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CITIZENS RESEARCH COUNCIL OF MICHIGAN

109 YEARS OF UNCOMPROMISING POLICY RESEARCH

Outline of the Michigan Tax System

2025 Edition

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Outline of the Michigan Tax System

The Michigan system of state and local taxes contains 68 elements, including 43 identifiable taxes imposed by the state for its own use and 25 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.

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

Acknowledgment

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Foreward — Budget Deal Brings Major Tax Policy Changes

The return of divided government in Michigan paved the way for an especially contentious Fiscal Year (FY)2026 budget cycle, with the final budget not approved until October 3 – two days after the start of the state's new fiscal year. Still, the end result was a budget agreement that included some very significant accomplishments, for which tax policy changes played a major role.

The budget agreement brought a long-sought boost to funding for road repairs and managed to mitigate much of the state revenue reductions tied to the federal One Big Beautiful Bill Act (OBBBA) enacted in July while budget deliberations were still ongoing.

Budget Agreement Includes More Funding for Roads

Despite the delay in enacting the state budget, the agreement brought with it the first major permanent increase in road funding since 2015; one that will eventually generate more than $2 billion in additional annual revenue for road maintenance and repairs.

Further, the core component of the plan implements a tax policy reform that had long confounded prior legislatures: ensuring that all taxes paid at the gas pump were dedicated to road and transportation infrastructure. Public Act 17 of 2025 exempts gasoline and other motor fuel from the state's six-percent sales tax. That sales tax levy is then replaced by a 20-cent increase in the state's gasoline and motor fuel taxes enacted in Public Act 20 of 2025. To consumers filling up their gas tanks, the changes will have a negligible effect on gasoline prices as the costs of the gasoline tax hike are roughly offset by the tax savings coming from the sales tax exemption.

But the changes have a major impact on the distribution of state revenues. Since proceeds from the gasoline tax are constitutionally dedicated to transportation infrastructure, the gasoline tax increase is expected to generate over $1 billion in new annual revenue for this purpose. On the other hand, the decline in sales tax revenue from the exemption of gasoline and other motor fuel will have the opposite effect, reducing revenue available for other areas of the budget by close to $1 billion.

The largest beneficiary of sales tax revenue (about 73 of total revenue) is the School Aid Fund (SAF), which finances much of K-12 school operating costs as well as some of the higher education budget. To avoid an estimated $680 million annual decline in revenue, the SAF was held harmless from the tax change. Sufficient General Fund/General Purpose revenue will be deposited into the SAF to make up for the revenue loss tied to the gasoline exemption.

A second piece of the road funding plan is a new 24 percent excise tax on the wholesale price of marihuana sold or transferred for eventual retail sale. This new tax is estimated to generate $420 million in annual revenue for road repairs, although the marihuana industry has already filed a lawsuit against the new tax. An existing 10 percent retail excise tax on marihuana was established through a voter-initiated law in 2018. Amending such initiated acts requires a 75 percent supermajority in the legislature. While the new wholesale tax was enacted within a separate public act, industry lawyers argue that the tax effectively circumvents voter intent in prescribing the existing retail excise tax, making the new tax unconstitutional.

Finally, the road funding plan replaces an existing $600 million roads earmark from the state income tax with a new larger earmark from the state's corporate income tax. That earmark begins at $688 million in FY2026 and gradually increases to over $1 billion by FY2030.

Adding together all three components, the plan generates over $2 billion in new transportation revenue by FY2030.

State Revenues and the One Big Beautiful Bill Act

Another factor that contributed to the state's budget challenges was the July enactment of the federal OBBBA. Tax policy changes in OBBBA were expected to have immediate negative implications for state in two ways. First, new business tax relief that accelerated federal corporate income tax deductions for research and development spending and other business expenses was expected to flow through to Michigan's corporate income tax. The Michigan House Fiscal Agency released a report in July estimating this would reduce state revenue by $677 million for the upcoming budget.

Second, OBBBA provisions were expected to lead to the eventual demise of the state's Insurance Provider Assessment (IPA), an important revenue source supporting the state's Medicaid program. The IPA is tax on health insurance providers and is one of four Medicaid provider taxes that Michigan employs. These taxes are imposed on health care providers, and the resulting revenues are used to draw down additional federal Medicaid matching funds. OBBBA revised current federal law to tighten requirements that provider taxes like the IPA be both "broad-based" (i.e., assessed on all health care providers within a provider group) and "uniform" (i.e., the tax rate is the same for all providers). Michigan's current tiered tax rate structure exploits a loophole in federal law that OBBBA effectively closes.

Legislation enacted as part of the budget agreement address both potential revenue challenges. Public Act 24 of 2025 decouples the state's corporate income tax from OBBBA's business tax changes, shielding the state from the expected revenue loss. And Public Act 25 of 2025 authorizes the Michigan Department of Health and Human Services to restructure the IPA to comply with the more stringent federal requirements in the event the federal government requires the state to suspend the tax as currently structured.

Those two tax changes preserved over $1 billion in state revenue, allowing policymakers to offer some additional tax relief in Public Act 24 by connecting tax relief for tipped income, overtime compensation, and Social Security recipients contained in OBBBA to Michigan's income tax. Without that legislation, those federal deductions would not have applied to Michigan's income tax. That new tax relief is expected to reduce state revenue by $160 to $180 million annually while the temporary deductions remain in place during tax years 2026, 2027, and 2028.

Other Tax Policy Highlights

While the 2023-24 legislative session saw few major tax policy changes, the 102nd Legislature did enact other significant tax legislation.

One example is Public Act 186 of 2024 which establishes a new tax credit for businesses engaged in research and development (R&D) activities. Authorized businesses will be able to claim a base credit equal to three percent of any qualifying R&D expenses, with an additional credit of between 10 and 15 percent for any expenses that exceed the average amount incurred during the prior three years. The total credit is capped at $2,000,000 for large employers (250 or more employees) and $250,000 for small employers (less than 250 employees).

Other notable changes since our last update include:

- **Public Act 103 of 2023**: Establishes a new Solar Energy Facilities Tax in lieu of property taxes for qualified solar energy facilities located within locally-designated solar energy districts.
- **Public Act 175 of 2023**: Requires an annual deposit from use tax revenues into a Local Government Reimbursement Fund to reimburse local units for revenues lost due to the increase in the small business personal property tax exemption enacted in 2023.
- **Public Act 156 of 2024**: Establishes a one-time, non-refundable tax credit of up to $10,000 for live organ donation expenses that are not reimbursed by another party.

This 39th edition of the *Outline of the Michigan Tax System* incorporates all these changes and many more since our last May 2021 update. The *Tax Outline* serves as an important ready reference for those interested in Michigan's public finances. Policymakers, researchers, and citizens alike draw on this comprehensive yet accessible reference guide to navigate Michigan's often complicated tax structure. Summary descriptions outline the base, tax rate, and revenue disposition for major taxes assessed at both the state and local levels. These are supplemented by historical information on long-run revenue trends. For easy reference, archived versions of previous updates dating back to 1997 are available at https://crcmich.org/publications/outline-of-the-michigan-tax-system-archives.

Outline of the Michigan Tax System

Introduction

This outline is designed to be a ready reference to the 68 taxes authorized for the state and local government in Michigan. It contains information on each of the 43 state and 25 local taxes effective as of the publication date, including:

— A description of each of the 68 state and local taxes currently levied and historical collections from major taxes (pages 1 to 93).

— A summary of major tax law changes enacted by the state legislature between May 1, 2023 and October 31, 2025 (pages 88 to 90).

— A table of tax collections for fiscal years 2021-2024 (page 93).

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 percent 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. State government is authorized to levy 15 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 City of Detroit levies a casino gaming tax on the three Detroit casinos (a complement to the state-level tax levied on the casinos), making it the only municipal government authorized to impose a business privilege tax.

- **Sales-related taxes** are levied in several forms in Michigan. The Sales and Use taxes are levied on the retail sale or use of tangible personal property. Until recently, only the state government was authorized to levy sales and use taxes in Michigan. At the August 2014 election, voters authorized a statewide special authority to levy a "local" use tax. (See boxes on pages 30 and 35). 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 ten types of sales-related taxes in Michigan. Counties are authorized to levy four types of sales-related taxes, and the City of Detroit is also authorized to levy one 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 Fee qualifies as a property tax. Michigan local governments are authorized to levy 12 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.

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

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

In addition to the categorization by tax type, this Outline divides 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. 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 significantly, 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.

SIGNIFICANT EVENTS IN THE HISTORY OF THE MICHIGAN TAX SYSTEM

1893	- General Property Tax Act enacted
1899	- Inheritance Tax Act enacted
1905	- Motor Vehicle Weight Tax enacted
1925	- Gasoline Tax enacted
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
1953	- Business Activities Tax enacted
1957	- 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
1974	- State Constitution amended to remove food and drugs from Sales Tax base
1975	- Single Business Tax enacted to replace seven state taxes and one local tax
1978	- State Constitution amended by "Headlee Amendment" to limit state and local taxation
1993	- Inheritance Tax repealed and replaced with "pick-up" tax
1994	- Proposal A (property assessment cap amended to Constitution, Sales and Use tax rates increased to 6%, Tobacco Products Tax rate increased to 75 cents/pack, State Education and Real Estate Transfer taxes enacted to replace local school property taxes).
1995	- Intangibles Tax phase out enacted
1997	- Gasoline tax increased from 15 to 19 cents per gallon - State Income Tax phased rate reduction initiated
1999	- Single Business Tax phase out initiated
2006	- Single Business Tax eliminated by legislative enactment of petition-initiated legislation
2007	- Michigan Business Tax enacted
2011	- Corporate Income Tax replaces Michigan Business Tax
2012	- Personal property exempted from property taxation. Portion of Use Tax diverted to local reimbursement.
2015	- Transportation plan raises motor fuel and registration taxes; portion of income tax allocated to roads
2022	- Motor fuel taxes increased from 26.3 cents to 27.2 cents per gallon (first inflation-based adjustment)
2023	- Income tax rate reduced from 4.25% to 4.05% for tax year 2023 as result of statutory rate cut trigger
2025	- Motor fuel tax rate increased to 51 cents per gallon; motor fuel exempted from sales tax

Outline of the Michigan Tax System

INCOME TAXES

Individual Income Tax
Corporate Income Tax
Uniform City Income Tax

INDIVIDUAL 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 listed in section 30 of the Income Tax Act (MCL 206.30).

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. The exemption was $5,600 in tax year 2024. The exemption is indexed to inflation from a 2012 base exemption of $3,700 with an additional $600 then added to the calculated amount. Special exemptions for couples with a certificate of stillbirth for the tax year ($5,600 in 2024); for deaf, blind, hemiplegic, paraplegic, quadriplegic or totally or permanently disabled ($3,300 in 2024); and disabled veterans ($500 in 2024). 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 birth year of the taxpayer, eldest spouse, or deceased spouse:

<table>
<tr><th>Taxpayer Born Before 1946*</th><th colspan="2">Taxpayer Born After 1945*</th></tr>
<tr><td>Retirement and Pension Income
Public: fully exempt
Private: exempt up to $64,040 for single and $128,080 for joint return (for Tax Year 2024, indexed to inflation)

Exempt up to $14,274 for single and $28,548 for joint return (for Tax Year 2024, indexed for inflation) of interest, dividends, or capital gains earned by senior citizen; maximum deduction is reduced by any retirement and pension deduction claimed.

Along with taxpayers born before 1946, these provisions also apply to taxpayers with retirement or pension benefits received for services as a public safety employee as defined in state law (e.g., police, fire)</td><td>General Provisions
Before taxpayer reaches age 67*:
Public and private retirement and pension income is not exempt under most circumstances.

After taxpayer reaches age 67*:
Taxpayer can choose:
A) Take deduction against all income (including retirement/ pension income, earned income, Social Security, military/railroad pensions) up to $20,000 for single and $40,000 for joint return**. Taxpayer cannot claim personal exemption unless born before 1953.***

B) Social Security, military pension, and railroad pension are exempt from tax, and taxpayer may also claim personal exemption. However, no exemption for other retirement and pension income.</td><td>Option Under 2023 PA 4
Taxpayer may elect to apply exemption amount for private retirement and pension income as it applies to taxpayers born before 1946 to <u>all</u> of the taxpayer's retirement and pension income (public and private).

Option is phased in as outlined below:
Tax Year 2023: 25% of exemption amount applies for those born before 1959.

Tax Year 2024: 50% of exemption amount applies for those born before 1963.

Tax Year 2025: 75% of exemption amount applies for those born before 1967.

Tax Year 2026 and beyond: full exemption amount is available to taxpayers of any age.</td></tr>
</table>

* For married couples filing jointly, the age of the oldest spouse determines the age bracket into which the couple falls. Upon the death of the oldest spouse, the widow/widower may continue to file in that age bracket.

** Limits are $15,000 single/$30,000 joint if both spouses earned pension income from a government job not covered by Social Security, except those retired by January 1, 2013, who can claim $35,000 single/$55,000 joint.

*** For tax years 2026, 2027, and 2028, taxpayers taking this option will be able to exempt Social Security benefits in addition to claiming the $20,000 single/$40,000 joint deduction against any other income.

INDIVIDUAL INCOME TAX (CONTINUED)

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

(8) for taxpayer born before 1946 or who served in public safety position, up to $14,274 ($28,548 for a joint return) of interest, dividends, or capital gains earned in 2024; maximum deduction is indexed for inflation and is reduced by pension deduction claimed (see table above);

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

(10) contributions to eligible educational savings accounts, "Achieving a Better Life Experience" (ABLE) savings account, and Michigan First-Time Homebuyer savings account of up to $5,000 per account ($10,000 for a joint return), interest earned on those contributions, and qualified withdrawals from those accounts by the beneficiary listed on the account;

(11) compensation received pursuant to the Wrongful Imprisonment Compensation Act;

(12) wagering losses included as itemized deductions on a taxpayer's federal tax return for the same tax year;

(13) beginning in tax year 2025, income of an eligible disabled veteran that is included in federal adjusted gross income and is attributable to a student loan cancellation or discharge;

(14) for tax years 2026, 2027, and 2028 only, deductions allowed on federal income returns for qualified tips under section 224 of the Internal Revenue Code and qualified overtime compensation under section 225 of the Internal Revenue Code as authorized under the federal One Big Beautiful Bill Act.

Credits against tax liability as follows:

(1) Homestead property taxes. For tax year 2024, limited to homesteads (excluding unoccupied agricultural properties) with a taxable value of $160,700 or less and the maximum credit is $1800 (both the maximum taxable value eligible and the maximum credit size are indexed to inflation):

(a) for taxpayers other than senior citizens and disabled – 60% of taxes in excess of 3.2% of total household resources if total household resources are $54,000 or less; credit reduced by 10% for each $1,000 increment of total household resources (eliminated when the total household resources are $63,000 or more).

(b) for disabled taxpayers – 100% of taxes in excess of 3.2% of total household resources if total household resources are $63,000 or less.

(c) for senior citizens – 100% of taxes in excess of up to 3.2% 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% of taxes in excess of 3.2% of total household resources ($30,000 total household resources); credit is eliminated when total household resources are $63,000 or more;

(d) 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 $1,600; credit is reduced further for total household resources above $54,000 (10% for each $1,000 increment of total household resource) and is eliminated when total household resources are $63,000 or more;

(2) Property taxes on rented homesteads. Equal to 23% of gross rent paid (10% in certain subsidized housing projects). Credit reduced by proportion of income from welfare. Credit reduced by 10% at $54,000 income and by another 10% for each $1,000 increment above $51,000.

(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

INDIVIDUAL INCOME TAX (CONTINUED)

3.5% of household income.

(4) Historic preservation. Equal to 25% of qualified expenditures on rehabilitation of qualified historic buildings, structures, and sites. Credit must be approved and total credits limited to $5.0 million per calendar year; credit capped at $2.0 million for a single property.

(5) Earned income. Equal to 30% 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.

(6) Income tax paid to another state.

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

(8) Live organ donation expenses. Beginning in tax year 2025, credit of up to $10,000 for live organ donation expenses (e.g., travel, lodging, and child care expenses; lost wages) incurred within a tax year.

Michigan's Flow-Through Entity Tax

Reforms to Michigan's system of business taxation in 2011 greatly reduced the number of business entities that are directly taxed on their income or business activities. Still, owners/partners of business entities that receive business income that is allocated or apportioned to Michigan are generally required to pay state income taxes on this income.

Recent changes to federal tax laws, however, have resulted in greater federal tax liability for many of these individuals on their flow-through business income. Historically, taxpayers with flow-through income who itemize deductions on their federal tax returns were able to deduct certain taxes paid to state and local governments. The federal Tax Cuts and Jobs Act of 2017 capped this deduction at $10,000 on individual returns; this new limitation resulted in a large increase in federal tax liability for many individual filers.

Significantly, the cap does not apply to businesses filing federal tax returns. As a result, most states have now enacted legislation at the state level to circumvent the new cap by allowing the business entity itself to effectively pay the state's income tax. This allows for the full utilization of the state and local tax deduction at the entity level before business income is passed-through the owner or partner, and the owner/partner receives some form of credit or deduction against the state income tax for the amount paid by the business entity. In the end, enacting such legislation provides additional tax relief for taxpayers with business income without affecting state revenue.

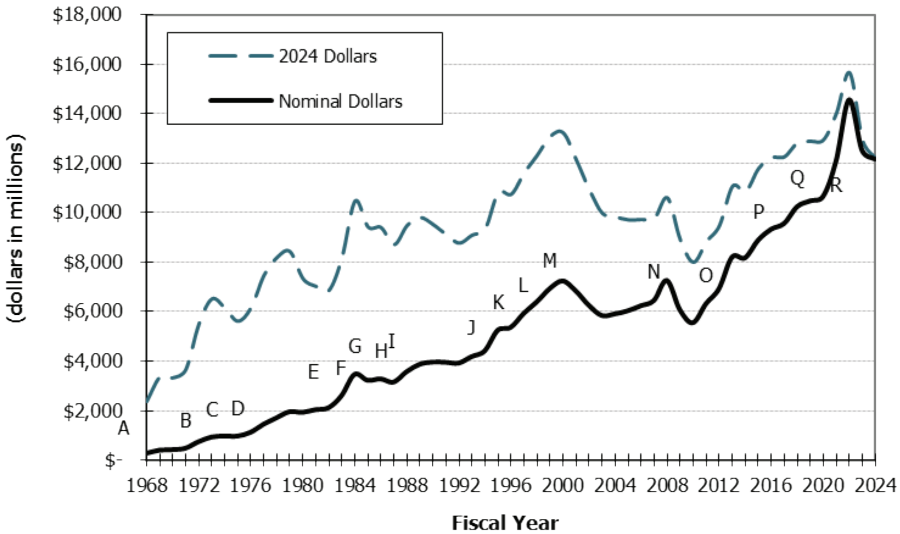
In 2021, Michigan joined the list of states that have enacted such workarounds Public Act 135 of 2021 amended the Income Tax Act to allow business entities treated as S corporations or partnerships for federal tax purposes to elect to pay a Flow-Through Entity tax equal to the state's individual income tax rate. The tax remains effective for any tax year in which the state and local tax deduction cap remains in place. Initially scheduled to sunset after tax year 2025, the federal cap was both extended and increased to $40,000 under the One Big Beautiful Bill Act until 2029, meaning Michigan's Flow-Through Entity tax will likely continue until at least then.

INDIVIDUAL INCOME TAX (CONTINUED)

RATE:	4.25%. Each year, the rate would be reduced from 4.25% by a calculated amount in any fiscal year for which cumulative General Fund/General Purpose revenue growth between Fiscal Year 2021 and the most recently completed fiscal year exceeded growth in the U.S. Consumer Price Index over the same period by more than 42.5%.
ADMINISTRATION:	Michigan Department of Treasury.
REPORT AND PAYMENT:	Estimated tax declarations and payments due on 15th of April, June, September, and January. Balance of tax due April 15. Withholding required.
DISPOSITION:	• 23.9% of gross collections before refunds to School Aid Fund for Fiscal Year 2024; This will gradually increase to 24.5% by Fiscal Year 2027; • 3.5% of the average amount of farmland tax credits claimed under 1994 PA 451 from the three preceding fiscal years is deposited into the Agricultural Preservation Fund; • $69 million to the Renew Michigan Fund; • For Fiscal Year 2025 only, $600 million to the Michigan Transportation Fund • remaining revenue to the General Fund. INCOME TAX CAPTURES • Revenue captured under an eligible Transformational Brownfield Plan is deposited into the State Brownfield Redevelopment Fund for transmittal to developers or owners to cover costs of eligible activities under the approved plan. • Revenue captured from withholding attributable to certified new jobs based on a withholding tax capture agreement is deposited in the Good Jobs for Michigan Fund for payments to authorized businesses under the agreement. • Revenue captured from withholding equal to 50% of wages paid to qualified employees on adoption leave are credited to and retained by qualified employers.
2023-24 COLLECTIONS:	$16,189,902,000 gross; $4,015,530,000 in refunds and credits; $12,174,372,000 net.
2023-24 COLLECTIONS/UNIT:	$381 million/0.1% gross; $286 million/0.1% net (after refunds and credits)

INDIVIDUAL INCOME TAX (CONTINUED)

Chart 1
Individual Income Tax Revenue, 1968 – 2024



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 reduced to 4.25% on October 1, 2011. The rate was reduced to 4.25% effective October 1, 2012, by PA 223 of 2012. Set the value of the personal exemption at $3,700 2012 dollars beginning in 2012.
P	2015	PA 140	—	Triggered future tax rate reductions, beginning in tax year 2023, calculated in any fiscal year for which cumulative general fund/general purpose revenue growth between FY2021 and the most recently completed fiscal year exceeded a measurement of inflation over the same period.
Q	2018	PA 38	—	Decoupled the personal exemption from the Internal Revenue Code and increased the value of the personal exemption. The exemption was scaled up at nominal rates for tax year 2018 through 2021. After 2021, the exemption was the sum of the prior formula ($3,700 2012 dollars) plus $600.
R	2015	PA 140	—	For tax year 2023, income tax rate reduced from 4.25% to 4.05% due to income tax rate trigger enacted in 2015. Rate returned to 4.25% for tax year 2024 pursuant to Attorney General legal opinion.

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). The income tax is a direct tax on business income;
- A premiums tax on insurance companies. The premiums tax is a direct tax on premiums written on property or risk located or residing in Michigan; and
- A franchise tax on financial institutions. 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

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-U.S. 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.

Alternative Small Business Tax Credit: The credit is available to corporations other than financial institutions and insurance companies with gross receipts that do not exceed $20 million and with adjusted business income, minus losses, that does not exceed $1.742 million for tax year 2024 (adjusted annually for inflation). Eligible corporations pay an alternative 1.8% tax rate on adjusted business income.

Research and Development Tax Credit: Available to authorized businesses (as defined in statute) that incur eligible research and development (R&D) expenses during the tax year. Credit has two components:

- A base credit of 3% of all qualifying R&D expenses up to a base amount equal to average amount of qualifying R&D expenses incurred during the three preceding years.
- A credit equal to 10% for large employers (250 or more employees) and 15% for small employers (less than 250 employees) of any qualifying research and development expenses that exceed the base amount from the three prior years.

The credit is capped at $2,000,000 per taxpayer for large employers and $250,000 per taxpayer for small employers. For qualifying expenses incurred under a written agreement with a public or independent, non-profit university, an additional credit is available equal to 5% of eligible expenses up to the base amount and capped at $200,000 per taxpayer.

The aggregate amount of R&D tax credits claimed by all taxpayers is capped at $100,000,000 each year. If credit claims exceed this amount, credits are prorated in accordance with the

CORPORATE INCOME TAX (CONTINUED)

provisions contained in state statute.

Premiums Tax

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;

(6) Health maintenance organizations (HMOs).

Franchise Tax

The financial institution's total equity capital allocation or apportionment to Michigan. Total equity capital is averaged over a five-year period and excludes goodwill and the average daily value of obligations of the United States and Michigan. After December 31, 2020 total equity capital will be based on the close of tax year rather than an average of the five previous years.

RATE:

Corporate Income Tax: 6%

Premiums Tax: 1.25% for all policies that are not a qualified health insurance policy. The rate for qualified health insurance policies will be adjusted to achieve an average annual savings of $18 million for these taxpayers from their tax liability using the 1.25% rate.

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.

DISPOSITION:

For Fiscal Year 2025 only, if revenue exceeds $1.2 billion, then:

- Up to $50 million to Michigan Housing and Community Development Fund
- Up to $50 million to Revitalization and Placemaking Fund

Up to $250 million to the Healthy Michigan Fund. Beginning in Fiscal Year 2026, if revenue exceeds $1.2 billion, then:

- Up to $50 million to Michigan Housing and Community Development Fund.
- To the Neighborhood Roads Fund:
  - $688 million in Fiscal Year 2026
  - $776 million in Fiscal Year 2027
  - $864 million in Fiscal Year 2028
  - $952 million in Fiscal Year 2029
  - $1,040 million in subsequent fiscal years

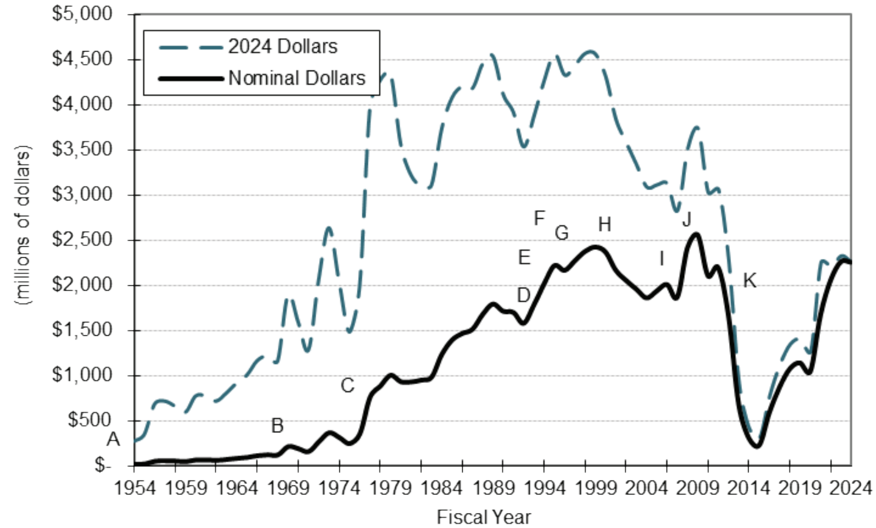
Remainder to General Fund

2023-24 COLLECTIONS: $2,166,872,000

CORPORATE INCOME TAX (CONTINUED)

Chart 2

Corporate Income Tax / Value Added Tax Revenues, 1954 – 2024



A	1953	PA 150	—	**Business Activity Tax** established a 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	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 voter approval.
BASIS OF TAX:	A direct tax on income (residents); a direct tax on earnings related to work or business activities conducted in the city (nonresidents); a direct tax on federal taxable income (corporations).
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 the Michigan Income Tax Act, 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, 1.0% 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 with populations over 600,000 (Detroit) may impose rates of up to 2.4% on residents, 2.0% on corporations, 1.2% on nonresidents. Maximum rates will be reduced to 2.2% for residents and 1.1% for nonresidents respectively following full payment of bond indebtedness related to a city lighting authority (see box). A city that levied an income tax and where more than 22 mills had been levied for city purposes and at least 65 mills for all purposes during the prior calendar year (Highland Park) is allowed to impose rates of up to 2% on residents and corporations and 1% on nonresidents if approved by voters before November 15, 1988. Cities that levied an income tax before March 30, 1989, and with (a) populations between 140,000 and 600,000 (Grand Rapids); or (b) populations between 65,000 and 100,000 in a county with a population below 300,000 (Saginaw) may increase the tax rate to not more than 1.5 percent on residents and corporations and 0.75 percent on nonresidents if approved by voters.
ADMINISTRATION:	Administrator designated by the city. Collected by city treasurer.
REPORT AND PAYMENT:	Due April 30 (when tax year ends December 31). Quarterly estimates and payments due April 30, June 30, September 30, and January 31. Withholding required.
DISPOSITION:	General fund of the city. A portion of Detroit's city income tax revenue is earmarked to the city police budget.

UNIFORM CITY INCOME TAX (CONTINUED)

2024 COLLECTIONS:

City	Year Adopted	Tax Rates Resident	Tax Rates Corporation	Tax Rates Nonresident	2024 Net Collections
Albion	1972	1.0%	1.0%	0.5%	$ 1,337,468
Battle Creek	1967	1.0	1.0	0.5	19,817,894
Benton Harbor	2017	1.0	1.0	0.5	1,901,227
Big Rapids	1970	1.0	1.0	0.5	2,993,818
Detroit	1962	2.4	2.0	1.2	443,276,770
East Lansing	2018	1.0	1.0	0.5	17,339,800
Flint	1965	1.0	1.0	0.5	21,335,368
Grand Rapids	1967	1.5	1.5	0.75	142,489,632
Grayling	1972	1.0	1.0	0.5	973,509
Hamtramck	1962	1.0	1.0	0.5	4,526,799
Highland Park	1966	2.0	2.0	1.0	4,816,504
Hudson	1971	1.0	1.0	0.5	630,329
Ionia	1994	1.0	1.0	0.5	3,264,289
Jackson	1970	1.0	1.0	0.5	10,644,131
Lansing	1968	1.0	1.0	0.5	43,437,434
Lapeer	1967	1.0	1.0	0.5	5,064,424
Muskegon	1993	1.0	1.0	0.5	12,637,885
Muskegon Heights	1990	1.0	1.0	0.5	1,422,637
Pontiac	1968	1.0	1.0	0.5	20,448,347
Port Huron	1969	1.0	1.0	0.5	9,384,680
Portland	1969	1.0	1.0	0.5	808,955
Saginaw	1965	1.5	1.5	0.75	16,333,799
Springfield	1989	1.0	1.0	0.5	1,286,605
Walker	1988	1.0	1.0	0.5	16,418,270
TOTAL					$734,564,725

BUSINESS PRIVILEGE TAXES

Unemployment Insurance Tax
Quality Assurance Assessment Fees
Insurance Provider Assessment Tax
Foreign Insurance Company Retaliatory Tax
Captive Insurance Company Tax
Oil and Gas Severance Tax
Corporate Organization Tax
Horse Race Wagering Tax
State Casino Gaming Tax
Internet Gaming Tax
Fantasy Contest Tax
Retail Sports Betting Tax
Sports Betting 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 of 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:

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%

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 employers' payrolls, all fully experience-rated employers (after 2 years of experience) receive a rate reduction of the greater of 10% or 0.1 percentage points in the rate determined by components (a) and (b) above.

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. Eligible employers with 100 or fewer employees have the option to apportion first-quarter tax payments over the remaining three quarters of the year.

UNEMPLOYMENT INSURANCE TAX (CONTINUED).

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.
2023-24 COLLECTIONS:	$1,161,442,000

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
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 on hospitals and on nursing and long-term care facilities. The resulting revenue collections, combined with federal matching revenues, are used to increase the rates paid 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. • *For ambulance providers*, an amount resulting in not more than $20,000,000 in annual revenue; tax is scheduled to sunset on October 1, 2023.
ADMINISTRATION:	Michigan Department of Health and Human Services.
REPORT AND PAYMENT:	The Department of Health and Human Services sends each provider a statement of the amounts owed for the particular assessment.
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.
2023-24 COLLECTIONS:	$2,091,661,000

INSURANCE PROVIDER ASSESSMENT TAX

LEGAL CITATION:	M.C.L. 550.1751 et seq.; 2018 PA 175.
YEAR ADOPTED:	2018.
BASIS OF TAX:	A tax on certain health insurance providers.
MEASURE OF TAX (BASE):	The number of member months an insurance provider reported on its annual financial statement filed with the State of Michigan. Certain coverages are excluded from the tax base: • short-term medical; • one-time limited duration; • non comprehensive medical; • specified disease; • limited benefit; • accident only; • accidental death and dismemberment; • disability income; • long term care; • Medicare supplement; • stand-alone dental; • dental; • Medicare, Medicare Advantage, Medicare Part D; • vision, prescription; • other individual write-in coverage; • federal employee health benefit; • Tricare; • other group write-in coverage; • credit; • stop loss, excess loss; and • administrative services only, administrative services contracts.

RATE:	The rate is set on a three-tier system, depending on the portion of state law under which a health insurer is classified. The Tier 1 rate is charged to Medicaid contracted health plans. The Tier 2 rate is charged to insurers authorized under 1956 PA 218, the Insurance Code of 1956. The Tier 3 rate is applied to specialty prepaid health plans authorized under section 204b of the Mental Health Code.
	• Tier 1 Rates: Tiered rate structure is determined each year by the Department of Health and Human services to meet the federal Centers for Medicare and Medicaid Services statistical test to ensure the state does not place an inordinate amount of tax liability onto Medicaid providers. For Fiscal Year 2022, rates were:
	    • $53.55 per member month for the first 1.2 million member months
	    • $1.20 per member month for each additional member month
	• Tier 2 Rate: $2.40 per member month.
	• Tier 3 Rate: $1.20 per member month.

INSURANCE PROVIDER ASSESSMENT TAX (CONTINUED)

ADMINISTRATION:	Michigan Department of Treasury.
REPORT AND PAYMENT:	Four equal quarterly payments are due July 30, October 30, January 30, and April 30.
DISPOSITION:	Deposited in the Insurance Provider Fund to finance part of the Medicaid program and restricted to related purposes.
2023-24 COLLECTIONS:	$633,429,000

Federal Law Changes and the Insurance Provider Assessment

Enacted in 2018, the Insurance Provider Assessment Tax represents Michigan's latest attempt to craft a dedicated funding source for its Medicaid program through a tax on health insurers. Like other Medicaid provider taxes, the IPA's revenue helps leverage additional federal matching funds for the Medicaid program. A decades-long challenge for Michigan has been developing this tax in a way that both meets federal guidelines and is acceptable to businesses and health care providers.

Since 2003, Michigan has employed three different strategies for taxing health insurers in support of Medicaid. The first was a Quality Assurance Assessment Program (QAAP) tax on Medicaid health plans responsible for delivering health care services to Medicaid enrollees. Since Medicaid health plans must be compensated for any tax costs under federal law, there was no effective tax burden from this QAAP tax on those plans. But the tax allowed Michigan to leverage a huge amount of new federal Medicaid match from the tax, effectively pushing a greater portion of the state's Medicaid costs to the federal government. When federal law was amended to forbid this type of provider tax, the state shifted to imposing its six percent use tax specifically on health services delivered by these same Medicaid health plans as a substitute for the QAAP tax.

Again, however, the federal government signaled its objections to this workaround, and Michigan eventually enacted legislation in 2011 to create the Health Insurance Claims Assessment (HICA), which initially levied a one-percent tax on all health insurance claims (both Medicaid and non-Medicaid) in the state. While the HICA passed muster with the federal government, it now drew objections from health insurers and business interests concerned about the tax's burden and its impact on employer-sponsored insurance premiums.

The Insurance Provider Assessment (IPA) was eventually enacted in 2018 to help address those concerns. Like the QAAP, its tiered rate structure imposes most of its tax burden on Medicaid health plans and much less on health insurers providing general coverage through employer-based and individual health plans. Michigan was granted a waiver by the federal government to employ this tiered rate structure, but only by exploiting what was a loophole in current federal rules meant to ensure taxes like the IPA were imposed uniformly across all affected health care providers.

However, the federal One Big Beautiful Bill Act (OBBBA) of 2025, enacted this July, poses a new challenge to the IPA by closing that loophole. The tiered rates of Michigan's IPA are clearly non-compliant with these new restrictions, and it appeared the IPA would have to be repealed sometime in the next three years.

However, recently enacted legislation (2025 PA 25) authorizes the Michigan Department of Health and Human Services to adjust the tax's rate structure in the event the federal government informs Michigan it must suspend the IPA due its noncompliance with these new restrictions under OBBBA. Any restructuring would have to assess a flat tax rate to all health insurance providers, a structure that bring Michigan into compliance with OBBBA's new requirements. That rate would also have to be formulated to generate total revenue not more than the total revenue due under the current IPA from April 1, 2024, to March 31, 2025.

It remains unclear when the federal government will intervene to end the current version of the IPA. Until then, the state will continue to assess the IPA in its current form, but state policymakers have now enacted legislation that sets out a transition path to address any federal action in that regard. That path, however, would greatly increase the tax burden on non-Medicaid health insurers similar to the repealed HICA. Time will tell whether the reformed IPA will be able withstand similar pressure from insurers and business interests.

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 Corporate Income 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.
2023-24 COLLECTIONS:	$529,057,000

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.
2023-24 COLLECTIONS:	$799,970

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%; *Carbon dioxide secondary or enhanced recovery project* — 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.
2023-24 COLLECTIONS:	$23,946,000

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:	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.
2023-24 COLLECTIONS:	$24,294,000

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.
2023-24 COLLECTIONS:	$1,553,000

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. Three casino licensees currently operate 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:	School Aid Fund.
2023-24 COLLECTIONS:	$100,737,000

http://legislature.mi.gov/doc.aspx?mcl-Initiated-Law-1-of-1996

INTERNET GAMING TAX

LEGAL CITATION:	M.C.L. 432.301-432.322; Public Act 152 of 2019.
YEAR ADOPTED:	2019
BASIS OF TAX:	Privilege of operating as a licensed internet gaming operator. Licensed operators must hold either a state casino license or be a federally recognized tribe that holds a facility license under a federally approved tribal gaming ordinance.
MEASURE OF TAX (BASE):	Gross receipts received by a licensed internet gaming operator less a deduction for amount of free play wagers offered as an incentive to play or as a result of having placed wagers. The free play deduction is capped and phased out over the first six years of internet gaming operations: Years 1 through 3: deduction capped at 10% of gross receipts Year 4: deduction capped at 6% of gross receipts Year 5: deduction capped at 4% of gross receipts Year 6 and beyond no free play deduction
RATE:	The marginal tax rate is graduated based on adjusted gross receipts received each calendar year:

Adjusted Gross Receipts	Tax Rate
Less than $4,000,000	20%
$4,000,000 - $7,999,999	22%
$8,000,000 - $9,999,999	24%
$10,000,000 - $11,999,999	26%
$12,000,000 or more	28%

ADMINISTRATION:	Michigan Gaming Control Board within the Michigan Department of Treasury.
REPORT AND PAYMENT:	Due monthly on the 10th day of the following month.
DISPOSITION:	Disposition varies between state-licensed casinos and tribal casinos, with the specific distributions made pursuant to statute:

For state-licensed Detroit casinos:

City of Detroit: 30% of revenue generated is allocated to the city in which an internet gaming operator's casino is located (all three are located in Detroit); revenue can be used broadly for public purposes listed in statute, including patrol officers, neighborhood development, public safety, anti-gang and youth development, quality of life enhancements, taxpayer relief, road repairs, and capital improvements.

City of Detroit Hold Harmless: Beginning in FY2020, the City of Detroit also receives an additional hold harmless allocation whenever the City's combined revenue during the preceding city fiscal year from the Local Casino Gaming Tax, Internet Gaming Tax, Internet Sports Betting Tax, and existing development agreements with internet gaming operators falls below $183 million. The allocation would equal the difference between $183 million and the combined revenue realized from these sources. However, the City's 30% allocation and hold harmless allocation cannot exceed 55% of the total tax revenue generated under the Internet Gaming Tax.

Michigan Agriculture Equine Industry Development Fund: 5% of revenue generated up to a cap of $3 million in a given fiscal year. The fund provides financial support and covers regulatory costs related to the horse racing industry.

INTERNET GAMING TAX (CONTINUED)

	For tribal casinos that operate under a federally approved tribal gaming ordinance: **Local Governments:** 20% of revenue to the governing body of the jurisdiction where the Internet gaming operator's casino is located. **Michigan Strategic Fund:** 10% of revenue. Remaining revenue from all licensed operators: **Internet Gaming Fund:** Remaining revenue is initially deposited in this fund to cover the costs of regulating and enforcing Internet gaming and other gaming functions and for specific allocations to the First Responder Presumed Coverage Fund ($2 million each year) and Compulsive Gaming Prevention Fund ($3 million each year). **School Aid Fund:** After these expenditures are made, all unused revenue is then deposited in the School Aid Fund.
2024 COLLECTIONS:	$620,131,317 (calendar year basis)

FANTASY CONTEST TAX

LEGAL CITATION:	M.C.L. 432.501-432.516; Public Act 157 of 2019.
YEAR ADOPTED:	2019
BASIS OF TAX:	Privilege of operating as a licensed fantasy contest operator. Entities already operating with a state casino license and federally recognized tribes already licensed for Internet gaming or sports betting are also subject to the tax but do not need be separately licensed to operate fantasy contests. An individual who conducts fantasy contests not open to the general public and offered from his or her private residence is not subject to licensure or the tax if the contests meet limitations outlined in statute.
MEASURE OF TAX (BASE):	Total entry fees collected from contest players minus prizes and awards paid out to contest winners multiplied by the percentage of total entry fees collected from Michigan participants.
RATE:	8.4%.
ADMINISTRATION:	Michigan Gaming Control Board within the Michigan Department of Treasury.
REPORT AND PAYMENT:	Due monthly on the 20th day of the following month.
DISPOSITION:	Revenue is initially deposited in the Fantasy Contest Fund to cover the costs of regulating and enforcing fantasy contests. After these expenditures are made, remaining revenue is deposited in the School Aid Fund.
2024 COLLECTIONS:	$802,597

RETAIL SPORTS BETTING TAX

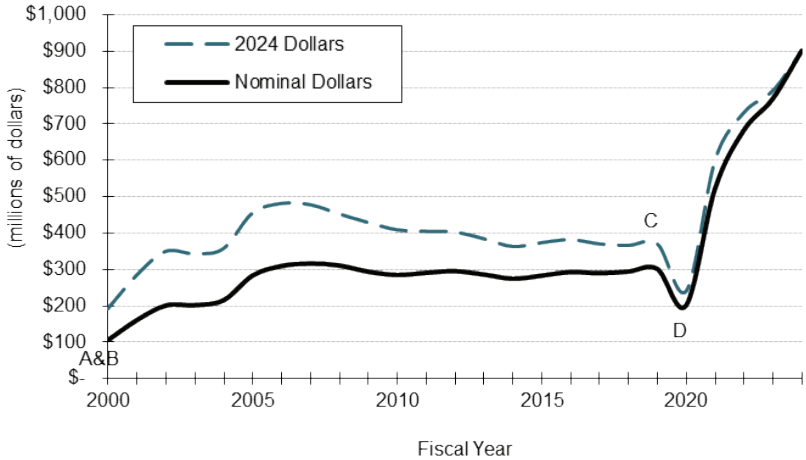
LEGAL CITATION:	M.C.L. 432.212; Public Act 158 of 2019.
YEAR ADOPTED:	2019
BASIS OF TAX:	Privilege of operating as a licensed casino operator that conducts retail sports betting. Three casino licensees currently operate within the City of Detroit.
MEASURE OF TAX (BASE):	Gross sports betting receipts less a deduction for the monetary value of free play wagers offered as an incentive to place or as a result of having placed wagers. The Retail Sports Betting Tax is paid in lieu of the general Casino Gaming Tax that would otherwise be paid on gaming activities.
RATE:	8.4%.
ADMINISTRATION:	Michigan Gaming Control Board within the Michigan Department of Treasury; City of Detroit.
REPORT AND PAYMENT:	Due daily.
DISPOSITION:	55% to the City of Detroit; revenue can be used broadly for public purposes listed in statute, including patrol officers, neighborhood development, public safety, anti-gang and youth development, quality of life enhancements, taxpayer relief, road repairs, and capital improvements. 45% to the state School Aid Fund.
2024 COLLECTIONS:	$828,287

INTERNET SPORTS BETTING TAX

LEGAL CITATION:	M.C.L. 432.401-432.419; Public Act 149 of 2019.
YEAR ADOPTED:	2019
BASIS OF TAX:	Privilege of operating as a licensed sports betting operator. Licensed sports betting operators must hold either a state casino license or be a federally recognized tribe that holds a facility license under a federally approved tribal gaming ordinance.
MEASURE OF TAX (BASE):	Gross sports betting receipts less a deduction for the monetary value of free play wagers offered as an incentive to place or as a result of having placed wagers.
RATE:	8.4%.
ADMINISTRATION:	Michigan Gaming Control Board within the Michigan Department of Treasury.
REPORT AND PAYMENT:	Due monthly on the 10th day of the following month.
DISPOSITION:	Based on the category of licensed sports betting operator, with the specific distributions listed below made pursuant to statute: For state-licensed Detroit casinos: **City of Detroit:** 30% of revenue generated is allocated to the city in which a sports betting operator's casino is located (all three are currently located in Detroit); revenue can be used broadly for public purposes listed in statute, including patrol officers, neighborhood development, public safety, anti-gang and youth development, quality of life enhancements, taxpayer relief, road repairs, and capital improvements. **Michigan Agriculture Equine Industry Development Fund:** 5% of revenue generated up to a cap of $3 million in a given fiscal year. The fund provides financial support and covers regulatory costs related to the horse racing industry in Michigan. For tribal casinos that operate under a federally-approved tribal gaming ordinance: **Michigan Strategic Fund:** 10% of revenue. Remaining revenue from all licensed operators: **Internet Sports Betting Fund:** Remaining revenue is initially deposited in this fund to cover the costs of regulating and enforcing internet sports betting and for specific allocations to the First Responder Presumed Coverage Fund ($2 million each year) and Compulsive Gaming Prevention Fund ($1 million each year). **School Aid Fund**: After these expenditures are made, all remaining revenue is then deposited in the School Aid Fund.
2024 COLLECTIONS:	$20,133,700 (calendar year basis)

SUMMARY: STATE AND LOCAL GAMING TAX REVENUE

Chart 3
Michigan State and Local Gaming Tax Revenue, 2000 - 2024



A	1996	IL 1	— Authorized establishment of up to three casinos within the City of Detroit; authorizes tax on gross receipts of casinos and provides for disposition of revenues.
B	1997	PA 69	— Increased certain taxes on casinos.
C	2019	PA 149	— Authorized sports betting. Created 8.4% Sports Betting Tax.
		PA 152	— Authorized online gaming. Created Internet Gaming Tax with a marginal tax rate of 20% on the first $4 million in gross receipts (net of “free play” incentive wagers) of each casino; that rate gradually increases to 28% once adjusted gross receipts reach $12 million.
		PA 157	— Created 8.4% Fantasy Contest Tax.
D	2020	PA 327	— Authorized agreements with other jurisdictions, including Native American tribes, to facilitate multi-jurisdictional Internet poker available to anyone within the United States.

STATE 9-1-1 CHARGES

LEGAL CITATION:	M.C.L. 484.1401a et. seq.; 2007 PA 164.
YEAR ADOPTED:	1999. Authorizing act will sunset on December 31, 2027.
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*: $0.25 per line per month. *For additional lines:* $0.25 for each 10 lines per month. *For pre-paid cellular telephones per service user*: 6.0% 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): 39.00% Counties (equal share): 26.00% Local exchange providers: 25.56% Emergency 9-1-1 centers for training: 5.50% State Police: 3.94%
2023-24 COLLECTIONS:	$41,910,000

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 the Rural Development Fund Act (2012 PA 411) to support projects that address rural infrastructure and development efforts within the agriculture, forestry, mining, oil and gas production, and tourism industries.
2023-24 COLLECTIONS:	$3,422,000

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. Three casino licensees currently operate within the City of Detroit.
MEASURE OF TAX (BASE):	Adjusted gross receipts received by a gaming licensee.
RATE:	11.9%. This includes the 10.9% rate provided for in state law and an additional 1% that the city receives under revised development agreements reached with the three casinos operating in the city. Further, when adjusted gross receipts for a casino reach $400 million within a given year, the city collects a lump sum payment of $4 million and another 1% marginal tax on any adjusted gross receipts in excess of that $400 million threshold (during calendar year 2022, only one of the three casinos met this criterion).
ADMINISTRATION:	City of Detroit.
REPORT AND PAYMENT:	Due daily.
DISPOSITION:	City of Detroit.
2024 COLLECTIONS:	$158,671,084 (calendar year basis)

COUNTY 9-1-1 CHARGE

LEGAL CITATION:	M.C.L. 484.1401b et. seq.; 2007 PA 164.
YEAR ADOPTED:	2007. Authorizing act will sunset on December 31, 2027.
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 $0.42 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.
2024 COLLECTIONS:	$113,437,331 (calendar year 2024)

SALES-RELATED TAXES

Sales Tax
Use Tax/State Share Tax
Tobacco Products Tax
Marihuana Retail Excise Tax
Marihuana Wholesale Excise Tax
Liquor Markup
Liquor Taxes
Beer Tax
Wine Tax
Mixed Spirits Tax
Airport Parking Tax
Use Tax/Local Community Stabilization Share Tax
Accommodations (Hotel-Motel) Taxes
Convention and Tourism Marketing Fees
Stadium and Convention Facility Tax
Uniform City Utility Users 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 fundraising 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;
- sale of an eligible automobile by a qualified nonprofit, charitable organization to a qualified recipient who is eligible for public assistance;
- 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;
- sale of data center equipment to either the owner or operator of a "qualified data center" or collocated business for assembly, use, or consumption in the operations of the center or to a person engaged in construction where the equipment is to be affixed or made part of a "qualified data center"; this exemption applies until December 31, 2050, and is subject to certain job creation targets specified in statute;
- sale of data center equipment by either the owner or operator of a "enterprise data center" that meet statutorily-defined capital investment and job creation requirements; this exemption applies until December 31, 2050; the exemption is extended until December 31, 2065 for centers located on the site of a brownfield redevelopment or former electric power plant.

SALES TAX (CONTINUED)

- purchases made by veterans' organizations; only the first $25,000 of purchases for fund-raising purposes are exempt.

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;
- drugs that can only be legally dispensed by prescription and over-the-counter drugs legally dispensed by a prescription for human use;
- food for human use not prepared for immediate consumption;
- beginning January 1, 2026, gasoline, diesel fuel and other alternative fuels used to operate motor vehicles;
- beverage containers to the extent of any deposits;
- railroad cars, locomotives, and accessories;
- commercial advertising elements;
- non-alcoholic beverages in sealed containers or food not artificially heated or cooled that are sold from a mobile facility or vending machine, except fresh fruit; tax may be paid on either sales of non-exempt vended food or sum of 45% of all vended sales other than carbonated beverages;
- 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;
- dental prosthesis.
- feminine hygiene products.

Exemptions based on transaction type:

- statutorily-defined portion (not more than $11,000 in 2025) of the agreed-upon trade-in value of a motor vehicle that is applied toward the purchase of another new or used motor vehicle; allowable credit is increased $1,000 every year on January 1, until January 1, 2029, when the full trade-in value becomes tax exempt;
- agreed-upon trade-in value of a recreational vehicle that is applied toward the purchase of another used or new recreational vehicle;
- 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.
- delivery and installation charges that are included in the price of a product.

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;
- property sold by veterans' organizations, limited to $25,000 per event.

SALES TAX (CONTINUED)

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 as defined in statute;
- 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;
- tangible personal property purchased and installed as a component part of a facility with a pollution control tax certificate or a water pollution control tax exemption certificate;
- 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;
- charges attributed to recycling motor vehicle or recreational vehicle parts or batteries;
- tangible personal property used in activities that qualify under a transformational brownfield plan that is turned into a structural part of the property or infrastructural improvement under the plan;
- school buses or other transportation services paid for by a school for use in transporting students to or from a school or a school related event.

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. The voters approved an amendment to the constitution which authorized 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.

Sales for residential use of electricity, natural or artificial gas, or home heating fuels are exempted from the additional 2% rate added in 1994 and are therefore subject only to the 4% rate.

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:

The disposition of sales tax revenue is tied to the distinct 4% tax and 2% tax discussed in the previous section. Since the tax base to which the 2% rate is applied is somewhat smaller than the base for the 4% rate (which includes residential utility sales), the noted percentages vary by a small amount from year to year. Revenues are distributed as outlined below:

SALES TAX (CONTINUED)

School Aid Fund: 60% of gross revenue generated from the 4% tax rate and 100% of the revenue generated from the additional 2% tax rate. For FY2024, this equated to 73.3% of total sales tax revenue.

In addition, beginning in FY2026, an amount equal to the revenue loss incurred by the School Aid Fund due to the exemption of motor fuel from the sales tax as enacted under Public Act 17 of 2025 will be deposited each year to the School Aid Fund from additional revenue generated from the 4% tax rate. These revenues would otherwise fall to the General Fund.

Local Governments: 15% of gross revenue generated from the 4% tax is constitutionally dedicated for revenue sharing to cities, villages, and townships; an additional allocation from the sales tax is appropriated by the legislature for statutory revenue sharing to local units of government. For FY2024, the total earmark equated to 10.4% of total revenue.

Comprehensive Transportation Fund: 6.975% of sales tax revenue generated from the 4% tax from the sales of motor fuel, motor vehicles, and motor vehicle parts and accessories is statutorily earmarked to the state's Comprehensive Transportation Fund to support public transportation programs. For FY2024, this equated to 1.2% of total revenue.

Aeronautics Programs: An amount equal to the sales tax revenue generated from the 2% tax from the sale at retail of aviation fuel shall be deposited into funds for aeronautics programs: 65% into the Qualified Airport Fund and 35% into the State Aeronautics Fund. For FY2024, this equated to 0.1% of total revenue.

Health Initiative Fund: An amount equal to the sales tax revenue generated from the 4% tax from the sale at retail of computer software is statutorily earmarked to the Health Initiative Fund, which supports policy planning and public information regarding AIDS and Hepatitis C. For FY2024, this equated to 0.1% of total revenue.

Remaining revenue, about 14.9% of total revenue in FY2024, to the state's general fund.

2023-24 COLLECTIONS: $10,603,821,000

2023-24 COLLECTIONS/UNIT: $1,767 million per 1%

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.

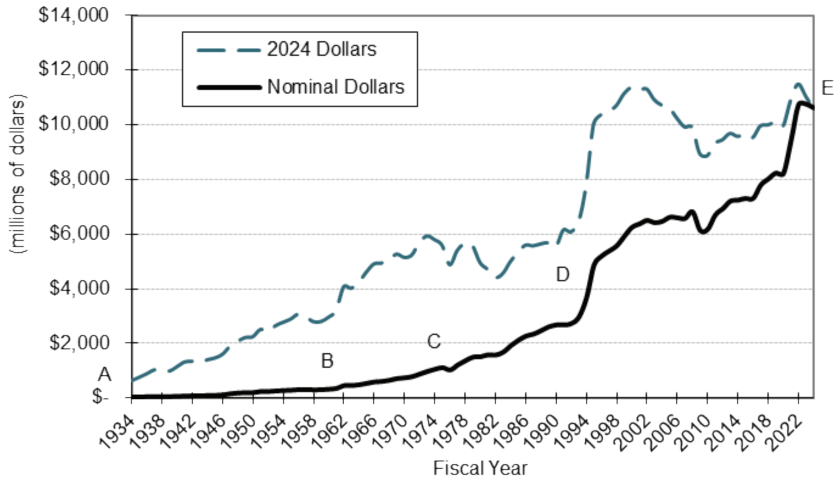
Michigan's Constitution fails to deal explicitly with the question of whether local units could be permitted to levy a sales tax. Instead, the 1963 Constitution set a maximum rate of 4% that the legislature could levy and later, as a result of Proposal A, an additional 2% rate was mandated for local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

SALES TAX (CONTINUED)

Chart 4
Sales Tax Revenue, 1934 – 2024



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.
E	2025	PAs 17 & 19	—	Exempted motor fuels (gasolines, diesel, alternative fuels) from sales and use taxes beginning January 1, 2026.

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; these changes became effective October 1, 2015.

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;
- transfers of a vehicle, off-road vehicle, manufactured housing, aircraft, snowmobile, or watercraft if the transferee or purchaser is a specified relative-in-law;
- 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;
- storage, use, or consumption of an eligible automobile provided to a qualified recipient by the Department of Human Services or another qualified organization;

USE TAX / STATE SHARE TAX (CONTINUED)

- 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;
- use of data center equipment by either the owner or operator of a "qualified data center" or co-located business in the operations of the center or by a person engaged in construction where the equipment is to be affixed or made part of a "qualified data center"; this exemption applies until December 31, 2050 and is subject to certain job creation targets specified in statute.
- use of data center equipment by either the owner or operator of a "enterprise data center" that meet statutorily-defined capital investment and job creation requirements; this exemption applies until December 31, 2050; the exemption is extended until December 31, 2065 for centers located on the site of a brownfield redevelopment or former electric power plant.

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;
- 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;
- drugs that can only be legally dispensed by prescription and over-the-counter drugs legally dispensed by prescription for human use;
- food for human use not prepared for immediate consumption;
- beginning January 1, 2026, gasoline, diesel fuel and other alternative fuels used to operate motor vehicles;
- 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;
- dental prosthesis.
- feminine hygiene products.

Exemptions based on transaction type:

- statutorily-defined portion ($11,000 in 2025) of the agreed-upon trade-in value of a motor vehicle that is applied toward the purchase of another new or used motor vehicle; allow-

USE TAX / STATE SHARE TAX (CONTINUED)

able credit is increased by $1,000 annually every January 1, until January 1, 2029, when the full trade-in value becomes tax exempt;

- agreed-upon trade-in value of a recreational vehicle that is applied toward the purchase of another new or used recreational vehicle.
- 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;
- agreed-upon trade-in value of a motor vehicle or recreational vehicle that is applied towards the purchase of another new or used vehicle.
- delivery and installation charges that are included in the price of a product.

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 as defined in statute;
- 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;
- tangible personal property purchased and installed as a component part of a facility with a pollution control tax certificate or a water pollution control tax exemption certificate;
- 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;
- charges attributed to the recycling of motor vehicle or recreational vehicle parts or batteries;
- property used for fishing as a business enterprise;
- tangible personal property used in activities that qualify under a transformational brownfield plan that is turned into a structural part of the property or infrastructural improvement under the plan;
- school buses or other transportation services paid for by a school for use in transporting students to or from a school or a school related event.

RATE:

6% minus the local community stabilization share rate as determined annually by the Department of Treasury (see related box).

The state Constitution limits the use tax rate to 6%. The Use Tax can be considered two different taxes. A 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

USE TAX / STATE SHARE TAX (CONTINUED)

additional tax shall be imposed, the 2% tax is the minimum rate that must be levied by the legislature.

These limitations apply to the combined State Share Tax rate and Local Community Stabilization Share Tax.

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.

$75 million is deposited in the Local Government Reimbursement Fund to reimburse local governments for revenue losses tied to the small business personal property exemption.

An amount equal to the use tax revenue generated from the 2% tax from the use of aviation fuel shall be deposited into funds for aeronautics programs: 65% into the Qualified Airport Fund and 35% into the State Aeronautics Fund.

Remaining revenue goes to the General Fund.

2023-24 COLLECTIONS: $2,197,448,000

2023-24 COLLECTIONS/UNIT: $366 million per 1%

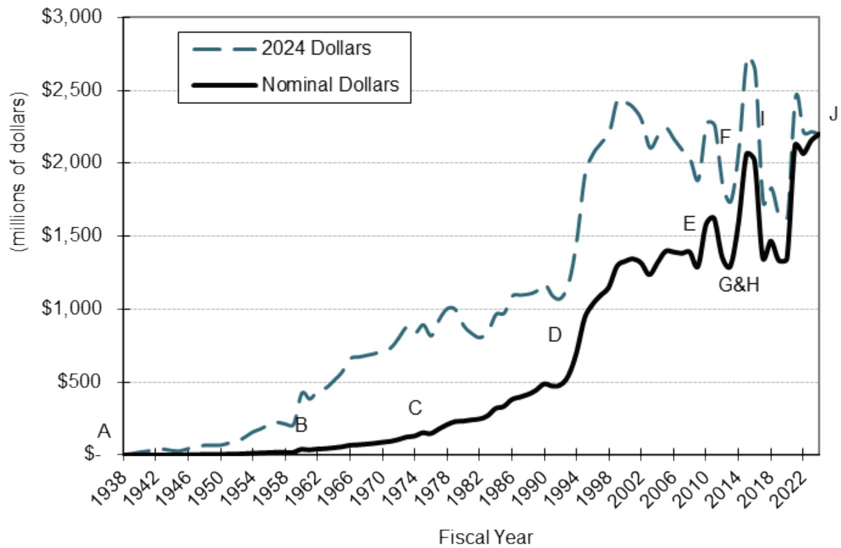
The Use Tax and Local Community Stabilization Share Revenue Distribution

In August 2014, Michigan voters approved a significant change to the disposition of Michigan's use tax revenue. The change is related to legislative packages enacted in 2012 and 2014 that will phase out the personal property tax on eligible industrial and commercial personal property. The phase out by itself would lead to significant reductions in local property tax revenues. In order to reimburse local governments for most 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 divides 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 five members appointed by the Governor; and a state share tax which will continue to be levied by the state.

The rate of the local community stabilization share will 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 was $466 million in FY2020 and will gradually rise until it reaches $572.6 million in FY2028. After FY2028, the revenue target will be adjusted by an annual 1% growth factor. The state share rate will then be the current 6% use tax rate minus the calculated local community stabilization share rate. All of the funds attributed to the local community stabilization share comes out of revenues generated from the original 4% use tax rate that was previously earmarked to the General Fund. The General Fund receives the remaining revenue from the tax at the 4% rate. The tax's allocation to the School Aid Fund from the additional 2% rate approved in 1994 is unaffected.

USE TAX / STATE SHARE TAX (CONTINUED)

Chart 5
Use Tax Revenue, 1938 – 2024



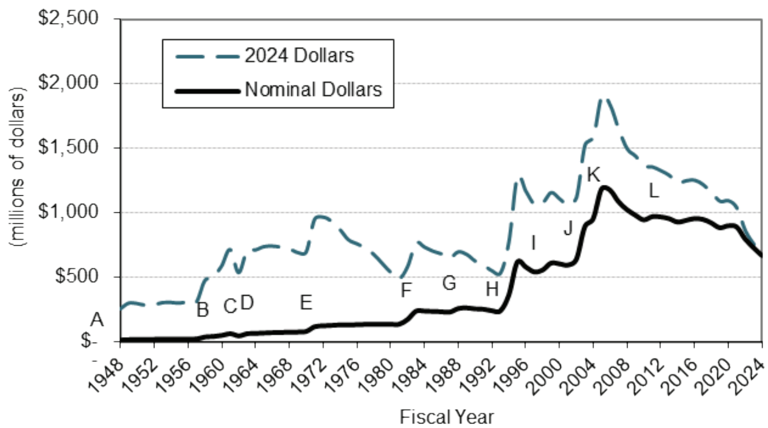
A	1937	PA 94	—	Use Tax established at 3%.
B	1960(2ES) PA 2		—	Increased tax rate to 4%.
C	1974	Const Amend	—	Eliminated sales and use taxes on food and prescription drugs.
D	1993	PA 326	—	Increased tax rate to 6% effective May 1, 1994.
E	2008	PA 440	—	Added to the tax base the use or consumption of medical 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.
H	2014	PA 161	—	Medical services provided by Medicaid managed care organizations added to the tax base effective April 1, 2014.
I	2016	PA 390	—	Medical services provided by Medicaid managed care organizations is removed from base of Use Tax effec-

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.
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% *(From the General Fund allocation, $3.0 million is earmarked to the State Capitol Historic Site Fund in 2015 dollars; earmark is adjusted for inflation in subsequent years.)* 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%
2023-24 COLLECTIONS:	$672,126,000; $564,724,000 from cigarettes and $107,402,000 from non-cigarettes

TOBACCO PRODUCTS TAX (CONTINUED)

Chart 6
Michigan Tobacco Products Tax Revenue, 1948 – 2024



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.
			— Non-cigarette tobacco products tax increased to 20% of wholesale price effective August 1, 2002.
K	2004	PA 164	— Increased tax rate to 100 mills per cigarette ($2.00 per pack). Non-Cigarette Tobacco Products Tax increased to 32% of wholesale price. All became effective July 1, 2004.
L	2012	PA 325	— Capped the tax on cigars at 50 cents per cigar; sunset on the cap was permanently removed by 2021 PA 102.

MARIHUANA RETAIL EXCISE TAX

LEGAL CITATION:	M.C.L. 333.27951 et seq., Initiated Law 1 of 2018
YEAR ADOPTED:	2018.
BASIS OF TAX:	Privilege of selling marihuana products at retail and as a microbusiness.
MEASURE OF TAX (BASE):	Marihuana sold or otherwise transferred in Michigan to anyone other than a marihuana establishment.
RATE:	10% of the sale price.
ADMINISTRATION:	Michigan Department of Treasury.
REPORT AND PAYMENT:	Quarterly returns ad payments are due on the 20th of the month following the preceding calendar quarter.
DISPOSITION:	Revenues are deposited into the Marihuana Regulation Fund. Those revenues are distributed (subject to legislative appropriation) as follows: Fully fund the cost of implementation, administration and enforcement of the Michigan Regulation and Taxation of Marihuana Act; Remaining revenues are distributed: 15% to cities, villages, and townships with marihuana retail stores or microbusinesses, allocated in proportion to the number of such businesses in each municipality; 15% to counties with marihuana retail stores or microbusinesses, allocated in proportion to the number of such businesses in each county; 35% to the School Aid Fund; 35% to the Michigan Transportation Fund.
2023-24 COLLECTIONS:	$303,869,000

MARIHUANA WHOLESALE EXCISE TAX

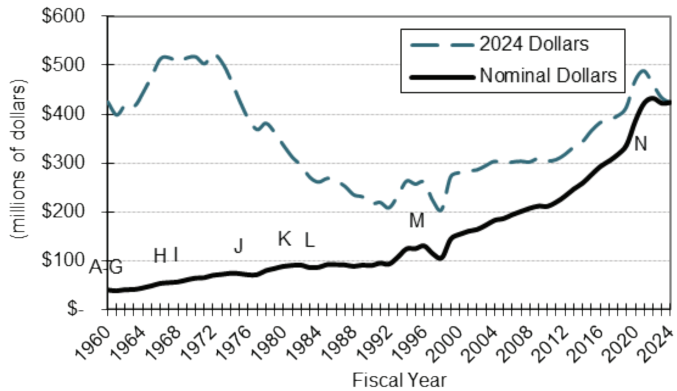
LEGAL CITATION:	M.C.L. 205.901 et seq., 2025 PA 23.
YEAR ADOPTED:	2025
BASIS OF TAX:	Privilege of selling marihuana products at wholesale as a marihuana establishment, retail licensee, or provisioning center.
MEASURE OF TAX (BASE):	Marihuana sold or otherwise transferred under the following circumstances: (a) the first sale from a marihuana establishment to a marihuana retail licensee; (b) the sale of marihuana cultivated and processed for retail sale by a marihuana retail licensee; and (c) for marihuana sold from a provisioning center to a marihuana retail licensee.
RATE:	24% of the wholesale price.
ADMINISTRATION:	Michigan Department of Treasury.
REPORT AND PAYMENT:	Statute allows the Department of Treasury to establish timelines for filing periodic returns and for remitting the total amount due with each return..
DISPOSITION:	Deposits to the Comprehensive Road Funding Fund to cover the Department of Treasury's implementation and administrative costs related to the tax: • For FY2026, $3,000,000 • For FY2027 and beyond, $500,000 plus an annual inflationary adjustment based on growth in the Consumer Price Index across the two most recently completed fiscal years. Remaining revenue to the Neighborhood Road Fund.

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 as of April 14, 1998.
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. For qualified small distillers that manufacture 60,000 gallons or less annually who distill using base distillate with at least 40% grain grown and harvested in Michigan, the price is established to return a gross profit of 32.5%. A discount of 17% is deducted from the price to establish the cost of liquor to 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:	Liquor Purchase Revolving Fund. A portion of the revenue supports liquor-related administrative and distribution costs; remainder to General Fund ($301.4 million in FY2024)
2023-24 COLLECTIONS:	$23,014,000

LIQUOR MARKUP (CONTINUED)

Chart 7
Michigan Liquor Markup Tax Revenue, 1960 - 2024



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.
M	1996	PA 440	—	Liquor distribution system shifts to private contracted distribution agents.
N	2021	PA 109	—	Markup rate reduced to 32.5% for qualified small distillers.

Note: Most markup changes have occurred because of administrative action.

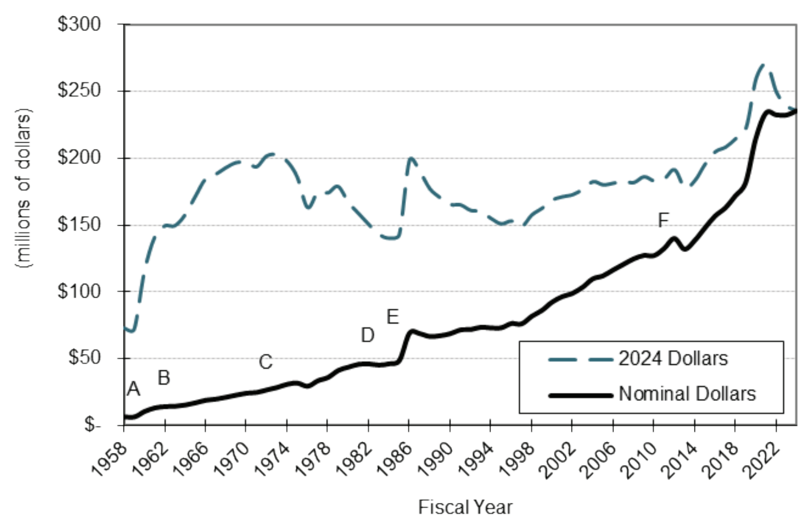
LIQUOR TAXES

LEGAL CITATION:	M.C.L. 436.2201-436.2207; 1998 PA 58.
YEAR ADOPTED:	1957, 1962, 1972, and 1985. The former statutes (1959 PA 94; 1962 PA 218; 1972 PA 213; and 1985 PA 107) were repealed as of April 14, 1998.
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 rate on retail price is 10.8%.
ADMINISTRATION:	Michigan Department of Licensing and Regulatory Affairs, Liquor Control Commission.
REPORT AND PAYMENT:	Liquor Control Commission regulation.
DISPOSITION:	4% rate (specific) – First $15 million to the Secondary Road Patrol and Training Fund (amount adjusted annually based on Detroit Consumer Price Index inflation); remainder to General Fund; 4% rate (excise) - School Aid Fund; 4% rate (specific) - Convention Facility Development Fund.

2023-24 COLLECTIONS:

	Collections	Collections/Unit
Road Patrol/General Fund:	$84,124,000	$21.0 million/1%
School Aid Fund:	75,523,000	$18.9 million/1%
Convention Facility Development Fund:	75,942,000	$19.0 million/1%
TOTAL	$235,589,000	

Chart 8
Liquor Tax Revenues, 1958 – 2024



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	462, 463, 464	—	Added spirits with alcohol content under 22% to Liquor Tax bases.
E	1985	PA 107	—	Liquor Specific Tax established at 4%.
F	2011	PA 166	—	Repealed 1.85% Liquor Specific Tax that had been established in 1972.

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 as of April 14, 1998.
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 60,000 barrels annually.
ADMINISTRATION:	Michigan Department of Licensing and Regulatory Affairs, Liquor Control Commission.
REPORT AND PAYMENT:	Quarterly payments due by January 15, April 15, July 15, and October 15 covering the previous calendar quarter.
DISPOSITION:	General Fund.
2022-23 COLLECTIONS:	$33,586,282

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 as of April 14, 1998.
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:	Quarterly payments due by January 15, April 15, July 15, and October 15 covering the previous calendar quarter.
DISPOSITION:	General Fund.
2022-23 COLLECTIONS:	$12,755,586

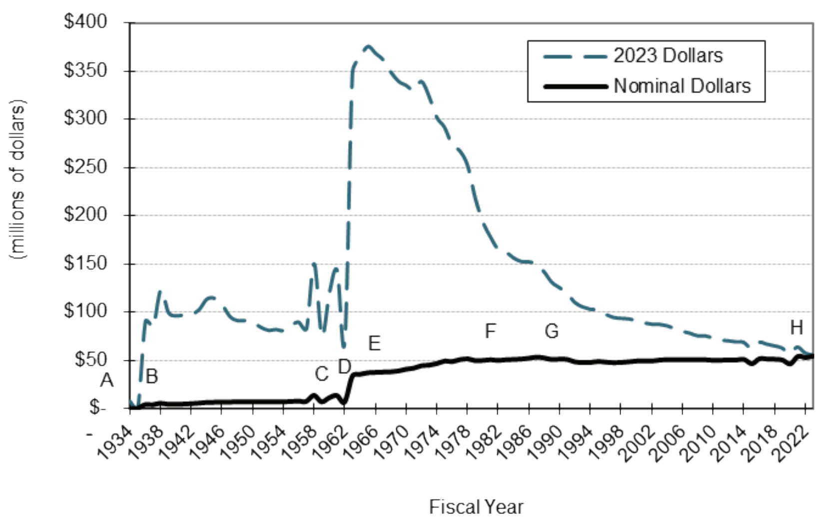
MIXED SPIRITS TAX

LEGAL CITATION:	M.C.L. 436.1301; 1998 PA 58.
YEAR ADOPTED:	1989. The former statute (1933 PA 8 (Ex. Session)) was repealed as of April 14, 1998.
BASIS OF TAX:	Privilege of manufacturing and selling mixed spirits.
MEASURE OF TAX (BASE):	Mixed spirits drinks (13.5% 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:	30 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.
2022-23 COLLECTIONS:	$7,881,170

SUMMARY: BEER, WINE, AND MIXED SPIRITS

Chart 9

Beer, Wine, and Mixed Spirits Tax Revenues, 1934 – 2023



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.
H	2021 PA 19	—	Mixed-Spirit Drinks Tax reduced to 30 cents per liter.

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. These bonds are projected to be retired in May 2031.
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

2023-24 COLLECTIONS:	$39,730,000

USE TAX / 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.

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 27).

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
	2027	$572,200,000	
	2028	$572,600,000	
2025	$569,800,000	2029 and after	1% growth from prior year
2026	$571,400,000		

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 prtovisions of the Local Community Stabilization Authority Act.

ACCOMMODATIONS (HOTEL-MOTEL) TAXES

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. These debts are not projected to be retired until 2039.
BASIS OF TAX:	Privilege of engaging in business of providing accommodations. Note: Accommodations also are taxed under the state and local use taxes.
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 2024, Calhoun, Genesee, Ingham, Kalamazoo, Kent, Muskegon, Saginaw, and Washtenaw levy the tax. Under 2024 PA 35, cities and townships within Kent County are also authorized to levy a separate 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 (Huntington Place). *In counties under 600,000:* not more than 8%, as determined by county. 2024 PA 35 allows qualified counties to increase their rates above the previous rate cap of 5% with voter approval. As of the beginning of 2024, all counties levy the tax at the previous maximum rate of 5%. Kent County voters approved an increase to 8% in August 2024. Cities and townships in Kent County can authorize by ordinance a tax of up to 2% with voter approval. *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.
2023-24 COLLECTIONS:	$28,117,000 (1985 PA 106 only)

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). Applies to counties other than Wayne, Oakland, Macomb, and Kent. 1989 (enabling act for regional marketing organization operating for at least 10 years and operates in a region composed of 15 counties – applies to 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 - applies to 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 – applies to 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 3% of the room charges. 2024 PA 235 increases the maximum rate to 4% beginning January 1, 2031. 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 or marketing organization of the county or region.
REPORT AND PAYMENT:	30 days after the end of each month.
DISPOSITION:	Depository of the convention bureau or marketing organization.

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 for purposes related to a stadium or convention facility. 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 local unit of government.
REPORT AND PAYMENT:	Determined by ordinance.
DISPOSITION:	Special fund of local unit of government.
2023-24 COLLECTIONS:	$28,117,000

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 and was later re-enacted.
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.
2023-24 COLLECTIONS:	$36,423,601 (based on city's July to June fiscal year)
2023-24 COLLECTIONS/UNIT:	$7.3 million per 1%

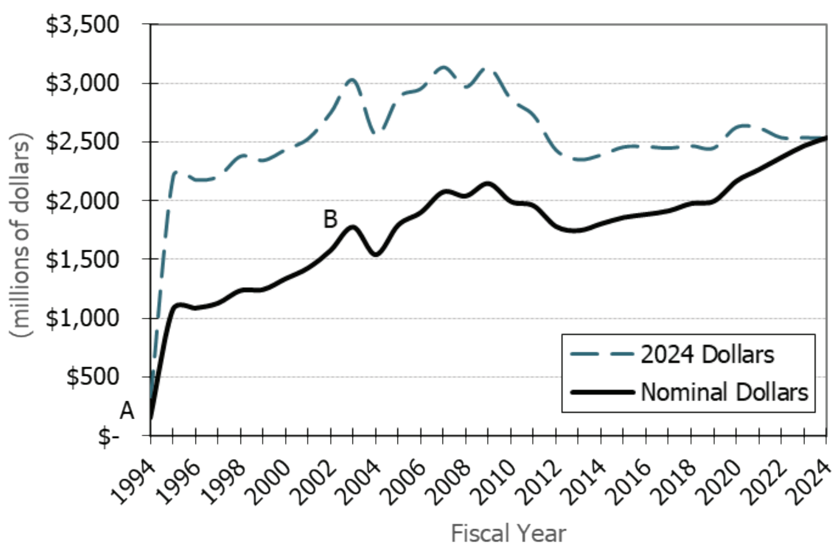
PROPERTY TAXES

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
Hydroponics and Aquaculture Facilities Specific Tax
Eligible Tax Reverted Property Specific Tax
County Real Estate Transfer Tax
Commercial Rehabilitation Tax
Commercial Facilities Tax
Commercial Forest Tax
Low Grade Iron Ore Specific Tax
Attainable Housing Facilities Tax
Residential Housing Facilities Tax
Qualified Heavy Equipment Rental Tax
Solar Energy Facilities 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 (see page 50), 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. Changes enacted in Public Acts 401, 402, and 403 of 2012 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 was effective beginning in tax year 2014. (2) certain commercial personal property used within industrial processing; the exemption began phasing in tax year 2016 and will continue to phase in until 2023.
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.
2023-24 COLLECTIONS:	$2,533,457,000
2023-24 COLLECTIONS/UNIT:	$422 million per mill

Chart 10
State Education Tax Revenue, 1994 – 2024



A	1993	PA 331	—	State Education Tax established.
B	2002	PA 243	—	Required that the tax be collected in a summer levy for 2003 and subsequent years. For 2003 only, the tax rate was reduced from 6 mills to 5 mills.

STATE REAL ESTATE TRANSFER TAX

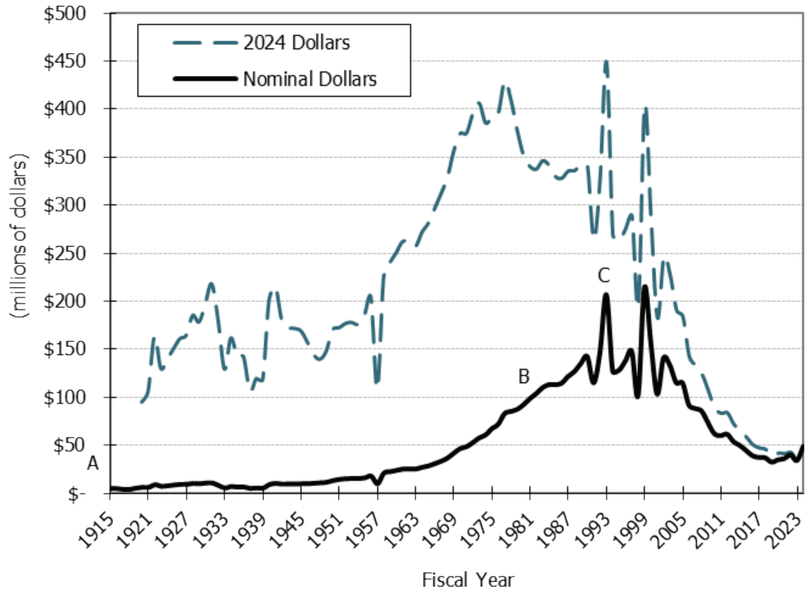
LEGAL CITATION:	M.C.L. 207.521 et seq.; 1993 PA 330.
YEAR ADOPTED:	1993
BASIS OF TAX:	Privilege of transferring interests in real property.
MEASURE OF TAX (BASE):	Fair market value of written instrument by which property is transferred. *Exemptions:* written instruments involving the following: (1) transfers 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 or interfamily 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; (24) transfers of a principle residence if the state equalized value of the property at the time of acquisition is less than or equal to the state equalized value at the time of initial purchase if the transaction price is consistent with its market price.
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.
2023-24 COLLECTIONS:	$398,642,000

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 (see 3a) 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.
2023-24 COLLECTIONS:	$48,872,000

UTILITY PROPERTY TAX (CONTINUED)

Chart 11
Utility Property Tax Revenue, 1915 – 2024



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 com-

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.

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 from the general property tax.

MEASURE OF TAX (BASE): Fair market value of the personal property at time of acquisition by the first owner, 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: 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, the statewide taxable value of real property was only 76% of total assessed value in 2020.

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; certain nonferrous minerals and mineral-producing property; and eligible hydroponics and aquaculture production facilities.

(5) certain household property, personal business property and mechanic's tools;

(6) personal property used in agricultural operations;

(7) inventory property;

(8) special manufacturing tools (dies, jigs, fixtures, molds, etc.);

GENERAL PROPERTY TAX (CONTINUED)

(9) solar, water or wind energy conversion devices (pre-1984);

(10) property in transit located in a public warehouse, dock or port facility;

(11) property located in a renaissance zone, except for the portion of tax attributable to special assessments, taxes levied for the payment of general obligation bonds, intermediate school district-wide enhancement mills and local school district sinking fund millages;

(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;

(18) commercial and industrial personal property owned by a taxpayer with a true cash value of less than $180,000 in a particular tax collecting unit;

(19) personal property used primarily for, or in direct support of, industrial processing;

(20) Real and personal property owned by a nonprofit street railway;

(21) Real and personal property with a pollution control tax exemption certificate or a water pollution control tax exemption certificate;

(22) Certain data center property in Renaissance zones.

(23) Qualified heavy equipment rental personal property for which a property exemption is claimed under the Qualified Heavy Equipment Rental Personal Property Specific Tax Act.

(24) Workforce housing projects that provide affordable housing option and are occupied by households with total income not greater than 120% of area median income; project must be approved for exemption by local unit of government.

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).

GENERAL PROPERTY TAX (CONTINUED)

The state constitutional tax limitation amendment of 1978 (Headlee Amendment) and state law require a taxing jurisdiction to roll back maximum authorized rates if the taxable 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 are 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 2024, the state average millage rate, including the 6-mill State Education Tax, was 42.2 mills.

ADMINISTRATION: Property assessed by city and township assessors; values equalized by county and state among six classifications of real property (residential, commercial, industrial, developmental, agricultural, and timber cutover) plus personal property. Collection by township, city, and 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.

2023 & 2024 COLLECTIONS:

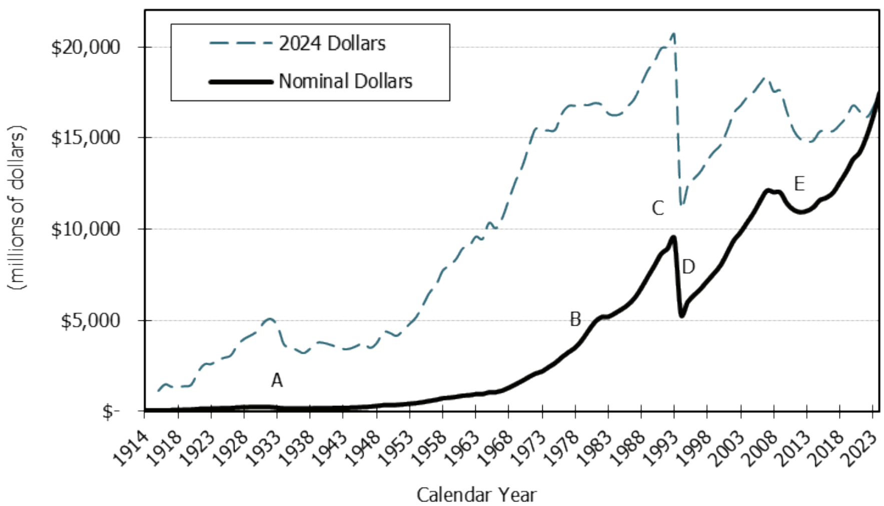
	2023 Levy		2024 Levy	
School*	$8,187,413,177	51%	$8,799,431,031	50%
City	3,180,192,728	20	3,444,720,401	20
County	3,090,863,645	19	3,403,128,194	20
Township	1,564,904,753	10	1,707,814,992	10
Village	116,411,555	1	124,777,578	1
Total Levy	$16,139,785,858	100%	$17,479,872,196	100%

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

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

GENERAL PROPERTY TAX (CONTINUED)

Chart 12
Total Michigan Local Property Tax Collections, 1914 – 2024



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.
E	2012	PAs 401-3	—	Certain classes of personal property exempted from taxation.

GENERAL PROPERTY TAX (CONTINUED)

Chart 13
Statewide Average Property Tax Rate, 1927 – 2024

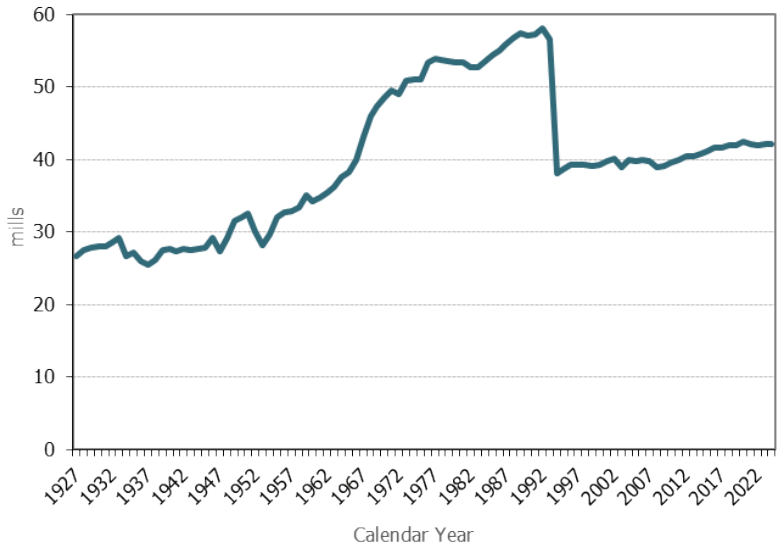
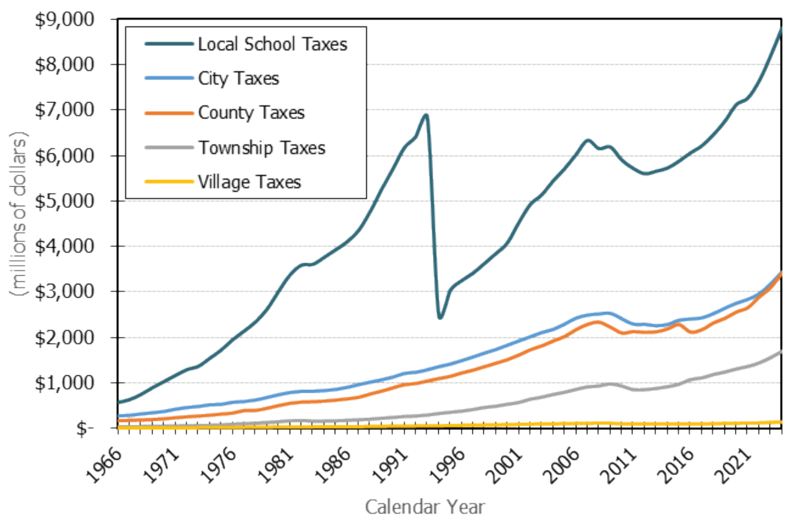


Chart 14
Property Tax Revenues by Unit of Government, 1966 – 2024



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 et seq; 1951 PA 33 (police/fire equipment and operations – cities with less than 15,500 population, cities with larger populations are also authorized to levy a special assessment with voter approval); 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. 125.4101: 2018 PA 57 (construction, renovation, etc., of facilities, existing buildings and multi-family dwellings – downtown development authorities (recodified 1975 PA 197)).
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 57 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 on 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 57 limits levy to 2 mills.
ADMINISTRATION:	Same as General Property Tax.
REPORT AND PAYMENT:	Same as General Property Tax.
DISPOSITION:	Locally determined.
2023-24 COLLECTIONS:	$283,075,563 (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 each 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 one half 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 can no longer be granted as of 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 (up to 17 years for qualified historic buildings) 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: one half 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: one half 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. <u>Two Years before the Exemption Expires</u> 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. <u>One Year before the Exemption Expires</u> 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. <u>Year that the Exemption Expires</u> 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 dis-

HYDROPONICS AND AQUACULTURE FACILITIES SPECIFIC TAX

LEGAL CITATION:	M.C.L. 211.981-211.986; 2014 PA 512.
YEAR ADOPTED:	2014.
BASIS OF TAX:	In lieu of general property taxation for owners of an eligible hydroponics production facility or an eligible aquaculture production facility.
MEASURE OF TAX (BASE):	Taxable value of the eligible hydroponics production facility or eligible aquaculture production facility. A hydroponics production facility is real property used for an indoor agricultural production operation which uses hydroponic techniques or practices for growing plants. To be eligible for the specific tax, a facility must have a production area of at least one acre and must not grow plants that are illegal under federal law. An aquaculture production facility is real property used for an indoor aquaculture production facility using aquaculture techniques or practices for growing aquaculture species. A facility must have a production area of at least 10,000 square feet to be eligible for the specific tax.
RATE:	Annual tax equals 25 percent of the annual property tax payment that the eligible facility would otherwise owe under the general property tax from levies that existed on December 31, 2014, if not exempt, except that the facility also qualifies for the principal residence exemption from taxes levied by local school districts for operating purposes. Tax is adjusted annually for any new millages approved within the local tax collecting unit after December 31, 2014, by adding an amount equal to the newly authorized mills times the taxable value of the eligible facility.
ADMINISTRATION:	State Tax Commission; local assessors and treasurers.
REPORT AND PAYMENT:	Same as the General Property Tax.
DISPOSITION:	Same as the General Property Tax.

ELIGIBLE TAX REVERTED PROPERTY SPECIFIC TAX

LEGAL CITATION:	M.C.L. 211.1021 et seq.; 2003 PA 260.
YEAR ADOPTED:	2003. Tax Reverted Clean Title Act.
BASIS OF TAX:	Ownership of eligible tax reverted property.
MEASURE OF TAX (BASE):	Taxable value of eligible tax reverted property.
RATE:	Same as the General Property Tax.
ADMINISTRATION:	Same as the General Property Tax.
REPORT AND PAYMENT:	Same as the General Property Tax.
DISPOSITION:	50% distributed in the same manner as the General Property Tax. The remaining 50% goes to the authority that sold or conveyed the property under the Land Bank Fast Track Act, and is earmarked to either fund purposes authorized under the Land Bank Fast Track Act or repay loans made to the authority under section 2f of the Surplus Funds in Treasury Act.

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, 2025, 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, 2025, 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 as of May 24, 1995.
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:	$1.35 per acre until December 31, 2026. Beginning January 1, 2027, and every five years after that date, the tax rate will be increased by five cents per acre. (The state also pays $1.35 per acre until December 31, 2026. Beginning January 1, 2027, 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.)
	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.
ADMINISTRATION:	Department of Natural Resources; Township Assessors, Township and County Treasurers.
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.

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.

ATTAINABLE HOUSING FACILITIES TAX

LEGAL CITATION:	M.C.L. 207.91 et seq.; 2022 PA 236.
YEAR ADOPTED:	2022
BASIS OF TAX:	In lieu of general property taxation.
MEASURE OF TAX (BASE):	The eligible portion of non-owner occupied, residential real property with no more than 4 dwelling units that is located within an attainable housing district established by a city, village, or township and for which an attainable housing exemption certificate has been approved. Eligible property must either be newly constructed or have undergone at least $5,000 in renovations to bring the property up to local building code standards. Eligible attainable housing property does not include the land on which a facility is located. To be eligible as attainable housing property, the property must be rented or leased to tenants whose adjusted household income is 120% or less of the relevant countywide median income. Rent or lease charges must be no more than 30% of the tenants' modified household income, as defined in statute.
RATE:	Specific tax equals the product of (a) one-half of the average tax rate levied on commercial, industrial, and utility property upon which ad valorem taxes are assessed for the immediately preceding calendar year; and (b) the taxable value of the eligible property (excluding the value of land). Three mills will be added to the calculated average tax rate if the State Treasurer determines that reducing the number of mills levied under the State Education Tax (as used in determining the average rate) is not necessary to provide an adequate supply of housing to income-qualified households in the state. Any portion of qualified property not used as attainable housing property in the immediately preceding year will be subject to a specific tax equal to the ad valorem property taxes that would be paid if that portion were not exempted from those taxes.
ADMINISTRATION:	State Board of Assessors; local clerks, assessors, and treasurers.
REPORT AND PAYMENT:	Same as General Property Tax.
DISPOSITION:	Collections from the specific tax are disbursed to the state, cities, school districts, counties, and authorities in the same proportions as the general property tax. Amounts that would otherwise be distributed to intermediate school districts and local school districts for operating purposes would be credited to the School Aid Fund.

RESIDENTIAL HOUSING FACILITIES TAX

LEGAL CITATION:	M.C.L. 207.951 et seq.; 2022 PA 237.
YEAR ADOPTED:	2022
BASIS OF TAX:	In lieu of general property taxation.
MEASURE OF TAX (BASE):	The eligible portion of non-owner occupied, residential real property with more than 4 dwelling units that is located within a residential housing district established by a city, village, or township and for which a residential housing exemption certificate has been approved. Eligible property must either be newly constructed or have undergone at least $50,000 in renovations to bring the property up to local building code standards. Eligible residential housing property does not include the land on which a facility is located. To be eligible as residential housing property, the property must be rented or leased to tenants whose adjusted household income is 120% or less of the relevant countywide median income. Rent or lease charges must be no more than 30% of the tenants' modified household income, as defined in statute.
RATE:	Specific tax equals the product of (a) one-half of the average tax rate levied on commercial, industrial, and utility property upon which ad valorem taxes are assessed for the immediately preceding calendar year; and (b) the taxable value of the eligible property (excluding the value of land). Three mills will be added to the calculated average tax rate if the State Treasurer determines that reducing the number of mills levied under the State Education Tax (as used in determining the average rate) is not necessary to provide an adequate supply of housing to income-qualified households in the state. Any portion of qualified property not used as residential housing property in the immediately preceding year will be subject to a specific tax equal to the ad valorem property taxes that would be paid if that portion were not exempted from those taxes.
ADMINISTRATION:	State Board of Assessors; local clerks, assessors, and treasurers.
REPORT AND PAYMENT:	Same as General Property Tax.
DISPOSITION:	Collections from the specific are disbursed to the state, cities, school districts, counties, and authorities in the same proportions as the general property tax. Amounts that would otherwise be distributed to intermediate school districts and local school districts for operating purposes would be credited to the School Aid Fund.

QUALIFIED HEAVY EQUIPMENT RENTAL TAX

LEGAL CITATION:	M.C.L. 211.1121 et seq.; 2022 PA 35.
YEAR ADOPTED:	2022
BASIS OF TAX:	In lieu of general property taxation.
MEASURE OF TAX (BASE):	The rental price paid to a qualified renter of heavy equipment that receives more than 50% of its annual gross receipts from rentals of qualified heavy equipment. Rental price excludes any separate charges or costs for items such as delivery/pickup, damage waivers, environmental mitigation fees, sales/use taxes, or insurance. Tax does not apply to rentals of eligible property to the federal government; federally-recognized Indian tribes; to the State of Michigan; or to other states and local units of government.
RATE:	2% of the rental price of the eligible personal property net of any customer credits following the rental.
ADMINISTRATION:	Department of Treasury; local treasurers.
REPORT AND PAYMENT:	Quarterly to Department of Treasury not later than April 30, July 31, October 31, and January 31 of each year.

DISPOSITION: Qualified Heavy Equipment Rental Personal Property Exemption Reimbursement Fund for distribution as follows:

- $400,000 to the Department of Treasury for related administrative costs for FY2023; amount increased in subsequent years based on Detroit Consumer Price Index inflation rate.
- For the remaining balance:
  - 90% to cities and townships in which qualified rental business are located; two semi-annual distributions in March and September are allocated based on the proportion of tax collected from renters within the specific local unit relative to the total tax collected statewide.
    - Within 35 days, cites and townships receiving an allocation must distribute the allocation to all individual taxing units that levy a millage at a qualified rental business location based on the specific taxing unit's millage relative to the total millage levied by all taxing units.
    - Amounts that would be disbursed to a local school district for school operating purposes would instead by paid into the State School Aid Fund
  - 10% to cities, villages, townships, and counties that do not receive a direct or indirect distribution from the 90% allocation; each July, this distribution is allocated based on the specific local unit's local community stabilization share revenue from the Use Tax relative to the total local community stabilization share revenue for all local units not receiving a distribution from the 90% allocation.

SOLAR ENERGY FACILITIES TAX

LEGAL CITATION:	M.C.L. 211.1151 et seq.; 2023 PA 108.
YEAR ADOPTED:	2023
BASIS OF TAX:	In lieu of general property taxation on the qualified facility, but not on the land on which the facility is located.
MEASURE OF TAX (BASE):	Megawatts of nameplate capacity in alternating current generated by a qualified solar energy facility as reported on an annual form submitted to the city, village, or township in which the facility resides. Qualified facilities must be located within a solar energy district created by the relevant local unit, and the owner or lessee of the facility must have received a solar energy exemption certificate from the local clerk. Qualified facilities remain exempt from ad valorem property taxes and subject to this specific tax for 20 years following the effective date of the facility's certificate. New exemptions cannot be granted after December 31, 2031.
RATE:	$7,000 per megawatt of nameplate capacity in alternating current as reported to the local unit. However, no tax is imposed prior to the time that facility construction is in progress. While construction is in process, the rate is reduced by 50 percent. Rate is reduced to $2,000 per megawatt of nameplate capacity for qualified facilities that are located on property: • owned by the state at the time of facility installation or immediately prior to a sale of property to facilitate the installation; • within an Opportunity Zone designated by the U.S. Department of Treasury under the Tax Cuts and Jobs Act (Public Law No. 115-97); • currently or formerly used for commercial or industrial purposes and that meets certain criteria in state law for blighted or obsolete properties; and/or • that is improved real property if the facility is attached to the improvement.
ADMINISTRATION:	Local clerks, assessors, and treasurers.
REPORT AND PAYMENT:	Same as General Property Tax.
DISPOSITION:	Collections from the specific tax are disbursed to the state, cities, school districts, counties, and authorities in the same proportions as taxes collected for industrial personal property under the General Property Tax Act as of the effective date of the act.

TRANSPORTATION TAXES

Motor Vehicle Registration Fees
Gasoline Tax
Diesel Fuel Tax
Environmental Protection Fee
Alternative Fuel 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. Persons who qualify for a special registration plate as a totally disabled veteran are exempt from the tax.

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	$36
$6,001 to $7,000	$40
$7,001 to $30,000	$46, plus $6 for each $1,000 above $7,000 base list price.
More than $30,000	$178, increased by $6.00 for each $1,000 or fraction of $1,000 over $30,000.

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. For *trucks and truck tractors owned and used by a farmer or wood harvester:* $0.74 per 100 pounds (minimum $16).

3. For *motorcycles:* $25.00.

4. For *buses operated under an MDOT certificate:* $25.00.

5. For *taxicabs* (fee per 100 lb.):

0-4,000 lb.	$1.76	4,001-6,000 lb.	$2.20	6,001-10,000 lb.	$2.72	Over 10,000 lb.	$3.25

6. For *hearses and ambulances:* 1.17 per 100 lb.

7. For *wreckers:* $200

8. For *trucks owned and operated free of charge by a religious or charitable organization:* $0.65 per hundred lb.

9. For *commercial pickup trucks under 5,000 lb.:*

0-4,000 lb.	$39	4,001-4,500 lb.	$44	4,501-5,000 lb.	$49

10. For *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		

MOTOR VEHICLE REGISTRATION FEES (CONTINUED)

11. 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:	$590	36,001-42,000:	$1,049	66,001-72,000:	$1,835	115,001-130,000:	$2,938
24,001-26,000:	$670	42,001-48,000:	$1,206	72,001-80,000:	$1,992	130,001-145,000:	$3,204
26,001-28,000:	$670	48,001-54,000:	$1,362	80,001-90,000:	$2,152	145,001-160,000:	$3,473
28,001-32,000:	$779	54,001-60,000:	$1,522	90,001-100,000:	$2,403	Over 160,000:	$3,741
32,001-36,000:	$893	60,001-66,000:	$1,678	100,001-115,000:	$2,668		

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

13. For *electric vehicles using 4 or more tires,* a surcharge is imposed (in addition to the vehicle's regular registration tax) equal to:

Vehicle Type	Surcharge
Hybrid, empty weight of 8,000 lb. or less	$60
Hybrid, empty weight more than 8,000 lb.	$130
Non-hybrid, empty weight of 8,000 lb. or less	$160
Non-hybrid, empty weight more than 8,000 lb.	$260

The surcharge for hybrid vehicles will be increased by $2.50 for each 1-cent increase in the gasoline tax above 19 cents per gallon. Likewise, the surcharge for non-hybrid vehicles will be increased by $5.00 for each 1-cent increase in the gasoline tax above 19 cents per gallon. The values reported above are based on the current 31.0 cent per gallon tax rate. Rates will increase significantly beginning January 1, 2026 given the 20-cent base rate increase in the gasoline tax enacted in 2025.

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, 2027.

Registration transfers: A vehicle registration can be transferred to a purchased new or used vehicle for a registration transfer fee of $10 plus a registration difference fee of $8.

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 February), for trailers (lifetime registration), for motorcycles (March 31), and for historic vehicles (on April 15 in the 10th year after the date of issue). Individuals who own a vehicle may opt to request that a vehicle's registration expire two years after the owner's birthday and pay an adjusted tax. Tax due with new registration.

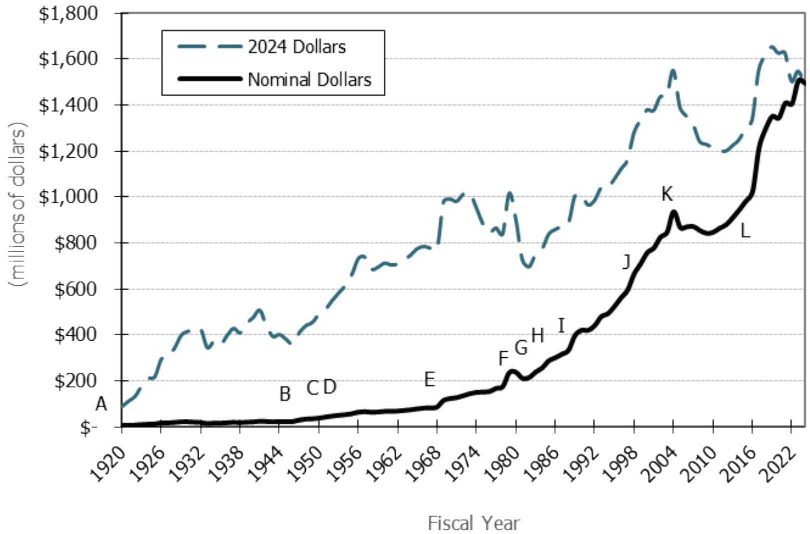
DISPOSITION: Michigan Transportation Fund; Of the $8 fee imposed on most vehicle registrations, $2.25 credited to the Traffic Law Enforcement and Safety Fund and $5.75 to the Transportation Administration Collection Fund.

The $10 registration transfer fee is credited to the Transportation Administration Collection Fund; $8 registration difference fees are credited to the Michigan Transportation Fund.

2023-24 COLLECTIONS: $1,493,886,000

MOTOR VEHICLE REGISTRATION FEES (CONTINUED)

Chart 15
Motor Vehicle Registration Tax Revenue, 1920 – 2024



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.
L	2015	PA 174	—	Increased registration taxes by 20% for passenger vehicles and large commercial trucks.

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. *Exemption* for the following types of fuel: (1) number 5 fuel oil; (2) number 6 fuel oil; (3) bunker C fuel oil (also known as navy special fuel oil). *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:	31.0 cents per gallon in 2025. Starting January 1, 2026, the rate will increase to 51.0 cents per gallon plus an inflationary adjustment based on the U.S. Consumer Price Index inflation rate, with a maximum annual growth rate of 5%. The inflationary adjustment will also be applied to future rates beginning on January 1 of each year.
ADMINISTRATION:	Department of Treasury.
REPORT AND PAYMENT:	Due by 20th of each month.
DISPOSITION:	Michigan Transportation Fund for use in road and bridge construction and maintenance as well as public transit funding.
2023-24 COLLECTIONS:	$1,275.350,000 (includes revenue from liquefied petroleum gas; collection occurred when rate was 30.0 cents/gallon)
2023-24 COLLECTIONS/UNIT:	$42.5 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:	31.0 cents per gallon in 2025. Beginning January 1, 2026, the rate will increase to 51.0 cents per gallon plus an inflationary adjustmentbased on the U.S. Consumer Price Index inflation rate, with a maximum annual growth rate of 5%. The inflationary adjustment will also be applied to future rates beginning on January 1 of each year.
ADMINISTRATION:	Department of Treasury.
REPORT AND PAYMENT:	Due by 20th of each month.
DISPOSITION:	Michigan Transportation Fund.
2023-24 COLLECTIONS:	$265,693,000 (includes revenue from intrastate motor carriers)

ENVIRONMENTAL PROTECTION FEE

LEGAL CITATION:	M.C.L. 324.21508; 1994 PA 451
YEAR ADOPTED:	1994
BASIS OF TAX:	Charge for capacity utilization of refined petroleum underground storage tanks.
MEASURE OF TAX (BASE):	Each gallon of refined petroleum products sold for resale or consumption. *Exemption* for public utilities with more than 500,000 customers in the state for petroleum used for the generation of steam or electricity.
RATE:	1 cent per gallon.
ADMINISTRATION:	Department of Treasury.
REPORT AND PAYMENT:	Collected on the 10th and 25th of each month.
DISPOSITION:	The first $20,000,000 collected is deposited into the Underground Storage Tank Regulatory Enforcement Fund. The remaining revenue is deposited in the Refined Petroleum Fund.
2023-24 COLLECTIONS:	$60,097,000

ALTERNATIVE FUEL TAX

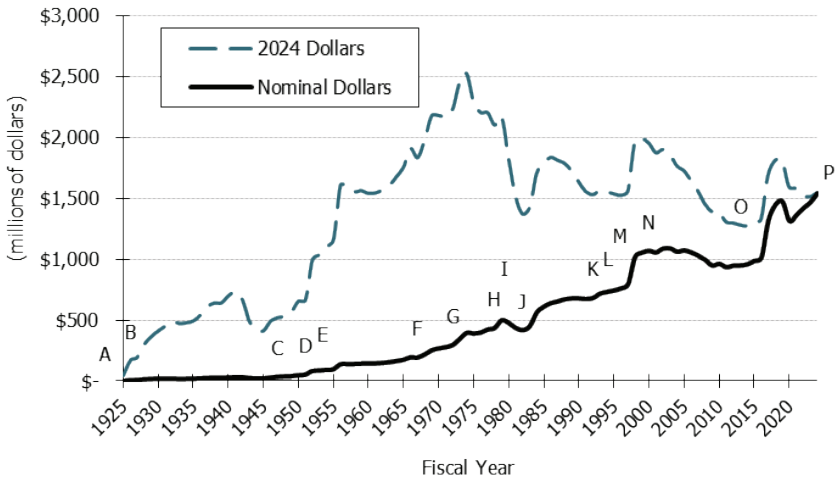
LEGAL CITATION:	M.C.L. 207.1152 et seq.; 2000 PA 403; Section 9, Article IX, state Constitution.
YEAR ADOPTED:	1953. The Gasoline Tax (1925 PA 150), the Diesel Fuel Tax (1951 PA 54), and the Liquefied Petroleum Gas Tax (1953 PA 147) were recodified by the Motor Fuel Tax Act, 2000 PA 403.
BASIS OF TAX:	Privilege of using highways.
MEASURE OF TAX (BASE):	Alternative fuels including liquefied petroleum gas, natural gas, compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, hydrogen compressed natural gas, or hythane sold or used in operating vehicles on public highways. Prior to January 1, 2017, base included only liquified petroleum gas. *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:	31.0 cents per gallon equivalent for all alternative fuels in 2025. Beginning January 1, 2026, the rate will increase to 51.0 cents per gallon plus an inflationary adjustment based on the U.S. Consumer Price Index inflation rate, with a maximum annual growth rate of 5%. The inflationary adjustment will also apply to future rates beginning on January 1 of each year.
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.
2023-24 COLLECTIONS:	Included with Gasoline Tax revenues.

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:	31.0 cents per gallon in 2025. Beginning January 1, 2026, the rate will increase to 51.0 cents per gallon plus an inflationary adjustment based on the U.S. Consumer Price Index inflation rate, with a maximum annual growth rate of 5%. The inflationary adjustment will also be applied to future rates beginning on January 1 of each year.
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.
2023-24 COLLECTIONS:	$4,586,000

SUMMARY: MOTOR FUEL TAX

Chart 16
Motor Fuel Tax Revenues, 1925 – 2024



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

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.
O	2015	PA 176	—	Increased gasoline and diesel rates to 26.3 cents per gallon and indexed rates to inflation beginning in 2022.
P	2025	PA 20	—	Increased motor fuel tax rates (gasoline, diesel, alternative fuels) to 51 cents per gallon beginning on January 1, 2026, plus an inflationary adjustment beginning January 1, 2026.

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 or intrastate nonconsensual towing operations. $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).
2023-24 COLLECTIONS:	$8,389,000

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, and 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 Recreation Legacy Fund, Waterways Account distributed as follows:

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

2023-24 COLLECTIONS:	$10,120,000

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.
2023-24 COLLECTIONS:	$6,462,000

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.
2023-24 COLLECTIONS:	$476,000

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 as of May 24, 1995.
BASIS OF TAX:	Required registration and fee by owner of each snowmobile in state using public lands.
MEASURE OF TAX (BASE):	Each snowmobile is considered a separate unit subject to registration. All snowmobiles must be registered unless used exclusively on private property. An annual trail permit is 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, $52.00. Every fifth year, next on October 1, 2026, the trail permit fee will be adjusted by the cumulative percentage change in the U.S. Consumer Price Index inflation rate 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: $50.50
2023-24 COLLECTIONS:	$1,409,000

APPENDICES

Changes in Michigan Tax Laws
Glossary of Terms
Collections from Major Taxes
*Michigan Business Tax**
*Estate Tax**
*Enterprise Zone Facilities Tax**

**The Michigan Business Tax has been repealed but remains in effect for certain taxpayers. The Estate and the Enterprise Zone Facilities taxes were rendered moot by changes in federal laws. They remain in statute and could become effective with changes in federal or state statutes.*

APPENDIX A: CHANGES IN MICHIGAN TAX LAWS

MAY 1, 2023 TO OCTOBER 31, 2025

Tax Administration

2024 PA 12: Allows counties to forgo appointing a designated assessor and to instead allow the State Tax Commission to appoint an assessor for them.

PA 97: Increases the maximum fine from $200 to $4,000 for failing to file a transfer of property ownership notice with the local assessing officer for residential properties that are not principal residences.

PA 129: Allows the Michigan Tax Tribunal's Residential Property and Small Claims Division to conduct hearings and rehearings on property tax disputes by telephone or video conference.

Income Taxes

Individual Income Tax

2024 PA 118: Defines authorized businesses and the method of calculating increases in qualifying research and development expenses for the newly-established state research and development credit.

PA 156: Creates a one-time, non-refundable income tax credit of up to $10,000 for unreimbursed live organ donation expenses incurred during a tax year.

PA 216: Modifies provisions related to the administration of the flow-through entity tax electively paid by certain qualified S corporations and partnerships; changes affect the timing of filing an election to pay the tax; the assessment of penalties and interest; and other required disclosures from taxpayers.

2025 PA 24: Provides that adjusted gross income under Michigan's income tax be calculated as though changes to federal income tax deductions contained in sections 163, 168, 174, and 179 of the Internal Revenue Code through the enactment of the federal One Big Beautiful Bill Act (OBBBA) were applicable. The act effectively allows tax relief for overtime compensation and tipped income contained in the OBBBA to be claimed under Michigan's income tax; also allows Michigan taxpayers over age 67 to deduct Social Security income in addition to the current deduction of $20,000 for single filers and $40,000 for joint filers.

Business Privilege Taxes

Michigan Business Tax

2023 PA 120: Extends the required completion time for a specific development project in the City of Detroit to December 31, 2026; the extension allows the project to remain eligible, without penalty, for preapproved brownfield tax credits.

Insurance Provider Assessment

2025 PA 25: Authorizes the Department of Health and Human Services to propose a revised tax structure to the federal government if the federal government informs Michigan it is ending its waiver approval of the current tiered tax structure; the proposal would have to assess a flat tax rate to all health insurance providers to achieve annual revenue no greater than the revenue due from the tax for the tax year of April 1, 2024 to March 31, 2025.

Internet Gaming Tax

2024 PA 142: Increases the deposit from the Internet Gaming Fund to the Compulsive Gaming Prevention Fund from $500,000 to $3.0 million.

Internet Sports Betting Tax

2024 PA 141: Increases the deposit from the Internet Sports Betting Fund to the Compulsive Gaming Prevention Fund from $500,000 to $1.0 million.

Corporate Income Tax

2024 PA 118: Defines authorized businesses and the method of calculating increases in qualifying research and development expenses for the newly-established state research and development credit.

PA 119: Requires the Department of Treasury to submit an annual report on the research and development tax credit program to the legislature and Governor regarding listing credit claims by business and assessing the program's effectiveness.

PA 177: Provides that a telephone company that is converted into a domestic limited liability company under 2024 PA 175 will continue to be treated as a corporation for state tax purposes.

PA 186: Establishes a state-level tax credit for authorized businesses engaged in research and development (R&D) activities; base credit equal to 3 percent of any qualifying R&D expenses, with an additional credit of between 10 and 15 percent for any expenses that exceed the average amount incurred during the prior three years. Total credit is capped at $2,000,000 for large employers (250 or more employees) and $250,000 for small employers (less than 250 employees).

2025 PA 24: Provides that taxable income under Michigan's corporate income tax be calculated as though changes to federal corporate income tax liability contained in sections 168 and 174A of the Internal Revenue Code through the enactment of the federal One Big Beautiful Bill Act (OBBBA) were not in place. The act effectively prevents federal business tax relief contained in the OBBBA from affecting Michigan's corporate income tax revenue.

APPENDIX A: CHANGES IN MICHIGAN TAX LAWS (CONT'D)

Sales-Related Taxes

Sales Tax

2023 PA 30: Expands the scope the industrial processing exemption to include certain equipment used in industrial processing activities performed on aggregate products or materials (e.g., building material such as gravel, crushed stone, or recycled concrete).

PA 142: Revises the definition of "prepared food" subject to the sales tax.

2024 PA 63: Streamlines documentation requirements for microbrewers (brewer that manufactures less than 60,000 barrels per year) for sales tax exemptions when selling directly to retailers.

PA 207: Extends the exemption of sales of data center equipment to a "qualified data center" or colocated businesses from December 31, 2035 to December 31, 2050; includes a new exemption for sales to "enterprise data centers".

2025 PA 17 : Exempts the sale of gasoline, diesel fuel, and other alternative fuels from the sales tax beginning January 1, 2026; requires an amount equal to the revenue loss to the School Aid Fund due to this exemption to be deposited into the School Aid Fund from additional sales tax collections that otherwise would be allocated to the General Fund.

Use Tax/State Share

2023 PA 27: Expands the scope the industrial processing exemption to include certain equipment used in industrial processing activities performed on aggregate products or materials (e.g., building material such as gravel, crushed stone, or recycled concrete).

PA 94: Revises provisions that determine when a vehicle purchased for resale loses its tax-exempt status; for new vehicle dealers licensed by the state, vehicle purchases would retain their tax-exempt status if they are registered in the name of dealer; act replaces previous provisions which required vehicles to be titled in the name of the dealer.

PA 175: Starting in fiscal year 2024, requires a $75 million annual deposit into the Local Government Reimbursement Fund to help compensate local governments for the loss in property tax revenue related to the increase in the ceiling for the small business personal property exemption from $80,000 in true cash value of personal property to $180,000; change in the ceiling became effective in tax year 2023.

2024 PA 61: Streamlines documentation requirements for microbrewers (brewer that manufactures less than 60,000 barrels per year) for use tax exemptions when selling directly to retailers.

PA 181: Extends the exemption of use of data center equipment by a "qualified data center" or colocated businesses from December 31, 2035 to December 31, 2050; includes a new exemption for use by "enterprise data centers".

2025 PA 19: Exempts the storage and use of gasoline, diesel fuel and other alternative fuels from the use tax beginning January 1, 2026.

Marihuana Retail Excise Tax

2023 PA 165: Authorizes a portion of the unexpended balance of the Marihuana Regulation Fund to be distributed to an Indian tribe in cases where a marihuana retailer or microbusiness is located on tribal land.

Marihuana Wholesale Excise Tax

2025 PA 23 : Establishes an excise tax on marihuana establishments and retail licensees equal to 24 percent of the wholesale price of marijuana sold or otherwise transferred to these entities for its retail sale.

Accommodations (Hotel-Motel) Taxes

2024 PA 35: Raises the maximum tax rate at which specified counties can levy a hotel-motel tax from 5 percent to 8 percent of the total charges for accommodations; allows cities and townships in Kent County to collect a hotel-motel tax of up to 2 percent of total charges for accommodations with local voter approval.

Convention and Tourism Marketing Fees

2024 PA 235: Gradually increases the maximum allowable assessment an eligible travel and convention bureau in Wayne County (Visit Detroit) can levy on metro Detroit hotel and motel rooms from 2 percent of room charges to 3.5 percent of room charges (beginning April 2, 2025) and then to 4 percent of room charges (beginning January 1, 2031).

Property Taxes

State Essential Services Assessment

2023 PA 211: Provides a process, for tax year 2021 only, for an owner of personal property that would have qualified for the first time for an exemption from property taxes and an alternative essential services assessment to obtain an exemption and assessment retroactively if applicable paperwork was not filed due to the COVID-19 pandemic

General Property Tax

2023 PA 191: Provides that principal residence properties that qualified for a poverty exemption from property taxes during the 2019, 2020, and 2021 tax years could remain exempt through the 2023 tax year if a such a resolution is adopted by the assessing unit's governing body; also authorizes local boards of review to grant a 75% poverty exemption in addition to the 100%, 50%, and 25% exemptions available under prior law.

PA 218: Requires personal property to be assessed in its original location rather than an alternative location to which it was moved; the act makes permanent provisions added during the COVID-19 pandemic.

Solar Energy Facilities Tax

2023 PA 108: Establishes a Solar Energy Facilities Tax of up to $7,000 per megawatt hour of nameplate capacity in lieu of general property taxes for qualified solar energy facilities located within a solar energy district created by a city, village, or township.

Transportation Taxes

Motor Fuel Tax

2025 PA 20: Increases the gasoline tax rate to 51 cents per gallon plus an inflationary adjustment based on growth in the U.S. Consumer Price Index; rate becomes effective on January 1, 2026 and applies to gasoline, diesel, and other alternative motor fuels.

Motor Carrier Fuel Tax

2024 PA 219: Authorizes the Department of Treasury to negotiate fuel tax reciprocity agreements with other states specific to motor carriers carrying raw forest products within 50 air miles of the shared state border; prior law allowed such agreements within 30 air miles of the border.

Motor Vehicle Registration Fees

2023 PA 219: Extends the expiration date for the $8 fee added to most vehicle registrations to cover certain regulatory and administrative costs to October 1, 2027.

APPENDIX B: 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.

Fantasy Contest: The term is defined within the Fantasy Contests Consumer Protection Act (M.C.L. 432.503) as a simulated game or contest with an entry fee where winning outcomes are determined by the aggregated statistical results of the performance of multiple individual athletes on real world sports teams as selected by the fantasy contest player. The statutory definition explicitly excludes direct sports betting; contests involving animal racing; various casino, card, and dice games; and any other games or devices authorized under the Michigan Gaming Control and Revenue Act.

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.

Member months: The total number of individuals for whom the insurance provider has recognized revenue for 1 month. For members revenue is recognized for only part of a month, a prorated partial member month is counted.

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.

APPENDIX B: 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.

APPENDIX C: COLLECTIONS FROM MAJOR MICHIGAN TAXES, 2021-2024

(In Millions)

STATE TAXES		2021	2022	2023	2024	Data Source
Income	Personal Income	$12,117	$14,581	$12,525	$12,174	A
	Corporate Income	1,720	2,107	2,292	2,220	A
	Subtotal*	$13,837	$16,688	$14,817	$14,394	
Business Privilege	Single Business & Michigan Business	($45)	($49)	($33)	$32	A
	Unemployment Insurance	1,140	1,239	1,215	1,161	B
	Quality Assurance Assessment Fees	1,345	1,364	1,412	2,310	G
	Insurance Provider Assessment	613	637	640	633	A
	Insurance Company Retaliatory	384	399	471	529	A
	Health Insurance Claims Assessment	3	1	0	0	A
	State Casino Gaming	91	104	103	101	A
	Oil & Gas Severance	21	42	30	24	A
	Corporate Organization	37	24	23	24	A
	Horse Race Wagering	3	3	3	2	A
	Subtotal*	$3,592	$3,764	$3,864	$4,816	
Sales-Related	Sales	$9,410	$10,725	$10,740	$10,604	A
	Use	2,121	2,064	2,154	2,197	A
	Tobacco Products	893	801	733	672	A
	Marihuana Excise	102	169	255	304	A
	Liquor Excise & Specific	157	156	157	160	A
	Liquor Markup	422	431	421	423	E
	Beer and Wine	51	50	47	45	A
	Airport Parking Excise	19	31	37	40	A
	Subtotal*	$13,175	$14,427	$14,544	$14,445	
Property	State Education	$2,265	$2,369	$2,466	$2,533	A
	State Essential Services Assessment	127	135	144	146	A
	State Real Estate Transfer	487	542	407	399	A
	Utility Property	36	40	34	49	A
	Subtotal*	$2,915	$3,086	$3,051	$3,127	
Transportation	Motor Vehicle Registration	$1,408	$1,405	$1,505	$1,494	A
	Gasoline	1,123	1,171	1,208	1,275	A
	Diesel Fuel	238	246	256	266	A
	Environmental Protection	57	63	59	60	A
	Other	32	32	33	32	A
	Subtotal*	$2,858	$2,917	$3,061	$3,127	
	Total State Taxes*	$36,377	$40,882	$39,337	$39,909	
LOCAL TAXES						
Income	City Income	$604	$735	$723	$803	C
Business Privilege	Wagering (Gaming/Sports)	$137	$278	$256	$259	F
Sales-Related	Utility Users	$32	$38	$41	$36	F
Property	General Property*	$14,218	$15,038	$16,140	$17,480	D
	Total Local Taxes*	$14,991	$16,089	$17,160	$18,578	
	Total State and Local Taxes*	$51,368	$56,971	$56,497	$58,487	

Data Sources:
A Treasurer's State Tax Collection table.
B U.S. Department of Labor (state fiscal year basis).
C City annual financial reports to Michigan Department of Treasury (local 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 Annual Comprehensive Financial Report (local fiscal year modified accrual basis).
G Michigan Annual Comprehensive Financial Report (state fiscal year modified accrual basis).

*Omits collections from certain minor taxes.

APPENDIX D: MICHIGAN BUSINESS TAX

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

YEAR ADOPTED: 2007. The tax was 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 Sec-

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:
<u>Business Income Tax</u>
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 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.

Modified Gross Receipts Tax

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;

(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.

(30) amounts attributable to the taxpayer pursuant to a discharge of indebtedness as defined in the federal Internal Revenue Code, including forgiveness of a nonrecourse debt.

"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.

<u>Insurance Companies and Financial Institutions Tax</u>

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.

APPENDIX D: MICHIGAN BUSINESS TAX (CONTINUED)

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, 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;

APPENDIX D: MICHIGAN BUSINESS TAX (CONTINUED)

(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 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 conducted 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).

APPENDIX D: MICHIGAN BUSINESS TAX (CONTINUED)

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.
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.
2023-24 COLLECTIONS:	$32,403,000

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.

APPENDIX E: 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.

APPENDIX F: 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.

A Tax without a Purpose

This act was originally drafted in 1985 to incentivize businesses in Benton Harbor to employ residents of that city. The act was altered in the early 1990s to capitalize on federal revitalization programs such as empowerment zones, rural enterprise communities, or enterprise communities. All zone designations under those program have since expired, so any businesses in the empowerment zone or enterprise communities designated in the 1990s are no longer eligible for an enterprise zone tax cut. If a federal program is implemented in line with the 1990s programs, the enterprise zone facilities tax breaks could become active again.

A Fact Tank Cannot Run on Empty or Fumes

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