than buildings and leased land, in year prior to granting of exemption certificate.
RATE:	*New or replacement facility*: 1/2 of the total property taxes levied by all units, other than the State Education Tax, plus the entire amount of the State Education Tax. The State Treasurer, in order to promote economic growth, may exempt up to 1/2 of the mills levied under the State Education Tax for a period not to exceed six years. The Treasurer may only issue 25 exemptions each year. *Restored facility*: same as the local property tax rate.
ADMINISTRATION:	Same as General Property Tax. Local legislative body must approve issuance of certificate.
REPORT AND PAYMENT:	Same as General Property Tax.
DISPOSITION:	Same as General Property Tax, except that revenue that is attributable to local school districts and intermediate school districts is credited to the state School Aid Fund.

COMMERCIAL FOREST TAX

LEGAL CITATION:	M.C.L. 324.51101-324.51120; 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 (generally, 40 acre minimum). Commercial forest land located in a renaissance zone is exempt from the tax.
RATE:	*Specific*: $1.25 per acre until December 31, 2016. Beginning January 1, 2017, and every five years after that date, the tax rate will be increased by five cents per acre. (The state also pays $1.25 per acre until December 31, 2016. Beginning January 1, 2017, and every five years after that date, the annual state payment will increase by five cents per acre to each county within which acreage is located). *Withdrawal*: $1.00 per acre application fee with a minimum fee of $200 per application and a maximum of $1,000 per application, plus per acre penalty. The penalty is a function of the number of acres withdrawn, value of property, average millage rate for all townships in the county where property is located, the number of years, up to seven, in which the withdrawn property had been designated as commercial forestland, and a county-specific (contained in law) factor. The property's value is equal to the previous year's value adjusted for inflation, but not to exceed 5%. However, owners of commercial forest land who are approved for the Qualified Forest program under Public Act 42 of 2013 may withdraw without penalty between June 6, 2013 and June 5, 2014. For commercial forestland that is subject to a sustainable forest conservation easement, the rate is 15 cents per acre less than the rate for all other commercial forestland. The application fee for withdrawal is $2.00 per acre with a minimum fee of $200 per application and a maximum of $1,000 per application.
ADMINISTRATION:	Department of Natural Resources; Township Assessors, Township and County Treasurers.
REPORT AND PAYMENT:	*Specific*: with property tax; *Withdrawal*: with application to withdraw.
DISPOSITION:	Deposited into Private Forestland Enhancement Fund, which is to be used to finance programs that encourage the judicious management of forestlands.

QUALIFIED FOREST TAX

LEGAL CITATION:	M.C.L. 324.51101-324.51120; 1995 PA 57.
YEAR ADOPTED:	2013. Initially authorized by 1925 PA 94. Property tax exemptions and recapture tax initially adopted in 2006.
BASIS OF TAX:	Ownership of qualified forest lands that are eligible for certain general property tax benefits, including exemption from school operating millage levies and from the uncapping of taxable value upon sale/transfer of qualified property.
MEASURE OF TAX (BASE):	Taxable value of qualified forest lands where owner has signed affidavit attesting that land will remain in forest production and be managed in accordance with a forest management plan.. Generally, 20 acre minimum for land 80% stocked in productive forest; 40 acre minimum for land 50% stocked in productive forest. Maximum of 640 acres per tax collecting unit.
RATE:	*Tax/Participation Fee*: 2 mills on the taxable value of a qualified parcel. *Withdrawal/Recapture Tax*: If one or more harvests have occurred on the property before withdrawal: taxable value of the qualified forest property x the number of school operating mills levied net of the 2 mill participation fee x the number of years the property was exempt from school operating mills as qualified forest property (up to 7 years); plus repayment of any property taxes that would have been paid had the taxable value not remained capped due to designation as qualified forest property. If no harvests have occurred on the property before withdrawal: taxable value of the qualified forest property times the number of school operating mills levied times two; plus repayment of any property taxes that would have been paid had the taxable value not remained capped because of designation as qualified forest property.
ADMINISTRATION:	Department of Agriculture and Rural Development; Township Assessors, Township and County Treasurers.
REPORT AND PAYMENT:	*Specific*: annually with property tax; *Withdrawal*: with application to withdraw.
DISPOSITION:	Deposited into Private Forestland Enhancement Fund, which is to be used to finance the Qualified Forest program and programs that encourage sustainable management of forestlands. Recapture tax proceeds accrued to the general fund until January 1, 2014.

TRANSPORTATION TAXES

Motor Vehicle Registration Fees
Gasoline Tax
Diesel Fuel Tax
Liquified Petroleum Gas Tax
Motor Carrier Fuel Tax
Motor Carrier Single State Registration Tax
Watercraft Registration Fee
Aviation Gasoline Tax
Aircraft Weight Fee
Snowmobile Registration Fee

MOTOR VEHICLE REGISTRATION FEES

LEGAL CITATION: M.C.L. 257.801-257.810; 1949 PA 300; Section 9, Article IX, state Constitution.

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:

Base List Price	Tax in 1st Year of Ownership
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.

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 8,000 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.

The above rates are adjusted annually in accordance with changes in state personal income.

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		

6. For *trailers* (one-time fee): under 2,500 lb. $75; 2,500 lb. to 9,999 lb. $200; 10,000 lb and over $300.

MOTOR VEHICLE REGISTRATION FEES (CONTINUED)

An additional fee of $8 is added to most registrations to cover certain regulatory and administrative costs. The fee is scheduled to expire on October 1, 2015.

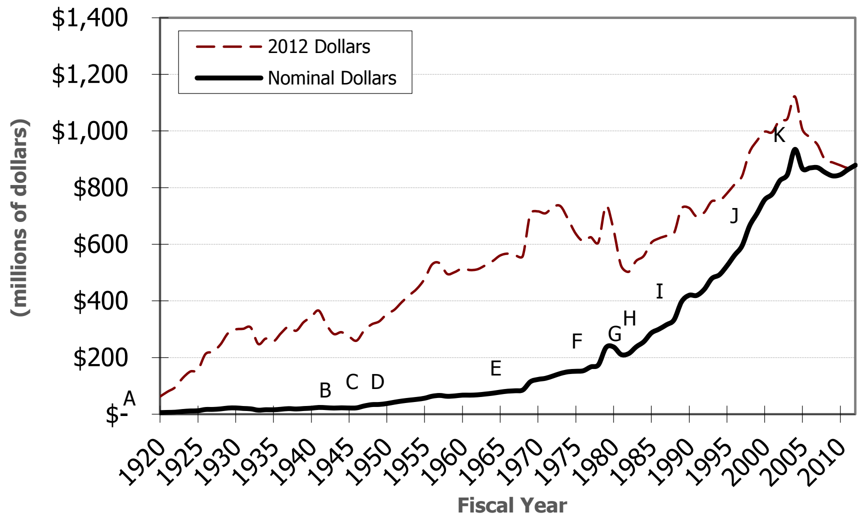
ADMINISTRATION: Michigan Department of State; certain fees, Michigan Department of Natural Resources.

REPORT AND PAYMENT: Registration expires annually on owner's birthday, except for certain commercial vehicles owned by "persons" other than individuals (last day of Feb.), for trailers (lifetime registration), for motorcycles (March 31), and for historic vehicles (on April 15 in the 10th year after the date of issue). Tax due with new registration.

DISPOSITION: Michigan Transportation Fund (See Gasoline Tax); Of the $8 fee imposed on most vehicle registrations, $2.25 credited to the Traffic Law Enforcement and Safety Fund and $5.75 to the Transportation Administration Collection Fund.

2011-12 COLLECTIONS: $879,168,000

Chart 14
Michigan Motor Vehicle Registration Tax Revenue, 1920 – 2012



A 1915 PA 302 — Motor Vehicle Weight Tax established.
B 1945 PA 255 — Revised 1915 PA 302.
C 1949 PA 300 — Established Motor Vehicle Code with revised registration fee schedules.
D 1951 PA 55 — Established new fee schedules for various classifications of vehicle based on vehicle weight.
E 1967(ES) PA 3 — Established new fee schedules for various classifications of vehicle based on vehicle weight.
F 1978 PA 427 — Established new fee schedules for various classifications of vehicle based on vehicle weight
G 1982 PA 439 — Established new fee schedules for various classifications of vehicle based on vehicle weight.
— Replaced weight tax with a value tax of 0.4% of purchase price for personal passenger vehicles purchased after September 30, 1983.
H 1983 PA 165 — 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.
I 1987 PA 238 — Increased tax imposed upon certain passenger vehicles and trucks
J 1997 PA 80 — Increased certain truck registration fees.
K 2003 PA 152 — Established new fee scheduled for trailers.

GASOLINE TAX

LEGAL CITATION:	M.C.L. 207.1001 et seq.; 2000 PA 403; Section 9, Article 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 the Motor Fuel Tax Act, 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: (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: (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. The Motor Fuel Tax Act allows for a discounted rate of 12 cents per gallon on gasoline that is at least 70% ethanol. However, the discounted rate is no longer effective.
ADMINISTRATION:	Department of Treasury.
REPORT AND PAYMENT:	Due by 20th of each month.
DISPOSITION:	Michigan Transportation Fund: 2% to Recreation Improvement Fund; Sums sufficient for administrative and collection costs; $3 million to Rail Grade Crossing Account; $3 million to Local Bridge Fund; Revenue from three cents of tax to State Trunkline Fund and local road agencies; Revenue from one cent of tax to state and local bridges; $43 million for state debt service payments; 10% earmarked to Comprehensive Transportation Fund; $5 million to Local Bridge Fund; $40.3 million to Transportation Economic Development Fund; $33 million to Local Program Fund; Remainder allocated: 39.1% to State Trunkline Fund; 39.1% to county road commissions; 21.8% to cities and villages.
2011-12 COLLECTIONS:	$822,675,000
2011-12 COLLECTIONS/UNIT:	$43.3 million per 1 cent of Gas Tax.

DIESEL FUEL TAX

LEGAL CITATION:	M.C.L. 207.1001 et seq.; 2000 PA 403; Section 9, Article 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 the Motor Fuel Tax Act, 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: (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. The Motor Fuel Tax Act allows for a discounted rate of 12 cents per gallon on diesel that contains at least 5% biodiesel. However, this rate is no longer effective.
ADMINISTRATION:	Department of Treasury.
REPORT AND PAYMENT:	Due by 20th of each month.
DISPOSITION:	Michigan Transportation Fund (See Gasoline Tax).
2011-12 COLLECTIONS:	$106,271,000
2011-12 COLLECTIONS/UNIT:	$7.1 million per 1 cent of Diesel Fuel Tax.

Diesel Fuel Taxation in Michigan

Public Act 668 of 2002 eliminated the two-tier system of diesel fuel taxation under the Motor Fuel Tax Act (2000 PA 403) and centralized the collection of diesel fuel taxes in Michigan. Prior to PA 668, a portion of the diesel fuel tax (9 cents per gallon) was collected at the supplier level and the remainder (6 cents per gallon) was collected at the retail level. The total fuel tax collected from each level was equal to 15 cents per gallon. As a result of PA 668 (effective April 1, 2003) the entire 15 cents per gallon is collected at the supplier level. This change in tax collection made diesel fuel taxation consistent with gasoline taxation. Both the gasoline and diesel tax are collected by the supplier and passed along to the consumer and reflected in the per-gallon "pump" price.

PA 668 was part of a package of legislation that aimed to simplify the collection of diesel fuel taxes. Another piece was PA 667 of 2002, which amended the Motor Carrier Fuel Tax, a tax on motor fuel consumed in Michigan. PA 667 changed the definition of "motor carrier'" to only include interstate motor carriers. This change effectively made intrastate motor carriers exempt from the Tax and therefore only subject to the Motor Fuel Tax. PA 667 also lowered the Motor Carrier Fuel Tax from 21 cents per gallon to 15 cents per gallon and eliminated the Sales Tax refund for fuel purchased in Michigan. This change brought the Motor Carrier Fuel Tax in line with the Motor Fuel Tax, at 15 cents per gallon.

Michigan is one of only a few states that collect sales tax on motor fuels. Michigan is further unique in that it includes applicable federal motor fuel taxes in the base when calculating the sales tax due on motor fuel purchases. Michigan does not, however, include the state motor fuel taxes in the base for determining sales tax liability.

To address the long-standing disincentive for interstate motor carriers to purchase fuel in Michigan caused by the levy of sales tax on motor fuel, changes to the Use Tax were made to make interstate motor carriers who drove in Michigan subject to the Tax. Both the Sales and Use Tax are levied at 6%. Under PA 669 of 2002, interstate motor carriers who paid 15 cents per gallon under the Motor Carrier Fuel Tax are also subject to the 6% Use Tax. The changes incorporated in these three laws simplified the collection of diesel fuel taxes and resulted in motor carriers, both interstate and intrastate, being taxed at the same rate, regardless of where motor fuel was purchased: 15 cents per gallon plus 6% (Sales Tax or Use Tax).

LIQUIFIED PETROLEUM GAS TAX

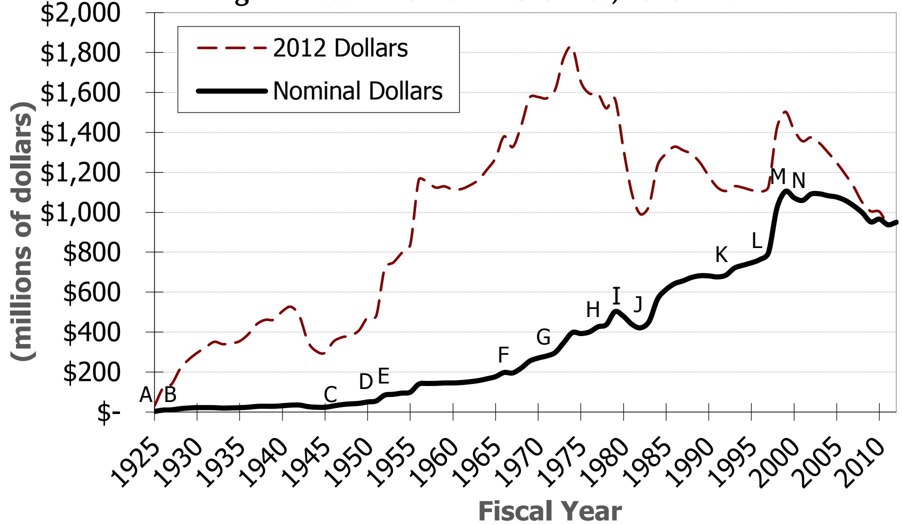
LEGAL CITATION:	M.C.L. 207.1152 et seq.; 2000 PA 403; Section 9, Article IX, state Constitution.
YEAR ADOPTED:	1953. The Gasoline Tax (1925 PA 150), the Diesel Fuel Tax (1951 PA 54), and the Liquefied Petroleum Gas Tax (1953 PA 147) were recodified by the Motor Fuel Tax Act, 2000 PA 403.
BASIS OF TAX:	Privilege of using highways.
MEASURE OF TAX (BASE):	Liquified petroleum gas sold or used in operating vehicles on public highways. *Refund* of tax on gasoline purchased for: (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.
REPORT AND PAYMENT:	Quarterly, by the 20th of each month following the close of the calendar quarter.
DISPOSITION:	Michigan Transportation Fund (See Gasoline Tax).
2010-11 COLLECTIONS:	$338,000
2010-11 COLLECTIONS/UNIT:	$22,533 per 1 cent in Liquified Petroleum Gas Tax.

MOTOR CARRIER FUEL TAX

LEGAL CITATION:	M.C.L. 207.211 et seq.; 1980 PA 119; Section 9, Article IX, state Constitution.
YEAR ADOPTED:	1980
BASIS OF TAX:	Privilege of using Michigan highways. Tax applies to *interstate* motor carriers only. *Intrastate* motor carriers are subject to the Motor Fuel Tax.
MEASURE OF TAX (BASE):	Motor fuel consumed by interstate motor carriers in operating qualified commercial vehicles on public roads and highways in Michigan.
RATE:	15 cents per gallon. The Motor Fuel Tax Act allows for a rate of 12 cents per gallon on diesel that contains at least 5% biodiesel. However, the discounted rate is no longer effective.
ADMINISTRATION:	Department of Treasury.
REPORT AND PAYMENT:	Quarterly, on the last day of month following the close of the calendar quarter.
DISPOSITION:	Michigan Transportation Fund (See Gasoline Tax).
2011-12 COLLECTIONS:	$20,715,000
2011-12 COLLECTIONS/UNIT:	$1.38 million per 1 cent of tax.

MOTOR FUEL TAXES

Chart 15
Michigan Motor Fuel Tax* Revenues, 1925 - 2012



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

MOTOR CARRIER SINGLE STATE REGISTRATION TAX

LEGAL CITATION:	M.C.L. 478.1-478.8; 1933 PA 254.
YEAR ADOPTED:	1933
BASIS OF TAX:	Privilege of using highways to transport property.
MEASURE OF TAX (BASE):	Intrastate motor vehicles operated on highways by common and contract carriers.
RATE:	$50 per intrastate vehicle for trucks or tractors used exclusively for transporting household goods. $100 per intrastate vehicle for all others.
ADMINISTRATION:	Department of Licensing and Regulatory Affairs, Public Service Commission; and Department of State Police.
REPORT AND PAYMENT:	Due annually by December 1.
DISPOSITION:	Public Service Commission and Truck Safety Fund ($750,000 or 10%, whichever is greater).
2011-12 COLLECTIONS:	$4,757,000

WATERCRAFT REGISTRATION FEE

LEGAL CITATION:	M.C.L. 324.80115-324.80128; 1995 PA 58; Section 40, Article IX, state Constitution.
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):

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

Separate rates for pontoon boats and motorized canoes, non-powered vessels 12 feet or over, and vessels carrying freight and passengers for hire.

ADMINISTRATION:	Collection: Michigan Department of State. Enforcement: Department of Natural Resources, county sheriffs.
REPORT AND PAYMENT:	Due by April 1 every three years.
DISPOSITION:	Michigan Conservation and Legacy Fund, Waterways Account distributed as follows:

Law enforcement and education:	not less than 49%
Recreational boating facilities and harbor development:	remainder

2012-13 COLLECTIONS: $9,462,900

AVIATION GASOLINE TAX

LEGAL CITATION:	M.C.L. 259.203; 1945 PA 327; Section 9, Article IX, state Constitution.
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.
REPORT AND PAYMENT:	Due by 20th of each month.
DISPOSITION:	State Aeronautics Fund.
2001-12 COLLECTIONS:	$5,015,000

AIRCRAFT WEIGHT FEE

LEGAL CITATION:	M.C.L. 259.77; 1945 PA 327; Section 9, Article IX, state Constitution.
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:	Department of Transportation, Aeronautics Commission.
REPORT AND PAYMENT:	Due by each August 1.
DISPOSITION:	State Aeronautics Fund.
2011-12 COLLECTIONS:	$368,000

SNOWMOBILE REGISTRATION FEE

LEGAL CITATION: M.C.L 324.82101-324.82111; 1995 PA 58; Section 40, Article IX, state Constitution.

YEAR ADOPTED: 1968. The former statute (1968 PA 74) was repealed and replaced by 1995 PA 58.

BASIS OF TAX: Required registration and fee by owner of each snowmobile in state using public lands.

MEASURE OF TAX (BASE): Each snowmobile considered a separate unit subject to registration. All snowmobiles must be registered unless used exclusively on private property. Annual trail permit required for all snowmobiles unless used exclusively on land owned or controlled by the snowmobile owner and on frozen waters for ice fishing.

RATE: *Regular snowmobile*: Registration is for 3-year period, $30.00.

Historic snowmobile: Life-time registration (non-transferable), $50.00.

Trail Permit: Annual, $45.00.
Beginning October 1, 2016 and every fifth year thereafter, the trail permit fee will be adjusted by the cumulative percentage change in the consumer price index during the most recent 5-year period.

ADMINISTRATION: Collection: Department of State. Enforcement: Department of Natural Resources, county sheriffs.

REPORT AND PAYMENT: Due by October 1 every three years.

DISPOSITION: Michigan Conservation and Legacy Fund, Snowmobile Account distributed as follows:

Regular snowmobile:

Department of Natural Resources:	$19.00 of fee;
Department of State:	Not more than $3.00 of fee;
Snowmobile Trail Easement Subaccount:	$8.00 of fee.

Historic snowmobile:

Department of Natural Resources:	$5.00 of fee;
Department of State:	Not more than $3.00 of fee;
Snowmobile Trail Improvement Subaccount:	$42.00 of fee.

Trail permit:

Department of State and selling agent:	Not more than $1.50 of fee;
Snowmobile Trail Improvement Subaccount:	$48.50

2012-13 COLLECTIONS: $2,042,700

CHANGES IN MICHIGAN TAX LAWS

CHANGES IN MICHIGAN TAX LAWS, 2012 THROUGH 2013

Tax Administration

2012 PA 135: Revises the filing requirement within the General Property Tax Act to allow a person to file an affidavit, rather than actual income tax returns, in claiming a poverty exemption on the person's principal residence in cases where the person is not otherwise required to file an income tax return.

PA 184: Amends the General Property Tax Act to allow property tax mills normally assessed during the winter to be collected as part of the summer tax levy if the aggregate amount collected during the winter would otherwise total $100 or less per individual tax bill.

PA 185: Requires the authorization of an accelerated property tax levy and the apportionment of taxes and indebtedness to the state by July 1 for local units that approve the accelerated summer collection of a millage normally assessed during the winter as authorized under 2012 PA 184.

PA 407: Establishes a Metropolitan Areas Metropolitan Authority to levy and distribute the Metropolitan Areas Component Tax created in the Use Tax Act by 2012 PA 408.

PA 482: Requires property tax statements to include notice of any delinquent taxes on the property and that those taxes were returned to the county treasurer for collection.

PA 510: For calendar year 2011 only, extends the deadline for downtown development authorities to apply to the Department of Treasury for approval to retain State Education Tax revenues to meet debt obligations; deadline moved from June 1, 2011 to June 15, 2011.

2013 PA 133: Requires Department of Treasury to pay additional interest of 3% per annum on refunds owed to individual personal income tax taxpayers who file returns that meet criteria outlined in the act and have not paid by either May 1 or, for returns filed after March 1, within 60 days of the date the department received the return.

PA 162: Excludes agricultural property that has been sold or transferred from sales study requirements when no affidavit has been filed attesting that the property will remain in agricultural use; sales studies are utilized in assessing the value of other agricultural property.

Income Taxes

Personal Income Tax

2012 PA 223: Reduces the personal income tax rate from 4.35% to 4.25% effective October 1, 2012; prior to the legislation, the rate was scheduled to drop to 4.25% on January 1, 2013.

PA 224: Increases the personal exemption from the income tax from $3,700 to $3,950 as of October 1, 2012 and to at least $4,000 as of January 1, 2014; prior to the legislation, the existing $3,700 personal exemption was scheduled to be adjusted annually for inflation. The inflation adjustment is retained and will become effective once the adjusted level exceeds the new $4,000 floor.

PA 414: Exempts any income derived from certain nonferrous minerals and any expenses related to that income from the calculation of adjusted gross income relevant to the personal income tax beginning in tax year 2013.

PA 597: Increases deductions from taxable income for persons who receive retirement or pension benefits from employment with a governmental agency not covered by Social Security.

2013 PA 206: Allows individuals who are blind and are 66 years of age or older to calculate the homestead property tax credit in the same manner as taxpayers who are "totally and permanently disabled"; current law limits this method to individuals who are both blind and under 66 years of age.

Corporate Income Tax

2012 PA 70: Allows an individual business that is part of a unitary business group and has a certificated credit for the manufacture of certain battery products under the Michigan Business Tax (MBT) to file a separate MBT return in order to pay the tax while claiming the relevant MBT credit. Similar changes were enacted to the Michigan Business Tax Act through 2011 PA 292.

PA 217: Revises personal income tax and corporate income tax withholding requirements for flow-through entities (e.g., S corporations, partnerships) and establishes the methodology for apportioning business income to this state.

PA 414: Exempts from the corporate income tax base, for taxpayers subject to the minerals severance tax, beginning in tax year 2013 any income derived from certain nonferrous minerals and any expenses related to that income that were used in determining federal taxable income.

2013 PA 15: Clarifies that flow-through entities (e.g., S corporations, partnerships) do not have to withhold taxes from distributed business income if they receive an exemption certificate from a member that is not a non-resident individual; prior law only provided for exemption certificates from corporations.

PA 233: Provides that a non-unitary member (e.g., C corporation) of a flow-through entity (e.g., S corporation, partnership) would disregard all distributable income and other items related to its ownership interest in the flow-through entity in determining corporate income tax liability when that flow-through entity elects to pay the Michigan Business Tax in order to claim certificated credits.

PA 266: Allows a member of an "affiliated group" as defined in the federal Internal Revenue Code to have all members of that group be treated as a single unitary business group for the purposes of the corporate income tax.

Uniform City Income Tax

2012 PA 394: Sets maximum income tax rate for City of Detroit

CHANGES IN MICHIGAN TAX LAWS, 2012 THROUGH 2013

at 2.4% for residents and 1.2% for non-residents and allocates revenue from 0.2% of resident rate and 0.1% of non-resident rate to the city's police budget; maximum rates fall to 2.2% and 1.1%, respectively, upon payment in full of any indebtedness issued by a city lighting authority created under 2012 PA 392.

Business Privilege Taxes

Michigan Business Tax

2012 PA 405: Eliminates a formula-based earmark of MBT revenue to the School Aid Fund beginning retroactively on October 1, 2011; this results in all revenue being deposited into the general fund.

PA 475: Extends the time frame within which qualified taxpayers can assign historic preservation tax credits against the MBT; allows for assignment and reassignment of credits related to "high community impact rehabilitation plans".

PA 601: Clarifies the definition of "purchases from other firms" used in adjusting the MBT gross receipts tax base for taxpayers in certain construction and transportation industry groups.

PA 605: Revises provisions regarding adjustments to business income related to self-employment earnings and business losses attributable to another corporation; extends time period during which taxpayer can assign a Historic Preservation Credit against the MBT; makes other clarifications to current law.

Minerals Severance Tax

2012 PA 410: Establishes a new 2.75% mineral severance tax on certain nonferrous metallic minerals extracted or beneficiated in Michigan; tax applied to the total value received by the taxpayer from the sale or transfer of the minerals; provides for the distribution of severance tax revenues.

9-1-1 Service Tax

2012 PA 260: Revises the mechanism through which prepaid wireless phone customers pay the 9-1-1 service tax by establishing new 1.92% surcharge collected by retailers at point of sale for these customers; also extends sunset date of enabling legislation to December 31, 2021.

PA 433: Revises the remittance process for the 9-1-1 surcharge paid by prepaid wireless phone customers to retailers at the point of sale; surcharge was established under 2012 PA 260.

2013 PA 113: Authorizes the Department of Treasury to use up to $150,000 annually from the Emergency 9-1-1 Fund for program administration through FY2015; funds would come from revenues earmarked to local exchange providers for costs related to emergency services for wireless customers.

Health Insurance Claims Assessment Fee

2013 PA 58: Extends the sunset date on statute authorizing the 1% fee on paid health care claims to January 1, 2018; statute was previously set to expire on January 1, 2014.

Sales-Related Taxes

Sales Tax

2012 PA 118: Revises accelerated payment schedule for taxpayers with large combined sales and use tax liabilities of over $720,000 in previous year and allows for a consolidated payment of amounts owed.

PA 126: Eliminates the sales tax exemption for purchases of personal property made by inmates of a penal or correctional institution.

PA 225: Earmarks, for FY2013 only, an amount equal to 18% of the 4% base sales tax collections from motor fuel sales, up to a limit of $100 million, to the State Trunkline Fund and local road agencies.

PA 226: For FY2013 only, earmarks an amount equal to the 4% base sales tax collections from retail sales of aviation fuel and aviation products, up to a limit of $10 million, to the State Aeronautics Fund.

PA 412: Exempts from the sales tax any proceeds from sales to qualified taxpayers of property to be used at a producing mine or a facility where nonferrous minerals are beneficiated.

PA 458: Revises accelerated payment schedule for taxpayers with large combined sales and use tax liabilities of over $720,000 in previous year; schedule is further modified from the schedule established in 2012 PA 118.

PA 467: Revises the definition of "rolling stock" (e.g., trucks, trailers) sold to interstate motor carriers used in determining exemption from sales tax; includes certain personal property affixed to and used in the operation of a truck or trailer.

PA 509: Extends sales tax prepayment requirement to diesel fuel; requirement had previously applied only to gasoline; requires Department of Treasury to determine prepayment rates on monthly basis, rather than every three months.

PA 573: Extends the current sales tax exemption for sales of personal property to a non-profit, charitable organization to include property used to raise funds or obtain resources for the organization's operation, subject to a $5,000 limit on the sales price of any single item.

2013 PA 1: Adjusts effective date to April 1, 2013 for statutory changes made to the prepayment requirement for diesel fuel and gasoline enacted through 2012 PA 509; the original legislation did not receive immediate effect from legislature, necessitating this corrective legislation.

PA 159: Provides an exemption from the sales tax for up to $2,000 of the trade-in value of a motor vehicle or recreational vehicle that is applied toward the purchase of another vehicle.

PA 160: Phases in an exemption from the sales tax for the trade-in value of a motor vehicle or recreational vehicle that is applied toward the purchase of another new or used vehicle, with full credit for the trade-in value as of January 1, 2038; provides for a full and immediate exemption of the trade-in value of watercraft that is applied

CHANGES IN MICHIGAN TAX LAWS, 2012 THROUGH 2013

toward the purchase of a new or used watercraft.

PA 211: Provides a sale tax exemption for over-the-counter drugs for human use when those drugs are obtained under a prescription; current law exemption applies only to prescription-only drugs.

Use Tax

2012 PA 117: Revises accelerated payment schedule for taxpayers with large combined sales and use tax liabilities of over $720,000 in previous year and allows for a consolidated payment of amounts owed.

PA 299: Provides that the use tax on manufacturers who affix their products to real estate applies only to products affixed to real estate in Michigan, not to products affixed to real estate in other states.

PA 408: Divides the use tax into a Metropolitan Areas Component Tax and a State Component Tax and provides for the rates and distribution of revenues for both components; new Metropolitan Areas Component Tax partially reimburses local units of government for revenues lost through personal property tax reforms in 2012 PA 401 and 2012 PA 403.

PA 413: Exempts from the use tax the storage, use, or consumption of property sold to qualified taxpayers and used at a producing mine or a facility where nonferrous minerals are beneficiated.

PA 429: Revises the definition of "rolling stock" (e.g., trucks, trailers) sold to interstate motor carriers used in determining exemption from use tax; includes certain personal property affixed to and used in the operation of a truck or trailer.

PA 474: Provides use tax exemption for property purchased or manufactured by a person engaged in the business of constructing, altering, repairing, or improving real estate to the extent that the property is affixed to or made a structural part of real estate in another state.

PA 585: Revises accelerated payment schedule for taxpayers with large combined sales and use tax liabilities of over $720,000 in previous year; schedule is further modified from the schedule established in 2012 PA 117.

2013: PA 234: Phases in an exemption from the use tax for the trade-in value of a motor vehicle or recreational vehicle that is applied toward the purchase of another new or used vehicle, with full credit for the trade-in value as of January 1, 2038; provides for a full and immediate exemption of the trade-in value of watercraft that is applied toward the purchase of a new or used watercraft.

Tobacco Products Tax

2012 PA 188: Allows digital stamping agents to temporarily retain 0.5% of the tax due on cigarettes and an additional monthly amount equal to 5.55% of direct equipment costs as compensation for equipment and technology upgrades necessitated by the state's transition to digital stamping technology; allows licensees to retain 1.5% of the tax that would otherwise be due on cigarettes sold to Indian tribes; defines "roll-your-own" stores as non-participating manufacturers under the law.

PA 325: Limits the effective tax on cigars to no more than 50 cents per cigar effective November 1, 2012 through October 31, 2016; requires licensed retailers to post signage regarding tax obligations on cigars purchased through the Internet or catalogs.

Uniform City Utility Users Tax

2012 PA 393: Requires City of Detroit to pay $12.5 million annually from city utility users tax revenue to a city-formed lighting authority if the city establishes such an authority under the Municipal Lighting Authority Act (2012 PA 392).

Property Taxes

State Education Tax

2013 PA 40: Requires local school districts that had collected any excess millage revenue after July 1, 2012 on retired bonds to transmit the excess funds to the state treasurer, with affected district properties then being given a credit against the State Education Tax to reflect the excess amount.

General Property Tax

2012 PA 46: Provides for the allocation of taxable and assessed values of a summer resort corporation's real property among stockholder lessees.

PA 47: Provides that the cumulative conveyance of more than 50% of a summer resort corporation's stock does not constitute a transfer of ownership of the corporation's real property for the purpose of determining taxable value and that a transfer of corporation stock is a transfer of ownership only with respect to the real property assessed to the transferor lessee.

PA 57: Allows for deferral of summer property taxes on agricultural property owned by a partnership if income criteria are met and the individual partners qualified for deferment before partnership was formed.

PA 66: Allows Department of Treasury to retroactively grant property tax exemptions for 2009 through 2012 to a nonprofit housing organization for property used to house the elderly or disabled.

PA 114: Revises filing deadline for principal residence exemption to June 1 for summer tax levies and November 1 for winter tax levies; allows lending institutions to retain the principal residence exemption on certain foreclosed properties subject to an administrative fee and payment of an amount equal to what would otherwise be levied on nonexempt property for school operating taxes.

PA 222: Allows a Land Bank Fast Track Authority to exempt eligible tax reverted property from the specific tax generally imposed on the property if the exemption would result in economic development benefits to the local unit in which the property is located; exempt property would then be subject to the general property tax.

CHANGES IN MICHIGAN TAX LAWS, 2012 THROUGH 2013

PA 234: Provides that a person would remain liable for delinquent property taxes owed on property that the person sold or otherwise transferred to a recognized Indian tribe, enrolled tribal member, or other tribal entity.

PA 324: Allows homeowner to retain principal residence exemption under certain circumstances after moving into nursing home or assisted living facility; provides that contiguity of property for purposes of the principal residence exemption is not broken by a boundary between local tax collecting units.

PA 368: Provides that any property contiguous to agricultural real property and owned by the same taxpayer must also be classified as agricultural real property if the property meets certain listed criteria.

PA 382: Increases the penalty for failure to notify the local assessor of the transfer of ownership of industrial or commercial property.

PA 396: Clarifies that property of a Downtown Development Authority is exempt from property taxation and authorizes the use of tax increment financing for a "catalyst development project" in a city with a population over 600,000 (i.e., Detroit).

PA 399: Maintains existing property tax exemptions under MCL 211.9f for "eligible manufacturing personal property" until that property otherwise becomes exempt under PA 401, PA 402, or PA 403.

PA 401: Exempts "eligible manufacturing personal property" purchased after December 31, 2012 from the personal property tax beginning on December 31, 2015.

PA 402: Exempts all commercial and industrial personal property from the personal property tax, beginning December 31, 2013, if the combined taxable value of all such property owned by the taxpayer within the local tax collecting unit is less than $40,000.

PA 403: Exempts "eligible manufacturing personal property" that had been subject to or exempt from taxation for the immediately preceding 10 years from the personal property tax beginning December 31, 2015.

PA 409: Exempts certain nonferrous minerals, rights to those minerals, and open mines from the property tax; exempts mineral-producing property subject to the mineral severance tax established under 2012 PA 410 from the property tax.

PA 494: Exempts new construction on residential development property that has not been occupied from taxes levied for school operating purposes for up to three years; effective for taxes levied after November 1, 2012.

PA 497: Provides that when property is transferred from an owner to a person related by blood or affinity to the first degree (e.g., spouse, parent, child) and the use of the property does not change, that the transfer does not constitute a "transfer of ownership" requiring a "pop-up" of taxable value; applies to transfers on or after December 31, 2013.

PA 524: Revises provisions under which a bank, land contract vendor, credit union, or other lending institution may retain the principal residence exemption on foreclosed or forfeited property.

2013 PA 42: Revises provisions regarding the property tax exemption for qualified forest property, including the assessment of a new 2-mill participation fee on the taxable value of qualified property, an increase in maximum claimable acreage from 320 to 640 acres per local tax collecting unit, and revisions to minimum acreage requirements.

PA 44: Allows property exempt as "qualified forest property" to be included in determining qualification for exemption as "qualified agricultural property"; qualified property would have more than 50% of the acreage that is either in agricultural use or is exempt as qualified forest property.

PA 50: Requires an individual transferring ownership of qualified forest property to file an affidavit attesting that the property will remain in forest production and be managed in accordance with a forest management plan in order to avoid an adjustment in the property's taxable value with the transfer.

PA 140: Allows property owners to file a request with Department of Treasury for a principal residence exemption for a tax year that precedes that current three-year look-back period if the exemption was not on the tax roll due to a "qualified error" on the part of the local tax collecting unit.

PA 153: Revises threshold for exemption of industrial and commercial personal property established in 2012 PA 402 from $40,000 in combined taxable value to $80,000 in combined true cash value of all such property owned by the taxpayer within the local tax collecting unit; revises administrative requirements as well as penalties and appeals process for exemptions.

PA 154: Revises the definition of "eligible manufacturing personal property" used in determining a property's exemption from personal property tax under 2012 PA 401 and 2012 PA 403; exemption status is linked to eligibility for industrial processing exemption under the sales tax.

PA 161: Exempts real property used as a homestead by an honorably discharged veteran who is permanently and totally disabled, receives assistance based on a disability or specially adapted housing, or is determined to be individually unemployable.

PA 204: Exempts "eligible development property" from school operating taxes, to the extent provided for a principal residence, for up to three years beginning December 31, 2013; effectively expands the exemption provided in 2012 PA 494 on new construction to include the real property as well as the eligible residential structures.

Ad Valorem Special Assessments

2012 PA 406: Allows local units of government to levy an essential services special assessment on industrial and commercial real property beginning January 1, 2016 to defray costs related to police, fire, ambulance, and jail services; assessment limited to amount needed to offset revenue lost from

CHANGES IN MICHIGAN TAX LAWS, 2012 THROUGH 2013

personal property tax exemptions established in 2012 PA 401 and 2012 PA 403. (Note: act was repealed by 2014 PA 92)

Industrial Facilities Tax

2012 PA 397: Provides that "eligible manufacturing personal property" within a facility with an industrial facilities exemption certificate remains subject to the specific tax and exempt from the general property tax until it otherwise becomes exempt from the general property tax under PA 401, PA 402, or PA 403.

PA 490: Provides an exception to certain procedural requirements for granting an industrial facilities exemption certificate related to a specific application for exemption.

Obsolete Properties Tax

2013 PA 115: Requires that an obsolete property rehabilitation exemption certificate be considered issued on December 31 of the year in which it was approved by a local unit and the State Tax Commission in circumstances where the local unit approved the application before October 1 but the local clerk failed to forward the application to the State Tax Commission in a timely manner.

PA 265: Allows for an exception from standard application procedures for a specific application for an obsolete property rehabilitation exemption certificate within a district created in October 2012.

Technology Park Facilities Tax

2012 PA 398: Provides that "eligible manufacturing personal property" within a facility with a technology park facilities exemption certificate remains subject to the specific tax and exempt from the general property tax until it otherwise becomes exempt from the general property tax under PA 401, PA 402, or PA 403.

Enterprise Zone Facilities Tax

2012 PA 400: Provides that "eligible manufacturing personal property" within a facility certified as a qualified business remains subject to the specific tax and exempt from the general property tax until it otherwise becomes exempt from the general property tax under PA 401, PA 402, or PA 403.

Qualified Forest Property Recapture Tax

2013 PA 43: Redirects proceeds from the recapture tax from the state's general fund to a newly created Private Forestland Enhancement Fund as of January 1, 2014. Fund would cover administrative costs of Qualified Forest Program and finance forestland management assistance programs.

PA 49: Revises the calculation of the recapture tax imposed on qualified forest property that no longer qualifies for the program due to a change in use; generally reduces the amount owed through the recapture tax.

Transportation Taxes

Motor Vehicle Registration Tax

2012 PA 498: Authorizes regional transit authorities to charge an additional tax on registrations issued to residents within the public transit region of up to $1.20 per $1,000 of vehicle list price; tax requires regional voter approval and proceeds must be used for public transportation purposes.

2014 Revisions to Personal Property Tax Reforms

(all acts are subject to August 2014 vote)

2014 PA 80: Divides the current state use tax into a <u>local community stabilization share tax</u> and a state share tax and sets the local use tax rate at a level sufficient to achieve specific revenue targets; the state share tax would be 6% minus the relevant local community stabilization share tax rate. (Modifies 2012 PA 408)

PA 81: Eliminates the requirement that the provisions amending the allocation of the state use tax contained in 2012 PA 408 be submitted to voters at the August 2014 election if Senate Bill 822 were instead enacted and placed on the ballot: Senate Bill 822 was enacted as 2014 PA 80. (Modifies 2012 PA 408)

PA 87: Maintains existing property tax exemptions under MCL 211.9f for "eligible manufacturing personal property" until that property otherwise becomes exempt under PA 401, PA 402, or PA 403, excludes utility personal property from the exemption, and establishes certain reporting requirements. (Modifies 2012 PA 399 and 2012 PA 401)

PA 89: Ties property tax exemption of "eligible manufacturing personal property" purchased after December 31, 2012 to approval by voters of either 2012 PA 408 or 2014 PA 80; given its enactment, 2014 PA 80 will be presented to voters at the August 2014 election. (Modifies 2012 PA 401)

PA 90: Ties property tax exemption of all commercial and industrial personal property where the true cash value of all such property owned by the taxpayer within the local tax collecting unit is less than $80,000 to approval by voters of either 2012 PA 408 or 2014 PA 80; given its enactment, 2014 PA 80 will be presented to voters at the August 2014 election. (Modifies 2012 PA 402)

PA 91: Ties property tax exemption of "eligible manufacturing personal property" that had been subject to or exempt from taxation for the immediately preceding 10 years to approval by voters of either 2012 PA 408 or 2014 PA 80; given its enactment, 2014 PA 80 will be presented to voters at the August 2014 election. (Modifies 2012 PA 403)

PA 92: Establishes a <u>State Essential Services Assessment</u>, a new specific tax on certain eligible personal property otherwise exempt from the general property tax; provides sanctions for nonpayment or delinquent payment and allows the Michigan Strategic Fund board to exempt certain eligible personal property from the assessment; repeals local essential services special assessment established in 2012 PA 406.

PA 93: Establishes an Alternative State Essential Services Assessment equal to 50% of the full assessment created under 2014 PA 92; alternative assessment would be imposed, at the discretion of the Michigan Strategic Fund board, on certain eligible personal property otherwise exempted from the full assessment.

GLOSSARY OF TERMS

Ad Valorem Tax: A tax computed from the value of a property. Property taxes and part of the Michigan Motor Vehicle Registration 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.

Capitation: A payment method for health care services. The physician, hospital, or other health care provider is paid a fixed contracted rate for each member assigned, regardless of the number or nature of services provided. Payment can be adjusted for age, gender, illness, and regional differences.

Captive Insurance Company: An insurance company that insures risks of its parent, affiliated companies, controlled unaffiliated business, or a combination of its parent, affiliated companies, and controlled unaffiliated business.

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 financial resources 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, and 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. Various Michigan local governments have fiscal years that run from 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.

Gross Receipts: Entire amount received by a taxpayer from any business activity for direct or indirect gain, benefit or advantage to the taxpayer.

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 or sub-geographical area of the state.

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 to be things that are movable. Personal property includes tangible property (other than real property), intangible property, and inventory.

Real Property: Land, buildings and fixtures on the land, and appurtenances to the land.

Scrip: Any substitute for currency which is not legal tender and is often a form of a credit.

GLOSSARY OF TERMS (CONTINUED)

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.

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.

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: An item that is 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 General 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 businesses 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 was used in computing the former Single Business Tax.

Written Instrument: Includes contracts for the sale or exchange of real estate or any interest therein. Includes deeds or instruments of conveyance of real property or any interest therein for consideration.

COLLECTIONS FROM MAJOR MICHIGAN TAXES, 2009-2012

(In Millions)

State Taxes		2009	2010	2011	2012	Data Source
Income	Personal Income	$6,072	$5,555	$6,327	$6,934	A
	Corporate Income	0	0	0	436	A
	Subtotal[7]	$6,072	$5,555	$6,327	$7,370	
Business Privilege	Single Business	($48)	$36	$61	$12	A
	Michigan Business	2,603	2,068	2,136	1,256	A
	Unemployment Insurance	1,416	1,533	1,748	1,904	B
	Oil & Gas Severance	55	58	62	54	A
	Insurance Company Retaliatory	263	262	273	294	A
	Horse Race Wagering	8	6	5	5	A
	Corporate Organization	20	21	21	22	A
	Health Insurance Claims Assessment	0	0	0	112	A
	State Casino Gaming	121	102	114	115	A
	Quality Assurance Assessment Fees	859	840	883	959	G
	Subtotal[7]	$5,297	$4,926	$5,303	$4,733	
Sales-Related	Sales	$6,125	$6,170	$6,689	$6,922	A
	Use	1,293	1,580	1,621	1,356	A
	Tobacco Products	984	948	972	970	A
	Beer and Wine	51	50	50	51	A
	Liquor Excise	128	128	133	140	A
	Liquor Markup	211	211	219	231	E
	Airport Parking Excise	20	20	20	21	A
	Subtotal[7]	$8,812	$9,107	$9,704	$9,691	
Property	Utility Property	$73	$62	$60	$62	A
	Estate	0	0	0	0	A
	State Real Estate Transfer	125	127	118	144	A
	State Education	2,146	1,992	1,957	1,781	A
	Subtotal[7]	$2,344	$2,181	$2,135	$1,987	
Transportation	Gasoline	$837	$843	$831	$823	A
	Diesel Fuel	115	103	106	106	A
	Motor Vehicle Registration	841	846	863	879	A
	Other	21	20	20	21	A
	Subtotal[7]	$1,814	$1,812	$1,820	$1,829	
	Total State Taxes[7]	**$24,339**	**$23,581**	**$25,289**	**$25,610**	
Local Taxes						
Income	City Income	$395	$386	$413	$441	C
Business Privilege	Casino Gaming	$173	$183	$177	$182	F
Sales-Related	Utility Users	$50	$42	$45	$40	F
Property	General Property[7]	$12,022	$11,421	$11,072	$10,935	D
	Total Local Taxes[7]	**$12,640**	**$12,032**	**$11,707**	**$11,598**	
	Total State and Local Taxes[7]	**$36,979**	**$35,613**	**$36,996**	**$37,208**	

Data Sources:

A Annual Report of the State Treasurer (state fiscal year cash basis).
B U.S. Department of Labor (state fiscal year basis).
C State Tax Commission (calendar year basis).
D State Tax Commission (local fiscal year basis).
E Michigan Department of Licensing and Regulatory Affairs, Liquor Control Commission (state fiscal year cash basis).
F Detroit Comprehensive Annual Financial Report (local fiscal year modified accrual basis).
G Michigan Comprehensive Annual Financial Report (state fiscal year modified accrual basis).

[7] Omits collections from certain minor taxes.

APPENDIX

The Michigan Business Tax and the Estate Tax have been repealed but remain in effect for certain taxpayers.

MICHIGAN BUSINESS TAX

LEGAL CITATION: M.C.L. 208.1101 et seq.; 2007 PA 36.

YEAR ADOPTED: 2007. The tax is repealed for nearly all taxpayers effective January 1, 2012. See "Repeal of Michigan Business Tax" below.

Repeal of the Michigan Business Tax

The tax was repealed for most taxpayers effective January 1, 2012. Public Act 39 of 2011 replaced the Michigan Business Tax with a 6% Corporate Income Tax. The special taxes on financial institutions and insurance companies contained in the Michigan Business Tax Act were moved, intact, to the Income Tax Act (which contains the new Corporate Income Tax); however, a number of the credits available to these entities were eliminated. Nearly all of the Michigan Business Tax credits are eliminated under the new Corporate Income Tax. In certain cases, however, taxpayers can elect to continue to file under the Michigan Business Tax to take advantage of specific credits authorized prior to January 1, 2012.

Beginning January 1, 2012, certain taxpayers with "certificated credits" can elect to continue to file under the Michigan Business Tax election, in place of the new Corporate Income Tax, in order to receive their credit. The law requires taxpayers to pay a tax based on the greater of their Michigan Business Tax liability or their liability under the Corporate Income Tax. Taxpayers electing to file under the Michigan Business Tax must continue to do so until the certificated credit and any carryforward from that credit is used up. Generally speaking, "certificated credits" refer to those credits that result from some agreement between the state and the taxpayer in which a voucher or credit certificate is issued. Tax credits preserved under the definition of "certificated credits" include:

- Early Stage Venture Capital Credit;
- Brownfield Redevelopment Credit;
- Michigan Economic Growth Authority Credits (various);
- Film Production Credits;
- Film Infrastructure Credit;
- Historic Preservation Credit;
- Renaissance Zone Credit;
- Farmland Preservation Credit; and
- NASCAR Speedway Infrastructure and Safety Credit;

Under Public Act 39, the Michigan Business Tax Act will be repealed when the Department of Treasury notifies the Secretary of State that all certificated credits have been exhausted. Thus, the Michigan Business Tax was not immediately repealed under Public Act 39 for all taxpayers, although for most taxpayers effectively it was repealed.

BASIS OF TAX: The tax is comprised of two components, an income tax and a modified gross receipts tax. For the income tax component, the basis is a direct tax on business income. For the modified gross receipts component, the basis is the privilege of doing business in Michigan. Both components apply to all businesses with activity in the state and gross receipts exceeding $350,000 sourced to Michigan. Insurance companies and financial institutions pay separate taxes from the income and gross receipt taxes and are not subject to the $350,000 filing threshold.

MEASURE OF TAX (BASE): The basis of the business income tax component begins with the federal taxable income of the business entity. The basis of the modified gross receipts tax component is the gross receipts of the business entity, less purchases from other firms. Both taxes are subject to a number of base adjustments and apportionment to Michigan.

Base Adjustments:
Business Income Tax
Federal taxable income adjusted to:

(1) add back certain federal income tax deductions (e.g., interest income and dividends from other states' obligations; income taxes and Michigan Business Tax paid; net operating loss carryback/forward; royalty, interest, or other expense paid to a person related to the taxpayer by ownership or control for the use of an intangible asset);

(2) deduct certain items included in federal taxable income (e.g., dividends and royalties

MICHIGAN BUSINESS TAX (CONTINUED)

from non-United States entities; interest income from U.S. obligations; net earnings from self-employment; the book-tax difference for qualifying assets);

(3) add the loss or deduct the gain attributable to another taxable business, to the extent included in federal taxable income;

(4) deduct any business loss.

<u>Modified Gross Receipts Tax</u>

Gross receipts exclude the following:

(1) amounts of "bad debt" for federal income tax purposes phased in over a 5-year period (50% in 2008, 60% in 2009 and 2010, 75% in 2011, and 100% in 2012 and each year thereafter);

(2) proceeds from sales by a principal that are collected in an agency capacity solely on behalf of the principal and delivered to the principal;

(3) amounts received as an agent solely on behalf of the principal that are expended by the taxpayer under certain circumstances;

(4) amounts excluded from gross income of a foreign corporation engaged in the international operation of aircraft under IRC section 883(a);

(5) amounts received by an advertising agency used to acquire advertising media time, space, production or talent on behalf of another person;

(6) amounts received by a newspaper used to acquire advertising space not owned by that newspaper in another newspaper on behalf of another person, excluding any consideration received for acquiring that advertising space;

(7) amounts received by a person that manages real property owned by a client that are deposited into a separate account kept in the name of the client and that are not reimbursed and are not indirect payments for management services provided to that client;

(8) proceeds from the original issue of stock, equity instruments or debt instruments;

(9) refunds from returned merchandise;

(10) cash and in-kind discounts;

(11) trade discounts;

(12) federal, state or local tax refunds;

(13) security deposits;

(14) payment of the principal portion of loans;

(15) value of property received in like-kind exchange;

(16) proceeds from a sale or other disposition of property less any gain from the disposition or reorganization to the extent that the gain is included in the taxpayer's taxable income, subject to certain limitations;

(17) proceeds from an insurance policy, settlement of a claim or judgment in a civil action, less any proceeds that are included in federal taxable income;

(18) proceeds from the taxpayer's transfer of an account receivable, if the sale that generated the account receivable was included in gross receipts for federal income tax purposes. This provision does not apply to a taxpayer who both buys and sells any receivables during the tax year.

(19) for a sales finance company at least partly owned by a motor vehicle manufacturer, and for a securities broker or dealer, amounts realized from the repayment or sale of the principal of a loan, bond, or similar marketable instrument if not held as inventory, and the principal amount received under a repurchase agreement or other transaction properly characterized as a loan;

(20) for a mortgage company, proceeds representing the principal balance of loans transferred or sold in the tax year;

MICHIGAN BUSINESS TAX (CONTINUED)

(21) for a professional employer organization (PEO), the actual cost of compensation paid to or on behalf of a covered employee by the PEO under a professional employer arrangement;
(22) invoiced items used to provide more favorable floor plan assistance to a person subject to the MBT than to a person not subject to the MBT and paid by a manufacturer, distributor, or supplier;
(23) for an individual, estate, or other person organized for estate or gift planning purposes, amounts received from personal investment activity and the disposition of property held for personal use and enjoyment;
(24) for a person that is organized exclusively to conduct investment activity for himself or a relative, amounts derived from investment activity;
(25) interest income and dividends derived from obligations or securities of the U.S. government, state government, or any sub-state governmental unit;
(26) dividends and royalties received from a foreign operating entity;
(27) to the extent amounts are not deducted as "purchases from other firms", amounts relating to certain federal and state taxes and certain state fees;
(28) amounts attributable to an ownership interest in a pass-through entity, investment company, real estate investment trust, or cooperative corporation;
(29) amount of the excise taxes paid by a person on or for cigarettes or tobacco products.

"Purchases from other firms" include:
(1) inventory acquired during the tax year;
(2) depreciable assets;
(3) materials and supplies;
(4) for eligible general building, heavy construction, and construction special trade contractors "materials and supplies" also includes payments for materials deducted as purchases in determining the cost of goods sold for the purpose of calculating total income on Federal return;
(5) for a staffing company, compensation of personnel supplied to its customers;
(6) for eligible construction contractors, payments to subcontractors;
(7) for a theater owner, film rental and royalty payments; and
(8) for real estate brokers, salespeople, or appraisers, certain payments made to independent contractors.

Insurance Companies and Financial Institutions Tax
For insurance companies: The base of the tax is gross direct premiums written on property or risk located or residing in Michigan, excluding:
(1) premiums on policies not taken;
(2) returned premiums on canceled policies;
(3) receipts from the sale of annuities;
(4) receipts on reinsurance premiums if the tax was paid on the original premium; and
(5) the first $190 million of disability insurance premium, other than credit insurance and disability income insurance premiums

For financial institutions, including their subsidiaries: The base of the tax is the financial institution's net capital. Net capital is averaged over a five-year period and excludes goodwill and the average daily value of obligations of the United States and Michigan.

Apportionment:
For businesses with activity entirely within Michigan, the income and modified gross receipts tax bases are allocated entirely to Michigan. For businesses with multi-state activity, the income and modified gross receipt tax bases are allocated in proportion to sales in Michigan,

MICHIGAN BUSINESS TAX (CONTINUED)

with exceptions for certain types of businesses.

Exemptions are allowed for:
(1) governmental agencies;
(2) most "persons" exempt from federal income taxes;
(3) nonprofit cooperative housing corporations;
(4) agricultural producers;
(5) certain revenues and expenses of farmers' cooperatives;
(6) that portion of the tax base attributable to the services provided by an attorney-in-fact to a reciprocal insurer;
(7) expenses attributable to multiple employer arrangements to fund dental benefits;

Credits are allowed for:
(1) 0.37% of compensation paid in Michigan;
(2) 2.9% of the cost of new capital assets located in Michigan. Combined with the compensation credit, limited to 52% of tax liability, before surcharge;
(3) 1.9% of research and development expenses. Combined with compensation credit and the investment credit, limited to 65% of tax liability, before surcharge;
(4) NASCAR Speedway, 100% of expenditures for infield renovation, grandstand, and infrastructure upgrades, not to exceed $1,580,000 per year for tax years 2011 through 2016. To be eligible for the credit in tax years 2011 and 2012, taxpayer must make at least $30,000,000 in capital expenditures before January 1, 2011. To be eligible for the credit in tax years 2013 to 2016, taxpayer must make an additional $32,000,000 in capital expenditures before January 1, 2016 (including a minimum of $10,000,000 between January 1, 2011, and December 31, 2012);
(5) NASCAR Speedway, for tax year 2011, 100% of necessary expenditures incurred in Michigan, including professional fees, additional police officers, and traffic management devices, to ensure traffic and pedestrian safety while hosting motorsports events;
(6) certain sports stadia, 45% of tax liability, not to exceed $1.18 million, for 2011 tax year; and 25% of tax liability, not to exceed $650,000, for 2012 tax year;
(7) threshold credit, for firms with allocated or apportioned gross receipts between $350,000 and $700,000;
(8) 35% of taxes paid on eligible industrial personal property;
(9) 13.5% of taxes paid on eligible telephone personal property;
(10) 10% of taxes paid on eligible natural gas pipeline property;
(11) alternative small business tax credit equal to the amount of tax liability above 1.8% of adjusted business income (subject to phase-in);
(12) 50%, up to $100,000, of contributions of $50,000 or more to art, historical, or zoological institute;
(13) new motor vehicle dealer credit equal to 0.25% of the amount paid to acquire inventory in the tax year;
(14) eligible exhibition owner, operator, or controller of an international auto show in Michigan, equal to the taxpayer's liability or $250,000, whichever is less;
(15) large retailer (operates at least 17 million square feet of retail space) credit equal to 1.0% of compensation paid in Michigan, not to exceed $8.5 million;
(16) retailer (operates at least 2.5 million square feet of retail space) credit equal to 0.125% of compensation paid in Michigan, not to exceed $300,000;
(17) 3.9% of the compensation paid to employees at a facility in Troy that is engaged in research and development of a two-mode hybrid car engine. The maximum credit in a

MICHIGAN BUSINESS TAX (CONTINUED)

single year is $2 million and is refundable. The credit is available through tax year 2015;

(18) bottle deposit compliance credit equal to 30.5% of expenses required to comply with Michigan's bottle deposit law;

(19) private equity funds credit equal to remaining tax liability, after application of other credits, that is proportional to the total activity conduced by the private equity manager in Michigan;

(20) liability of the start up business in tax years that the qualified business has no business income;

(21) difference between the negotiated rate of return on an original investment in the Michigan Early Stage Venture Capital Investment Fund and the actual repayment. This difference is issued in the form of a tax voucher that may be used to pay any tax liability. Any amount of a voucher not used in one year may be used in subsequent years to satisfy any tax liability;

(22) 50% of charitable contributions;

(23) amount paid for workers' disability compensation;

(24) 75% of contributions to reserve fund of a fiduciary organization pursuant to an individual or family development account program;

(25) 50% of contributions to food bank and homeless shelter;

(26) research, development, or manufacturing of an alternative energy system, alternative energy vehicle, alternative energy technology, or renewable fuel based. One credit based on qualified business activity; another credit based on qualified payroll amount;

(27) amounts certified by the Michigan Economic Growth Authority (MEGA) (see box below);

(28) tax liability in the amount equal to the business activity conducted in a renaissance zone;

(29) up to 25% of expenditures for historic preservation projects;

(30) certain expenditures on brownfield projects;

(31) $1.00 per long ton of hematite ore consumed;

(32) up to 42% of production costs and up to 30% of personnel costs for film industry;

(33) up to 25% of base investment, subject to minimum investment amount, in qualified film and digital media infrastructure project;

(34) up to 50% of qualified job training expenditures for eligible film production companies;

(35) 30% of costs in converting existing fuel pumps to ones that provide E85 or biodiesel blends up to $20,000 per year per taxpayer (capped at $1 million in total credits);

(36) 0.42% of the amount of the deduction for bonus depreciation (available in tax years 2009 and 2010 to taxpayers other than regulated utilities);

RATE: 4.95% Business income tax; 0.8% modified gross receipts tax; alternative tax of 1.8% of adjusted business income for eligible small businesses; insurance companies are subject to a tax of 1.25% of gross direct premiums plus a retaliatory tax; financial institutions are subject to a franchise tax of 0.235% of an institution's net capital.

ADMINISTRATION: Michigan Department of Treasury.

REPORT AND PAYMENT: Due April 30. Estimated quarterly returns and payments due by the 15th day of April, July, October, and January if estimated liability for year is over $800; due dates adjusted for taxpayers with fiscal year other than calendar year. A taxpayer, other than an insurance company or financial institution, with annualized apportioned gross receipts of less than $350,000 need not file a return.

MICHIGAN BUSINESS TAX (CONTINUED)

DISPOSITION: General Fund. Prior to Fiscal Year 2012, the School Aid Fund received a formula-based allocation equal to the previous year's allocation adjusted for growth in the United States Consumer Price Index during the previous year. If MBT cash collections in a fiscal year exceed a specified amount, 60% of the excess shall be refunded to taxpayers.

2011-12 COLLECTIONS: $1,255,847,000

Michigan Economic Growth Authority

Public Act 24 of 1995 created the Michigan Economic Growth Authority (MEGA) tax credit to the Single Business Tax to promote economic growth and job creation within the state. The credit was retained under the Michigan Business Tax. The original act has been amended several times since to expand the size and types of businesses eligible to receive the tax credit. The credit amounts are approved by the MEGA board, which is an eight-member body, consisting of four state officials and four gubernatorial appointees. Today, the MEGA tax credit is a refundable credit applied against a firm's Michigan Business Tax liability. The amount of the tax credit available to a business is based on the number of jobs created and/or retained, the type and location of the business, and whether the firm is expanding or locating in Michigan. The credit amount is based, in part, on the amount of personal income tax associated with new or retained jobs. (Note: The amounts for specific MEGA credits (e.g., polycrystalline silicon, photovoltaic energy) are based on other factors, such as energy consumption and capital investment.) The amount of each tax credit is included in an agreement between the MEGA board and the firm. There are five general types of agreements:

1) High-tech or high-wage, where business activity is concentrated in specific, defined sectors, and where the wage level meets certain criteria (high wage);
2) Rural, limited to businesses located in counties with a population of 90,000 or less;
3) Retention, where existing businesses agree to create a certain number of jobs or make a certain level of capital investment;
4) Standard, where a business agrees to create jobs in specific, defined sectors; and
5) Combination, consists of components of both a retention tax credit and a standard, rural, or high-tech tax credit.

Tax credits (certificates) are only awarded after fulfillment of the terms of an agreement. Once issued, tax certificates are provided with a firm's Michigan Business Tax return and applied to its tax liability.

ESTATE TAX

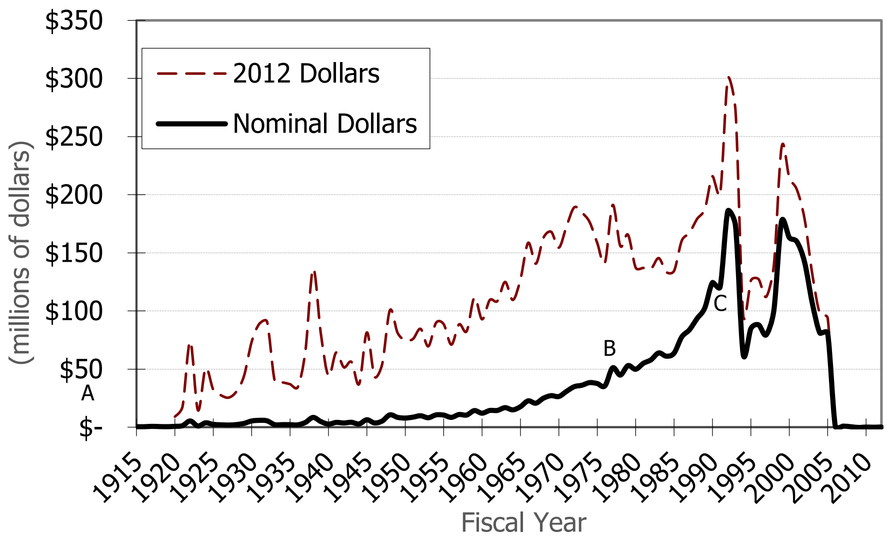
LEGAL CITATION:	M.C.L. 205.201 et seq.; 1899 PA 188.
YEAR ADOPTED:	1899 (referred to as Inheritance Tax until amended by 1993 PA 54.)
BASIS OF TAX:	Privilege of transferring an interest in the property of a decedent.
MEASURE OF TAX (BASE):	Gross estate as determined under federal internal revenue code.

Estate Tax Elimination

Michigan's Estate Tax is equal to the maximum allowable federal state death tax credit. In 2001, federal tax reforms phased out the allowable state death tax credit over a four-year period beginning in 2002. As a result, there is no state death tax credit for dates of death after December 31, 2004. The credit was set to be reinstated in 2013, but the elimination was made permanent by the American Taxpayer Relief Act of 2012. The State of Michigan has taken no action to offset the federal change and therefore the state Estate Tax is no longer effective. State Estate Tax revenues, which approached $200 million in FY2001, will not be collected by the state in the future unless the federal death tax credit is resumed or the state decouples its estate tax rate from the federal credit.

RATE:	Tax imposed up to maximum allowable federal credit for state inheritance taxes paid.
ADMINISTRATION:	Department of Treasury.
REPORT AND PAYMENT:	Due by same date as federal estate tax.
DISPOSITION:	General Fund.
2011-12 COLLECTIONS:	$244,637

Chart 16
Michigan Estate Tax Revenue, 1915 - 2012



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	—	Estate Tax replaced Inheritance Tax.