



MICHIGAN TAX REVENUES RELATIVE TO THE U.S. AVERAGE

The following tables and charts show that Michigan has moved toward balance among the property, sales, and income taxes. Census data on state and local government revenues and expenditures per capita and per \$1,000 of personal income are available in the CRC Online Almanac at <http://www.crcmich.org/>.

Tax Components

The ideal state and local tax system has long been compared to a three-legged stool, with a balance among property, sales, and income so that reliance on any one of these taxes would not become excessive.

Over the years, the Michigan tax system developed a heavy reliance on property and income taxes relative to sales taxes. This contributed to adoption of Proposal A of 1994 resulting in a major property tax cut and shift to the sales tax.

The U.S. Department of Commerce, Bureau of the Census, recently released state and local government tax revenue data for 1996, which show that Michigan has moved toward balance among these three taxes.

[The data in each table reflect tax revenues per capita and per \$1,000 of personal income. The rankings are for Michigan tax collections per \$1,000 of personal income.]

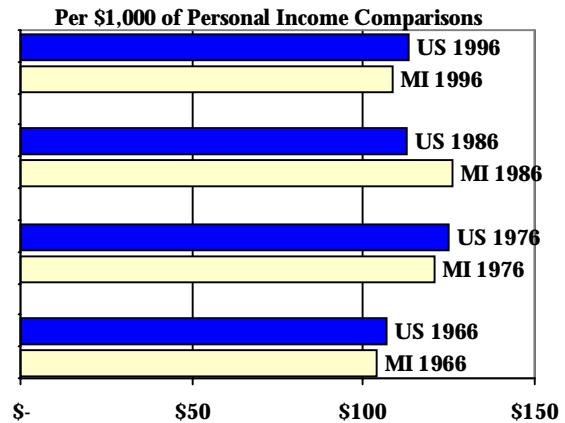
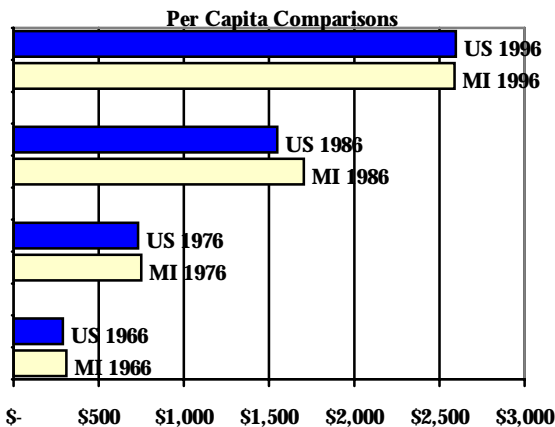
Property Taxes. One of the purposes behind Proposal A in 1994 was to relieve the tax burden imposed on Michigan property owners. The Michigan property tax burden is now about average compared to the U.S. averages in 1996.

Year	U.S. Average		Michigan		Michigan Rank
	Per Capita	Per \$1,000 Pers. Inc.	Per Capita	Per \$1,000 Pers. Inc.	
1996	789	34.35	740	32.298	29
1986	463	33.74	650	48.07	6
1976	265	38.63	324	52.22	11
1966	121	46.36	135	45.20	27

Sales Taxes. With the sales tax increase adopted as a result of approval of Proposal A, 1996 sales tax revenues are now about equivalent to the U.S. average. The Census Bureau did not prepare tax revenue information for sales taxes in 1966.

Total Tax Revenues

While Michigan was a high tax state in the 1980s, 1996 state and local tax revenue comparisons show Michigan to be a few dollars below average both in per capita amounts collected and in the amounts collected per \$1,000 of personal income.



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General Sales Tax Revenues

Year	U.S. Average		Michigan		Michigan Rank
	Per Capita	Per \$1,000 Pers. Inc.	Per Capita	Per \$1,000 Pers. Inc.	
1996	687	27.73	637	28.84	22
1986	376	27.40	294	21.73	35
1976	149	25.49	118	18.93	39

Income Taxes. Michigan authorized state and local taxes on personal and corporate income in the mid-1960s and came to rely heavily on them. The corporate income tax, adopted in 1967, was replaced by the Single Business Tax in 1976.

While the U.S. Census Bureau did not report income tax comparisons in 1966, only a few Michigan cities were collecting income taxes at that time and the only tax collected by the state that was classified as an income tax was the Business Activities Tax.

Individual Income Taxes. While Michigan was above the U.S. average in 1996 income tax revenues, implementation of tax rate reductions of the state and

Detroit income taxes should move Michigan closer to the national average.

Corporate and Individual Income Tax Revenues

Year	U.S. Average		Michigan		Michigan Rank
	Per Capita	Per \$1,000 Pers. Inc.	Per Capita	Per \$1,000 Pers. Inc.	
1996	674	29.33	842	35.37	16
1986	391	28.51	552	40.82	7
1976	148	25.33	178	28.74	17

Corporate Income Taxes. Michigan corporate income taxes rank among the highest in the nation (4th). In many ways, ranking Michigan high on this measure is misleading. The Single Business Tax, a form of value added tax, replaced eight taxes and was intended to produce the revenue lost when those taxes were repealed. Most other states continue to levy the taxes Michigan repealed when it enacted the Single Business Tax. Recently enacted legislation provides for reduction of the Single Business Tax rate by one-tenth of a percentage point per year from its 1998 rate of 2.3 percent until the tax is eliminated.

Michigan and U.S. Average Tax Revenues Per \$1,000 of Personal Income by Component: 1986 and 1996

