

A vertical decorative image on the left side of the slide shows a close-up of a classical column with a detailed capital. The column is fluted and has a decorative top with acanthus leaves.

State and Local Tax Revenue: Historical and Comparative Perspectives

**Presented to
Michigan Farm Bureau
Policy Development Committee**

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October 8, 2009**



Citizens Research Council of Michigan

- Founded in 1916
- Statewide
- Non-partisan
- Private not-for-profit
- Promotes sound policy for state and local governments through factual research – accurate, independent and objective
- Relies on charitable contributions of Michigan foundations, businesses, and individuals
- *www.crcmich.org*



Michigan Taxes

- 52 taxes (34-state and 18-local), see CRC *Tax Outline* for descriptions, categorization, and history
- Discussion of taxation must be comprehensive and avoid myopic perspective
- State **AND** local taxes taken together
- All taxing authority, regardless of level of gov't, comes from State of Michigan
 - Constitutional
 - Statutory
- Lets not forget that taxes fund public services



Previously Above the U.S. Ave, Not the Case Any Longer

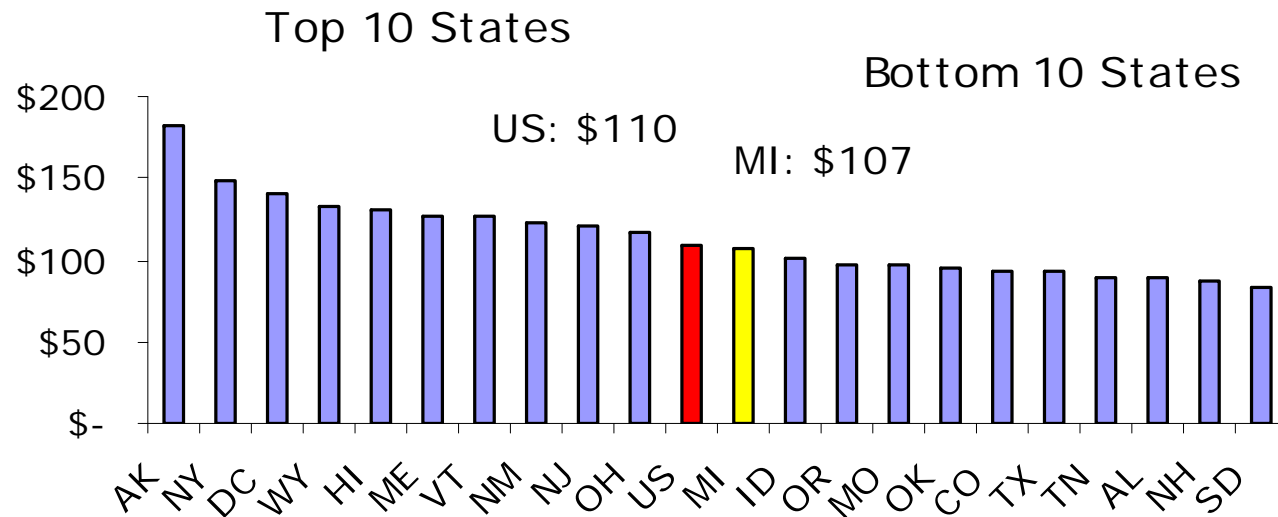
Total Tax Collections Michigan as Percent of U.S. Average

	Per <u>Capita</u>	<u>Rank</u>	Per \$1,000 <u>Pers. Inc.</u>	<u>Rank</u>
1979	112.4	12	108.0	13
1989	105.1	14	106.1	13
1999	101.3	16	102.8	15
2007	87.2	30	97.8	25



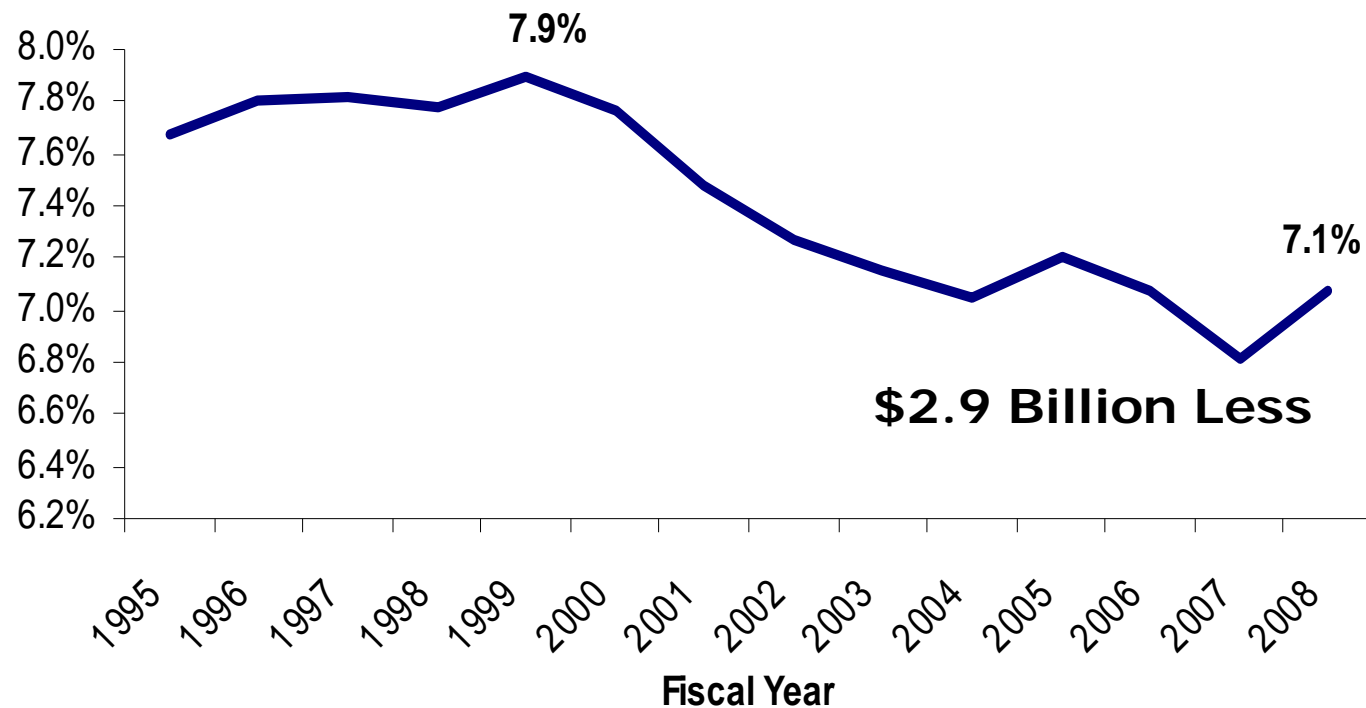
Mid Atlantic and New England at Top Southern and Western States at Bottom

State and Local Taxes Per \$1,000 Income
Top and Bottom 10 States, MI, and US Ave.





State Taxes as a Percent of Michigan Personal Income



Source: Michigan Annual Financial Report



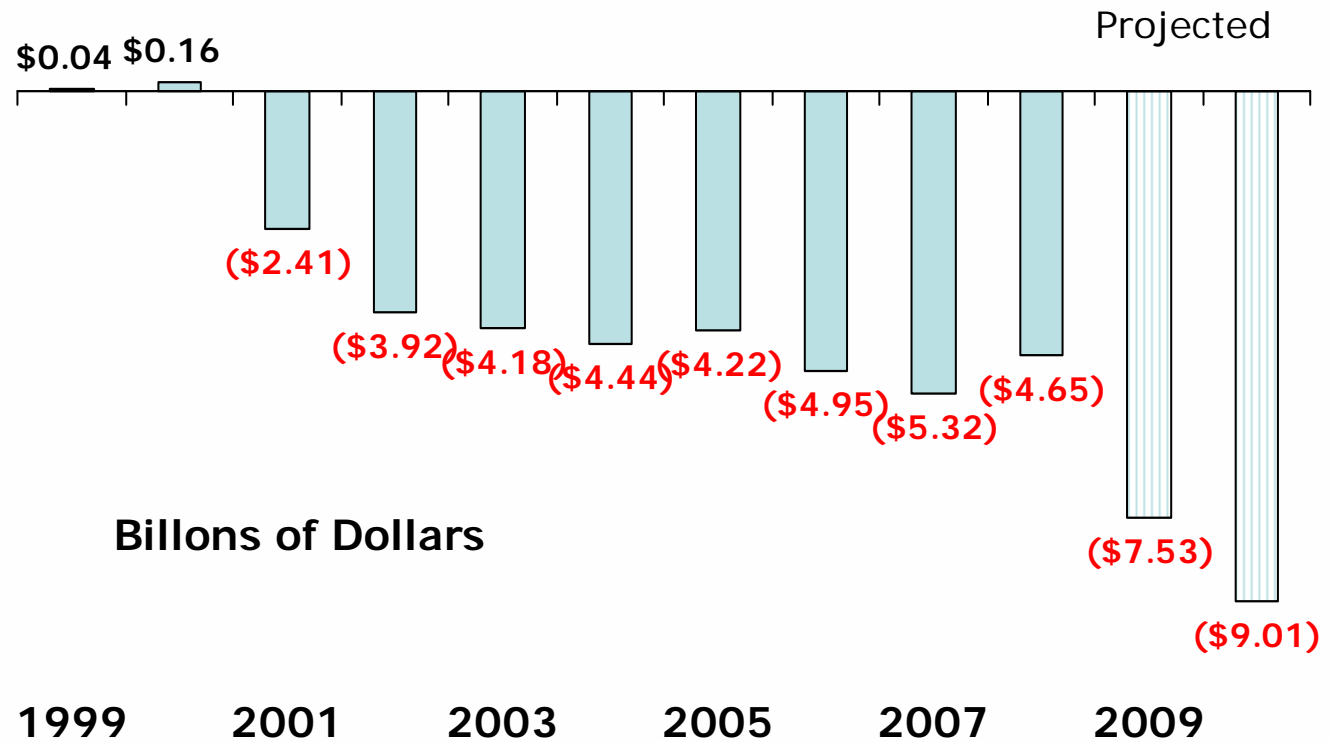
Recession Results in Much Lower State Tax Revenues

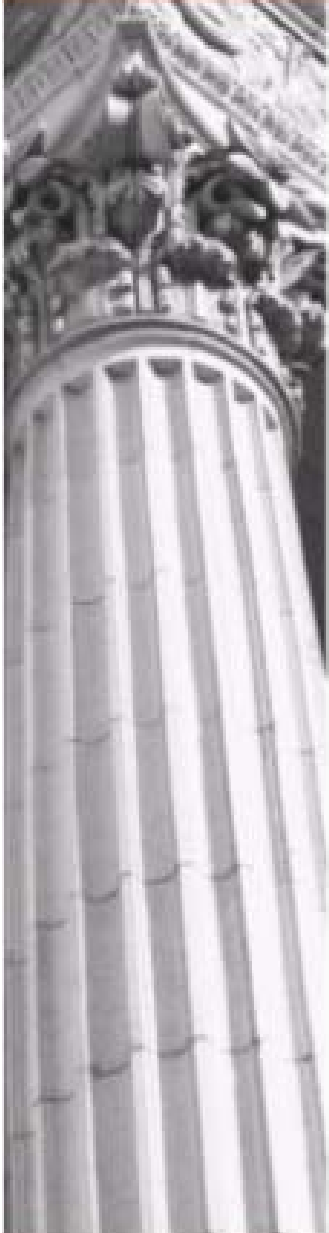
	2009				2010			
	<u>Jan</u>	<u>May</u>	<u>Diff</u>	<u>Diff</u>	<u>Jan</u>	<u>May</u>	<u>Diff</u>	<u>Diff</u>
Income	\$ 6,501	\$ 6,058	\$ (443)	-7%	\$ 6,027	\$ 5,354	\$ (673)	-11%
Sales	\$ 6,492	\$ 6,212	\$ (280)	-4%	\$ 6,507	\$ 6,067	\$ (440)	-7%
Use	\$ 1,268	\$ 1,153	\$ (115)	-9%	\$ 1,332	\$ 1,194	\$ (138)	-10%
Business	\$ 2,587	\$ 2,318	\$ (269)	-10%	\$ 2,537	\$ 2,234	\$ (303)	-12%
GF/GP net	\$ 8,306	\$ 7,435	\$ (871)	-10%	\$ 7,935	\$ 6,950	\$ (985)	-12%
SAF net	\$ 11,369	\$ 10,944	\$ (425)	-4%	\$ 11,296	\$ 10,563	\$ (733)	-6%



Michigan Constitutional Revenue Limit

Recession affects tax collections





Déjà Vu – Rankings Similar to 1979

Property Tax Revenues

Year	U.S. Average			Michigan				
	Per Capita	Per \$1,000 Pers. Inc.	Amount	Per Capita as % of U.S. Avg.	Rank	Per \$1,000 Personal Income as % of U.S. Avg.	Rank	
1979	310	\$ 31.72	\$ 376	121%	12	\$ 38.81	122%	17
1989	566	32.1	766	135%	9	42.57	133%	10
1999	881	32.52	893	101%	20	33.47	103%	23
2007	1,272	32.93	1,447	114%	15	42.02	128%	9

General Sales Tax Revenues

Year	U.S. Average			Michigan				
	Per Capita	Per \$1,000 Pers. Inc.	Amount	Per Capita as % of U.S. Avg.	Rank	Per \$1,000 Personal Income as % of U.S. Avg.	Rank	
1979	\$ 195	\$ 22.47	\$ 184	94%	25	\$ 19.09	85%	35
1989	415	24.59	388	93%	41	18.79	76%	41
1999	736	27.17	733	100%	22	27.47	101%	25
2007	993	25.72	794	80%	34	23.08	90%	31



Tax Cuts and Poor Economy Affect Tax Receipts and Rankings

Corporate and Individual Tax Revenues U.S. Average

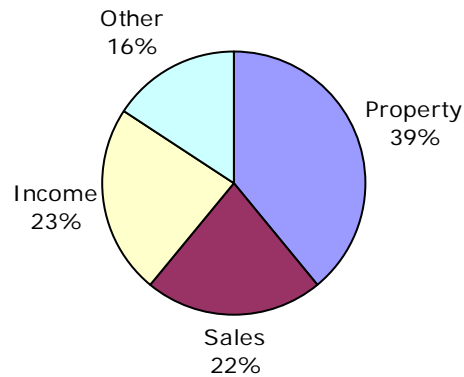
Michigan

<u>Year</u>	U.S. Average		Per Capita as % of U.S. Avg.		Michigan			
	<u>Per Capita</u>	<u>Per \$1,000 Pers. Inc.</u>	<u>Amount</u>	<u>U.S. Avg.</u>	<u>Rank</u>	<u>Per \$1,000 Personal Income</u>	<u>as % of U.S. Avg.</u>	<u>Rank</u>
1979	\$ 208	\$ 22.96	\$ 341	164%	10	\$ 35.39	154%	10
1989	495	25.80	654	132%	11	36.36	141%	12
1999	819	30.23	1003	122%	11	37.57	124%	13
2007	1,161	30.07	865	75%	37	25.14	84%	38

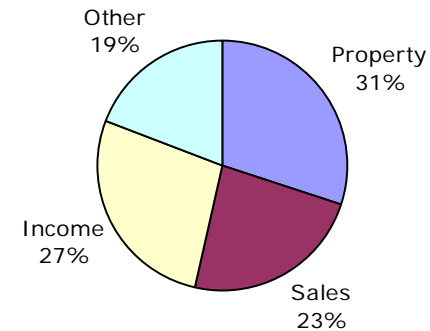


Property Taxes Play a Larger Role – Then and Now

Michigan State and Local Taxes



US Ave. State and Local Taxes



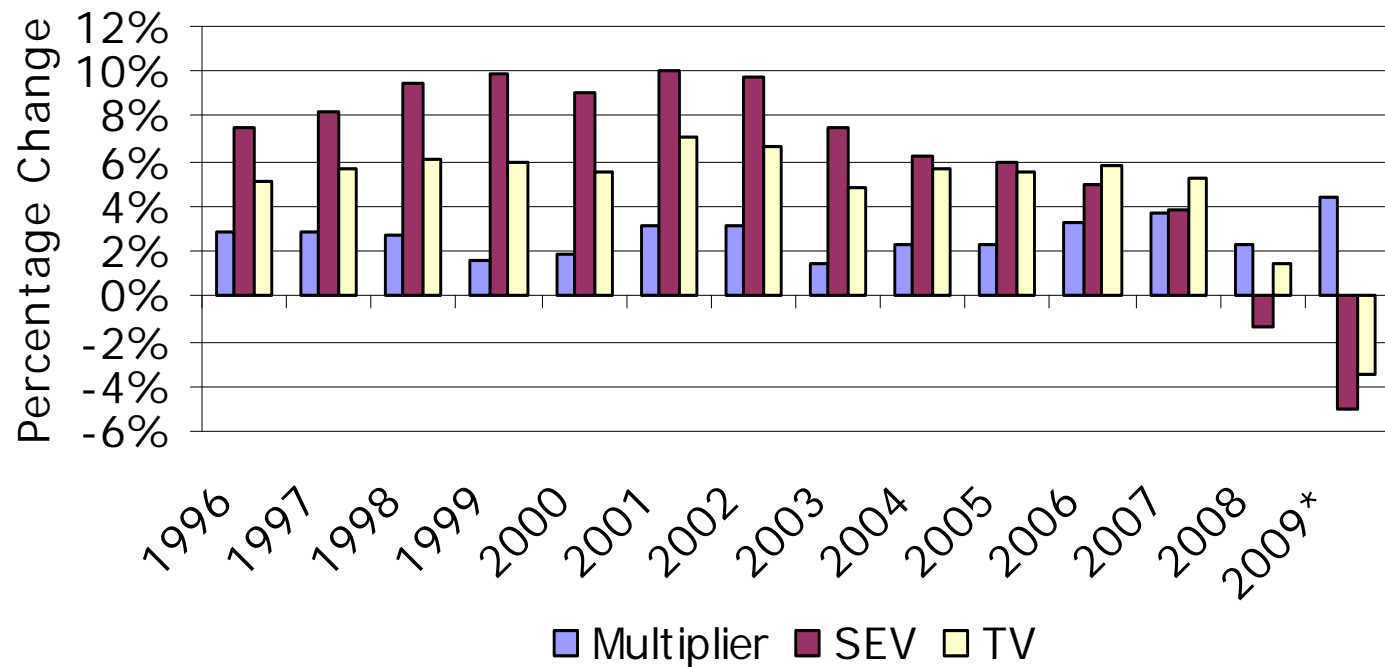
Percentage Shares of Total State and Local Tax Revenue

	Property	Sales	Income	Other
1979	35%	18%	33%	14%
1989	38%	17%	33%	12%
1999	29%	24%	34%	13%
2007	39%	22%	23%	16%



Property Values Stagnating

Annual Changes in TV, SEV, and Multiplier

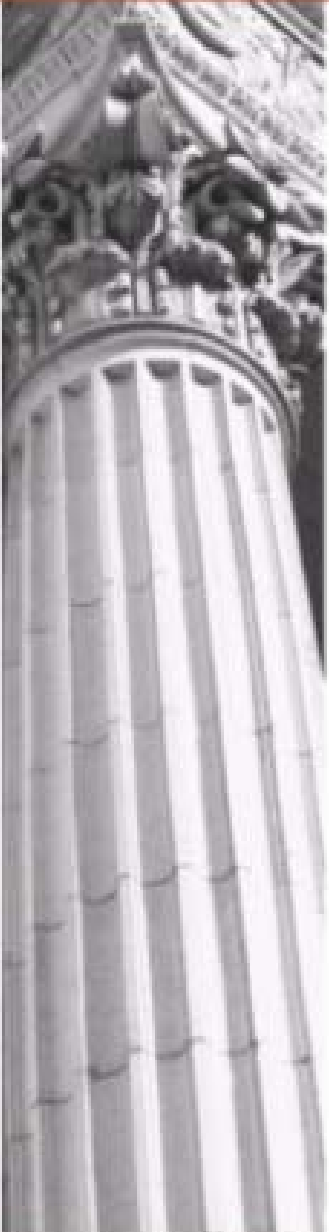


Source: Michigan State Tax Comm.



What Does This Mean?

- Taxable Value (TV) in 2007 up 5.2%, but home values up only 3.8% statewide
 - Multiplier up slightly less than 3.8%
- 2008 TV continuation of same
 - up only 1.4%
 - shrinking reservoir between TV and SEV
 - Multiplier up 2.3%
- TV declines 3.5% in 2009
 - Some communities more than others
 - Multiplier up 4.4% in 2009
- The “bad” side of Proposal A
 - Financing local government services
 - Taxpayer discontent – “values falling, taxes rising”



Recap: State and Local Taxes

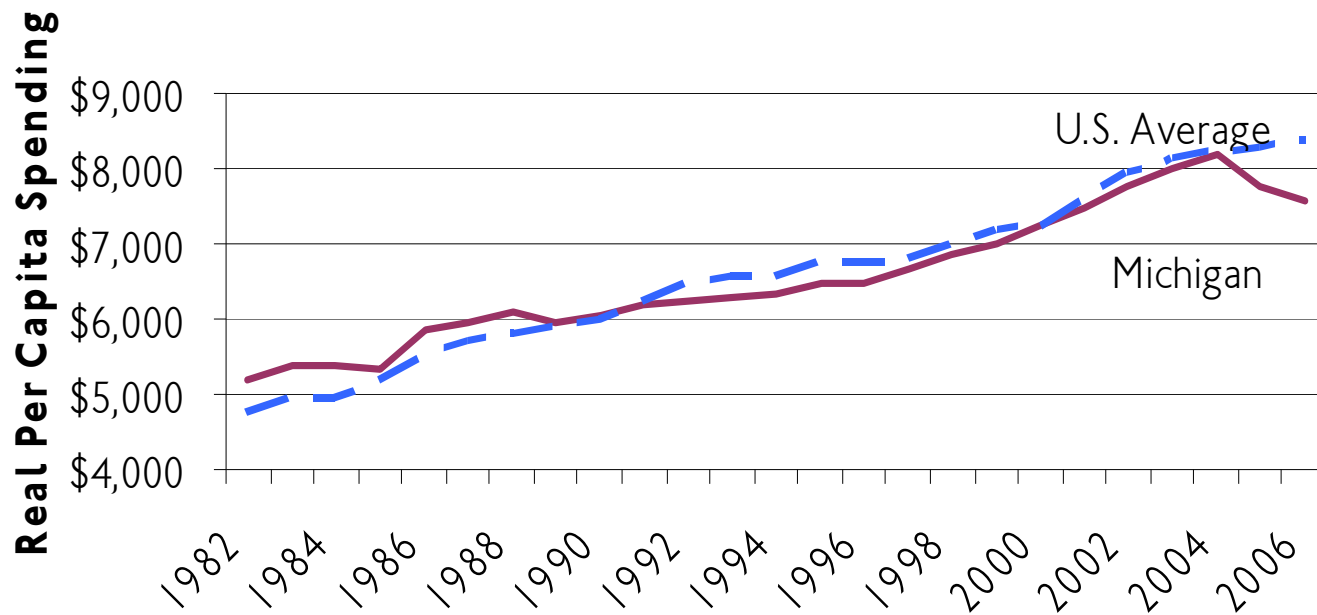
- Michigan was a high tax state relative to others, but NOT today
- Michigan's economic performance and tax policy since 2000 have affected rankings
- Michigan's mix of taxes has evolved, but continues to rely more on property taxes and less on income and sales taxes
- Does Michigan want to mirror U.S. average in terms of tax burden? Tax reliance?
- Balanced budget requirements have resulted in state and local government spending to decline



Michigan Public Spending

Below US Average Since Early 1990s

Total State and Local Government Spending
Real (2006\$) Per Capita, 1982 - 2006

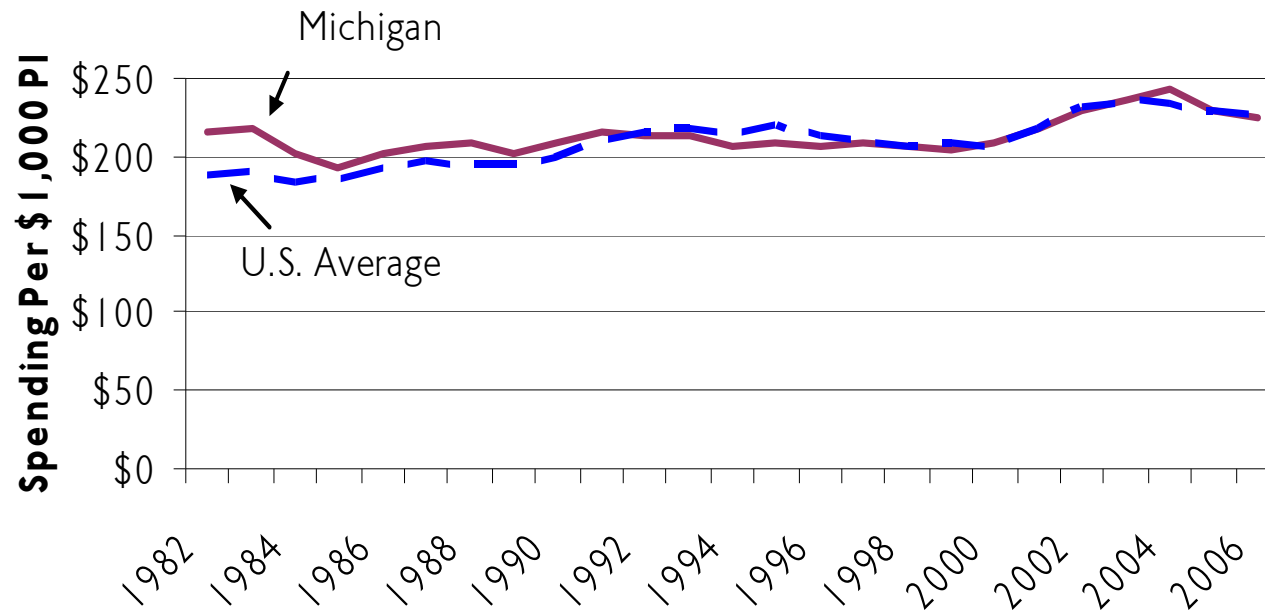




Public Sector Share of Economy

Fairly Constant Over 25 Yrs

**Total State and Local Government Spending
Per \$1,000 Personal Income, 1982 - 2006**





Questions?

CRC Publications available at
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