Outline of the Michigan Tax System

October 2002

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A publication of the Citizens Research Council of Michigan

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Citizens Research Council of Michigan
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SIGNIFICANT EVENTS IN THE HISTORY OF THE MICHIGAN TAX SYSTEM

1893	General Property Tax Act enacted
1899	Inheritance Tax Act enacted
1905	Motor Vehicle Weight Tax enacted
1925	Gas Tax enacted
1933	— 15 Mill property tax limitation amended to State Constitution — Sales Tax enacted at 3% — Taxation of liquor initiated with Liquor Markup — Beer and Wine Taxes enacted — Horse Race Wagering Tax enacted
1938	State Constitution amended by "Anti-Diversion Amendment" to dedicate gas taxes for highway purposes
1939	State takes over collection of Intangibles Tax, sharing 100% of revenues with local government
1946	State Constitution amended by "Sales Tax Diversion Amendment" to share revenues with schools and locals
1947	First Tobacco Tax enacted
1953	Business Activities Tax enacted
1959	Liquor Excise Tax enacted
1960	Sales Tax increased to 4%
1963	New Constitutional includes ban on graduated income tax
1964	Uniform City Income Tax Act enacted
1967	State Individual Income Tax enacted/State Corporate Income Tax replaces Business Activities Tax
1974	State Constitution amended to remove food and drugs from Sales Tax base
1975	Single Business Tax enacted to replace seven state taxes and one local tax
1978	State Constitution amended by "Headlee Amendment" to limit state and local taxation
1993	Inheritance Tax repealed and replaced with "pick-up" tax
1994	Proposal A (property assessment cap amended to Constitution, Sales and Use tax rates increased to 6%, Tobacco Products Tax rate increased to 75 cents/pack, State Education and Real Estate Transfer taxes enacted to replace local school property taxes).
1995	Intangibles Tax phase out enacted
1999	— State Income Tax rate reduction — Single Business Tax phase out enacted

OUTLINE OF THE MICHIGAN TAX SYSTEM

Introduction

This outline is designed to be a ready reference to the taxes levied by state and local government in Michigan. It contains information on each of the 46 state and local taxes as of August 28, 2001, including:

— a description of each of the 46 state and local taxes and historical collections from major taxes (Pages 1 - 63).
— a summary of major tax law enacted by the state Legislature between January 1, 1997 and August 28, 2000 (Pages 67 - 71).
— a table of tax collections for years 1997-2000 (Page 75).

Taxes Defined

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

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

When is a charge considered a tax?

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

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

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

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

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

Some taxes are very clearly state taxes. These taxes are levied on a statewide basis, uniform across all taxpayers, and the revenues from these taxes are deposited into state funds to finance state government activities. For other taxes the distinction is not so clear.

Some taxes are state taxes levied for local purposes. The Airport Parking Excise Tax for instance, is levied only on the parking facilities in and around the Detroit Metropolitan Wayne County Airport and the revenues may be used only for support of that airport. Even though the revenues are used for seemingly local purposes, this tax is considered a state tax.

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

Taxes v. Fees. Because of the number of local units of government, it is not practical to place an overall limit on the total revenue of local government in a state. Instead, the Headlee Amendment attempted to limit local tax revenues in two different ways. First, it attempted to control the property tax burden, the primary means of funding local government in Michigan, by limiting net growth in the tax yield on a unit-wide basis. Second, and more significant to this discussion, 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 recent state Supreme Court decision, *Bolt v City of Lansing* (1998), 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.

Given these criteria, this edition of the Tax Outline includes two "taxes" that were previously not included because they were considered a fee: (1) the Liquor Markup; and (2) ad valorem special assessments. These taxes seem to meet all of the criteria laid out in the *Bolt* case. They go beyond a regulatory purpose, they are not levied proportionate to the necessary costs of any services, and they are compulsory in nature.

CLASSIFICATION OF MICHIGAN TAXES

The Michigan system of state and local taxes contains 46 elements, including 31 identifiable taxes imposed by the state for its own use and 15 taxes imposed by or for local governments. In this report, state and local taxes are classified according to the basis of taxation:

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

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

Acknowledgment

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

INCOME TAXES

Personal Income Tax

Uniform City Income Tax

PERSONAL INCOME

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

YEAR ADOPTED: 1967

BASIS OF TAX: A direct tax on income.

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

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

Subtractions include personal and dependency exemptions indexed to inflation ($3,000 for 2002), special exemptions for dependents ($600 per child under 19 years of age), the handicapped, senior citizens, and certain unemployment compensation recipients. Also excluded are all or part of:

(1) interest income from federal government obligations;
(2) armed forces compensation;
(3) public retirement or pension benefits; private retirement or pension benefits limited to $37,110 for the 2002 tax year ($74,220 for a joint return); limits are indexed each year;
(4) political contributions up to $50 ($100 for a joint return);
(5) advance tuition payments made under the State Education Trust Act;
(6) up to $8,273 ($16,545 for a joint return) of interest, dividends, or capital gains earned by a senior citizen: maximum deduction reduced by pension deduction claimed;
(7) claims for recovered assets received by Holocaust victims;
(8) educational savings account contributions up to $5,000 ($10,000 for a joint return) and interest earned on those contributions;
(9) income earned and interest, dividends, and capital gains received by residents of a renaissance zone. Special provisions exist for estates and trusts;
(10) distribution of assets to a qualified charitable organization not more than 60 days after the taxpayer received the assets from a retirement or pension plan.

Credits against tax liability as follows:

(1) *Homestead property taxes*. Limited to $1,200, figured as follows:
- (a) general taxpayers — 60% of taxes in excess of 3.5% of household income;
- (b) senior citizens, paraplegics — 100% of taxes in excess of 0 to 3.5% of household income, varying with size of household income;
- (c) special computations for certain servicemen, veterans or their spouses, blind persons, farmers, and senior citizens whose rent exceeds a certain percent of income.

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

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

(4) *City income taxes*.

Tax Paid:	Credit Received:
$100 or less	20% of tax paid
$100.01-$150	$20 plus 10% of amount over $100
Over $150	$25 plus 5% of amount over $150 (up to $10,000)

PERSONAL INCOME (CONTINUED)

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

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

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

(7) *Income tax paid another state*.

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

(9) *Prescription drugs*. Maximum credit of $600 for any amount above 5% of household income for persons 65 years of age or older whose household income does not exceed 150% of federal poverty income.

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

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

RATE: 4.1% in calendar year 2002
4.0% in calendar year 2003
3.9% in calendar year 2004 and thereafter

State Phasing Down Income Tax Rate

The first six Public Acts of 1999 reduce the Personal Income Tax rate from 4.4% in 1999 to 3.9% in 2004. Public Act 1 modified the earmarking of income tax revenues to hold the School Aid Fund harmless from the reduction in revenues. Public Acts 2 through 6 reduce the tax rate by one-tenth of a percentage point per year beginning in 2000 with the final reduction occurring in 2004. When fully implemented, the rate reduction will result in annual revenues about $1 billion below projected collections at the 4.4% rate, or about 9% of GF-GP revenues projected for FY 2005.

ADMINISTRATION: Michigan Department of Treasury, Bureau of Revenue.

REPORT AND PAYMENT: Due April 15. Estimated tax declarations and payments due on 15th of April, June, September, and January. Balance of tax due April 15. Withholding required.

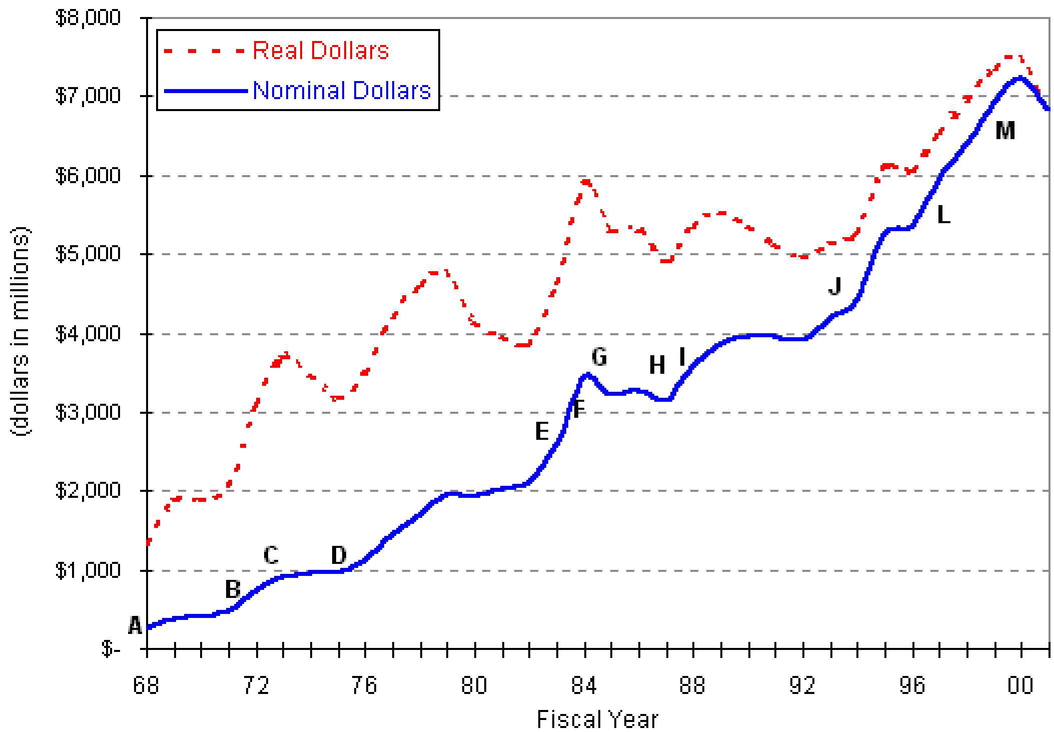
DISPOSITION: General Fund, with 23% of gross collections before refunds to School Aid Fund through December 31, 1999. Beginning January 1, 2000, the percentage rises to offset the effect of the tax rate reductions scheduled to occur for tax years 2000 through 2004. The percentages are approximately 24.1, 24.7, 25.3, and 25.9 in years 2001 through 2004.

2000-01 COLLECTIONS: $8,137,942,000 gross; $1,298,637,000 refunds and credits; $6,839,304,000 net.

2000-01 COLLECTIONS/UNIT: $1,938 million/1% gross; $1,628 million/1% net after refunds and credits.

PERSONAL INCOME (CONTINUED)

Chart 1
Personal Income Tax



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

UNIFORM CITY INCOME

LEGAL CITATION:	M.C.L. 141.501 et seq.; M.S.A. 5.3194(1) et seq.; 1964 PA 284; Sec. 7 of Art. 9, state Constitution.
YEAR ADOPTED:	Uniform state law adopted in 1964. Individual cities adopted by ordinance in various years, subject to referendum upon petition of voters.
BASIS OF TAX:	A direct tax on income (residents); a direct tax on earnings (nonresidents).
MEASURE OF TAX (BASE):	(1) Compensation, net profits, investments and other income of city residents; (2) Income earned in the city by nonresidents; (3) Corporate income earned in the city (allocation based on property, sales, payroll). Personal exemption allowed by United States internal revenue code, except that by ordinance a city may adopt an exemption of not less than $600. A resident is allowed credit for income taxes paid to another city as a nonresident. A resident may deduct certain income earned, capital gains, and lottery winnings received while a resident of a renaissance zone and a business may deduct income attributable to business activity in a renaissance zone.
RATE:	Generally, 1% on residents and corporations; 0.5% on income of nonresidents earned in imposing city. The nonresident rate cannot exceed one-half of the resident rate. The city council in cities over 750,000 (Detroit) may impose rates of up to 2.6% on residents, 2% on corporations (currently levied at 1.6%), 1.3% on nonresidents. Rates will be further reduced over the next 7 years until the rates reach 2.0% and 1.0% respectively.

Detroit Income Tax Rate to be Cut by One-Third

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

Date	Resident Rate	Non-resident Rate
July 1, 2002	2.6	1.30
July 1, 2003	2.5	1.25
July 1, 2004	2.4	1.20
July 1, 2005	2.3	1.15
July 1, 2006	2.2	1.10
July 1, 2007	2.1	1.05
July 1, 2008	2.0	1.00

The reductions were part of an agreement related to major changes in the state revenue sharing formula contained in PA 532 of 1998. In that act, revenue sharing payments to Detroit are frozen at $337.9 million for 8½ years. On a full-year basis, each one-tenth of percentage point of reduced rate will result in a reduction in revenue of about $12 million in current dollars or about a $120 million total drop in revenues, ignoring growth in the tax base.

UNIFORM CITY INCOME (CONTINUED)

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

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

A first class school district (Detroit) having boundaries coterminous with those of a city imposing an income tax may levy an additional income tax at a rate of up to 1% on resident individuals and corporations if its property tax for operations is not more than 24.76 mills. This tax has never been levied.

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.

2001 COLLECTIONS:

City	Year Adopted	Rates: Resident	Rates: Corporation	Rates: Nonresident	2001 Net Collections
Albion	1972	1.0%	1.0%	0.5%	$ 1,411,162
Battle Creek	1967	1.0	1.0	0.5	13,175,000
Big Rapids	1970	1.0	1.0	0.5	1,586,121
Detroit	1962	2.6*	1.6	1.3*	349,418,700
Flint	1965	1.0	1.0	0.5	22,578,604
Grand Rapids	1967	1.3	1.3	0.65	63,408,212
Grayling	1972	1.0	1.0	0.5	336,623
Hamtramck	1962	1.0	1.0	0.5	2,681,945
Highland Park	1966	2.0	2.0	1.0	2,772,825
Hudson	1971	1.0	1.0	0.5	387,389
Ionia	1994	1.0	1.0	0.5	1,596,209
Jackson	1970	1.0	1.0	0.5	7,058,754
Lansing	1968	1.0	1.0	0.5	26,620,460
Lapeer	1967	1.0	1.0	0.5	2,064,738
Muskegon	1993	1.0	1.0	0.5	7,038,289
Muskegon Heights	1990	1.0	1.0	0.5	1,075,000
Pontiac	1968	1.0	1.0	0.5	17,858,251
Port Huron	1969	1.0	1.0	0.5	6,764,936
Portland	1969	1.0	1.0	0.5	542,313
Saginaw	1965	1.5	1.5	0.75	13,962,205
Springfield	1989	1.0	1.0	0.5	663,487
Walker	1988	1.0	1.0	0.5	6,977,806
TOTAL					$549,979,029

* Effective July 1, 2002. Individual rates are scheduled by law to be reduced for the next seven years to final levels of 2.0% and 1.0%.

Earmarking

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

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

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

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

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

The new constitution effectively reduced the amount of earmarking, but nearly every tax imposed since the early 1960s has had a portion of the resulting revenues dedicated to one or more specific functions. Because Proposal A of 1994 replaced locally-levied property taxes with dedicated state taxes, the percent of state tax revenues constitutionally and statutorily earmarked to specific functions has increased to about 60% of total taxes, the same level that existed before the 1963 Constitution.

BUSINESS PRIVILEGE TAXES

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

SINGLE BUSINESS[1]

LEGAL CITATION: M.C.L. 208.1 et seq.; M.S.A. 7.558(1) et seq.; 1975 PA 228.

YEAR ADOPTED: 1975

BASIS OF TAX: Privilege of doing business in Michigan.

Elimination of the Single Business Tax (SBT)

Public Act 115 of 1999 provides for reduction of the SBT rate by one-tenth of a percentage point per year from its 1998 rate of 2.3% until the tax is eliminated. The SBT is allocated entirely to the General Fund and represents a little over one-fourth of the revenues in the fund. Yielding roughly $100 million per tenth of a percentage point, the 23-year reduction will likely reduce General Fund revenue growth by about one-fourth of the year-to-year revenue growth in an average year. Coming on top of the cuts in the Personal Income Tax rate, revenue reductions to the General Fund will average $300 million per year over a 5-year period building to a total of about $1.5 billion. The General Fund revenue growth during that period will probably average a little below the rate of inflation. If the State's Budget Stabilization ("Rainy Day") Fund balance falls below $250 million (it currently exceeds $1 billion), the SBT rate reductions are suspended until the balance exceeds $250 million again.

MEASURE OF TAX (BASE): A value-added type tax imposed basically on business income plus compensation paid, interest paid, and depreciation, with major deductions for new capital investments and labor intensity. For tax years beginning after December 31, 1999, the deduction for capital investments is replaced by an investment tax credit. Business conducted in the state is subject to the tax even if the business does not have a physical presence in the state.

Adjustments to Base:

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

(1) add back certain federal tax deductions (e.g., income taxes; compensation paid; depreciation; loss carryback/forward; interest, dividends, royalties paid; certain capital gains);

(2) deduct certain items included in federal taxable income (dividends, interests, royalties received, excluding certain royalties paid by television broadcasters and by theaters to film distributors; certain capital losses);

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

(4) add rent paid or deduct rent received if attributable to a sale/lease-back arrangement for federal income tax purposes only.

Apportionment:

Entire tax base is allocated to Michigan if business activity is confined to the state. For businesses with multi-state activity, the apportionment formula is: sales 70%, property 15%, and payroll 15%, with exceptions for certain types of businesses.

Adjustments to Apportioned Tax Base:

Thereafter, base is adjusted by: (1) deductions for capital expenditures on tangible assets located in Michigan only (apportioned in the same manner as tax base); and (2) additions for proceeds from disposition of such assets. Sale/lease-back arrangements for federal income tax purposes only are excluded from such adjustments. If adjustment yields a negative result, the loss can be applied against tax base for up to 10 years following.

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

SINGLE BUSINESS (CONTINUED)

Exemptions are allowed for:

(1) first $45,000 of tax base, plus up to $48,000 for partnerships and small corporations, with reductions as income rises;
(2) governmental agencies;
(3) most "persons" exempt from federal income taxes;
(4) nonprofit cooperative housing corporations;
(5) portion of disability insurance premiums of insurers;
(6) agricultural producers;
(7) sales of nursery stock (trees, shrubs, plants) grown by the seller to a nursery dealer;
(8) certain revenues and expenses of farmers' cooperatives;
(9) foreign truck drivers.

Exclusions are allowed:

(1) if adjusted base exceeds 50% of gross receipts plus certain adjustments;
(2) if compensation paid exceeds 63% of tax base.

Credits are allowed for:

(1) up to 100% of tax liability for small businesses with low profits;
(2) up to 20% of tax liability for "Subchapter S" corporations and unincorporated businesses;
(3) 5% of state property taxes on state assessed utilities;
(4) 50% of certain contributions up to a limit;
(5) federal unemployment penalty taxes paid by new Michigan employers;
(6) amounts paid for worker's compensation supplemental cost of living payments;
(7) business activity in certain areas related to high technology, or in an enterprise zone or renaissance zone;
(8) 50% of investments in certain minority venture capital companies;
(9) investment and job creation as determined by Michigan economic growth authority. This credit expires December 31, 2003;
(10) apprenticeship training;
(11) 10% of investments in brownfield redevelopment zones;
(12) 25% of qualified expenditures made for rehabilitation of a historic resource;
(13) 0.85% of the capital expenditures physically located in the state adjusted down by the proportion of the SBT rate in effect in the year of the capital expenditure divided by the pre-1999 rate of 2.3%.

RATE: 1.9% for 2002; alternative tax of 2% of adjusted business income for eligible small businesses; insurance companies are subject to a tax of 1.30% of adjusted receipts. Rate reductions of one-tenth of a percentage point per year will occur until the tax is eliminated. The insurance companies tax is reduced in proportion to the reductions in the SBT rate. The alternative tax is not directly affected by the rate reduction.

ADMINISTRATION: Michigan Department of Treasury, Bureau of Revenue.

REPORT AND PAYMENT: Due April 30. Estimated quarterly returns and payments due last day of April, July, October, and January if estimated liability for year is over $600 or if expected adjustments for capital acquisitions or dispositions exceed $100,000; due dates adjusted for taxpayers with fiscal year other than calendar year. A taxpayer with annualized apportioned gross receipts of less than $250,000 need not file a return.

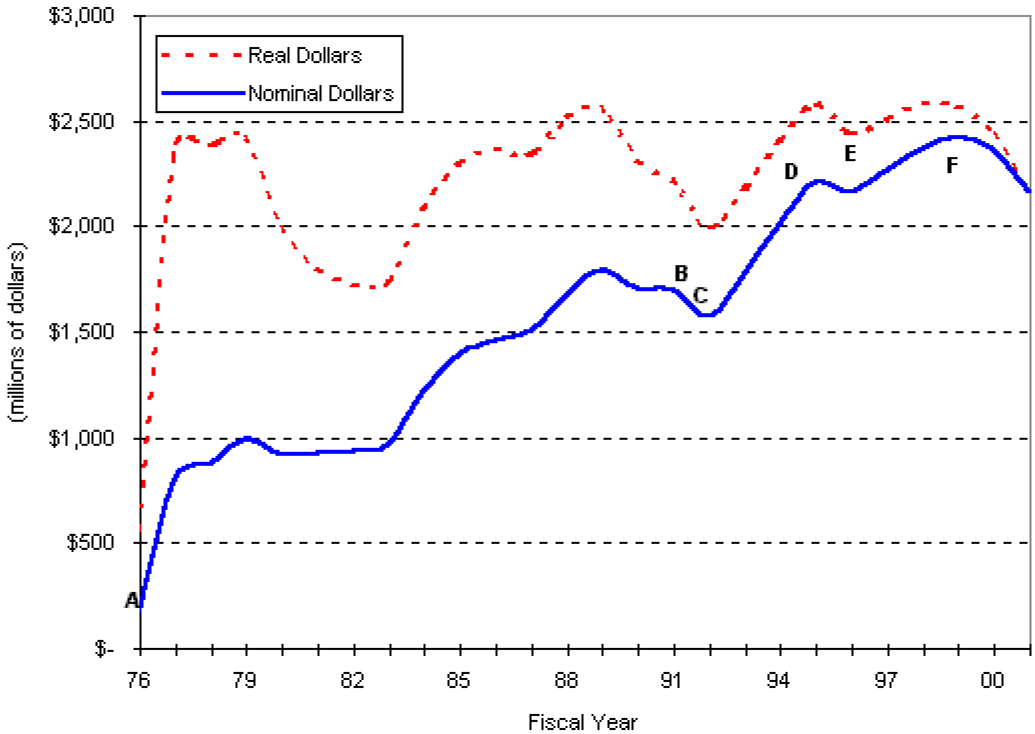
DISPOSITION: 100% to General Fund.

2000-01 COLLECTIONS: $2,428,120,000 gross; $263,972,000 refunds; $2,164,148,000 net. Excludes tax paid by insurance companies.

2000-01 COLLECTIONS/UNIT: $1,214 million per 1% gross; $1,082 million per 1% net after refunds and credits.

SINGLE BUSINESS (CONTINUED)

Chart 2
Single Business Tax*



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

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

UNEMPLOYMENT INSURANCE

LEGAL CITATION:	M.C.L. 421.1 et seq.: M.S.A. 17.501; 1936 PA 1 (Ex. 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 ($9,000 in 2003 and thereafter) or wages equal to the federal unemployment tax base if higher.

RATE:

Basic rate is 2.7% on new employers other than construction contractors, who pay the average construction contractor rate. Rate for established employers (after 4 years experience) may vary from 0.1% to 12%, depending on the employer's experience rating and solvency of the fund. Total tax rate calculation is based on the following components:

(1) Nonchargeable Benefit Component (NBC): a rate of 0.6-1% to cover certain pooled costs. The 1% rate is charged to employers with recent claims filed against their accounts. If employers' CBC rate (see below) is less than 0.2% or if they have not had any benefit charges over a number of consecutive years, this rate can be reduced in accordance with the following schedule:

If Number of Consecutive Years without Claims is:	Rate Is: 2002	2003
5 (or if CBC rate is less than 0.2%)	0.5%	0.10%
6	0.4%	0.09%
7	0.3%	0.08%
8	0.2%	0.07%
9	0.1%	0.06%

(2) Experience Account, which has two parts:

(a) Chargeable Benefit Component (CBC), a rate of 0-6.3% measured by the "benefit ratio" (benefits charged to employer's account in the last 5 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 payroll). If overall trust fund balance is at least 1.875% of all contributing employers' payrolls, employer's deficiency, as defined above, is multiplied by 0.25, not to exceed a 2% rate. Otherwise, employer's deficiency is multiplied by 0.5, not to exceed a 3% rate.

If overall trust fund balance is 1.2% of all contributing employer's payrolls, all fully experience-rated employers (after 4 years experience) receive a rate reduction of the greater of 10% or 0.1 percentage points in the rate determined by components (1) and (2) above.

(3) Solvency Tax, a rate of 0-2% based on a "reserve ratio" deficiency, imposed only on "negative balance" employers (those with deficit in experience account as of prior June 30) and only during years when the fund has interest-bearing loans outstanding.

ADMINISTRATION:	Michigan Department of Consumer and Industry Services, Bureau of Worker's and Unemployment Compensation.
REPORT AND PAYMENT:	By Bureau of Worker's and Unemployment Compensation regulation — currently quarterly.
DISPOSITION:	Deposited with BWUC 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.
2000-01 COLLECTIONS:	$976,595,000

OIL AND GAS SEVERANCE

LEGAL CITATION:	M.C.L. 205.301 et seq.; M.S.A. 7.351 et seq.; 1929 PA 48
YEAR ADOPTED:	1929
BASIS OF TAX:	Privilege of producing oil and gas.
MEASURE OF TAX (BASE):	Gross cash market value of oil and gas severed. Exemption for certain hydrocarbon fuels qualifying for federal tax credits and acquired pursuant to royalty interests sold by the state.
RATE:	Oil — 6.6%; Gas — 5%; Stripper wells and marginal properties — 4%.
ADMINISTRATION:	Michigan Department of Treasury, Bureau of Revenue.
REPORT AND PAYMENT:	Due by 25th of each month.
DISPOSITION:	General Fund; the greater of 2% or $1 million to Orphan Well Fund if unexpended balance in that fund is less than $3 million.
2000-01 COLLECTIONS:	$60,771,000

FOREIGN INSURANCE COMPANY RETALIATORY

LEGAL CITATION:	M.C.L. 500.440a-500.476c; M.S.A. 24.1440(1)-24.1476(3); 1956 PA 218.
YEAR ADOPTED:	1869
BASIS OF TAX:	Privilege of transacting business in Michigan.
MEASURE OF TAX (BASE):	Gross premiums of out-of-state insurance companies, with certain exclusions.
RATE:	Foreign insurers, an amount equal to taxes and other costs which would be imposed upon a Michigan insurer doing business in the foreign insurer's state or taxation imposed by the SBT, whichever is higher; unauthorized insurers, 2%.
ADMINISTRATION:	Retaliatory tax – Michigan Department of Treasury, Bureau of Revenue. Unauthorized insurers – Michigan Department of Consumer and Industry Services, Insurance Bureau.
REPORT AND PAYMENT:	Estimated quarterly payments due before April 30, July 31, October 31, January 31; report and additional amounts due before March 1 for preceding calendar year.
DISPOSITION:	General Fund.
2000-01 COLLECTIONS:	$194,996,000. Includes Single Business Tax paid by insurance companies.

HORSE RACE WAGERING

LEGAL CITATION:	M.C.L. 431.301-431.336; M.S.A. 18.966(301)-18.966(336); 1995 PA 279.
YEAR ADOPTED:	1933
BASIS OF TAX:	Privilege of engaging in interstate and inter-track horse race simulcast wagering.
MEASURE OF TAX (BASE):	Amounts wagered by pari-mutuel methods on interstate and inter-track simulcasts of thoroughbred, standardbred, quarter horse, Appaloosa, and Arabian horse racing.
RATE:	3.5%.
ADMINISTRATION:	Michigan Department of Agriculture, Racing Commissioner.
REPORT AND PAYMENT:	Licensee makes daily remittance with detailed statement.
DISPOSITION:	Agriculture Equine Industry Development Fund.
2000-01 COLLECTIONS:	$12,492,000

CORPORATE ORGANIZATION

LEGAL CITATION:	M.C.L. 450.2062; M.S.A. 21.200(1062); 1972 PA 284.
YEAR ADOPTED:	1891
BASIS OF TAX:	Privilege of incorporating, renewing, and exercising franchise.
MEASURE OF TAX (BASE):	Domestic — authorized capital stock; Foreign — capital stock attributable to Michigan.
RATE:	Domestic — $50 initially for first 60,000 shares (and $30 for each additional 20,000 shares and with increase in stock); Foreign — $50 initially for shares deemed attributable to Michigan ($30 for each 20,000 share increase in stock).
ADMINISTRATION:	Michigan Department of Consumer and Industry Services, Corporation, Securities, and Land Development Bureau.
REPORT AND PAYMENT:	Due at time of incorporation, admission, or increase in stock.
DISPOSITION:	General Fund.
2000-01 COLLECTIONS:	$12,462,000

STATE CASINO GAMING

LEGAL CITATION:	M.C.L. 432.201-432.216; M.S.A. 18.969(201)-18.969(216); Initiated Law of 1996
YEAR ADOPTED:	1996
BASIS OF TAX:	Privilege of operating a casino in the City of Detroit.
MEASURE OF TAX (BASE):	Adjusted gross receipts received by a gaming licensee.
RATE:	18%. This can be levied as a state tax or individually as a state tax (at the rate of 8.1%) and a local tax (at the rate of 9.9%). Detroit imposes a tax, so the latter approach is used.
ADMINISTRATION:	Michigan Department of Treasury, Michigan Gaming Control Board.
REPORT AND PAYMENT:	Due daily.
DISPOSITION:	55% of 18% tax or 100% of revenue from 9.9% tax to City of Detroit; 45% of 18% tax or 100% of revenue from 8.1% tax to School Aid Fund.
2000-01 COLLECTIONS:	$75,414,900 - State (October to September State fiscal year) $ - Local (July to June City fiscal year)

AIRPORT PARKING EXCISE

LEGAL CITATION:	M.C.L. 207.371-207.383; M.S.A. 7.559(101)-7.559(113); 1987 PA 248.
YEAR ADOPTED:	1987
BASIS OF TAX:	Privilege of providing public parking at a "regional" airport. The latter term refers to an airport which services 4,000,000 or more enplanements annually (Detroit Metropolitan Wayne County Airport).
MEASURE OF TAX (BASE):	Amount charged for parking.
RATE:	30%
ADMINISTRATION:	Michigan Department of Treasury, Bureau of Revenue.
REPORT AND PAYMENT:	Due at same time and manner as Use Tax.
DISPOSITION:	Airport Parking Fund.
2000-01 COLLECTIONS:	$17,522,000

COMMERCIAL MOBILE RADIO SERVICE TAX

LEGAL CITATION:	M.C.L. 484.1408 et.seq.; M.S.A. 22.1467(408) et.seq.; 1999 PA 78
YEAR ADOPTED:	1999 (scheduled to sunset January 1, 2004)
BASIS OF TAX:	Use of commercial mobile radio service (CMRS).
MEASURE OF TAX (BASE):	Commercial Mobile Radio Service (cellular telephone) connections.
RATE:	From July 2001 to December 2004 — $.52 per month for each CMRS connection.
ADMINISTRATION:	Michigan Department of Treasury, Bureau of Revenue
REPORT AND PAYMENT:	Due 30 days after the end of each quarter.
DISPOSITION:	CMRS Emergency Telephone Fund. Revenues are used for 9-1-1 service in the universal emergency number system.
2000-01 COLLECTIONS:	$22,501,000

ACCOMMODATIONS (HOTEL-MOTEL)[2]

LEGAL CITATION:	M.C.L. 141.861 et seq.; M.S.A. 5.3194(371) et seq.; 1974 PA 263. M.C.L. 207.621-207.640; M.S.A. 7.559(21)-7.559(40); 1985 PA 106.
YEAR ADOPTED:	1974 (enabling act for certain counties under 600,000 which may adopt by ordinance). 1985 (for certain counties over 600,000).
BASIS OF TAX:	Privilege of engaging in business of providing accommodations.
MEASURE OF TAX (BASE):	In counties under 600,000 and with a city over 40,000: amount charged transient guests for lodging in any hotel/motel. In counties over 600,000 (Wayne, Oakland, and Macomb) and with a 350,000 sq. ft. convention facility and/or 2,000 rooms: amount charged transient guests for lodging in a hotel/motel of over 80 rooms.
RATE:	In counties under 600,000: not more than 5%, as determined by county.

In counties over 600,000:

No. Rooms Available:	"Qualified Governmental Unit" (Detroit):	Other Governmental Units (Wayne, Oakland, Macomb):
81-160	3%	1.5%
161 or more	6%	5.0%

ADMINISTRATION:	In counties under 600,000: determined by county; collected by county treasurer. In counties over 600,000: Michigan Department of Treasury, Bureau of Revenue.
REPORT AND PAYMENT:	In counties under 600,000: determined by county. In counties over 600,000: same as use tax.
DISPOSITION:	In counties under 600,000: special fund for use by county or authority organized under state law. In counties over 600,000: Convention Facility Development Fund for distribution to units of local government. Fiscal-year end excess to General Fund for distribution to qualified units of local government.
2000-01 COLLECTIONS:	$17,872,000 (1985 PA 106 only).

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

SALES-RELATED TAXES

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

SALES

LEGAL CITATION:	M.C.L. 205.51 et seq.; M.S.A. 7.521 et seq.; 1933 PA 167; Sec. 8 of Art. 9, 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 is 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;
- certain property sold to commercial radio and television station licensees;
- vehicles not purchased for resale which are used by nonprofit corporations organized exclusively to provide a community with ambulance or fire department service;
- property purchased with scrip by inmates in correctional or penal institutions;
- textbooks sold by a school to kindergarten through 12th grade students;
- vehicles which are purchased by nonresident active military personnel for titling in his or her home state;
- property purchased for use in a "qualified business activity" as defined in the Enterprise Zone Act;
- property sold to certain businesses engaged in a high technology activity;
- property sold to the federal government or to an instrumentality thereof;
- tangible personal property for fund-raising purposes purchased by certain nonprofit organizations with calendar year sales of less than $5,000;
- trucks and trailers owned by motor carriers engaged in interstate commerce to the extent of out-of-state usage;
- passenger or cargo aircraft with a certified takeoff weight of at least 6,000 pounds, or parts and materials (except shop equipment or fuel) sold to a domestic air carrier;
- employees of restaurants for food provided by their employer.

Exemptions based on item purchased:

- copyrighted motion picture films, newspapers, and periodicals classified as second class mail;
- hearing aids, contact lenses if prescribed for a specific disease precluding the use of eyeglasses, prosthetic devices, and eyeglasses prescribed by an ophthalmologist, optometrist, or optician;
- prescription drugs for human use;
- food for human use not prepared for immediate consumption;
- beverage containers to the extent of any deposits;
- railroad cars, locomotives, and accessories;
- vehicles to the extent of any refund of the purchase price because the vehicle is returned pursuant to the automobile lemon law;
- commercial advertising elements;
- non-alcoholic beverages in sealed containers or food not artificially heated or cooled that are sold from a mobile facility or vending machine, except fresh fruit; tax may be paid on either sales of non-exempt vended food or sum of 45% of all vended sales other than carbonated beverages ;
- water delivered through water mains or in bulk tanks in amounts over 500 gallons;
- personal property for resale, for lease if rental receipts are subject to Use Tax, and for demonstration purposes;

SALES (CONTINUED)

- partial exemption (from two percentage points of the tax rate): sales for residential use of electricity, natural gas, and home heating fuel;
- investment coins and bullion;

Exemptions based on transaction type:
- certain food or tangible personal property purchased with federal food stamps;
- property which is part of a drop shipment;
- property which results in uncorrectable debt;

Exemptions based on status of seller:
- certain vending machine merchandise to the extent of any commissions paid to certain tax-exempt organizations;
- property on an isolated basis by property owners not required to have Sales Tax license;

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 therefor;
- property used in production of horticultural or agricultural products as a business enterprise;
- property used or consumed in industrial processing;
- certain property used to provide any combination of telecommunications services which are subject to the Michigan Use Tax;
- certain products, equipment, machinery, and utilities used or consumed by an industrial laundry;
- grain drying equipment and natural or propane gas used to fuel the equipment for agricultural purposes;
- computer equipment for data transfer by companies whose business includes publishing doctoral dissertations and information archiving and sells the majority of its products to non-profit organizations exempt from the federal income tax.

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

ADMINISTRATION: Michigan Department of Treasury, Bureau of Revenue.

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

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

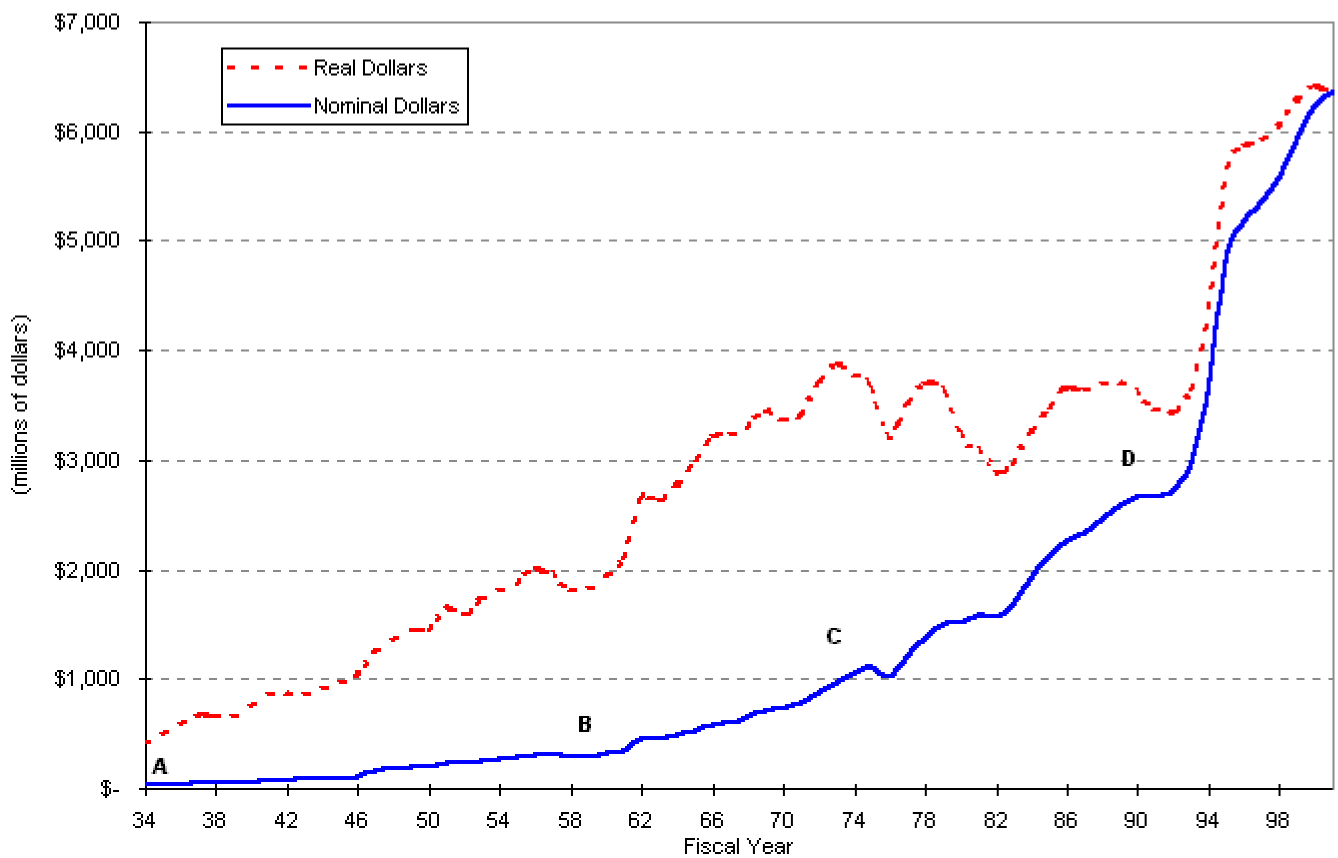
SALES (CONTINUED)

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

2000-01 COLLECTIONS: $6,364,641,000

2000-01 COLLECTIONS/UNIT: $1,061 million per 1%

Chart 3
Sales Tax



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

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

USE

LEGAL CITATION: M.C.L. 205.91 et. seq.; M.S.A. 7.555(1) et seq.; 1937 PA 94; Sec. 8 of Art. 9, state Constitution.

YEAR ADOPTED: 1937

BASIS OF TAX: Privilege of using, storing, and consuming certain tangible personal property, plus the services of telephone, telegraph, and other leased wire communications; used auto sales between individuals; and use of transient hotel and motel rooms. Designed to complement the Sales, Mobile Home Trailer Coach, Aircraft Weight, Watercraft Registration, and Snowmobile Registration Taxes.

MEASURE OF TAX (BASE): Purchase price of tangible personal property or service. Certain sales with the following characteristics is exempt from taxation, as follows:

Exemptions based on status of purchaser:

- property purchased for resale, for demonstration, or for lend-lease to a public or parochial school offering drivers education;
- property of a nonresident brought into Michigan on a temporary basis and not used in non-transitory business activity for a period exceeding 15 days;
- property sold to the federal government or to an instrumentality thereof, the American Red Cross and its chapters and branches, and departments, institutions, or subdivisions of state government;
- property sold to nonprofit organizations used primarily for the organization's purposes;
- property sold to churches for noncommercial purposes and certain vans and buses used to transport persons for religious purposes;
- certain property sold to commercial radio and television station licensees;
- vehicles purchased in another state by nonresident active military personnel and upon which a sales tax was paid in the other state;
- vehicles not purchased for resale which are used by nonprofit corporations organized exclusively to provide a community with ambulance or fire department service;
- property donated by a manufacturer to certain tax exempt organizations;
- property purchased by a specified relative of seller;
- parts, excluding shop equipment and fuel, affixed to certain passenger and cargo aircraft owned or used by a domestic air carrier;
- the storage, use, or consumption of certain trucks, trailers, and parts affixed thereto used by interstate motor carriers;
- the storage, use, or consumption of a passenger or cargo aircraft purchased by, or leased to, a domestic air carrier with a maximum certified takeoff weight of at least 6,000 pounds;
- employees of restaurants for food provided by their employer.

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;
- vehicles purchased in another state and delivered to Michigan or purchased in Michigan but for use outside Michigan;
- hearing aids, contact lenses if prescribed for a specific disease precluding the use of eyeglasses, prosthetic devices, and eyeglasses prescribed by an ophthalmologist, optometrist, or optician;
- water delivered through water mains or bulk tanks of at least 500 gallons;
- certain components of water and air pollution control facilities;
- aircraft operating under a federal certificate which have a maximum takeoff weight of at least 12,500 pounds and used solely to transport cargo or commercial passengers;
- railroad cars, locomotives, and accessories;
- certain property purchased for resale as promotional merchandise;
- prescription drugs for human use;

USE (CONTINUED)

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

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

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

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

ADMINISTRATION: Michigan Department of Treasury, Bureau of Revenue.

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

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

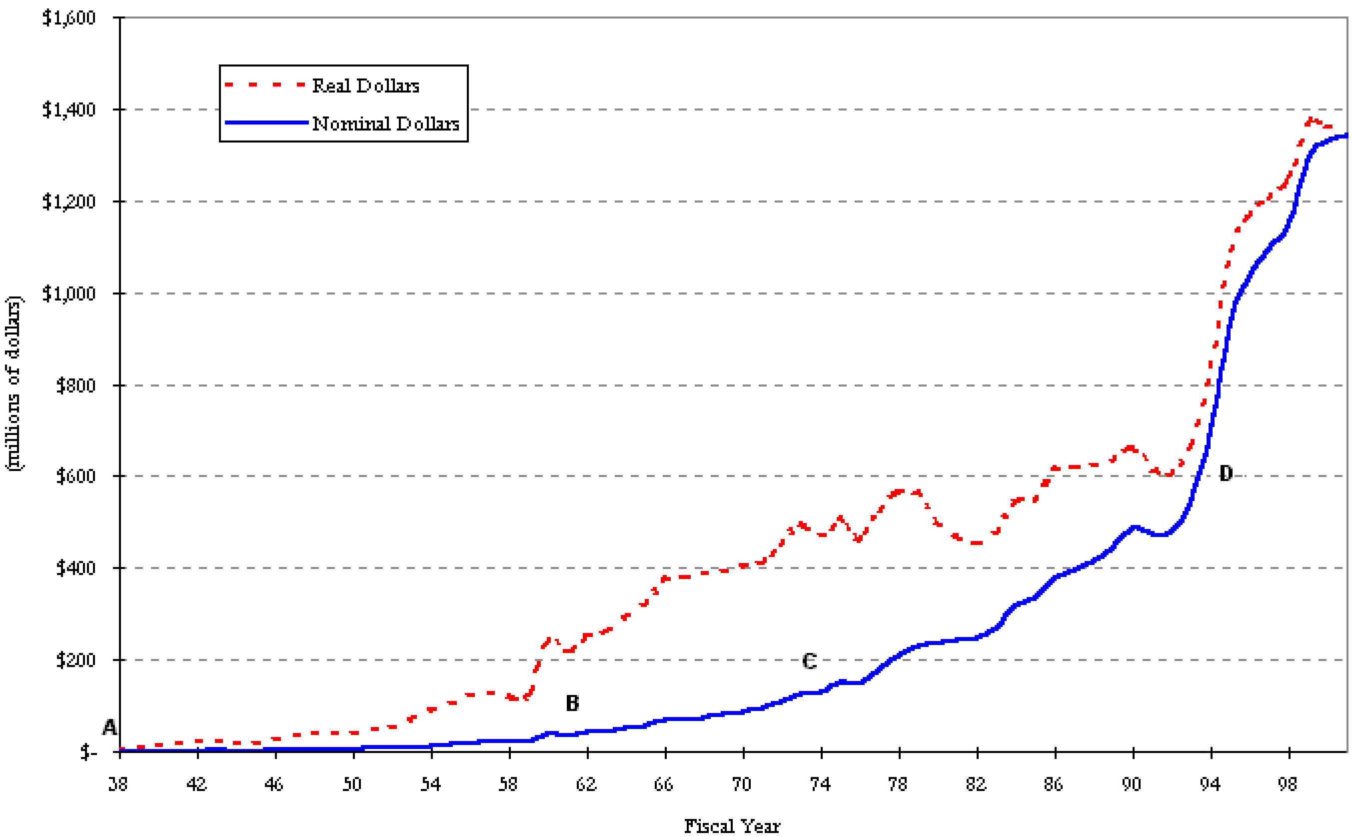
USE (CONTINUED)

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

2000-01 COLLECTIONS: $1,343,760,000

2000-01 COLLECTIONS/UNIT: $224 million per 1%

Chart 4
Use Tax



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

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

TOBACCO PRODUCTS

LEGAL CITATION: M.C.L. 205.421 et seq.; M.S.A. 7.411(31) et seq.; 1993 PA 327.

YEAR ADOPTED: 1993. The former Cigarette Tax (1947 PA 265) was repealed as of May 1, 1994.

BASIS OF TAX: Privilege of selling tobacco products.

MEASURE OF TAX (BASE): Tobacco products sold in Michigan.

RATE:

Prior to August 1, 2002

Cigarettes: 37.5 mills per cigarette (75 cents per pack); cigars, non-cigarette smoking tobacco, and smokeless tobacco: 16% of wholesale price.

After August 1, 2002

Cigarettes: 62.5 mills per cigarette ($1.25 per pack); cigars, non-cigarette smoking tobacco, and smokeless tobacco: 20% of wholesale price.

ADMINISTRATION: Michigan Department of Treasury, Bureau of Revenue.

REPORT AND PAYMENT: Due by 20th of each month.

DISPOSITION:

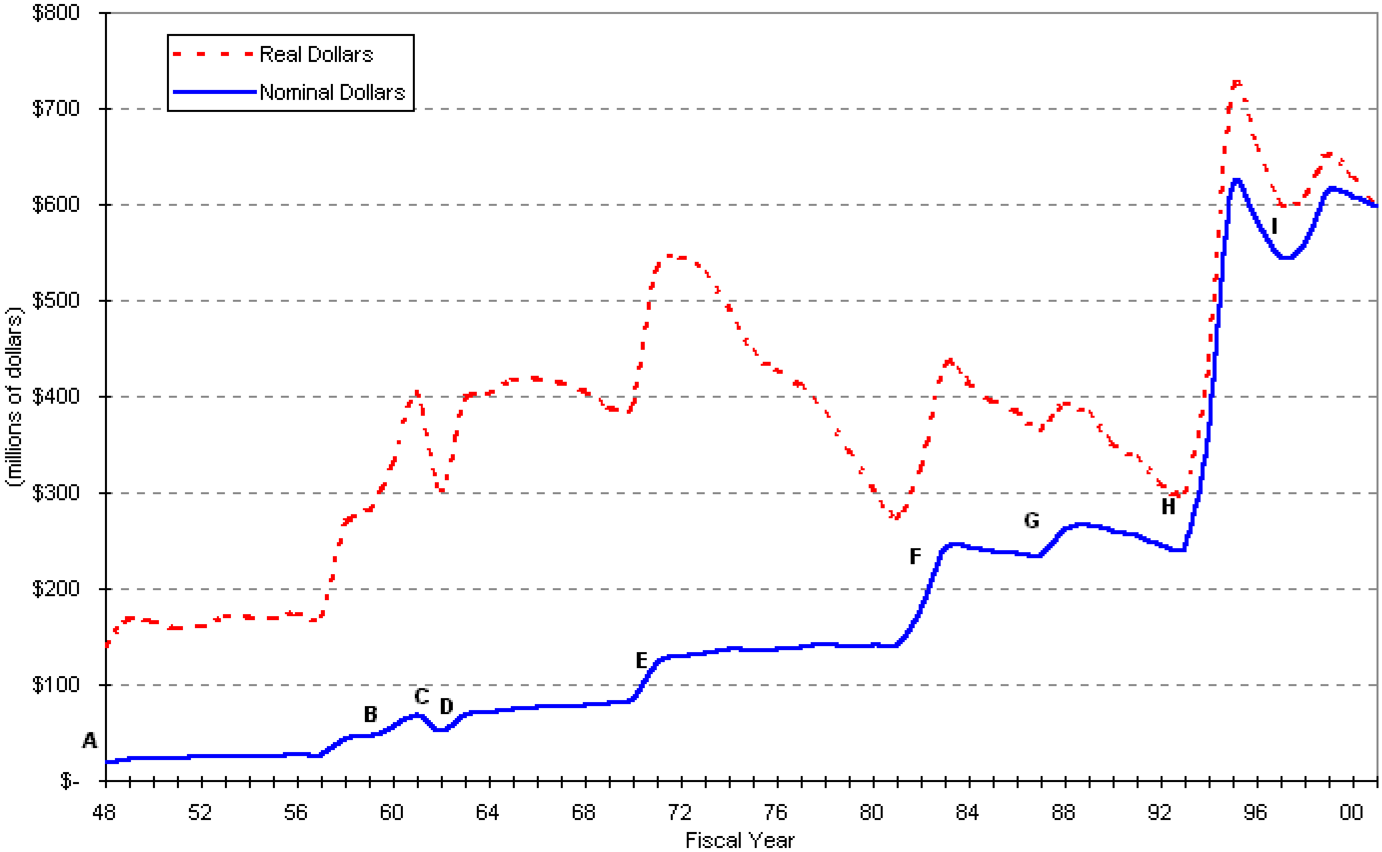
	Prior to August 1, 2002	After August 1, 2002
Cigarette proceeds:		
School Aid Fund	63.4%	54.2%
General Fund	25.3%	33.0%
Healthy Michigan Fund	6.0%	6.0%
Health and Safety Fund	5.3%	3.2%
Wayne County Indigent Health Care		0.7%
Medicaid Benefits Trust Fund		2.9%
Cigar, non-cigarette smoking tobacco, and smokeless tobacco proceeds:		
School Aid Fund	94.0%	75.6%
Healthy Michigan Fund	6.0%	6.0%
General Fund		18.4%*

2000-01 COLLECTIONS: $598,509,000

* For the period October 1, 2004 through September 30, 2007, these proceeds are allocated to the State's Rainy Day Fund.

TOBACCO PRODUCTS (CONTINUED)

Chart 5
Tobacco Products Tax



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.

BEER

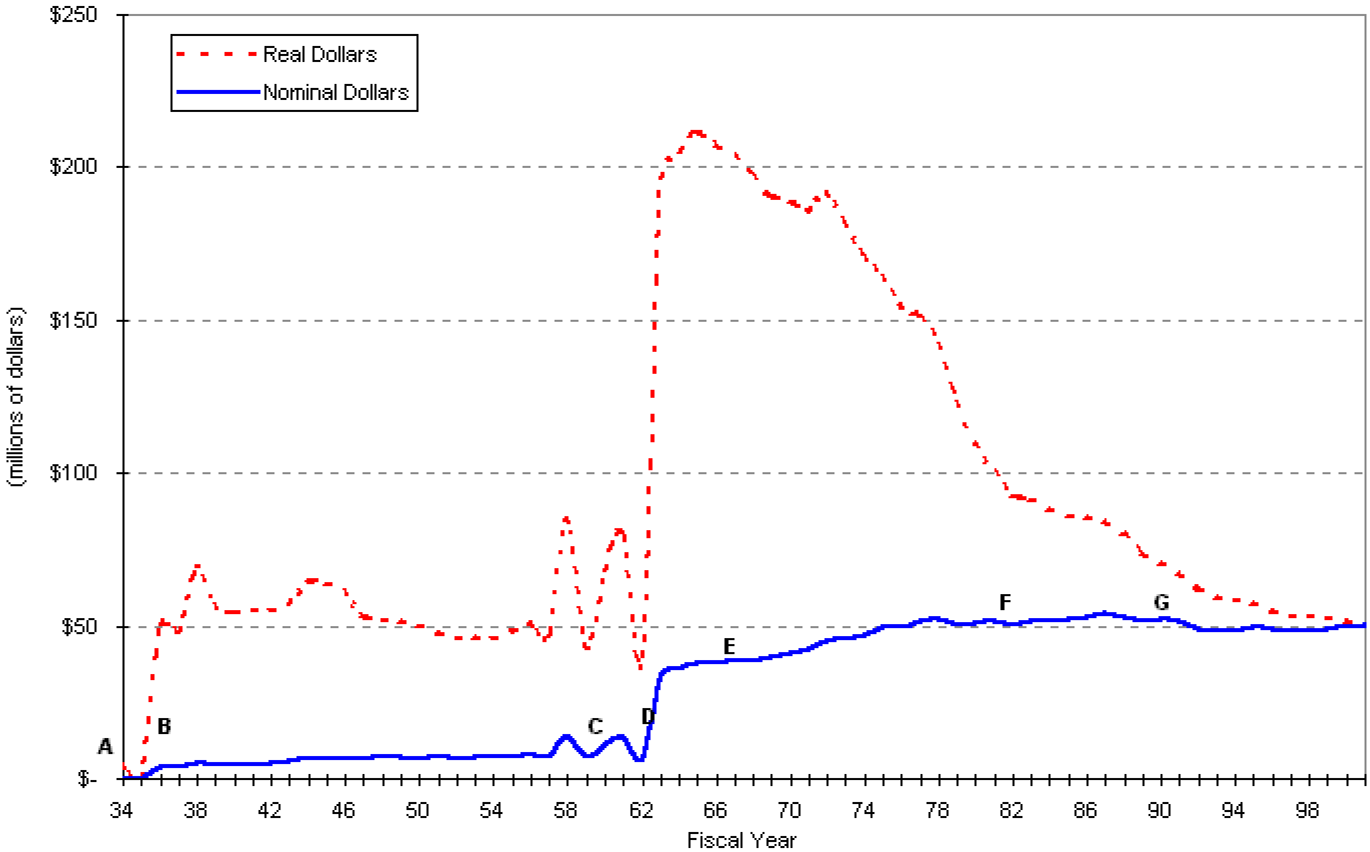
LEGAL CITATION:	M.C.L. 436.1409; M.S.A. 18.1175(409); 1998 PA 58.
YEAR ADOPTED:	1933. The former statute (1933 PA 8 (Ex. Session)) was repealed and replaced by 1998 PA 58.
BASIS OF TAX:	Privilege of manufacturing and selling beer.
MEASURE OF TAX (BASE):	Beer manufactured or sold in Michigan; credit for beer shipped out of state for sale and consumption or sold to a military installation or an Indian reservation; exemption for beer consumed on manufacturing premises or damaged and not offered for sale.
RATE:	\$6.30 per barrel, with \$2 per barrel credit for brewers producing less than 20,000 barrels annually.
ADMINISTRATION:	Michigan Department of Consumer and Industry Services, Liquor Control Commission.
REPORT AND PAYMENT:	Due by 8th of each month.
DISPOSITION:	General Fund.
2000-01 COLLECTIONS:	\$42,518,439
2000-01 COLLECTIONS/UNIT:	\$6.7 million per \$1

WINE

LEGAL CITATION:	M.C.L. 436.1301; M.S.A. 18.1175(301); 1998 PA 58.
YEAR ADOPTED:	1933. The former statute (1933 PA 8 (Ex. Session)) was repealed and replaced by 1998 PA 58.
BASIS OF TAX:	Privilege of manufacturing and selling wine.
MEASURE OF TAX (BASE):	Wine sold in Michigan; credit for wine shipped out of state for sale and consumption or sold to a military installation or an Indian reservation; exemption for sacramental wine used by churches.
RATE:	13.5 cents per liter if 16% alcohol or less; 20 cents per liter if over 16% alcohol.
ADMINISTRATION:	Department of Consumer and Industry Services, Liquor Control Commission.
REPORT AND PAYMENT:	Due by 15th of each month.
DISPOSITION:	General Fund.
2000-01 COLLECTIONS:	\$7,838,840

BEER AND WINE (CONTINUED)

Chart 6
Beer and Wine Taxes



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

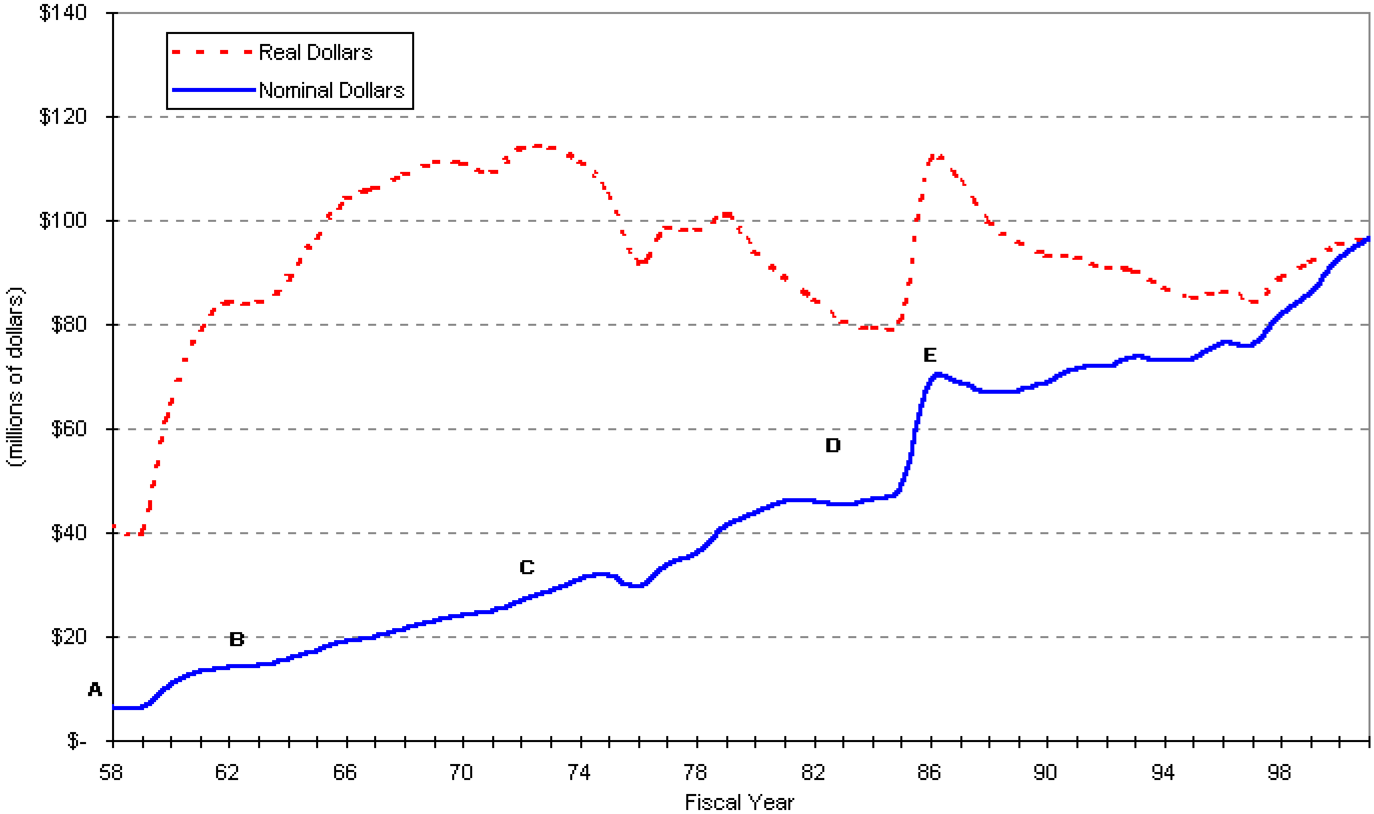
LIQUOR

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

2000-01 COLLECTIONS:			**2000-01 COLLECTIONS/UNIT:**		
	4%:	$29,340,000		4%:	$7.3 million/1%
	4%:	28,404,000		4%:	$7.1 million/1%
	1.85%:	10,419,000		1.85%:	$5.6 million/1%
	4%:	28,485,000		4%:	$7.1 million/1%
	TOTAL	$96,648,000			

LIQUOR (CONTINUED)

Chart 7
Liquor Taxes



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

LIQUOR MARKUP

LEGAL CITATION:	M.C.L. 436.1233; M.S.A. 18.1175(233); 1998 PA 58.
YEAR ADOPTED:	1933. The former statute (1933 PA 8 (Ex. Session)) was repealed and replaced by 1998 PA 58.
BASIS OF TAX:	State profit from sale and distribution of alcoholic liquor.
MEASURE OF TAX (BASE):	Wholesale price of liquor.
RATE:	Uniform prices are established by the Liquor Control Commission that will return a gross profit of at least 51% and not more than 65%. Currently, the full 65% markup from cost is applied to set the retail price of the liquor. A discount of 17% is deducted from the price to establish the cost of the liquor for retail sales outlets.
ADMINISTRATION:	Michigan Department of Consumer and Industry Services, Liquor Control Commission.
REPORT AND PAYMENT:	Subject to general business practices regarding the wholesaling of the merchandise and remittance of the State's gross profit.
DISPOSITION:	General Fund.
2000-01 COLLECTIONS:	$108,412,562

Inclusion of Liquor Markup

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

STADIUM AND CONVENTION FACILITY

LEGAL CITATION:	M.C.L. 207.751-207.759; M.S.A. 7.559(1)-7.559(9); 1991 PA 180.
YEAR ADOPTED:	1991. Selected cities and counties may adopt by ordinance upon approval by voters. Wayne County voters approved the tax, on hotels and automobile leasing companies only, in November 1996.
BASIS OF TAX:	Privilege of operating restaurants, hotels and automobile leasing companies.
MEASURE OF TAX (BASE):	Gross receipts of restaurants, hotels and automobile leasing companies in selected municipalities.
RATE:	Restaurants and hotels, not to exceed 1%; automobile leasing companies not to exceed 2%.
ADMINISTRATION:	Michigan Department of Treasury, Bureau of Revenue upon agreement with municipality.
REPORT AND PAYMENT:	To be determined by ordinance.
DISPOSITION:	Special fund of municipality.
2000-01 COLLECTIONS:	$17,872,000

UNIFORM CITY UTILITY USERS

LEGAL CITATION:	M.C.L. 141.1151 et seq.; M.S.A. 5.3188(251); 1990 PA 100.
YEAR ADOPTED:	1990. Originally enacted as 1970 PA 198, but expired on June 30, 1988.
BASIS OF TAX:	Privilege of consuming public telephone, electric, steam, or gas services in a city of 750,000 or more (Detroit). Exemption for facility located in a renaissance zone.
RATE:	To be established by increments of one-fourth of 1%, not to exceed a maximum rate of 5%. Rate reduced by increments of one-fourth of 1% for each full 5% by which revenues exceed $45 million, unless such amounts are dedicated to hire and retain additional police officers.
ADMINISTRATION:	Administrator designated by the city. Collected by the city treasurer.
REPORT AND PAYMENT:	Due by last day of month. Annual return due by end of fourth month following end of tax year.
DISPOSITION:	To hire police officers.
2000-01 COLLECTIONS:	$50,306,386
2000-01 COLLECTIONS/UNIT:	$10.1 million/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 between 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 visit our website at http://www.crcmich.org/ and review Report 305, Issues Relative to the Constitutionality of Local Sales Taxation in Michigan, June 1992.

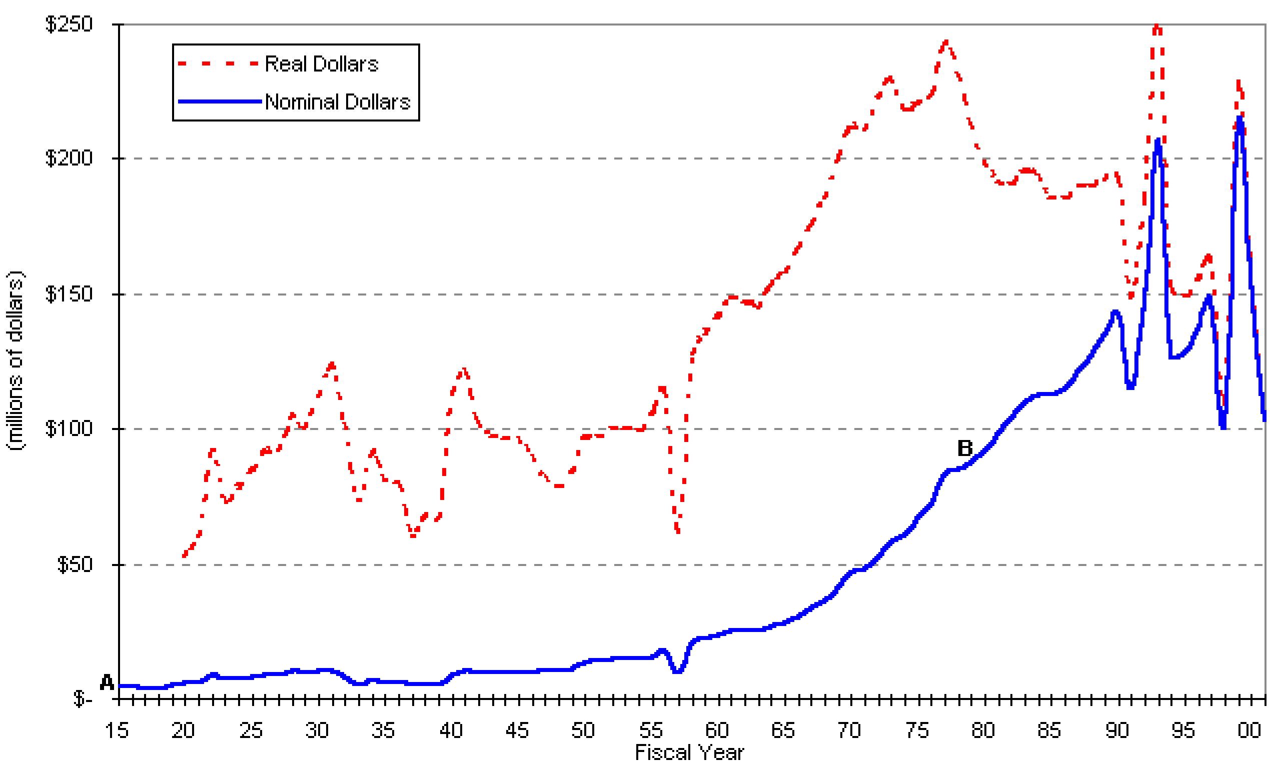
PROPERTY TAXES

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

UTILITY PROPERTY

LEGAL CITATION:	M.C.L. 207.1 et seq.; M.S.A. 7.251 et seq., 1905 PA 282; Sec. 5 of Art. 9, state Constitution.
YEAR ADOPTED:	1905
BASIS OF TAX:	In lieu of other general property taxes.
MEASURE OF TAX (BASE):	Taxable value of all property of telephone and telegraph, railroad, car loaning, sleeping car, and express car companies including franchise owned and used in connection with doing business in Michigan. Railroads receive credit equal to 25% of expenditures for maintenance and improvement of rights-of-way in Michigan, if certain conditions are met.
RATE:	Average statewide general property tax paid by other business property in preceding calendar year.
ADMINISTRATION:	Assessment: Michigan Department of Treasury, State Tax Commission. Collection: Michigan Department of Treasury, Bureau of Revenue.
REPORT AND PAYMENT:	Report due March 31. Tax due July 1 or 1/2 by August 1 and the rest by December 1.
DISPOSITION:	General Fund.
2000-01 COLLECTIONS:	$103,223,000

Chart 8
Utility Property Tax



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

ESTATE

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

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

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

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

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

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

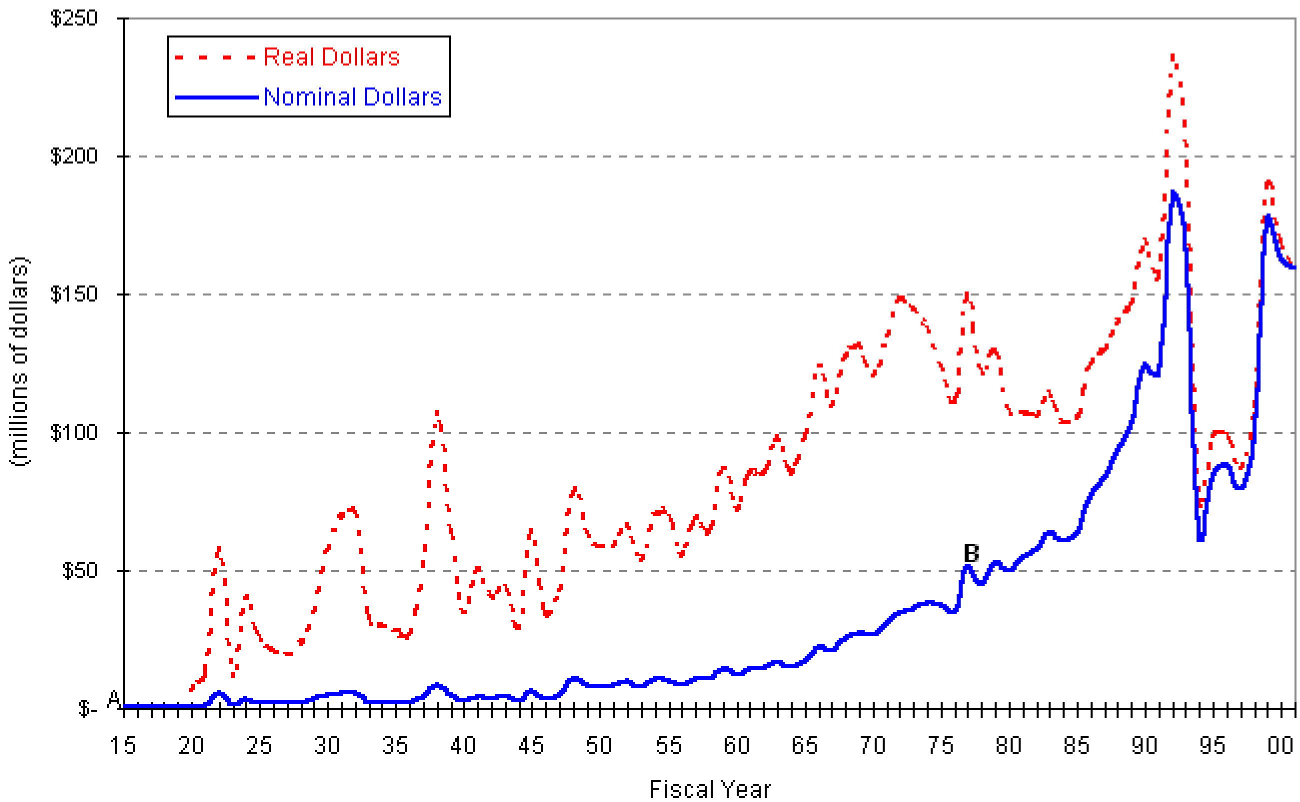
ADMINISTRATION: Michigan Department of Treasury, Bureau of Revenue.

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

DISPOSITION: General Fund.

2000-01 COLLECTIONS: $159,055,000

Chart 9
Estate Tax



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

STATE REAL ESTATE TRANSFER

LEGAL CITATION:	M.C.L. 207.521 et seq.; M.S.A. 7.456(21) et seq.; 1993 PA 330.
YEAR ADOPTED:	1993
BASIS OF TAX:	Privilege of transferring interests in real property.
MEASURE OF TAX (BASE):	Fair market value of written instrument by which property is transferred. **Exemptions**: written instruments involving the following: (1) transfers of less than $100; (2) transfers of land outside Michigan; (3) transfers which the state is prohibited by federal law from taxing; (4) security or an assignment or discharge of a security interest; (5) transfers evidencing a leasehold interest; (6) personal property; (7) transfers of interests for underground gas storage purposes; (8) transfers where a governmental unit is the grantor; (9) transfers involving foreclosure by a governmental unit; (10) certain interspousal transfers; (11) transfers ordered by a court if no consideration is ordered; (12) transfers to straighten boundary lines if no consideration is paid; (13) transfers to correct a title flaw; (14) land contracts in which title does not pass until full consideration is paid; (15) transfers of mineral rights; (16) creation of joint tenancies if at least one joint tenant already owned the property; (17) sales agreements entered into before enactment of the tax; (18) transfers to persons considered to be "single employers" under the internal revenue code; (19) transfers to a bankruptcy trustee, receiver, or administrator; (20) transfers between religious societies of property exempt from property taxes; (21) transfers from one religious institution to another religious institution.
RATE:	$3.75 per $500 (0.75%) or fraction thereof of total value.
ADMINISTRATION:	Collection: County treasurer. Supervision: Michigan Department of Treasury, Bureau of Revenue.
REPORT AND PAYMENT:	Due by 15th of each month.
DISPOSITION:	School Aid Fund.
2000-01 COLLECTIONS:	$262,682,000

STATE EDUCATION

LEGAL CITATION:	M.C.L. 211.901 et seq.; M.S.A. 7.557(31) et seq.; 1993 PA 331.
YEAR ADOPTED:	1993
BASIS OF TAX:	Same as general property tax.
MEASURE OF TAX (BASE):	Same as general property tax.
RATE:	6 mills.
ADMINISTRATION:	Collection: Township, city, and county treasurers. Supervision: Michigan Department of Treasury.
REPORT AND PAYMENT:	Same as general property tax.
DISPOSITION:	School Aid Fund.
2000-01 COLLECTIONS:	$1,428,681,000
2000-01 COLLECTIONS/UNIT:	$238 million per mill

GENERAL PROPERTY

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

YEAR ADOPTED: Territorial Act

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

Real versus Personal Property

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

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

Property taxes are determined by multiplying the tax rate times the taxable value of a parcel of property. The taxable value of a parcel may differ from the state equalized value due to limits on increases placed in the Michigan Constitution by Proposal A of 1994. Taxable value may not rise by more than the lesser of the increase in the consumer price index or 5%. The methodology used to assess personal property virtually assures that a parcel's assessed and taxable values will be the same. In contrast, the aggregate of real property reflected a gap of almost 20% between assessed and taxable values in 2001.

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

Numerous exemptions exist, notably:

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

RATE: Varies by local unit, but certain statewide constitutional and statutory restrictions exist. The rate may not exceed 15 mills ($15 per $1,000) or 18 mills in counties with separate, voter-fixed allocations for all juris-

GENERAL PROPERTY (CONTINUED)

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

The state constitutional tax limitation amendment of 1978 (Headlee) requires a taxing jurisdiction to roll back maximum authorized rates if the state equalized value, excluding new construction, increases faster than the rate of inflation, and state law requires a rate rollback to offset assessment increases (which the governing body can overcome by vote). Local school district operating taxes are limited to the lesser of 18 mills or the 1993 millage rate. Homestead and qualified agricultural property is exempt from this millage. However, school districts with a 1994-95 per pupil foundation allowance of over $6,500 may reduce the exemption on homestead and qualified agricultural property by the number of mills necessary to raise that portion of their per pupil foundation allowance over $6,500 and, if necessary, also may levy additional mills on all property to generate that per pupil dollar amount. In addition, voters in intermediate school districts may approve up to 3 additional mills for operating purposes. In calendar 2001, the state average millage rate, including the 6-mill state education tax, was 39.78 mills.

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

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

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

2000-01 COLLECTIONS:

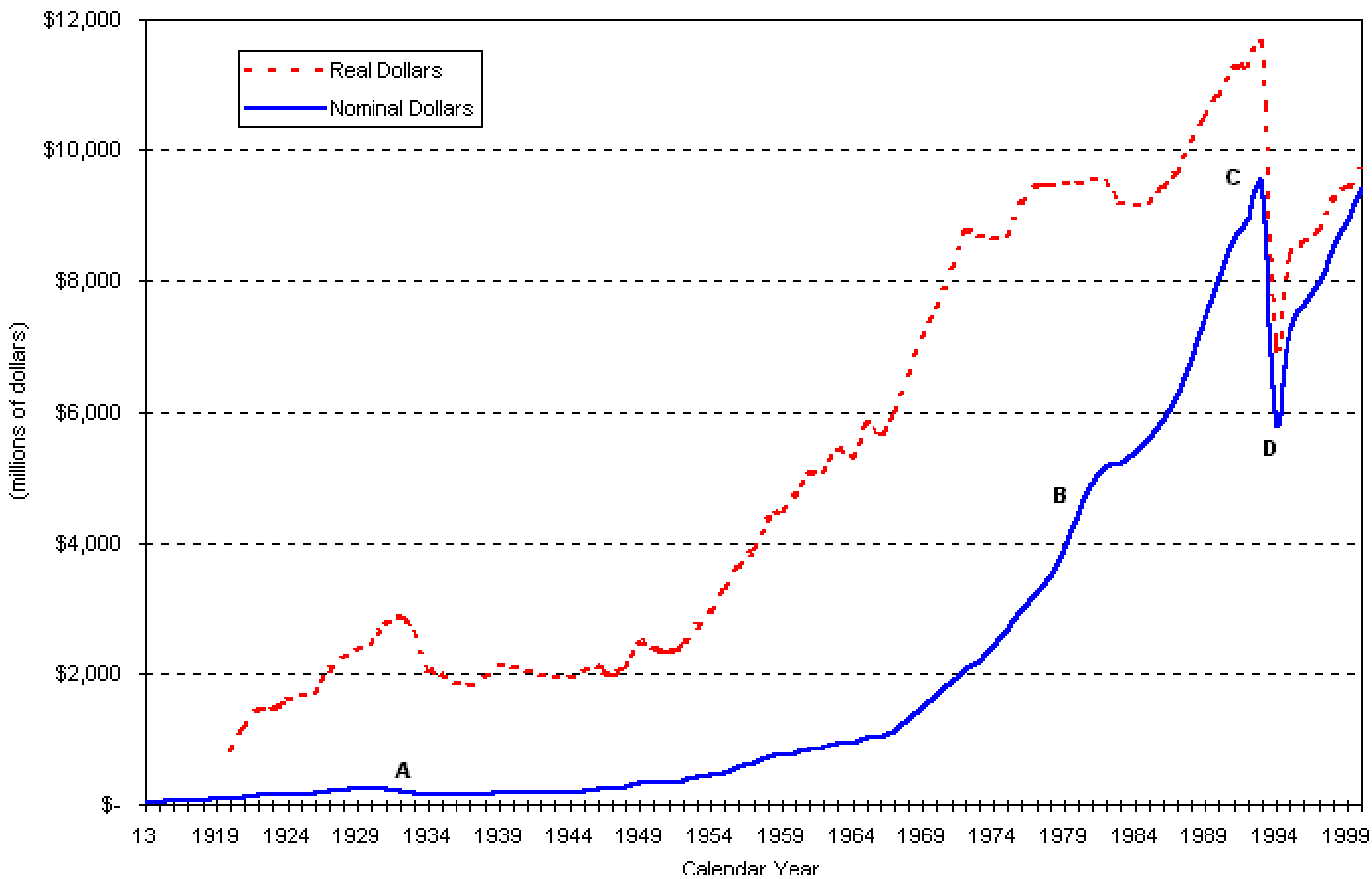
	2000 Levy		2001 Levy	
School[5]	$4,078,934,707	50.87%	$4,525,182,000	51.99%
City	1,829,965,517	22.82	1,923,619,000	22.10
County	1,509,459,217	18.82	1,612,237,000	18.52
Township	526,049,114	6.56	564,489,000	6.48
Village	73,970,381	0.92	79,095,000	0.91
Total Levy	$8,018,378,936	100.00	$8,704,622,000	100.00

2001 COLLECTIONS/UNIT: $258 million per mill

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

GENERAL PROPERTY (CONTINUED)

Chart 10
Total State and Local Property Tax Collections



A 1933 Const Amend — 15 mill limit.

B 1979 Const Amend — Headlee Amendment established requiring voter approval for any new local taxes and limited the rate of growth for the assessed values of property for each local unit of government.

C 1993 PA 145 — exempted, beginning December 31, 1993, property from millage levied by a local or intermediate school district for school operating purposes.

PA 312 — limited school operating property taxes on non-homestead property to lesser of 18 mills or 1993 rate; exempted homestead and qualified agricultural property from school operating millage in most school districts; authorized school districts to levy up to 3 additional mills with voter approval.

PA 331 — State Education Tax established at 6 mills beginning in 1994.

D 1994 Const Amend — Proposal A established cap on assessments and taxable value as the tax base.

GENERAL PROPERTY (CONTINUED)

Chart 11
Statewide Average Tax Rate

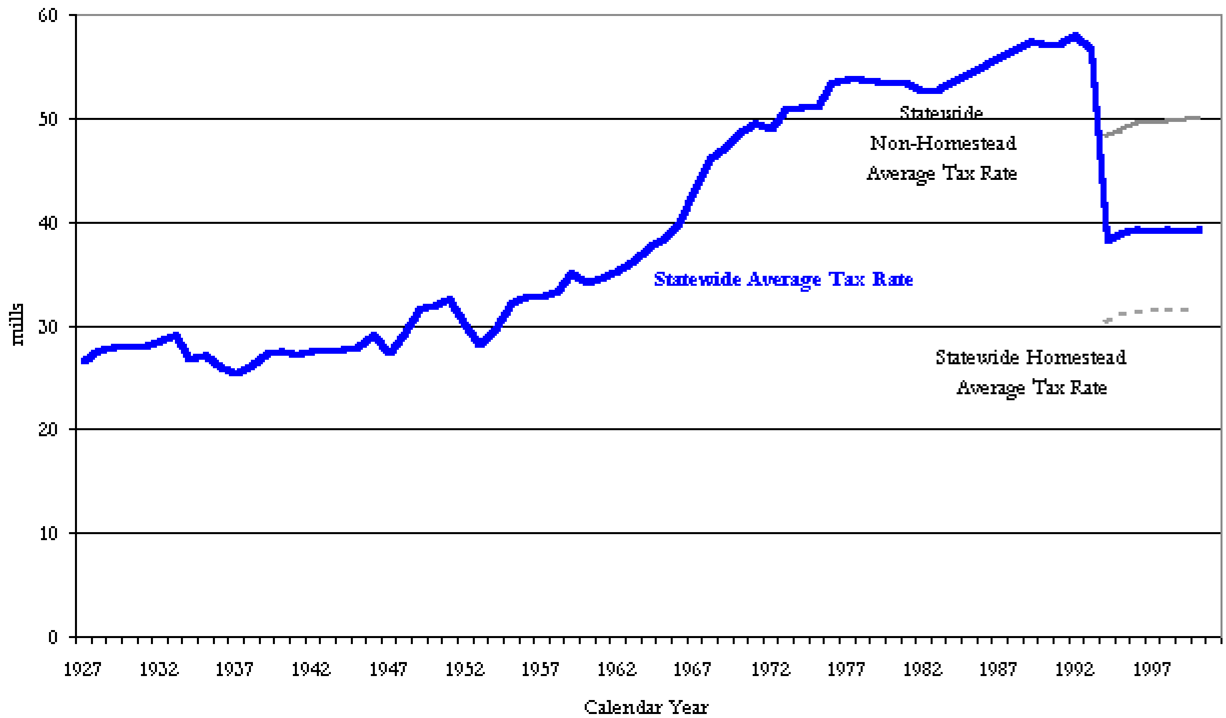
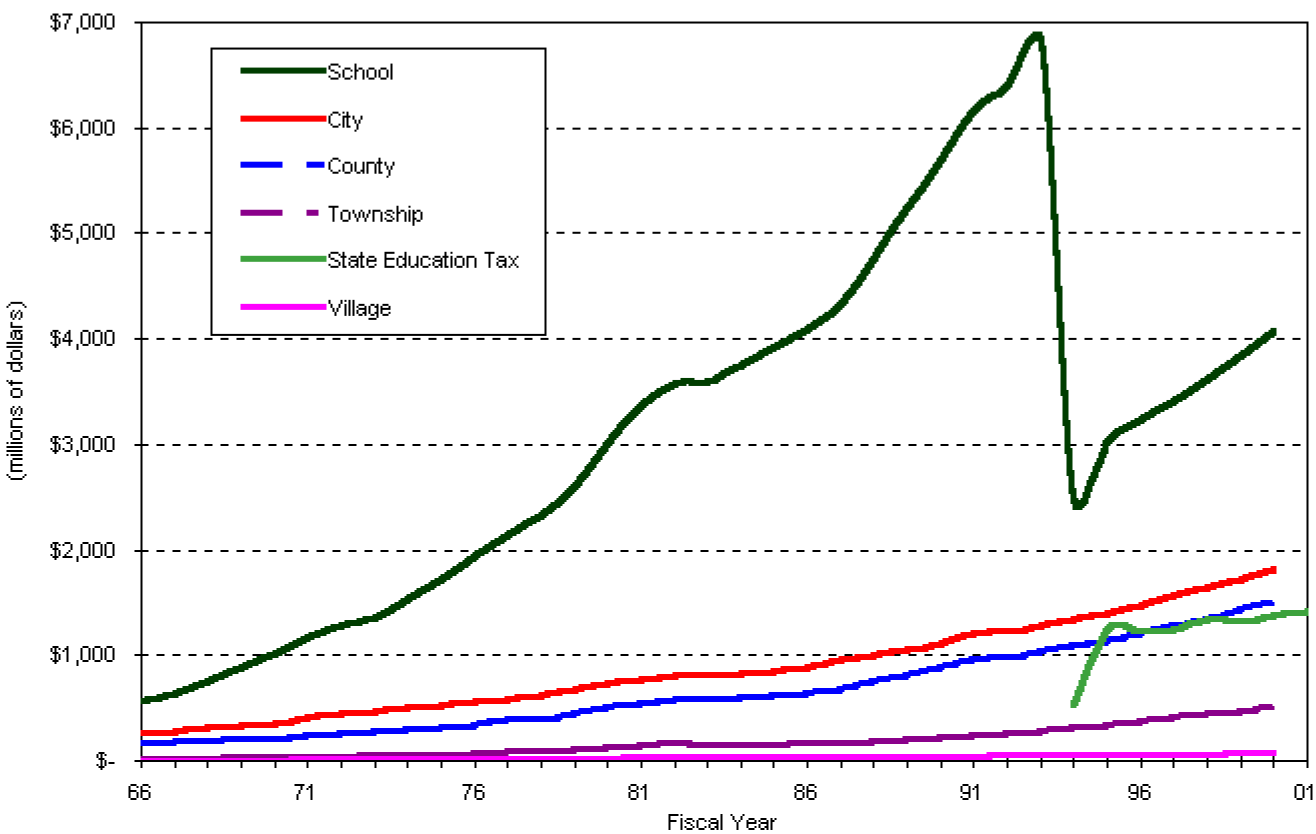


Chart 12
Property Tax Revenues by Unit of Government



AD VALOREM SPECIAL ASSESSMENTS

LEGAL CITATION: M.C.L. 41.801; M.S.A. 5.2640(1); 1951 PA 33.

YEAR ADOPTED: 1951.

BASIS OF TAX: Real property. Unit of government may impose assessment on property exempt from general property tax.

MEASURE OF TAX (BASE): Taxable value of the real property subject to the assessment. Property that is exempt from the general property tax, such as religious, charitable, or educational property is not exempt from the base of special assessments unless the statute authorizing the special assessment so provides.

When Special Assessments Look Like Property Taxes

Although not subject to many of the controls and limits imposed on the General Property Tax, ad valorem special assessments often take a form making them virtually indistinguishable from the property tax. Many examples exist of local units financing services by unit-wide ad valorem special assessments, although most units usually pay for such services from general revenues. In 1998, 131 special assessment districts in 43 of Michigan's counties levied unit-wide special assessments. Approximately 9% of the tax base in the state was subject to one or more unit-wide levies in 1998.

In 1996 the Attorney General ruled that ad valorem special assessment levies must be applied against State Equalized Value (SEV) instead of taxable value as defined by the Proposal A of 1994 Constitutional amendment. In Public Acts 542 through 545 of 1998, the Michigan legislature eliminated the distinction in the base upon which levies are applied. With that change, Ad Valorem Special Assessments are virtually indistinguishable from property taxes.

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

RATE: Determined as a rate by dividing the cost of the public improvement or service being financed by the taxable value of the special assessment district, which may be the entire unit of government in the case of Act 33 purposes. Limited to 10 mills for equipment, no limit for operations.

ADMINISTRATION: Same as General Property Tax.

REPORT AND PAYMENT: Same as General Property Tax.

DISPOSITION: Locally determined. Used to finance infrastructure improvements creating benefits for specific properties in a unit. Used to finance cost of services such as police and fire protection for an entire unit of local government and be levied uniformly across the entire unit.

2000 COLLECTIONS: $76,985,543 from unit-wide special assessments.

COMMERCIAL FOREST

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

PRIVATE FOREST

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

INDUSTRIAL FACILITIES

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

TECHNOLOGY PARK FACILITIES

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

ENTERPRISE ZONE FACILITIES

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

NEIGHBORHOOD ENTERPRISE ZONE FACILITIES

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

MOBILE HOME TRAILER COACH

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

LOW GRADE IRON ORE SPECIFIC

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

COUNTY REAL ESTATE TRANSFER

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

TRANSPORTATION TAXES

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

GASOLINE

LEGAL CITATION:	M.C.L. 207.1001 et seq.; M.S.A. 7.323(1) et seq.; 2000 PA 403; Sec. 9 of Art. 9, state Constitution.
YEAR ADOPTED:	2000 The Gasoline Tax (1925 PA 150), the Diesel Fuel Tax (1951 PA 54), and the Liquefied Petroleum Gas Tax (1953 PA 147) were recodified by 2000 PA 403.
BASIS OF TAX:	Privilege of using highways.
MEASURE OF TAX (BASE):	Gasoline sold or used in operating vehicles on public highways. **Exemption** for gasoline used in (1) vehicles owned by state or federal government; (2) vehicles owned or leased and operated by units of local government. (3) school buses owned and operated by private nonprofit parochial, or denominational schools, college, or universities. **Refund** of tax on gasoline purchased for (1) a purpose other than operation of a vehicle on public highways; (2) five or more person capacity vehicles operated under a municipal franchise; (3) passenger vehicles used to transport school children; (4) community action agencies.
RATE:	19 cents per gallon.
ADMINISTRATION:	Department of Treasury, Bureau of Revenue.
REPORT AND PAYMENT:	Due by 20th of each month.
DISPOSITION:	Michigan Transportation Fund: 2% to Recreation Improvement Fund; $5 million to Critical Bridge Fund; $3 million to Rail Grade Crossing Account; Transportation Economic Development Fund; 10% earmarked to Comprehensive Transportation Fund; of remainder, 39.1% to State Trunkline Fund; 39.1% to county road commissions; 21.8% to cities and villages.
2000-01 COLLECTIONS:	$923,594,000
2000-01 COLLECTIONS/UNIT:	$48.6 million per 1 cent.

DIESEL FUEL

LEGAL CITATION: M.C.L. 207.1001 et seq.; M.S.A. 7.323(1) et seq.; 2000 PA 403; Sec. 9 of Art. 9, state Constitution.

YEAR ADOPTED: 2000 The Gasoline Tax (1925 PA 150), the Diesel Fuel Tax (1951 PA 54), and the Liquefied Petroleum Gas Tax (1953 PA 147) were recodified by 2000 PA 403.

BASIS OF TAX: Privilege of using highways.

MEASURE OF TAX (BASE): Diesel fuel sold or used in operating vehicles on public highways.

Exemption for diesel fuel used in or for
(1) vehicles owned by the state or federal government;
(2) vehicles owned or leased and operated by units of local government;
(3) school buses owned and operated by private nonprofit parochial, or denominational schools, college, or universities;
(4) off-highway use;
(5) home heating oil;
(6) export;
(7) as other than motor fuel;
(8) for use in trains.

Refund of tax on diesel fuel purchased for use in ten or more person capacity vehicles operated under a municipal franchise.

RATE: 15 cents per gallon with discount of 6 cents for vehicles taxed under the Motor Carriers Fuel Tax.

ADMINISTRATION: Department of Treasury, Bureau of Revenue.

REPORT AND PAYMENT: Due by 20th of each month.

DISPOSITION: Michigan Transportation Fund (See Gasoline Tax).

2000-01 COLLECTIONS: $83,490,000

Diesel Fuel Tax and the Motor Carrier Fuel Tax

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

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

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

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

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

MOTOR CARRIER FUEL

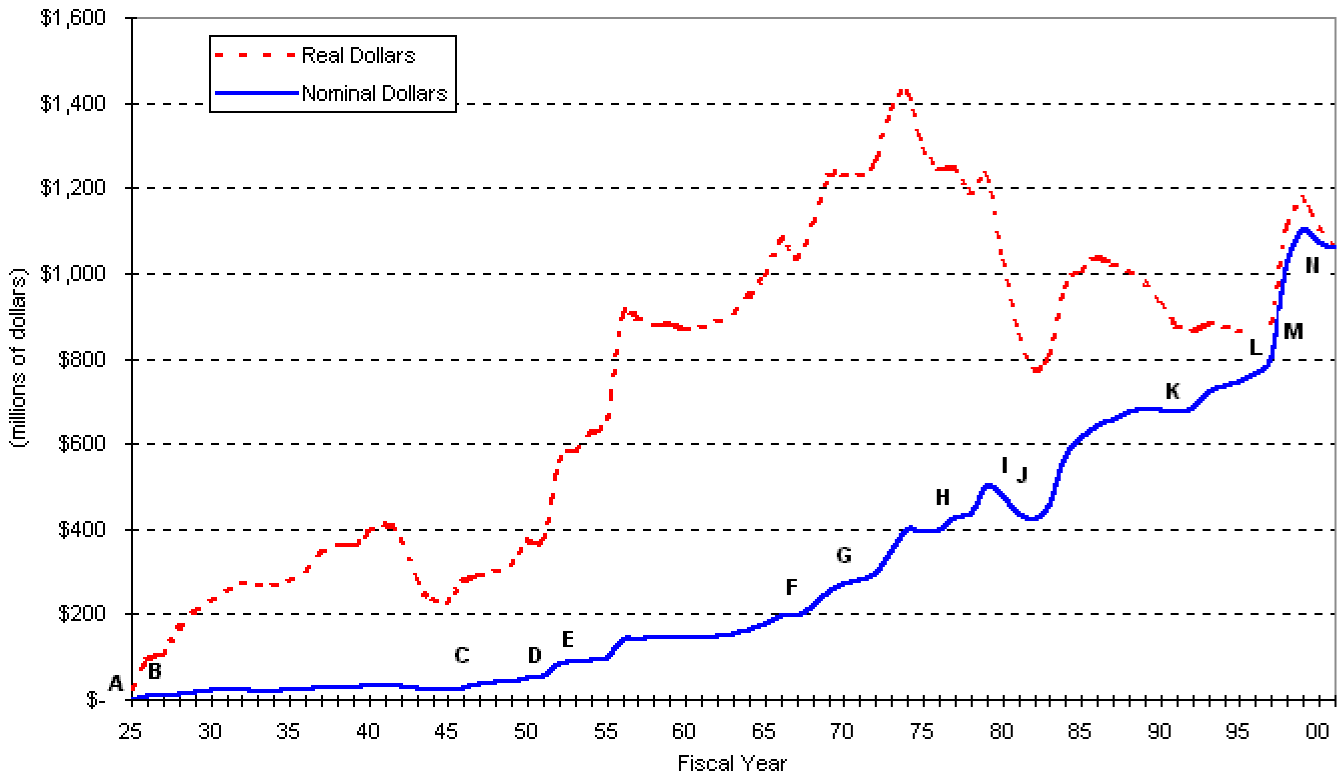
LEGAL CITATION:	M.C.L. 207.211 et seq.; M.S.A. 7.340 (1) et seq.; 1980 PA 119; Sec. 9 of Art. 9, state Constitution.
YEAR ADOPTED:	1980
BASIS OF TAX:	Privilege of using Michigan highways.
MEASURE OF TAX (BASE):	Motor fuel consumed in operating vehicles on public highways.
RATE:	21 cents per gallon with a 15 cent credit for fuel purchased in Michigan (Note, motor carriers taxed under this act are also taxed under the Diesel Fuel Tax for a net total tax rate of 15 cents per gallon.)
ADMINISTRATION:	Michigan Department of Treasury, Bureau of Revenue.
REPORT AND PAYMENT:	Due by 20th of month quarterly.
DISPOSITION:	Michigan Transportation Fund (See Gasoline Tax).
2000-01 COLLECTIONS:	$51,345,000

MOTOR CARRIER PRIVILEGE

LEGAL CITATION:	M.C.L. 478.1-478.8; M.S.A. 22.560-22.565 (1); 1923 PA 254.
YEAR ADOPTED:	1923
BASIS OF TAX:	Privilege of using highways.
MEASURE OF TAX (BASE):	Vehicles operated on highways by common and contract carriers.
RATE:	$50 per vehicle for trucks or tractors used exclusively for transporting household goods. $100 per vehicle for all others.
ADMINISTRATION:	Department of Consumer and Industry Services, Public Service Commission; certain fees, Department of State Police.
REPORT AND PAYMENT:	Due annually by December 1.
DISPOSITION:	Michigan Transportation Fund; certain fees, Truck Safety Fund.
2000-01 COLLECTIONS:	$5,550,000

MOTOR FUELS

Chart 13
Motor 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 Carriers Fuel Tax established at rate equal to Diesel Fuel Tax rate on commercial vehicles for road use based on miles driven in state.
J	1982	PA 437	— Created formula for altering gas tax rate in 1983 and 1984; set Diesel Fuel and Liquefied Petroleum Gas tax rates equal to Gasoline Tax rate (increased tax rates to 13 cents per gallon in 1983 and 15 cents per gallon in 1984).
K	1992	PA 225	— Altered the collection point of Gasoline and Diesel Fuel taxes from wholesalers to suppliers.
L	1996	PA 584	— Increased Motor Carriers Fuel Tax rate to 21 cents per gallon with 15-cent credit for fuel purchased in Michigan.
M	1997	PA 83	— Increased Gasoline Tax rate to 19 cents per gallon.
N	2000	PA 403	— Gasoline, Diesel Fuel, and Liquefied Petroleum Gas taxes recodified.

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

LIQUEFIED PETROLEUM GAS

LEGAL CITATION:	M.C.L. 207.1151 et seq.; M.S.A. 7.323(151) et seq.; 2000 PA 403; Sec. 9 of Art. 9, state Constitution.
YEAR ADOPTED:	2000 The Gasoline Tax (1925 PA 150), the Diesel Fuel Tax (1951 PA 54), and the Liquefied Petroleum Gas Tax (1953 PA 147) were recodified by 2000 PA 403.
BASIS OF TAX:	Privilege of using highways.
MEASURE OF TAX (BASE):	Gasoline sold or used in operating vehicles on public highways. **Refund** of tax on gasoline purchased for (1) a purpose other than operation of a vehicle on public highways; (2) vehicles owned by state or federal government; (3) vehicles owned or leased and operated by units of local government. (4) five or more person capacity vehicles operated under a municipal franchise.
RATE:	15 cents per gallon.
ADMINISTRATION:	Department of Treasury, Bureau of Revenue.
REPORT AND PAYMENT:	Due by 20th of each month.
DISPOSITION:	Michigan Transportation Fund (See Gasoline Tax)
2000-01 COLLECTIONS:	$898, 000
2000-01 COLLECTIONS/UNIT:	$59,867 per 1 cent.

AVIATION GASOLINE

LEGAL CITATION:	M.C.L. 259.203; M.S.A. 10.303; 1945 PA 327.
YEAR ADOPTED:	1929
BASIS OF TAX:	Privilege of using aviation facilities.
MEASURE OF TAX (BASE):	Fuel sold or used for propelling aircraft.
RATE:	3 cents per gallon. Refund of 1.5 cents per gallon to airline operators on interstate scheduled operations.
ADMINISTRATION:	Department of Treasury, Bureau of Revenue.
REPORT AND PAYMENT:	Due by 20th of each month.
DISPOSITION:	Aeronautics Fund.
2000-01 COLLECTIONS:	$6,783,000

AIRCRAFT WEIGHT

LEGAL CITATION:	M.C.L. 259.77; M.S.A. 10.177; 1945 PA 327.
YEAR ADOPTED:	1923
BASIS OF TAX:	In lieu of all other general property taxes on aircraft.
MEASURE OF TAX (BASE):	The greater of maximum gross weight or maximum takeoff weight. Many exemptions exist.
RATE:	1 cent per pound.
ADMINISTRATION:	Michigan Department of Transportation, Aeronautics Commission.
REPORT AND PAYMENT:	Due by each August 1st.
DISPOSITION:	Aeronautics Fund.
2000-01 COLLECTIONS:	$314,000

SNOWMOBILE REGISTRATION

LEGAL CITATION:	M.C.L 257.1504; M.S.A. 9.3200; 1968 PA 74.
YEAR ADOPTED:	1968
BASIS OF TAX:	Required registration by owner of each snowmobile in state.
MEASURE OF TAX (BASE):	Each snowmobile considered a separate unit subject to registration.
RATE:	Registration for 3-year period, rate is $22.00.
ADMINISTRATION:	Collection: Michigan Department of State. Enforcement: Department of Natural Resources, county sheriffs.
REPORT AND PAYMENT:	Due by October 1 every three years.
DISPOSITION:	General Fund. Not less than 50% of registration receipts appropriated to the Department of Natural Resources for planning, construction, maintenance, and acquisition of trails for snowmobile use.
2000-01 COLLECTIONS:	$1,773,000

WATERCRAFT REGISTRATION

LEGAL CITATION:	M.C.L. 324.80115-324.80128; M.S.A. 13A.80115-13A.80128; 1995 PA 58.
YEAR ADOPTED:	1967. The former statute (1967 PA 303) was repealed and replaced by 1995 PA 58.
BASIS OF TAX:	In lieu of general property tax for privilege of operating motor boats and other vessels on Michigan waters.
MEASURE OF TAX (BASE):	Length of boat. Exemptions for lifeboats; hand propelled vessels 16' or less; non-motorized canoes not used for rental or commercial purposes, all-terrain vehicles; rafts, surfboards, swim floats; vessels used temporarily on state waters.
RATE:	Registration for 3-year period. Rates for motor boats (in feet):

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 each January 1.
DISPOSITION:	17.5% to State Waterways Fund; 33.5% to Harbor Development Fund; 49% to Marine Safety Fund.
2000-01 COLLECTIONS:	$9,658,000

Motor Vehicle Registrations: Weight versus Value

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

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

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

MOTOR VEHICLE REGISTRATION

LEGAL CITATION: M.C.L. 257.801-257.810; M.S.A. 9.2501-9.2510; 1949 PA 300.

YEAR ADOPTED: 1905

BASIS OF TAX: In lieu of general property and other taxes.

MEASURE OF TAX (BASE): Weight of vehicle – or the type or sales price of vehicle. Elected gross vehicle weight (the empty weight of a vehicle or combination of vehicles plus the weight of the maximum load the owner has elected to carry) for large trucks.

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

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

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

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

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

0-3,000 lb. $29	4,501-5,000 lb. $47	6,501-7,000 lb. $67	8,501-9,000 lb. $86
3,001-3,500 lb. $32	5,001-5,500 lb. $52	7,001-7,500 lb. $71	9,001-9,500 lb. $91
3,501-4,000 lb. $37	5,501-6,000 lb. $57	7,501-8,000 lb. $77	9501-10,000 lb. $95
4,001-4,500 lb. $43	6,001-6,500 lb. $62	8,001-8,500 lb. $81	Over 10,000 lb. add $.90/100 lb.

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

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

4. **Trucks weighing 8,000 lb. or less and tow trucks** ($38 minimum; fee per 100 lb.):

0-2,500 lb.	$1.40	4,001-6,000 lb.	$2.20	8,001-10,000 lb.	$3.25	Over 15,000 lb.	$4.39
2,501-4,000 lb.	$1.76	6,001-8,000 lb.	$2.72	10,001-15,000 lb.	$3.77		

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

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

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

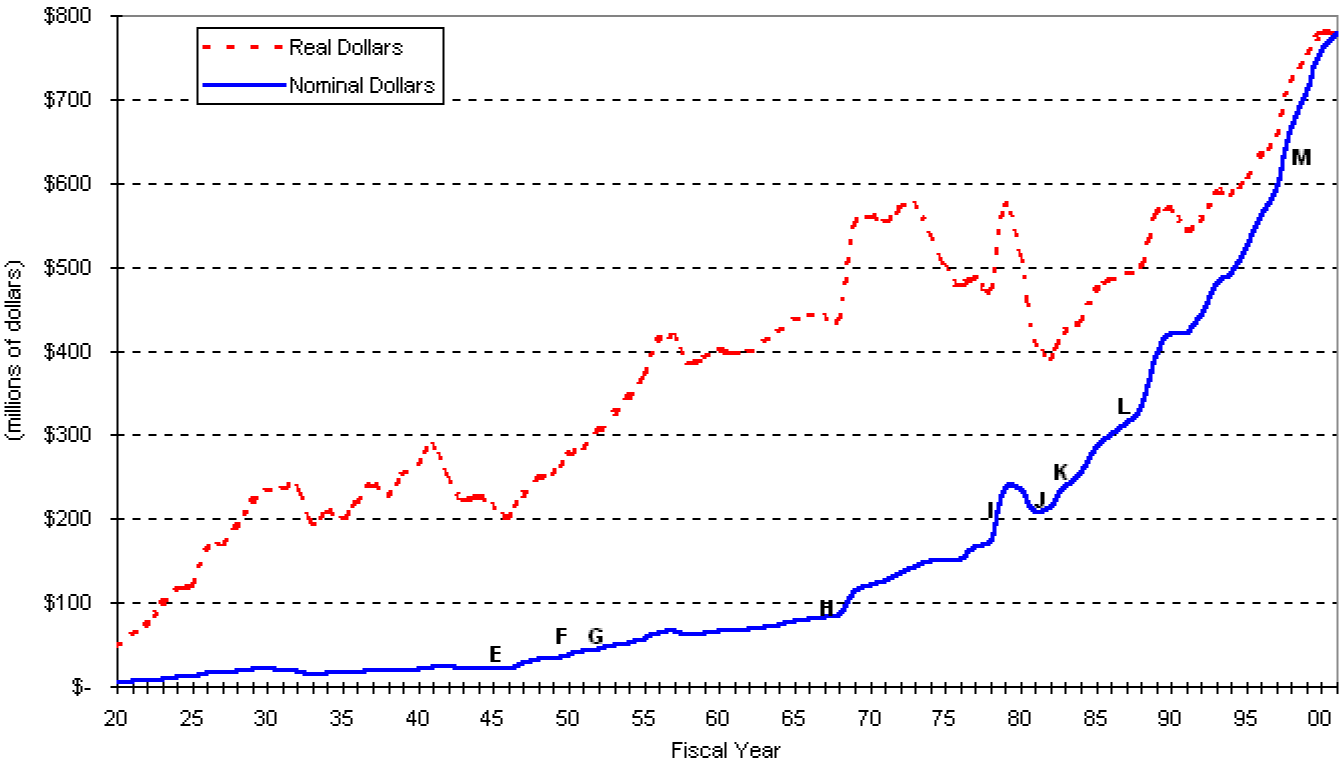
MOTOR VEHICLE REGISTRATION (CONTINUED)

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

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

2000-01 COLLECTIONS: $777,681,000

Chart 14
Motor Vehicle Registration Tax



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

CHANGES IN MICHIGAN TAX LAWS

Tax Administration

1998 PA 221: Allows the revenue commissioner to enter into voluntary disclosure agreements with certain single business taxpayers regarding the "nexus," the amount or level of presence in a state that is required before a company is subject to taxation by that state.

PA 493: Extended to June 30, 1999, the deadline for requesting a voluntary disclosure agreement with the Department of Treasury; provided that a person entering into a voluntary disclosure agreement must agree not to protest or seek a tax refund for the applicable period; and required the department to enter into a voluntary disclosure agreement if a person meets all of the eligibility requirements.

1999 PA 36: Allows a local unit to determine a business or individual ineligible for Renaissance Zone tax deductions, exemptions or credits if it is substantially delinquent in payment of city income or property taxes, as defined in written policy of the local unit; also allows local units with renaissance zones to prevent the loss of a local business, taking at least 25 jobs, to renaissance zones in other local units.

PA 139 Permits the designation of up to nine new renaissance zones by the State Administrative Board, five additional zones by the Michigan Strategic Fund, and the modification by local governmental units of the boundaries of certain renaissance zones. Allows sub-zones to be designated in existing renaissance zones by local governmental units and tax exemptions take effect December 31st of the year of designation.

PA 182 Prohibits a person from acquiring, possessing, selling, distributing, or importing into the State a tobacco product that violates any federal law or regulation.

PA 248 Requires additional information for any millage proposal. The required information includes: (1) the millage rate to be authorized, (2) revenue to be collected in the first year of the levy, (3) duration of the millage, (4) clear statement of purpose, and (5) statement of whether millage is a renewal or new millage. Additional information is required for proposals to authorize issuance of bonds.

2000 PA 244: Provides that if a taxing unit submits a proposal to voters concerning the issuance of bonds, the imposition of a new millage, or the increase or renewal of an existing millage, the ballot must disclose each local unit of government to which the revenue from that millage has been disbursed.

PA 281: Amends provisions to the General Property Tax Act that address how changes in property values made by the State Tax Commission are placed on tax rolls and how any resulting increases in property taxes are to be collected.

PA 284: Allows a board of review to meet in July, if summer property taxes are not levied, to correct clerical errors and mutual mistakes of fact affecting property assessments, the rate of taxation, or tax computation.

PA 308: Amends the Revenue Act to provide certain exceptions to the Act's prohibition against the disclosure of any facts or information obtained in connection with the administration of a tax. In particular, it allows limited disclosure to specified officials of the "adjusted gross receipts" and "wagering tax" paid by a casino licensee licensed under the Michigan Gaming Control and Revenue Act.

PA 364: Allows a local tax collecting unit to levy a property tax administration fee of up to 1% of the total tax bill per parcel of property.

PA 403: Prescribes a tax on the sale and use of fuel in motor vehicles on public highways; provides for the collection and remittance of the tax to the State; requires the licensure of persons involved in the sale, use, and transportation of motor fuel; establishes a dyed diesel fuel program; prescribes fees; provides for exemptions from and refunds of the tax; create the "Motor Fuel Tax Evasion Prevention Fund" to fund the development of a diesel fuel enforcement program and for additional administrative costs associated with implementing the Act; and provides for the enforcement of the Act and penalties for violations.

PA 404: Amends the Aeronautics Code to provide that the privilege tax of three cents per gallon on all fuel sold for propelling aircraft using facilities in Michigan would have to be collected and remitted in the same manner as fuel taxes collected under the Motor Fuel Tax Act. Also provides that if a person required to register with the Department of Treasury was not registered, the person would have to pay the applicable tax imposed under the Motor Fuel Tax Act instead of the three cents per gallon privilege tax.

PA 405: Amends the Natural Resources and Environmental Protection Act, to require that the privilege tax imposed on gasoline and undyed diesel fuel be paid to the Department in the same manner as taxes paid under the Motor Fuel Tax. The bill also specifies that the privilege tax imposed on dyed diesel fuel would be paid to the Department by the retail distributor or another person that sold the dyed diesel fuel to a person who used it to generate power for the operation of watercraft, ORVs, and snowmobiles.

PA 406: Replaces references to Public Act 150 of 1927 with references to the "Motor Fuel Tax Act".

2001 PA 122: Allows the state to enter into a multistate sales and use tax agreement that would require sellers to select a method for collecting and remitting taxes already due by state law, but seldom paid.

PA 146: For 2001 only, permits a county (Baraga) to make effective in 2001 property tax limitations adopted by the voters at an election on August 7, 2001. In an election after April 1, a property tax limitation is effective in the next calendar year.

PA 168: Provides for the state to implement a 30 to 60 day tax amnesty period ending before September 30, 2002. Provides an added penalty for taxpayers failing to participate in the program and extends the period for voluntary tax disclosure agreements for some single business taxpayers.

2002 PA 267: Allows a local assessing unit to provide for voluntary electronic filing of real or personal property statements using uniform formats prescribed by the State Tax Commission. Requires that a local tax-collecting unit accept electronic or facsimile signature using a procedure prescribed by the State Tax Commission.

PA 457: Eliminates the $1 registration fee for obtaining a sales tax license.

Income Taxes

Personal Income Tax

1998 PA 19: Makes the returned income credit apply to the 1989 income tax year and each year thereafter (instead of beginning with the 1991 tax year). The returned income credit is for an amount equal to taxes paid in a prior year on income that was received by the taxpayer but then repaid.

CHANGES IN MICHIGAN TAX LAWS, 1998 THROUGH JULY 2002

PA 535: Allows a qualified taxpayer to claim a credit against the tax for qualified expenditures made for the rehabilitation of a historic resource. The credit is equal to 25% of the qualified expenditures, and may be claimed for tax years beginning after 1998 and before 2003.

1999 PA 1: Revises earmarking of income tax to School Aid Fund to hold the fund harmless from revenue reductions resulting from reductions in the personal income tax rate.

PA 2: Reduces tax rate by one-tenth of a percentage point in tax year 2000 to 4.3%.

PA 3: Reduces tax rate by one-tenth of a percentage point in tax year 2001 to 4.2%.

PA 4: Reduces tax rate by one-tenth of a percentage point in tax year 2003 to 4.0%.

PA 5: Reduces tax rate by one-tenth of a percentage point in tax year 2004 to 3.9%.

PA 6: Reduces tax rate by one-tenth of a percentage point in tax year 2002 to 4.1% and revises school aid earmarking.

PA 181: Provides a deduction from the state personal income tax for amounts received, by a taxpayer who is a Holocaust victim, as a result of a settlement of claims for recovered assets.

PA 214: Extends the time period during which taxpayers may claim credits for historic preservation expenditures.

2000 PA 162: Allows a taxpayer to deduct contributions made to an educational savings account, not to exceed $5,000 for a single return or $10,000 for a joint return, per tax year.

PA 163: Allows a deduction for interest earned on contributions to an education savings account and also allows a deduction for a qualified withdrawal from such an account used to pay the qualified higher education expenses of the designated beneficiary of the account.

PA 195: Strengthens the criteria by which organizations qualify as community foundations for state income tax purposes to ensure that they are legitimate foundations that can be sustained over a long-term period.

PA 301: Raises from $900 to $1,800 special exemptions for taxpayers and dependents who are senior citizens, totally and permanently disabled, deaf, blind, paraplegic, quadriplegic, hemiplegic, and special exemptions for taxpayers whose unemployment compensation income is at least half of total adjusted gross income. Also increases the exemption from $500 to $1,500 for dependents with income exceeding $1,500.

PA 393: Permits a taxpayer to claim a refundable credit, up to $1,200 per child, for qualified adoption expenses.

PA 394: Provides eligibility criteria for PA 393.

PA 400: Allows a deduction for a "qualified charitable distribution". Under the act, a "qualified charitable distribution" is a distribution of assets to a qualified charitable organization by a taxpayer not more than 60 days after the date on which the taxpayer received the assets from a retirement or pension plan.

2001 PA 169: Extends the home heating tax credit indefinitely, providing the federal government has appropriated low income energy assistance funds. If the amount of the federal funds is insufficient to finance the full credits, each credit is prorated so available funds are not exceeded.

PA 215: Amended the Michigan Education Savings Program Act to lessen and in some cases eliminate penalties for nonqualified withdrawals from accounts established under provisions of the act.

2002 PA 75: Extends the personal income tax and single business tax credits to property subject to an agricultural conservation easement or purchase of development rights.

Uniform City Income Tax

1998 PA 500: Amends the City Income Tax Act to decrease, over 10 years, the maximum city income tax rate that the City of Detroit may levy. The maximum rate will decrease from 3% to 2% on resident individuals, and from 1.5% to 1% on nonresident individuals.

Business Privilege Taxes

Single Business Tax

1998 PA 225: Eliminates the "throwback rule" as of January 1, 1998. That rule, which under Public Act 225 applies only to tax years beginning before January 1, 1998, required that a sale is considered to be a sale in Michigan (for purposes of taxation) if the property is shipped from an office, store, warehouse, factory, or other place of storage in this state and into a state in which the taxpayer (the company) is not subject to taxation.

PA 240: Provides that a farmers' cooperative corporation may exclude from its adjusted single business tax base revenue and expenses attributable to business transacted with a farmer or farmer cooperative corporation patrons, to whom net earnings are allocated in the form of patronage dividends as defined in the Internal Revenue Code.

PA 504: For tax years beginning January 1, 1998, the alternative method of calculating the capital acquisition deduction may be employed by a Michigan-based multistate retailer deriving more than 20% of its total sales from the
retail sales of certain products, rather than more than 50% of total sales.

PA 534: Allows a qualified taxpayer to claim a tax credit for qualified expenditures made for the rehabilitation of a historic resource. The credit is equal to 25% of the qualified expenditures, and may be claimed for tax years beginning after 1998 and before 2003.

PA 539: For tax years beginning after 1993, royalties paid by a licensee of application computer software, operating system software, or system software under a licensing agreement do not have to be included in the licensee's tax base. Further, for tax years beginning after 1997, royalties received by a licensor, distributor, developer, marketer, or copyright holder of application computer software or operating system software under a license agreement may not be deducted from the tax base; however royalties received in this manner for system software may be deducted.

1999 PA 115: Phases out the SBT by reducing the rate by one-tenth of a percentage point per year beginning January 1, 1999 until the rate reaches zero. Rate reductions would be halted in any year in which the Budget Stabilization Fund (rainy day fund) balance drops below $250 million. Replace apportioned capital acquisition deduction (CAD) with an unapportioned investment tax deduction effective for tax years beginning after December 31, 1999. Applies SBT to certain "foreign persons" with business activity in the United States whether or not the business entity is subject to taxation under the federal Internal Revenue Code. Reduces taxes of "spun off" companies by excluding sales between companies that were members of an affiliated group before restructuring.

PA 184: Removes the January 1, 2000 sunset date for the apprenticeship training tax credit for the Single Business Tax.

PA 213: Extends the time period during which taxpayers may

CHANGES IN MICHIGAN TAX LAWS, 1998 THROUGH JULY 2002

claim credits for historic preservation expenditures.

PA 373: Exempts individuals from the tax that meet the following criteria: the person does not have a permanent establishment in the United States; the person's business activity consists of transportation services, apportioned based upon revenue miles of the taxpayer in Michigan versus revenue miles of the taxpayer elsewhere; and the person's business activity in Michigan is limited to transportation and loading or unloading of goods that were delivered by a truck.

2001 PA 224: Exempts from the tax base expenses attributable to a multiple employer welfare arrangement to provide insurance to fund dental benefits only.

PA 229: Excludes from sales, royalties paid to a franchisor for out of state use of trade names, trademarks, or similar intangible property.

PA 230: Includes royalties in the tax base of the franchisor rather than the franchisee.

PA 249: Allows a tax credit equal to $1 per long ton of qualified low-grade hematite (in pellet form) consumed in the industrial or manufacturing process that is the business activity of the taxpayer.

PA 278: For tax years beginning in calendar year 2000, exempts from the tax base receipts attributable to international operation of aircraft by airlines exempt from federal taxation under section 883 (a) of the IRS code. The act corrects an oversight that left uncorrected would exempt such income before and after 2000.

2002 PA 75: Extends the personal income tax and single business tax credits to property subject to an agricultural conservation easement or purchase of development rights.

PA 442: Permits a Canadian taxpayer without a permanent establishment in the United States to use amounts properly calculated under the Canadian Income Tax Act that reasonably approximate business income and adjustments related to United States business activity required under Michigan's Single Business Tax act.

Horse Race Wagering Tax

1998 PA 408: Increases the amount of commission on multiple wagering that may be retained by race meeting licensees and eliminates certain restrictions on race meetings, among other things.

Sales-Related Taxes

Sales Tax

1998 PA 60: Specifies that the provision governing the application of the sales tax to food sold from a mobile facility or vending machine, applies after December 31, 1994. A refund may not be made for any taxes paid after that date and before January 16, 1997, for food or drink otherwise exempt under this provision.

PA 257: Repeals a provision that exempted from the sales tax sales made under contracts that were entered into, or bid and accepted, before January 1, 1970.

PA 265: Alters the provisions that required the prepayment of sales taxes by certain retailers. Prepayment is no longer required; rather, taxes are to be paid on the 15th and the last day of the month collected.

PA 267: Reduces the amount that a taxpayer, who is subject to the act's accelerated payment provisions, must prepay; alters the dates when payments are due; removes the cap on the collection allowance; and reduces the collection allowance.

PA 274: Exempts the purchase of tangible personal property purchased by a person engaged in the business of constructing, altering, repairing, or improving real estate for others if the property is to be affixed to or made a structural part of a sanctuary.

PA 365: Exempts certain products, equipment, machinery, and utilities sold or leased to an industrial laundry after December 31, 1997.

PA 398: Specifies that the exemption for purchasing products related to agricultural production applies to grain drying equipment and natural or propane gas used to fuel that equipment for agricultural purposes.

PA 451: Defines the term "hospital" for the purpose of the provisions which provide exemptions from the sales tax for the sale of property to contractors doing certain construction work for hospitals.

PA 453: Permits lumber and building materials dealers to include the amount of taxable sales and gross proceeds from materials furnished to contractors on a credit basis in the first quarterly sales tax return due following the date the credit sale is made, rather than in the month the sale is made.

PA 490: Provides an exemption for computer equipment used in connection with the computer-assisted production, storage, and transmission of data if the equipment would have been exempt had the data transfer been made using tapes, disks, CD-ROMs, or similar media by a company whose business includes publishing doctoral dissertations and information archiving, and that sells the majority of the company's products to non-profit organizations that are themselves exempt from the federal income tax.

1999 PA 105: Exempts investment coins and bullion.

PA 116: Provides that property granted an exemption in the sales tax act is exempt only to the extent it is used for tax exempt purposes; apportions industrial processing exemptions based on exempt and non-exempt uses of equipment; exempts trucks, trailers, and related parts purchased for use in interstate commerce; and expands the definition of "hospital" for the purpose of the exemption for property purchased for use in constructing, altering or repairing a non-profit hospital.

2000 PA 149: Provides that, if a person returns a previously purchased item for a refund or a credit, he or she will receive a refund or credit for any sales tax paid on the item.

PA 204: Exempts sales to a domestic air carrier of an aircraft, or parts and materials (excludes shop equipment or fuel). The aircraft must transport air cargo and/or passengers and must have a maximum certified takeoff weight of at least 6,000 pounds.

PA 242: Amends provisions regarding tax exempt sales by modifying the definition of "in good faith" so that it is straightforward and objective. Also extends the period that blanket exemption certificates apply and places more responsibility and burden on the Department of Treasury rather than the company making the sale.

PA 329: Exempts from the sales tax, food and nonalcoholic beverages provided during work hours by an employer to employees who are employed in the business of preparing or selling prepared food intended for immediate consumption.

PA 390: Specifies that, beginning September 20, 1999, sales taxes would apply to the transmission and distribution of electricity whether the electricity was purchased from the delivering utility or from another provider.

CHANGES IN MICHIGAN TAX LAWS, 1998 THROUGH JULY 2002

PA 417: Exempts from the tax, sales of non-alcoholic beverages in sealed containers, sold from a vending machine or mobile facility.

2001 PA 40: Simplifies the procedure to recognize exemptions already in the law for purchases of aircraft for subsequent lease to carriers. The aircraft must be for use solely for regularly scheduled transport of passengers.

PA 102: Eliminates wholesalers and authorized distribution agents of alcohol from the requirement of collecting and maintaining sales tax exemption certificates if such information is maintained in routine business records.

2002 PA 457: Updates a reference in the Sales Tax act exempting from the sales tax equipment used to provide mobile telecommunications services taxable under the use tax.

Use Tax

1998 PA 266: Alters the provisions that required prepayment of use taxes by certain retailers. Prepayment is no longer required; rather, taxes are to be paid twice in the month collected.

PA 275: Exempts from the use tax the purchase of tangible personal property purchased by a person engaged in the business of constructing, altering, repairing, or improving real estate for others if the property is to be affixed to or made a structural part of a sanctuary.

PA 366: Exempts certain products, equipment, machinery, and utilities used or consumed by an industrial laundry after December 31, 1997. Beginning in 1999, imposes use tax in the laundering of cleaning of textiles under a sale, rental, or service agreement with a term of at least 5 days. Restaurants and retailers are exempt from this tax.

PA 225: Exempts the storage, use, and consumption of investment coins and bullion.

PA 452: Defines the term "hospital," for the purpose of the provisions which provide exemptions from the use tax for the sale of property to contractors doing certain construction work for hospitals.

PA 491: Exempts computer equipment used in connection with the computer-assisted production, storage, and transmission of data if the equipment would have been exempt had the data transfer been made using tapes, disks, CD-ROMs, or similar media by a company whose business includes publishing doctoral dissertations and information archiving, and that sells the majority of the company's products to nonprofit organizations that are themselves exempt from the federal income tax.

1999 PA 70: Eliminates sunset on exemption of interstate motor carrier trucks, trailers, and related parts.

PA 117: Provides that property granted an exemption in the use tax act is exempt only to the extent it is used for tax exempt purposes, apportions industrial processing exemptions based on exempt and non-exempt uses of equipment, specifies a bad debt deduction for the use tax similar to the sales tax, and expands the definition of "hospital" for purposes of the exemption for property purchased for use in constructing, altering or repairing a non-profit hospital.

2000 PA 153: Provides that if a person returns a previously purchased item for a refund or a credit, he or she will receive a refund or credit for any use tax paid on the item.

PA 200: Exempts the storage, use, or consumption of an aircraft purchased by, or for lease to, a domestic air carrier after September 30, 1996. The aircraft must be used for the transport of air cargo and/or passengers and must have a maximum certified takeoff weight of at least 6,000 pounds.

PA 328: Exempts from the use tax, food and nonalcoholic beverages provided during work hours by an employer to employees who are employed in the business of preparing or selling prepared food intended for immediate consumption.

PA 391: Specifies that beginning September 20, 1999, use taxes would apply to the transmission and distribution of electricity whether the electricity was purchased from the delivering utility or from another provider. The bill also provides that the use tax would apply to electricity, natural or artificial gas, or steam.

2001 PA 39: Simplifies the procedure to recognize exemptions already in the law for purchases of aircraft for subsequent lease to carriers. The aircraft must be for use solely for regularly scheduled transport of passengers.

2002 PA 110: Implements by law the established practice of taxing dealers exceeding the maximum number of allowable tax-exempt demonstration vehicles. The monthly tax equals (1) the use tax rate (6%) times 2.5% of the value of the vehicle (2) plus $30.

PA 255: Permits a lessor to elect to pay the use tax on receipts from the rental or lease of tangible personal property instead of paying sales or use tax on the full cost at the time of acquisition. Lessors of aircraft, in order to make a valid election, must obtain a use tax registration by the earlier of the date set for the first payment of use tax under the lease agreement or 90 days after the aircraft is brought into the state.

PA 455: Permits a service provider to separate intrastate and interstate taxable and nontaxable telecommunications and other services if the provider can reasonably identify the charges from records kept in the regular course of business.

PA 456: Provides that the consumption of mobile telecommunications services are taxable in the same manner as tangible personal property regardless of where the services originated, terminated, or passed through. The determination of whether services are taxable is based on the location of the place of primary use, either in or outside of Michigan

Beer and Wine Taxes

1998 PA 58: Repeals the Michigan Liquor Control Act and replaces it with a new act, the Michigan Liquor Control Act of 1998 primarily reorganizing the former act's provisions into chapter form by subject matter.

2000 PA 395: Adds a section to the Michigan Liquor Control Code to allow certain brewers that produce over 200,000 barrels of beer per year to sell beer for on-premises consumption. The bill also revises the current eligibility requirements under which a brewer, microbrewer, or brewpub may claim a per barrel tax credit.

Liquor Taxes

1998 PA 58: Repeals the Michigan Liquor Control Act and replaces it with a new act, the Michigan Liquor Control Act of 1998 primarily reorganizing the former act's provisions into chapter form by subject matter.

Liquor Markup

1998 PA 58: Repeals the Michigan Liquor Control Act and replaces it with a new act, the Michigan Liquor Control Act of 1998 primarily reorganizing the former act's provisions into chapter form by subject matter.

Uniform City Utility Users Tax

1998 PA 548: Amends the City Utility Users Tax Act to reduce the population requirement to 750,000 from 1 million, for a city to be eligible to impose a city utility users tax.

CHANGES IN MICHIGAN TAX LAWS, 1998 THROUGH JULY 2002

PA 241: Excludes casinos from the tax exemption allowed for public utility services provided in a renaissance zone.

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

Property Taxes

Utility Tax

2000 PA 341: Amends Public Act 282 of 1905 to allow a company that owned, leased, ran or operated "qualified rolling stock" to claim a tax credit equal to 25% of the expenses incurred in the state in the preceding calendar year. Under the bill, "qualified rolling stock" includes freight, stock, refrigerator, or other railcars that are not the exclusive property of a railroad company.

Estate Tax

1998 PA 277: Redefines "internal revenue code" as the Internal Revenue Code in effect on January 1, 1998, or, at the option of the decedent's personal representative, the code in effect on the date of the decedent's death.

State Real Estate Transfer Tax

2000 PA 203: Exempts property transferred from one religious institution to another religious institution.

State Education Tax

2001 PA 7: Provides a credit to taxpayers in the Saginaw City School District to offset $900,000 collected in excess of the amount needed to retire a school district bond issue.

2002 PA 243: Requires that the tax be collected in a summer levy for 2003 and subsequent years. For 2003 only, the tax rate ids reduced from 6 mills to 5 mills.

PA 244: Prohibits a city or township levying property taxes in December 2002 from increasing the proportion of its mills levied in the summer 2003.

General Property Tax

1998 PA 18: Makes an exception to the requirement that personal property be in a renaissance zone at least 50% of the preceding tax year in order to be exempt from the tax.

PA 244: The act amended Public Act 189 of 1953 (which provides for taxation of lessees or users of tax-exempt property) to exclude a casino from the tax exemption allowed under that act for real property located in a renaissance zone.

PA 280: Exempts from the tax, after 1997, partially completed new construction if the completed construction will be exempt when put to use; and exempts for tax years 1992 through 1997 partially completed construction, if certain conditions are met.

PA 328: Allows the governing body of an eligible local assessing district (a city, village, or township that contains an eligible distressed area) to adopt a resolution to exempt from personal property taxes all new personal property of an eligible business located in an eligible district or districts designated in the resolution.

PA 373 Amends the Metropolitan Council Act to provide for the creation of a new kind of organization, a metropolitan arts council, that may levy up to one-half of one mill (with voter approval) to support arts institutions and programs.

PA 375 Amends the Metropolitan Council Act to create a metropolitan region council to develop or enhance regional cultural institutions and local recreation and cultural facilities not primarily designed or used for professional sports. Allows a council to levy up to 0.5 mill (with voter approval).

PA 435: For petition with the circuit court to strike from the tax rolls uncollectible taxes on personal property, revises filing date and permits joint petitions.

PA 462: Grants powers to county boards of commissioners, to make a number of changes with regard to soil conservation districts, including renaming such entities as "conservation districts," and authorizing counties to levy taxes to fund conservation districts.

PA 468: Provides an exemption from the general property tax, beginning December 30, 1998, until December 30, 2018, for personal property located in an area designated as a rural enterprise community as of January 4, 1999, under Title XIII of the Omnibus Budget Reconciliation Act of 1993, that is a component part of a natural gas distribution system.

PA 469: Requires the state to pay property tax on disabled persons housing owned and operated by a nonprofit corporation or association, by the state, or by an instrumentality of the state, and financed under section 811 of the National Housing Act.

PA 471: Exempts from the personal property tax bottled water coolers available for lease or subject to an existing lease.

PA 498: Specifies that personal property located in a renaissance zone on tax day and located in the zone for less than 50% of the immediately preceding year is eligible for an exemption from the property tax if the owner of the property files an affidavit that the property will be located in the zone for at least 50% of the tax year for which the exemption is claimed.

PA 536: Provides an exemption for property owned and occupied by a charitable trust, while occupied by that charitable trust solely for the charitable purposes for which the trust was established.

PA 537: Specifies that certain daily rental property must be assessed to the owner at the location of the rental business, instead of at the location of the rental property, under certain conditions; and continues the tax treatment of certain qualified personal property that is obtained for use or possession for a noncancellable term of 12 months or more (which previously applied only to assessments made before 2000).

1999 PA 20: Expands the definition, contained in PA 328 of 1998, of personal property eligible for exemption by permitting exemption from taxation of certain new personal property in eligible assessing districts.

PA 38: Requires that local units round millage rates down to four decimal places.

PA 123: Revises the General Property Tax Act by shortening the period required before a tax delinquent property is subject to forfeiture, foreclosure, and sale from about six years to three years. Repeals 20 sections of the General Property Tax Act on December 31, 2001, and an additional 37 sections on December 31, 2004. Reforms the tax reversion process and makes optional the foreclosing governmental unit's responsibility for administration of the process.

PA 132 Creates the Certification of Abandoned Property for Accelerated Forfeiture Act to provide for certification of abandoned tax delinquent property if local unit makes declaration. Establishes criteria for abandoned property, notice to property owners or taxpayer of record, and allows owner or person with legal interest to file an affidavit claiming property is not abandoned.

CHANGES IN MICHIGAN TAX LAWS, 1998 THROUGH JULY 2002

PA 133: Amends General Property Tax Act by providing that for taxes levied after December 31, 1998, certified abandoned property is subject to forfeiture, foreclosure, and sale for the enforcement and collection of the delinquent taxes. Allows owners of foreclosed property to recover monetary damages and specifies the requirements for property to be considered abandoned.

PA 134: Creates the Tax Reverted Property Emergency Disposal Act allowing a local governmental unit to obtain clear title to tax reverted property vested to the local unit prior to January 1, 2000, if a declaration of emergency backlog is made.

2000 PA 260: Provides that the assessment for agricultural property being transferred between owners will remain capped if the new owner keeps the property in agricultural use for at least seven years from the date of transfer. If the property ceases to be agricultural property within the seven-year period, the property's assessment will be adjusted to reflect the property's state equalized valuation.

PA 309: Exempts from the tax real and personal property owned by a nonprofit charitable institution that was occupied and used by the institution's chief executive officer, as his or her principal residence as a condition of employment. The property must be contiguous to real property that contains the nonprofit charitable institution's principal place of business.

PA 317: Exempts heavy earth moving equipment from the tax, subject to both of the following requirements. First the equipment is to be sold within two years of first being leased or rented. Second, the lease or rental payments will count against the purchase price.

PA 415: Specifies that, for taxes levied after December 31, 2002, buildings and improvements located upon leased real property would be taxed as real property if the value of the buildings or improvements was not included in the assessment of real property. The bill also specifies that a building on leased land would bear the same classification as the parcel on which it was located.

2001 PA's94-101: These public acts are a package of bills intended to deal with technical problems encountered in implementing and administering the new tax reversion process established in Public Act 123 of 1999.

Ad Valorem Special Assessments

1998 PA 542: Amends the Township and Village Public Improvement and Public Service Act to provide that after 1998 ad valorem special assessments levied under the act must be levied on the taxable value of the property assessed. If the levy of an ad valorem special assessment on the property's taxable value is found to be invalid by a court of competent jurisdiction, the levy of the ad valorem special assessment must be levied on the property's state equalized value.

PA 543: Amends the General Property Tax Act to provide that after 1998, ad valorem special assessments must be levied on the taxable value of the property assessed, rather than the state equalized value.

PA 544: Amends the Township Public Improvement Act to provide that after 1998, ad valorem special assessments levied under the act must be levied on the taxable value of the property assessed. If the levy of an ad valorem special assessment on the property's taxable value is found to be invalid by a court of competent jurisdiction, the levy of the ad valorem special assessment must be levied on the property's state equalized value.

PA 545: Amends the Police and Fire Protection Act to provide for police and fire protection and to levy special assessments to pay for the equipment, to provide that after 1998, ad valorem special assessments levied under the act must be levied on the taxable value of the property assessed. If the levy of an ad valorem special assessment on the property's taxable value is found to be invalid by a court of competent jurisdiction, the levy of the ad valorem special assessment must be levied on the property's state equalized value.

1999 PA 49: Permits a city to establish one or more business improvement districts, issue bonds, notes, or other obligations to finance projects and levy special assessments to finance the obligations of the district(s).

Industrial Facilities Taxes

1999 PA 140: Eliminates the provision requiring the consent of a local unit losing employment where granting an exemption would transfer employment from one local unit to another.

Neighborhood Enterprise Zone Facilities Taxes

2001 PA 93: Amends the Act to permit qualification for 10 homeowners in the Morningside Commons development in Detroit to receive property tax reductions. This issue arose because application for the tax abatement certificate was made before the building permit was issued, creating what was described as a "paperwork mishap".

PA 158: Changes the effective date of neighborhood enterprise zone certificates. The effect of the act is to provide reduced taxes upon the completion of new construction, and retain the prior tax payments for rehabilitated property.

Low Grade Iron Ore Specific Tax

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

Transportation Taxes

Gasoline Tax

1998 PA 29: Provides exemption for gas and diesel fuel tax for parochial schools replacing procedure requiring filing for motor fuel tax exemption.

Motor Vehicle Registration Tax

1998 PA 247: Reduces the fee charged to over-size vehicles not exceeding maximum weight or load from $50 to $15 for a single trip and $100 to $30 for multiple trips or on an annual basis. Specifies that fees may only be increased annually and by not more than the change in the consumer price index.

PA 297: Increases snowmobile registration fee from $15 to $22 and allocates fee increase to trail enforcement grants to counties and other local groups.

PA 384: Provides that a dealer may not charge a purchaser of a vehicle more than the dealer was charged by the Secretary of State for a temporary plate or marker; specifies that a dealer license entitles a dealer to conduct at another business in the state the wholesale buying, selling, or dealing in vehicles; revises the registration fee for vehicles with a list price of more than $30,000; and establishes a multiple-year license and fee for vehicle dealers as well as used vehicle parts dealers, automotive recyclers, and foreign salvage vehicle dealers.

1999 PA 183 Provides for special vehicle registration plates for certain military veterans at an additional service fee of $5.

GLOSSARY

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

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

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

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

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

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

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

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

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

Par Value: The face value of a security.

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

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

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

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

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

Stumpage Value: Values determined from log grade value tables.

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

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

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

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

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

Value Added Tax: A broad-based tax levied on that portion the "value added" of the final product of a business that is over and above the value of the materials it purchased. Each business is taxed on the addition to value it contributes to the final product or service. By applying the tax against the added value, multiple taxation of the same business activity is avoided and transactions between business are treated the same as those between internally integrated operations within a single firm.

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

COLLECTIONS FROM MAJOR MICHIGAN TAXES, 1997-2000

(In Millions)

	State Taxes	1997	1998	1999	2000	Data Sources
Income Taxes	Personal Income	$ 5,935	$ 6,397	$ 6,939	$ 7,247	A
Business Privilege	Single Business	2,270	2,373	2,421	2,363	A
	Unemployment Compensation	1,113	1,024	987	1,024	B
	Oil & Gas Severance	40	33	24	41	A
	Insurance Company Retaliatory	201	139	192	155	A
	Horse Race Wagering	12	13	13	13	A
	Subtotal[7]	$ 3,636	$ 3,582	$ 2,650	$ 3,596	
Sales-Related	Sales	5,376	5,566	5,918	6,241	A
	Use	1,096	1,151	1,294	1,328	A
	Tobacco Products	546	559	599	592	A
	Beer and Wine	48	49	49	50	A
	Liquor	76	82	86	93	A
	Liquor Markup	83	88	96	110	E
	Subtotal	$ 7,225	$ 7,495	$ 8,042	$ 8,414	
Property	Utility Property	148	102	214	157	A
	Intangibles	77	45	1	1	A
	Estate	78	100	175	163	A
	State Real Estate Transfer	187	224	254	251	A
	State Education	1,130	1,237	1,245	1,337	A
	Subtotal	$ 1,620	$ 1,708	$ 1,889	$ 1,889	
Transportation	Gasoline	714	901	924	931	A
	Diesel Fuel	82	120	86	87	A
	Motor Vehicle Weight or Value	594	665	710	757	A
	Other	24	22	26	27	A
	Subtotal[7]	$ 1,414	$ 1,708	$ 1,746	$ 1,802	
	Total State Taxes[7]	**$19,830**	**$20,890**	**$21,266**	**$22,968**	
	Local Taxes					
Income	City Income	$ 517	$ 546	$ 538	$ 550	C
Sales-Related	Utility Users	$ 54	$ 50	$ 49	$ 53	C
Property	General Property[7]	$ 6,737	$ 7,159	$ 7,565	N/A	D
	Total Local Taxes[7]	**$ 7,308**	**$ 7,755**	**$ 7,746**	**N/A**	
	Total State and Local Taxes[7]	**$27,138**	**$ 28,645**	**$ 30,405**	**N/A**	

Data Sources:
[A] Annual Reports of the State Treasurer (state fiscal year basis).
[B] Michigan Unemployment Agency (state fiscal year basis).
[C] State Tax Commission (calendar year basis).
[D] State Tax Commission (local fiscal year basis).
[E] Michigan Department of Consumer and Industry Services, Liquor Control Commission (state fiscal year basis).

[7] Omits collections from certain minor taxes.