

u n c i l m m e n t s :

Citizens Research Council of Michigan

1526 DAVID STOTT BUILDING—DETROIT 26

204 BAUCH BUILDING—LANSING 23

o. 741

July 5, 1963

OUTLINE OF THE MICHIGAN TAX SYSTEM - 1963

This bulletin presents a summary outline of the Michigan state and local tax system as of June 1, 1963. The outline is designed as a ready reference to each tax and includes the following items: tax, legal citation, year adopted, basis of tax, measure of tax, rate, administration, report and payment, disposition, yield in fiscal 1962 (or 1963 est.), and estimated unit yield. The assistance of the Michigan Department of Revenue in reviewing the outline is gratefully acknowledged. The Research Council assumes full responsibility for the information presented.

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TAX	Aircraft Registration (Wgt.)	Aviation Gasoline	Beer
LEGAL CITATION	CL 259.77 MSA 10.177	CL 259.203 MSA 10.303	CL 436.40-41 MSA 18.1011-18.1012
YEAR ADOPTED	1923	1929	1933
BASIS OF TAX	In lieu of all other general property taxes on aircraft	Privilege of using aeronautics facilities	Privilege of manufacturing and selling
MEASURE OF TAX	Net empty weight of aircraft	Fuel sold or used in producing or generating power for propelling aircraft	Beer manufactured or sold in this state
RATE	$\frac{1}{2}$ ¢ per pound	3¢ per gallon with a refund of $1\frac{1}{2}$ ¢ for airline operators on inter-state scheduled operations	2¢ per 12 ounces Effective July 1, 1962
ADMINISTRATION ASSESS: COLLECT:	Department of Aeronautics	Department of Revenue	Liquor Control Commission
REPORT AND PAYMENT	Payable by August 1	Monthly by 20th	By commission regulation (stamps)
DISPOSITION	State Aeronautics Fund	State Aeronautics Fund	General Fund
FY '62 YIELD	\$24,628	Gross \$1,335,947 Refunds 226,125 Net \$1,109,822	\$6,000,361 (Old Rate)
ESTIMATED UNIT YIELD	--	\$370,000/1 cent (Net)	1¢/12 oz. = \$16,000,000

Boxing and Wrestling	Business Activities	Chain Store
CL 431.115 MSA 18.422 (15)	PA 150 of 1953 MSA 7.557 (1-24)	CL 205.401 MSA 7.481
1919	1953	1933
Privilege of conducting professional contests	Engaging in business for profit Includes professions and excludes banks, insurance and financial institutions	Privilege of owning, operating, maintaining or controlling two or more stores or chain counters
Gross Receipts from sale of tickets and other sources except food, refreshments, and programs	Gross receipts less certain taxes, purchases, interest, rent and reasonable depreciation on real property; minimum deduct of 50% of gross receipts allowed Additional deduct allowed if above exceed 50% or if total payroll exceed 50% of gross receipts Interstate businesses allocate portion of total gross receipts to Michigan by three factor formula (property, sales, and payroll)	Number of stores or counters
from tickets from other sources from all sources on National and International championship events	<u>Public Utilities:</u> 2 mills <u>All Other:</u> 7 3/4 mills <u>Exemption:</u> 1st \$12,500 of adjusted receipts <u>Deduction:</u> % not to exceed 25% that 1% of adjusted gross receipts bears to net income	Graduated rates <u>Stores:</u> \$10 for two up to \$250 each over 25 <u>Counters:</u> \$10 each for 10 up to \$25 each over 25
Athletic Board of Control	Department of Revenue	Department of Revenue
Within 24 hours after contest	Quarterly by last day of month following	Payable upon licensing and annually by April 1
General Fund	General Fund	General Fund
\$84,094	\$77 million (1963 est.)	\$583,987
--	All Other - \$9.7 million/mill Utility - .9 million/mill (1963 est.)	--

TAX	Cigarette	Commercial Forest Reserve
LEGAL CITATION	CL 205.507 MSA 7.411(7)	CL 320.301-314 MSA 13.221-13.238
YEAR ADOPTED	1947	1925
BASIS OF TAX	Privilege of sale and distribution of cigarettes	In lieu of general property tax
MEASURE OF TAX	Cigarettes sold and distributed	<u>Specific:</u> Lands placed in forest reserve <u>Withdrawal:</u> Withdrawal of lands placed in forest reserve & stumpage value of merchantable products
RATE	3½ mills per cigarette (7¢ per pack)	<u>Specific:</u> Graduated 5-10¢ per acre depending on millage <u>Withdrawal:</u> 3¢ per acre per year up to 20 years & 10% of value of all merchantable forest products
<u>ADMINISTRATION</u>	Department of Revenue	<u>Specific:</u> Cons. Dept. & Twp. Ass'ors Twp. Treas & Co. Treas. <u>Withdrawal:</u> State Conservation Department
ASSESS:		
COLLECT:		
REPORT AND PAYMENT	20th of each month	<u>Specific:</u> With regular property tax <u>Withdrawal:</u> Payment due for written approval of appli- cation to withdraw
DISPOSITION	2½ mills General Fund 1 mill School Aid Fund	Specific & Withdrawal, except acreage fee to township to be distributed in same manner as the allocation of 15 mills Acreage fee to general fund
FY '62 YIELD	\$67.5 million (1963 est.)	Acreage fee only one available--\$41.00
ESTIMATED UNIT YIELD	\$9.5 million/1¢ 1 mill per cig.= 19 million (1¢ per pack = 9.5 million) (1963 est.)	--

Corporation Organization Franchise	Annual Corporation Privilege (Franchise)	Diesel Fuel
CL 450.303-305 MSA 21.203-21.204	CL 450.304-304b MSA 21.205&21.207 PA No. 216 (1962)	PA 54 of 1951 MSA 7.316 (1-14)
1891	1921	1947
Privilege of incorpo- rating, renewing and exercising franchise in Michigan	Privilege of exercis- ing franchise and transacting business in Michigan	Privilege of using highways
<u>Domestic:</u> Authorized capital stock <u>Foreign:</u> Ratio of authorized stock repre- sented by portion of property owned & used in Michigan	Paid-up capital and surplus. Interstate corporations allocate portion to Michigan by three part formula (property, payroll & receipts)	Diesel fuel sold or used in operating vehicles on public highways
Five mill per dollar Minimum: \$25.00	Five mills per dollar Minimum: \$10.00 Effective July 1, 1962	Six cents per gallon with total refund for certain boats
Corporations and Securities Commission	Corporations and Securities Commission	Department of Revenue
Paid at time of incorporation, increas- ing stock or renewing franchise	Annual report and payment due May 15th	Monthly by 20th
Primary School Interest (\$1.00 per New Con)	General Fund	Motor Vehicle Highway Fund for distribution to state (47%), counties (35%), and cities and villages (18%)
\$370,734	\$76 million (1963 est.)	Gross \$3,363,714 Refunds 23,678 Net \$3,340,036
--	\$15.2 million/mill (1963 est.)	\$560,000 1 cent (Net)

TAX	Domestic Building and Loan & Savings and Loan Association Franchise	Domestic Building and Loan & Savings and Loan Association Privilege	Domestic Insurance Company Privilege
LEGAL CITATION	CL 489.29 MSA 23.572	CL 489.29 MSA 23.572	PA 218 of 1956 MSA 24.1448
YEAR ADOPTED	1921	1921	1952
BASIS OF TAX	Privilege of incorporating, renewing and exercising franchise in Michigan	Privilege of exercising franchise and transacting business in Michigan	Privilege of exercising franchise & transacting business in Michigan
MEASURE OF TAX	Authorized capital stock	Paid-in capital and legal reserve	Ratio of paid-in capital and surplus represented by premiums written in Michigan to total premiums
RATE	1/10 mill per dollar Minimum: \$25.00	1/4 mill per dollar	Five mills per dollar Minimum: \$10.00 Maximum: \$50,000.00
ADMINISTRATION ASSESS: COLLECT:	Secretary of State	Secretary of State	Insurance Commissioner State Treasurer
REPORT AND PAYMENT	Paid at time of incorporation, increasing stock or renewing franchise	Annual report and payment within 60 days of July 1	Annual report and payment due on or before July 1
DISPOSITION	General Fund	General Fund	General Fund
FY '62 YIELD	\$159,034 total for both franchise and privilege-- no separate accounting		\$504,848
ESTIMATED UNIT YIELD	--	--	\$100,000/mill

General Savings and Loan Association Privilege	Foreign Building and Loan & Savings & Loan Association Privilege	Foreign Insurance Company Privilege	Gasoline
180 of 1954 23.589	PA 73 of 1960 MSA 23.600	PA 218 of 1956 MSA 24.1440-24.1446	CL 207.102 PA 87 of 1955 MSA 9.1098(3)&7.292
1954	1960	1861	1925
Privilege of transacting business in Michigan	Privilege of exercising authority to transact business and renewing franchise to do business in Michigan	Privilege of doing business in Michigan	Privilege of using highways
Paid-in capital and legal reserve	Portion of paid-in capital and legal reserve that Michigan bearers hold to total paid-in reserve	<u>Life: Gross premiums excluding original annuities. Casualty, fire-marine, surety, fidelity and auto: Gross less returns and reinsurances; and in case of mutuals also deducting dividends</u>	Motor fuel sold or used in operating vehicles on public highways
1/4 mill per dollar	To exercise authority initially--\$500 flat fee. To renew franchise--1/4 mill per dollar	Life, casualty, surety and fidelity--2%. Fire marine, and auto--3%	Six cents per gallon with total refund to farmers and governmental units & 1.5 cents refund for bus company operating under municipal franchise with vehicles of ten or more capacity
Secretary of State	Secretary of State	Insurance Commissioner State Treasurer	Department of Revenue
Annual report payment on before September 1	Annual report and payment within 60 days of July 1	Annual report of premiums due March 1 and tax due April 1	Monthly by 20th
General Fund	General Fund	Primary School Interest Fund (GF per New Con)	Motor Vehicle Highway Fund distribution to state (47%), counties (35%) & cities and villages (18%)
19,928	\$2,579	\$22,057,072	Gross \$155,699,005 Refunds 7,595,339 Net \$148,103,666
--	--	--	\$24,700,000/1 cent (Net)

TAX	General Property	Grain	Horse Race Wagering
LEGAL CITATION	CL 211.1 et. seq. MSA 7.1	CL 207.301-307 MSA 7.392	PA 10 of 1963 MSA 18.966 (12-14)
YEAR ADOPTED	Territorial	1945	1933
BASIS OF TAX	Real and personal property not otherwise exempted	In lieu of general property tax	Privilege of holding races
MEASURE OF TAX	Cash value as assessed and equalized	Ownership and possession of grain in Michigan as of April 1st, or another date as fixed by city charter for the assessment of personal property for taxation	<u>Thoroughbred</u> : Location and size of pari-mutuel pool <u>Harness</u> : Size of pari-mutuel pool
RATE	Varies by local unit	Two mills per 100 pounds	<u>Licensee</u> : 15% of all races. State's share thereof: 8% of the 15% pool in the city and 6% of the 15% pool outside city in running races. 5% of 15% pool of all harness races. $\frac{1}{2}$ of breaks effective March 26, 1963
<u>ADMINISTRATION</u> ASSESS: COLLECT:	Township, city, and village. State Tax Commission on appeal or own motion Townships, city and village treasurer Delinquent by county treasurer	Township or city assessor Township or city treasurer-County treasurer if delinquent	State Racing Commission
REPORT AND PAYMENT	In townships tax is due December 1, city and village according to charter	Report due within 15 days of the tax date and payment due same as general property tax	Licensee makes daily remittance with final report due 30 days after close of meet
DISPOSITION	Local as specified in levy or in budget	Local as specified in levy or in budget	General Fund with restrictions for cities hosting tracks & purses at state and local fairs
FY '62 YIELD	\$874,775,329 (levied)	Not available	Restricted \$1,790,583 General 6,332,017 (old rate) \$8,122,600
ESTIMATED UNIT YIELD	--	--	1% Harness = \$500,000 1% Thoroughbred = \$900,000

Inheritance	Intangibles	Liquefied Petroleum Gas	Liquor (Excise)
CL 205.201-251 MSA 7.561-7.591	CL 205.131-147 MSA 7.556 (2)	PA 147 of 1953 PA 87 of 1955 MSA 7.317 (2)	PA 312 of 1957 MSA 15.1919(89)
1899	1939	1953	1957
Privilege of transferring property of value more than \$100	Ownership of intangibles having situs in Michigan (In lieu of general property tax)	Privilege of using public roads and highways	Privilege of selling spirits
Near market value of property transferred will, interstate or in contemplation of death. Exemptions: use, \$30,000 and per direct heirs 1000	<u>Income Producing:</u> Income <u>Non-Income Producing:</u> Face, par or contributed (no-par) value	Fuel sold or used in operating vehicles on public roads	Retail selling price-spirits over 22% alcohol
Quoted: Direct Heirs 1%; Collateral Heirs 15%. Real property direct heirs 3/4 normal rates. Additional tax for general estate tax 196	3 1/2% of income but not less than 1/10th of 1% face or par value. Money on hand, in transit or on deposit at 50¢/\$1,000 face value. Bldg. & Loan Ass'n at 50¢/\$1,000 paid-in-value. Bank and Trust at 5 1/2 mills on capital accounts	6¢ per gallon	4%
County Probate Court County Treasurer	Dept. of Revenue	Department of Revenue	Department of Revenue Liquor Control Commission
Payment due within 18 months. 5% discount paid within 12 months	Annual return and tax due on April 1 or 90 days after close of taxpayer's year if other than calendar	Monthly by 20th	By commission regulation
Primary School Interest Fund (GF per New Con)	1) Not to exceed \$9.5 million to villages, townships and cities 2) Amount necessary to pay principal, interest and fees of hospital construction bonds, issued in 1951 3) Remainder to General Fund	Motor Vehicle Highway Fund for distribution to state (47%), counties (35%), cities and villages (18%)	School Aid Fund
\$14,490,088	\$33 million (1963 est.)	\$79,430	\$7.2 million (1963 est.)
--	\$6,500,000/1%. \$4,000,000 on money at 50¢/\$1,000. \$900,000 on B&L at 50¢/\$1,000 \$750,000/mill on B & T's	--	\$1,800,000/1% (1963 est.)

TAX	Liquor (Specific)	Motor Carriers Privilege	Motor Vehicle (weight) Specific
LEGAL CITATION	PA 218 of 1962 MSA 18.1030 (11-14)	CL 478.1-6 MSA 22.560-22.565	CL257.801-810 PA 87 of 1955 MSA 9.2501
YEAR ADOPTED	1959	1923	1915
BASIS OF TAX	Privilege of selling spirits	Privilege of using highways	In lieu of general property and other taxes
MEASURE OF TAX	Retail selling price- spirits over 22% alcohol	Empty weight and mileage operated on highways by common and contract carriers	Weight of motor vehicle
RATE	4%	Motor Bus--\$20.00 Graduated for trucks-- 1-3 mills per mile from under 4,000 to over 10,000 lbs. Graduated for tractors--under 10,000 lbs. 3 mills/ mile; over 10,000 lbs. 4 mills/mile. Minimum: \$25.00 per vehicle	Varies by type and weight from 35¢/100 lbs private cars up to \$2.25/100 lbs for commercial trucks
<u>ADMINISTRATION</u>			
ASSESS: COLLECT:	Liquor Control Commission	Public Service Commission	Secretary of State
REPORT AND PAYMENT	By commission regulation	Monthly by 10th	Full-year by Feb 28th Half-year Feb 28 and September 1
DISPOSITION	General Fund	Credited to Public Service Commission-- balance after admini- stration to Motor Vehicle Highway Fund	Motor Vehicle Highway Fund for distribution to state (47%), counties (35%), and cities and villages (18%)
FY '62 YIELD	\$7.2 million (1963 est.)	PSC \$ 655,031 MVH 751,993 Total \$1,407,024	\$68,272,798
ESTIMATED UNIT YIELD	\$1,800,000/1% (1963 est.)	--	--

Oil and Gas Severance	Oil Production	Private Forest Reserves	Sales
CL 205.301 MSA 7.353	CL 319.22 MSA 13.139 (22)	CL 320.251-262 MSA 13.181	CL 205.51-.78 MSA 7.522
1929	1939	1917	1933
Privilege of producing oil and gas	Privilege of producing oil	To encourage private forestry	Privilege of selling at retail
Gross cash market value of oil and gas severed	Oil severed from soil	Under general property tax--acreage of not to exceed 1/4 of not more than 160 acres, of which at least 1/2 is improved, are assessed at \$1.00 per acre	Gross proceeds from the retail sale of tangible personal property less exemptions and deductions
% of gross cash market value	1/8¢ per bbl	Regular general property tax rate	4%
Department of Revenue	Department of Revenue	Township Supervisor Township Treasurer	Department of Revenue
Tax due before 20th of month	Tax due before 20th of month	With regular property tax	Monthly by 15th
General Fund	General Fund	Local as specified in levy or in budget	2¢ to School Aid Fund 1/2¢ to cities, villages & townships 1 1/2¢ to General Fund
\$1,168,859	\$22,549	Not available	\$455 million (1963 est.)
--	--	--	1% = \$114 million (1963 est.)

TAX	Stumpage	Unemployment Compensation	Use
LEGAL CITATION	CL 320.262/320.309 MSA 13.192/13.229	CL 421.1 et seq MSA 17.513	CL 205.91 MSA 7.555 (3)
YEAR ADOPTED	Private - 1911 Commercial - 1925	1936	1937
BASIS OF TAX	In lieu of general property tax and privilege of harvesting timber	To provide for an unemployment compensation fund	Privilege of using, storing, & consuming tangible personal property plus services of telephone, telegraph & other leased wire communications & transient hotel-motel accommodations
MEASURE OF TAX	Stumpage value of merchantable products cut	Wages paid up to \$3,600 per employee	Purchase price
RATE	<u>Private</u> : 5% of value <u>Commercial</u> : 10% of value	Variable-basic is 2.7% adjustable from 0 to 4.6%. Emergency contribution adjustable from 0 to 2.0%	4% - Telephone and telegraph and other leased wire taxed effective July 1, 1962
ADMINISTRATION	<u>Private</u> : Twp. Supv. Twp. Treas.	<u>Commercial</u> : State Conservation Department	Employment Security Commission
ASSESS:			Department of Revenue
COLLECT:			
REPORT AND PAYMENT	<u>Private</u> : Same as general property tax <u>Commercial</u> : Semi-annual report of cutting May 15/ Nov 15. Dept. determines tax due--tax is payable 90 days after final determination	By commission regulation-- presently quarterly	Monthly by 15th
DISPOSITION	<u>Private</u> : Local units <u>Commercial</u> : ½ to county to be distributed by county treasurer in ratio in which 15 mill is allocated among units	Deposited with MESC for transfer to US Treasury to establish pool for payment of unemployment compensation	General Fund
FY '62 YIELD	<u>Private</u> not available. <u>Commercial</u> : \$7,955 each to state and counties	\$159,179,202	\$43.0 million (1963 est.)
ESTIMATED UNIT YIELD	--	--	1% hotel-motel \$1.0 mil 1% tel-tel \$2.2 mil 1% other \$7.0 mil

Utility Property	Vessel Fuel	Vessel Tonnage
CL 207.1-.21 MSA 7.251-7.271	CL 281.509 MSA 3.534 (9)	CL 207.51-.53 MSA 7.281
1905	1947	1911
In lieu of other general property taxation	Privilege of operating vessels on navigable streams	In lieu of general property and other taxes
Cash value of all proper- ty of telephone, telegraph, railroad, car loaning, freight and express car companies, including fran- chise owned and used in connection with doing busi- ness in Michigan	Fuel sold or used in producing or generat- ing power for propel- ling watercraft	Net registered tonnage of vessels owned in or hailing from this State and navigating international or Great Lakes waters
Average rate state-wide under general property tax preceding calendar year	Six cents per gallon with total refund for certain boats and vessels	Freight service only 10¢ ton Passenger or passenger and freight-20¢ ton Minimum--\$10.00
State Board of Assessors Department of Revenue	Department of Revenue	Secretary of State
Assessed as of Dec 31, report due Mar 31, tax due July 1 or ½ by Aug 1 and rest by Dec 1	Monthly by 20th	Annual report and payment by December 1
Leasing car to General Fund. Rest to Primary School Interest Fund (per New Con)	State Waterways Fund	State Waterways Fund
Leasing Car \$ 17,112 Total <u>25,149,329</u> \$25,166,441	Gross--\$14,123	\$255,035 from both sources (Watercraft)
--	--	--

TAX	Watercraft	Wine
LEGAL CITATION	CL 207.51a MSA 7.281 (1)	CL 436.16 MSA 18.987 (1)
YEAR ADOPTED	1947	1933
BASIS OF TAX	In lieu of general property taxes	Privilege of manufacturing and selling
MEASURE OF TAX	Size of craft other than commercial fishing & those operated on inland lakes having neither a navigable inlet or outlet	Manufactured and sold in state from imported grapes/fruit. Manu- factured and sold in state from homegrown grapes/ fruits on which grower was paid at least \$85/ton
RATE	Graduated: \$5-\$75 for lengths 16-65 ft \$1.00 for each foot over 65 plus \$1.00 for each registered gross ton	Imported grapes/fruit-- 50¢ gallon. Domestic grapes/fruit-- 4¢ gallon
<u>ADMINISTRATION</u> ASSESS: COLLECT:	Secretary of State	Liquor Control Commission
REPORT AND PAYMENT	Annual report and payment by December 1	By 15th of December
DISPOSITION	State Waterways Fund	General Fund
FY '62 YIELD	\$255,035 from both sources (Vessel Tonnage)	\$828,780
ESTIMATED UNIT YIELD	--	--

MUNICIPAL INCOME TAX - DETROIT AND HAMTRAMCK

CL 117.4i (1)
MSA 5.2082 (1)
City Charters

1962

An excise tax on income

- a) Income earned and income received (including investment income) by residents of the city
- b) Income earned in the city by non-residents
- c) Corporate income earned in the city (3 factor allocation)
- d) Personal exemption of \$600 per taxpayer and dependent allowed to residents and non-residents

1%

City Controller

City Treasurer

Final return on or before April 30; business quarterly estimated taxes due April 30, June 30, September 30 and January 31; withheld taxes due April 30, June 30, July 31, September 30 and January 31

General Fund

Detroit (est.) individual - \$31 million
Corporate - \$9 million
Hamtramck (est.) - \$1 million total