



Michigan's Tax
Competitiveness

Michigan's Tax Competitiveness

Eric Luper, President

March 19, 2019

Citizens Research Council

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

Citizens Research Council Products

Recent Publications

- Road Funding
- Teacher Pipeline
- Public Health
- Local-Option Taxes
- Medicaid Expansion
- Rethinking Local Government Service Provision
- Michigan's Urban/Rural Divide

Other Products

- Outline of the Tax System
- Analysis of statewide ballot issues
- Analysis of state budget
- School finance expertise
- 103 years of public policy research
- A perspective outside of state government or the political parties

Measuring Tax Competitiveness

2 Ways to Measure Tax Burden

An Investment in Government

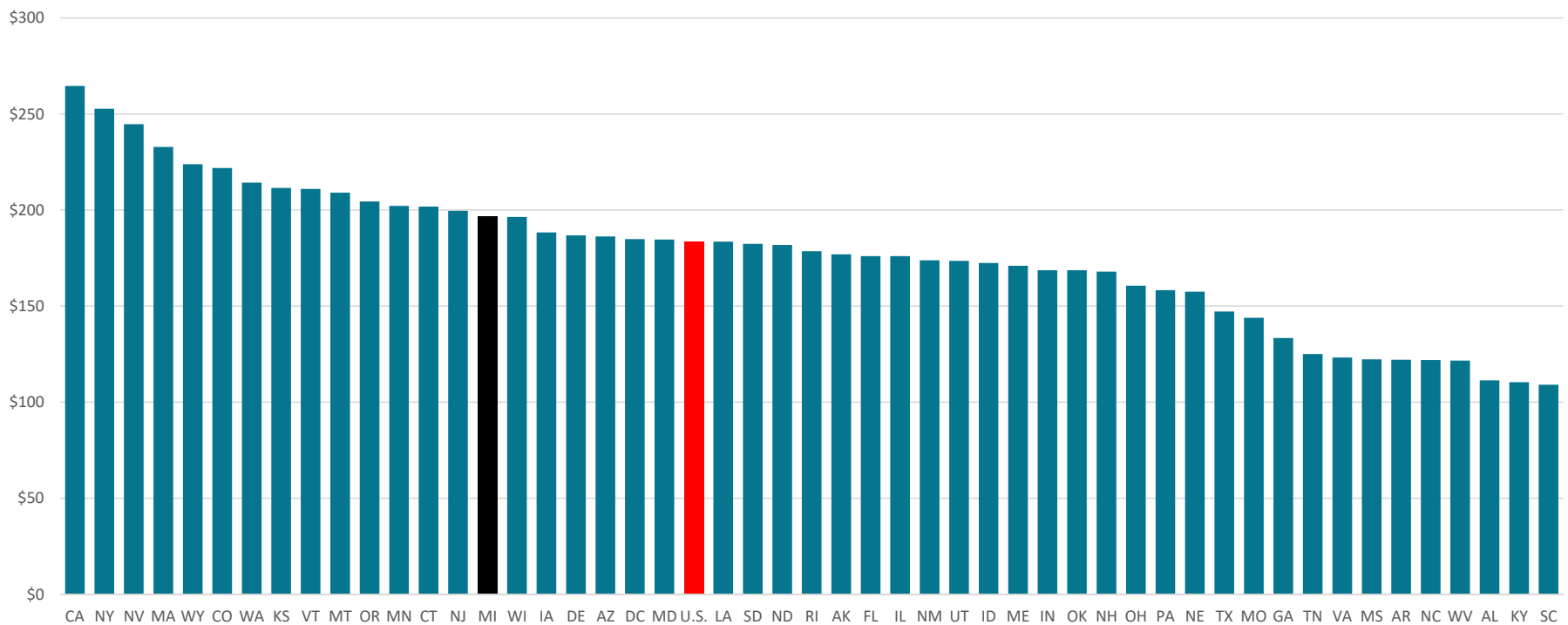
- Government revenues relative to number of people or economic activity
 - Tax revenues per capita
 - Tax revenues per \$1,000 of personal income
 - Tax revenues as a percent of Gross Domestic Product

The Cost of Living, Working, Playing

- How much does it cost to be in Michigan?
 - Tax rates
 - Variances in tax bases
 - Hypothetical families / businesses in each state

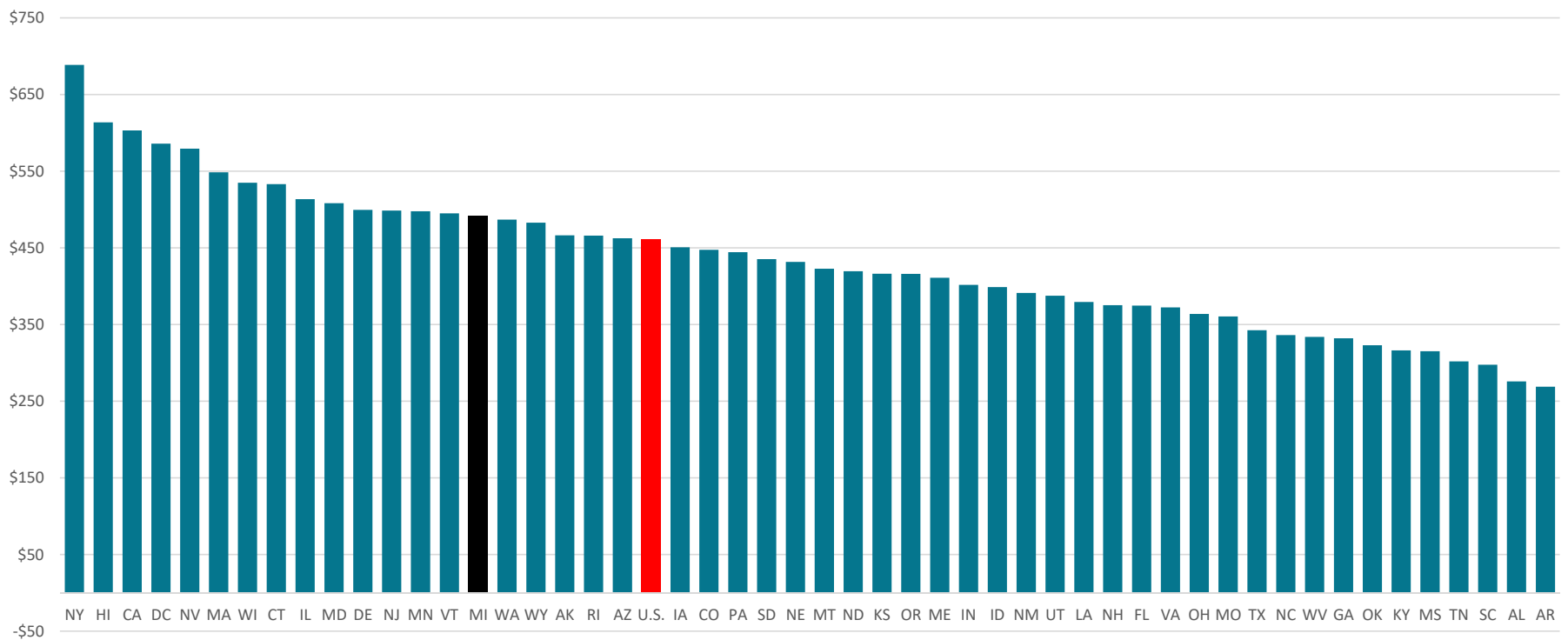
Is Michigan a High Tax State?

1960 Per Capita State and Local Tax Revenue



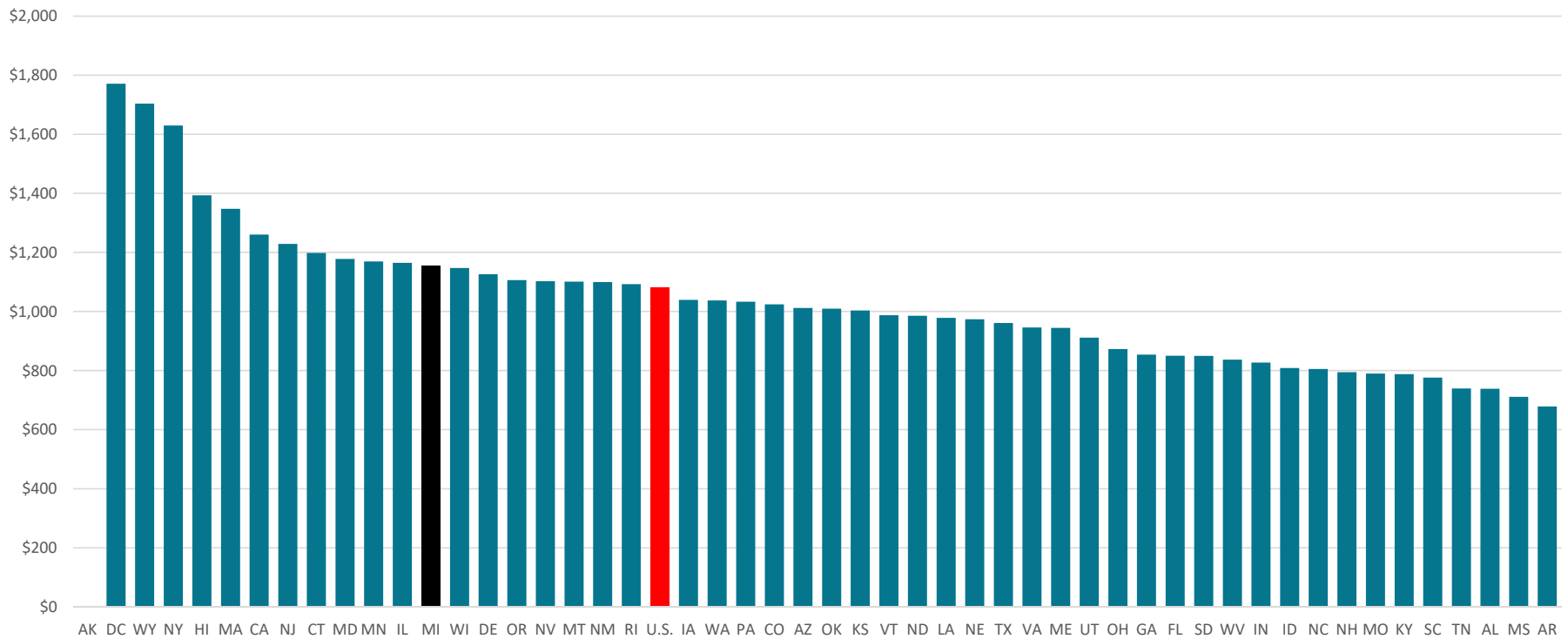
State and Local Government Finances, various years, Census Bureau, U.S. Department of Commerce

1970 Per Capita State and Local Tax Revenue



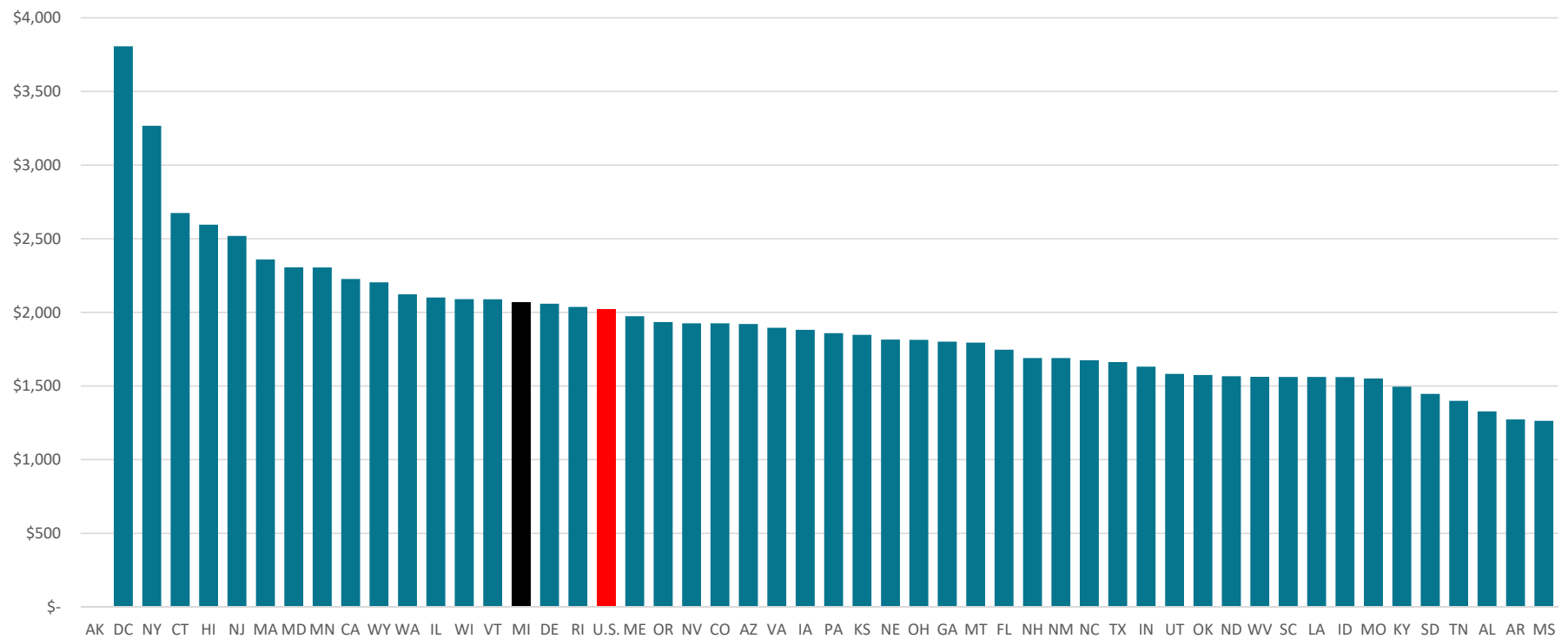
State and Local Government Finances, various years, Census Bureau, U.S. Department of Commerce

1980 Per Capita State and Local Tax Revenue



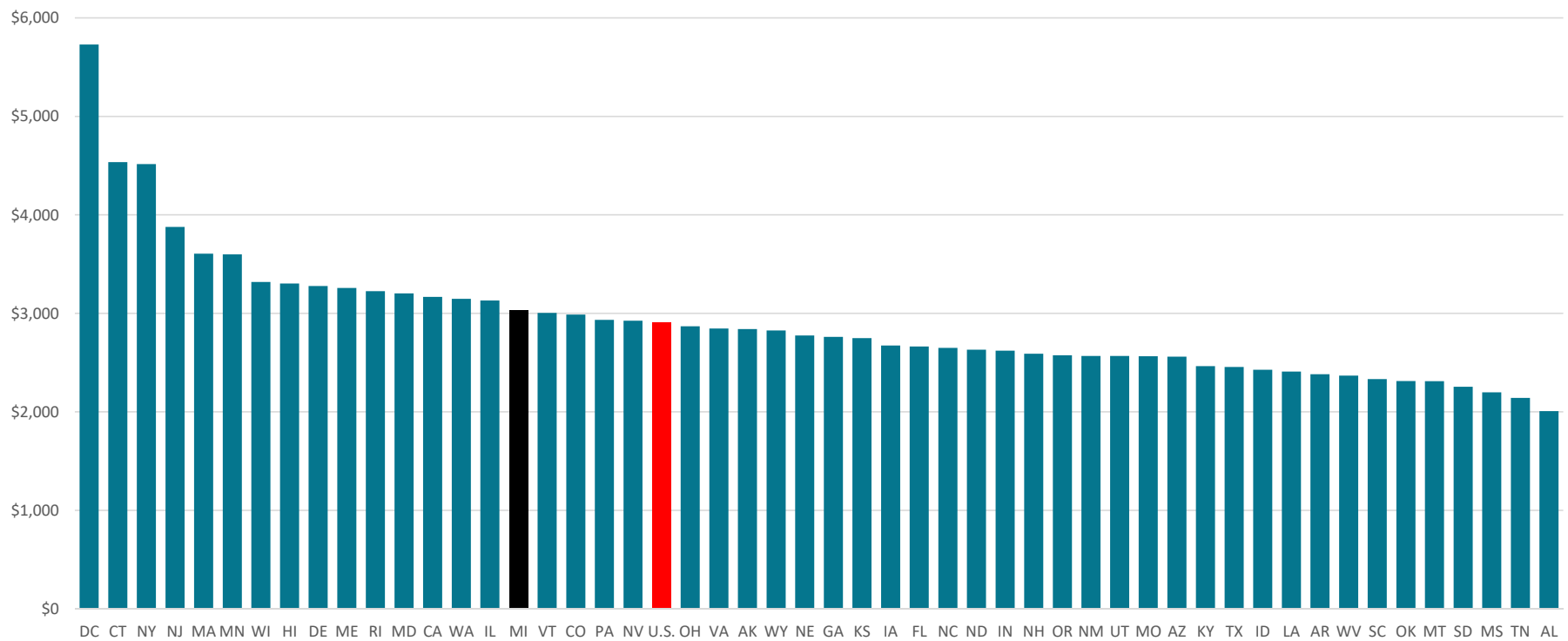
State and Local Government Finances, various years, Census Bureau, U.S. Department of Commerce

1990 Per Capita State and Local Tax Revenue



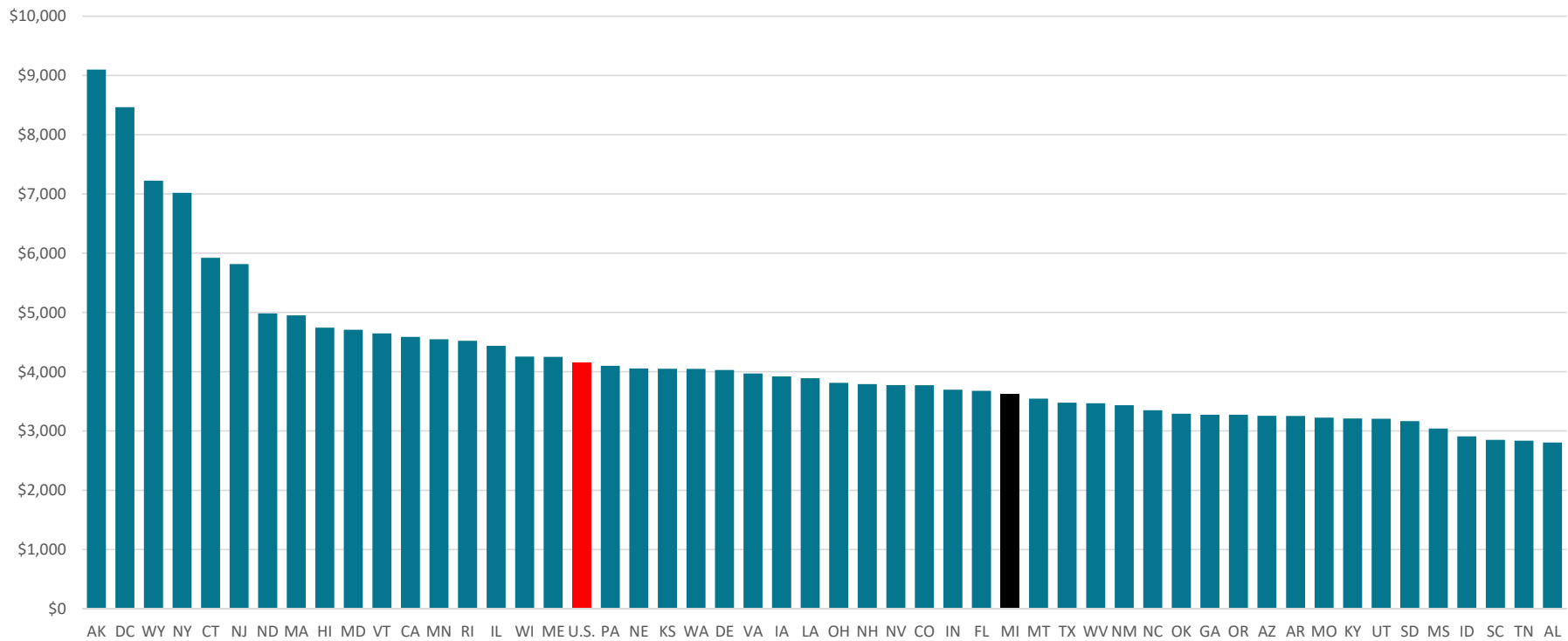
State and Local Government Finances, various years, Census Bureau, U.S. Department of Commerce

1999 Per Capita State and Local Tax Revenue



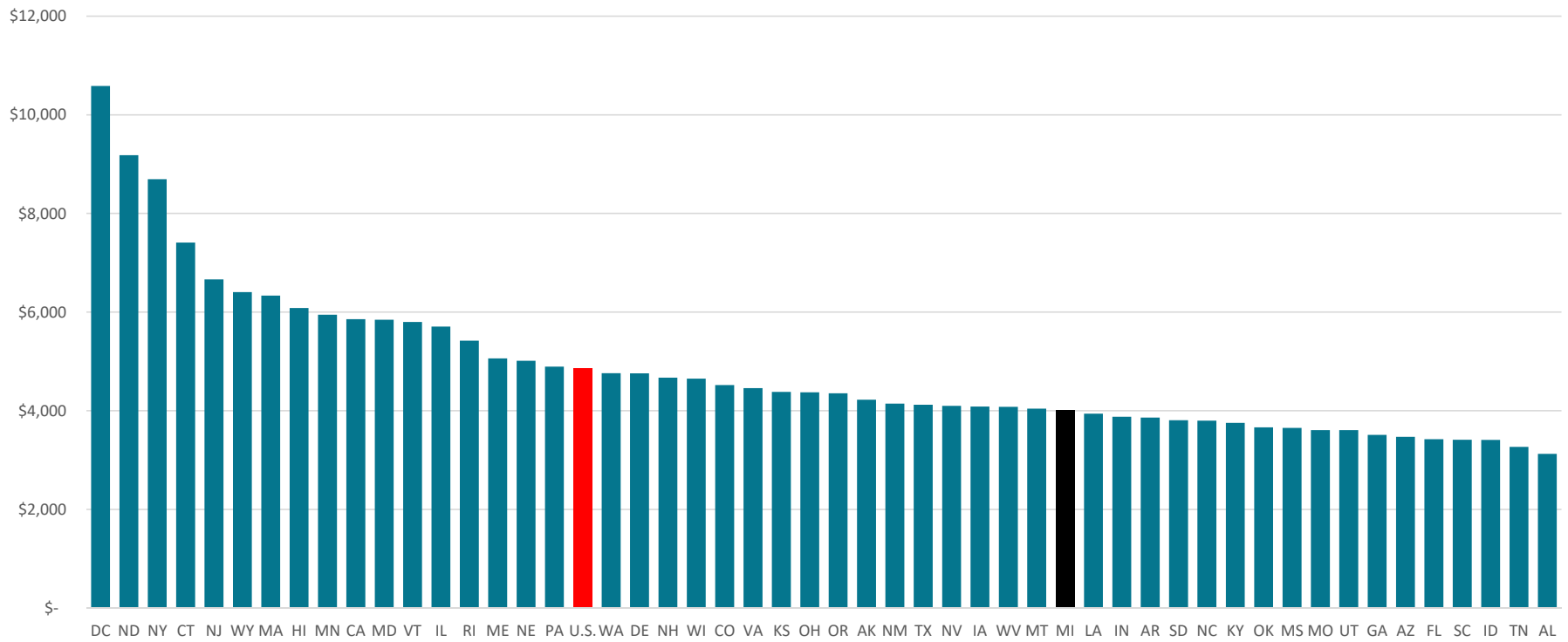
State and Local Government Finances, various years, Census Bureau, U.S. Department of Commerce

2009 Per Capita State and Local Tax Revenue

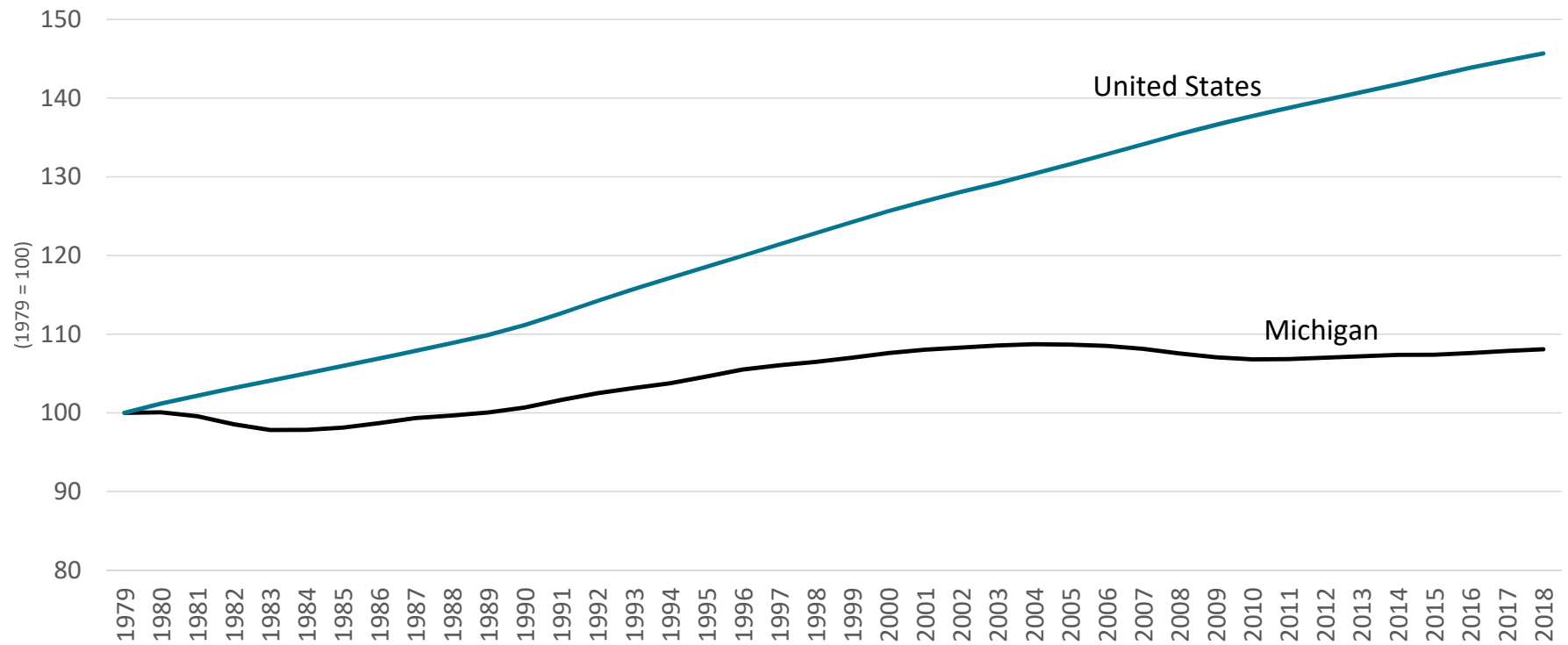


State and Local Government Finances, various years, Census Bureau, U.S. Department of Commerce

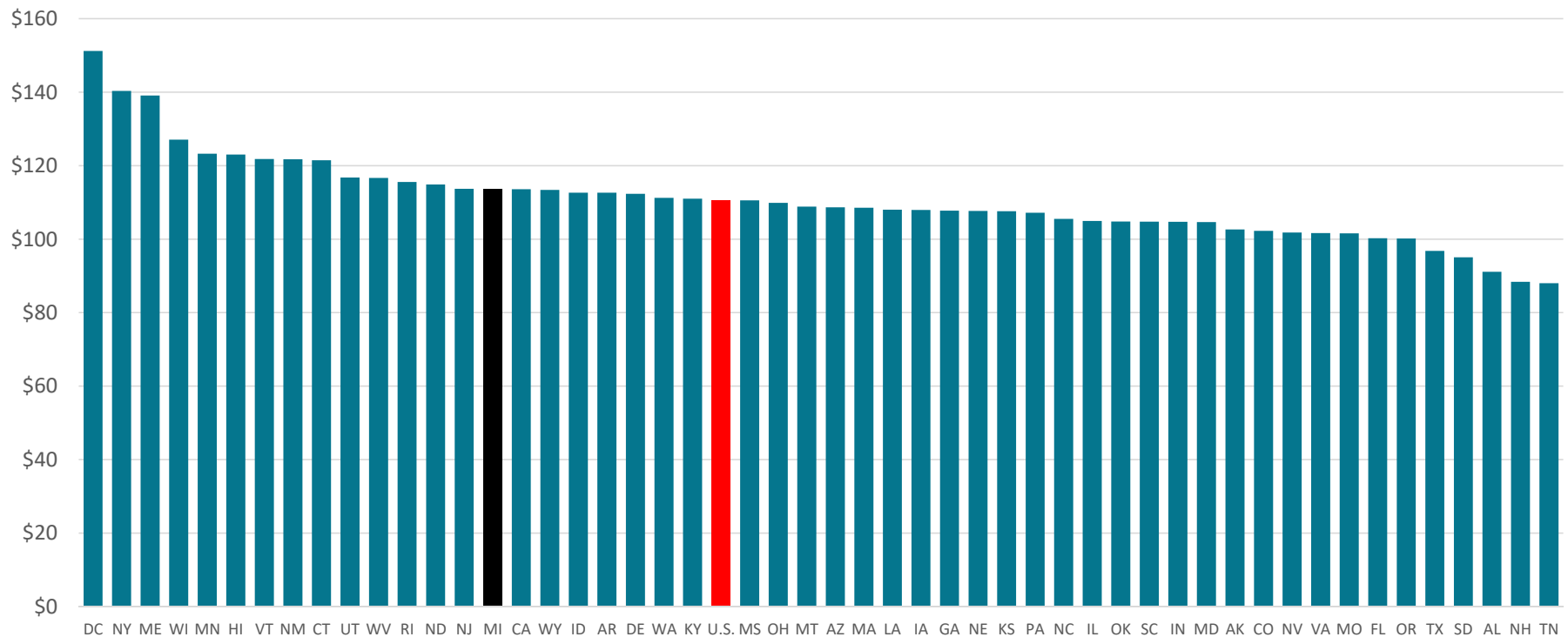
2015 Per Capita State and Local Tax Revenue



Michigan and U.S. Population Change, 1979-2018

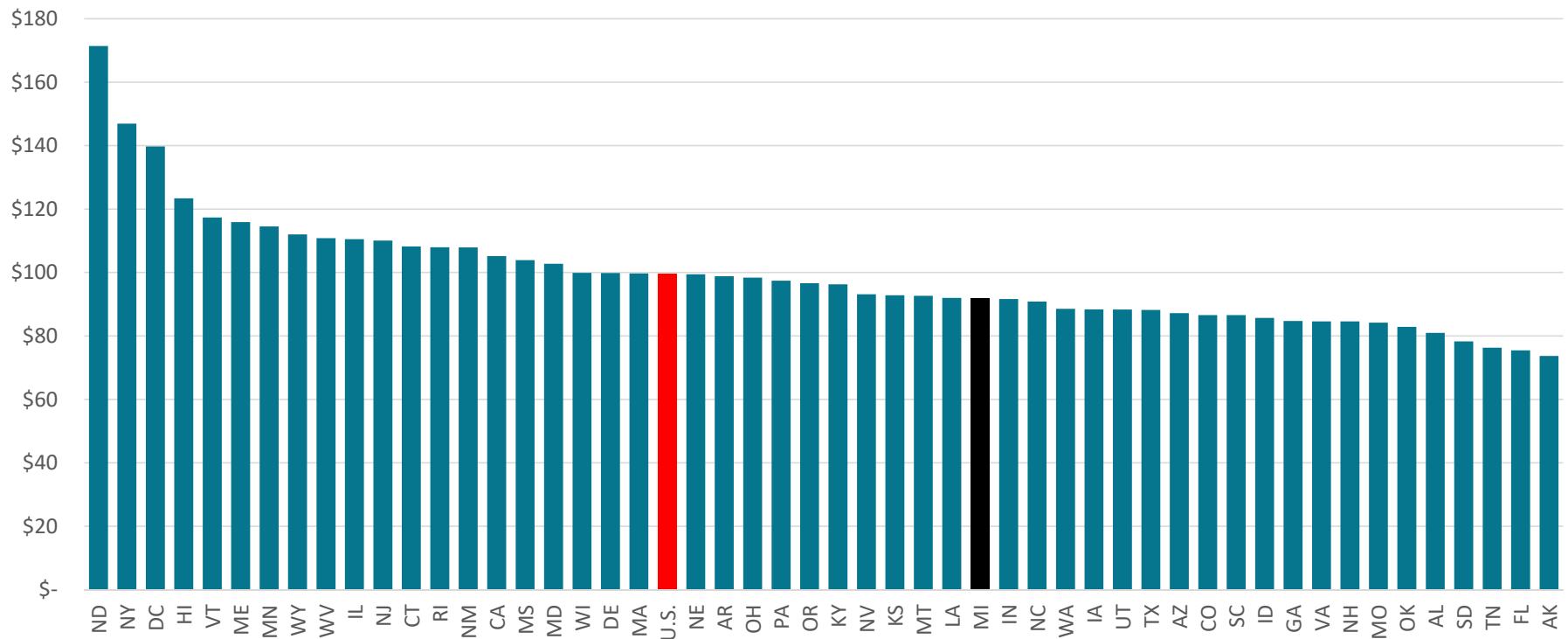


1999 State and Local Government Tax Revenue per \$1,000 of Personal Income



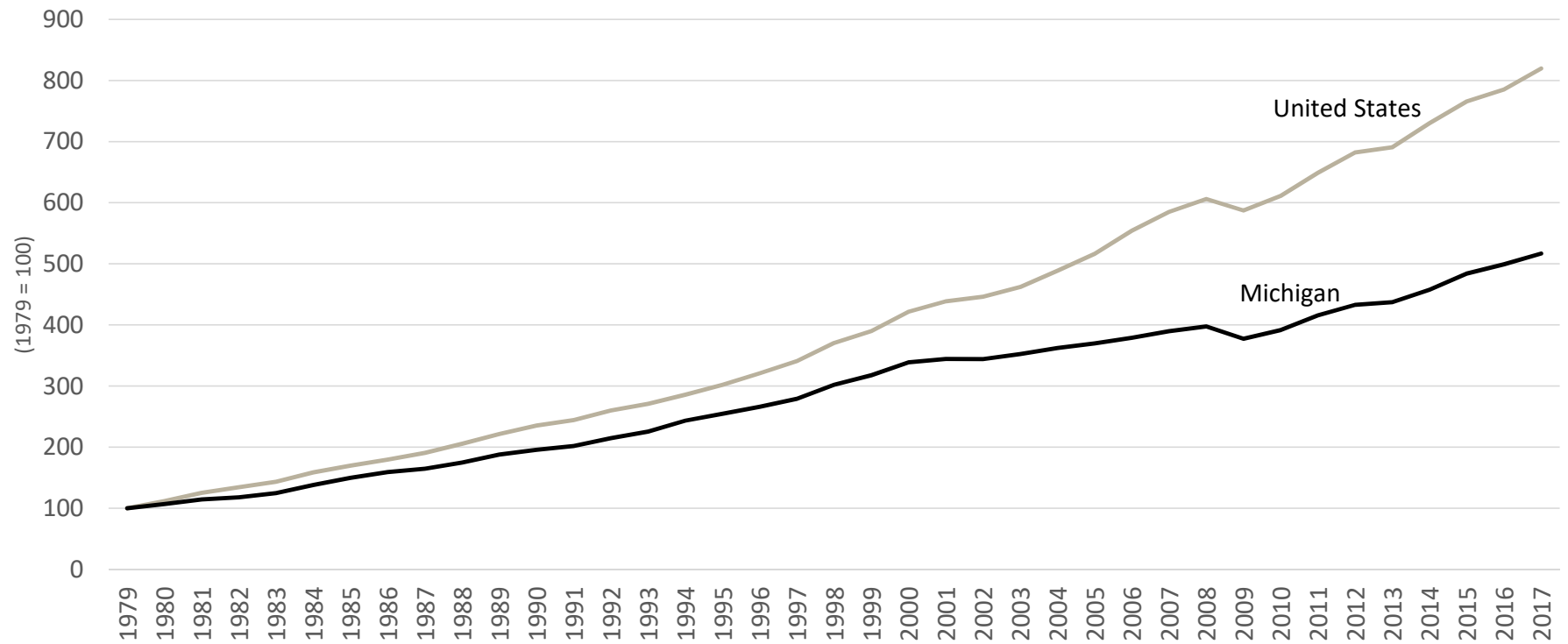
State and Local Government Finances, various years, Census Bureau, U.S. Department of Commerce

2015 State and Local Government Tax Revenue per \$1,000 of Personal Income

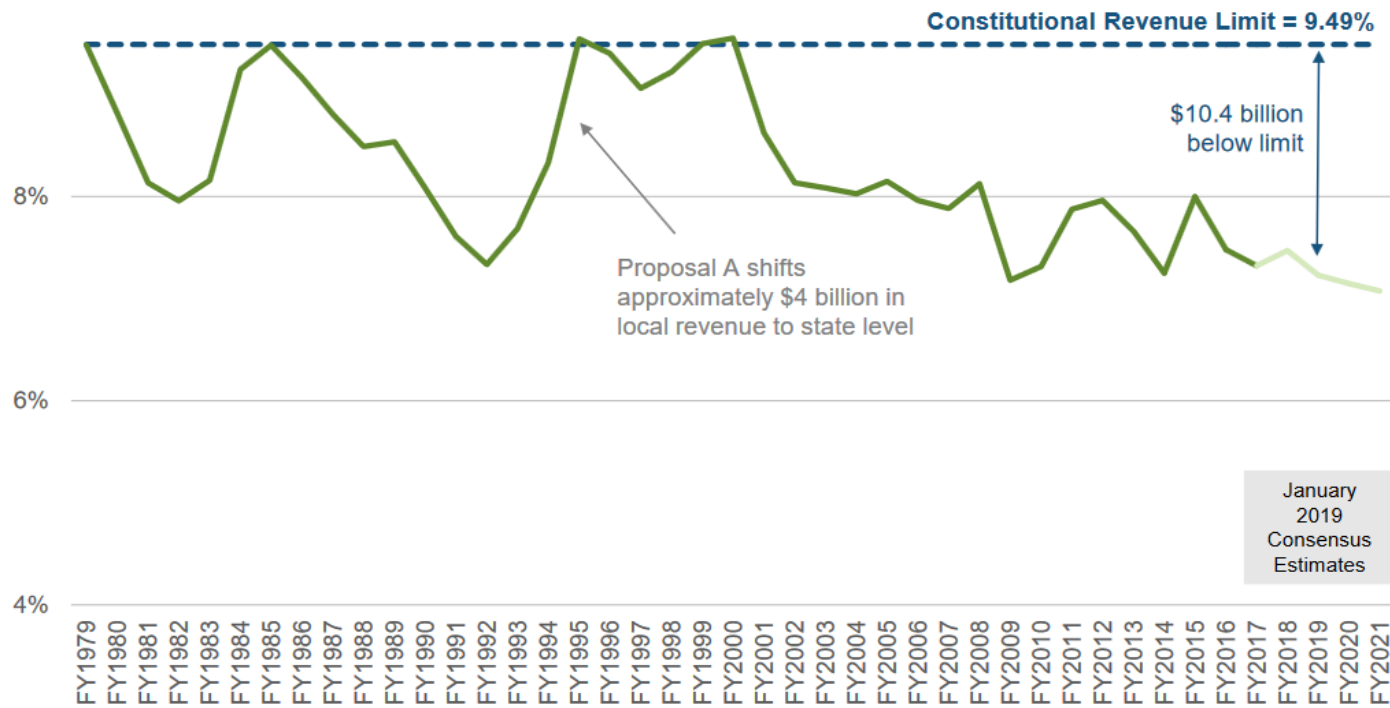


State and Local Government Finances, various years, Census Bureau, U.S. Department of Commerce

Michigan and U.S. Per Capita Personal Income, 1979-2017

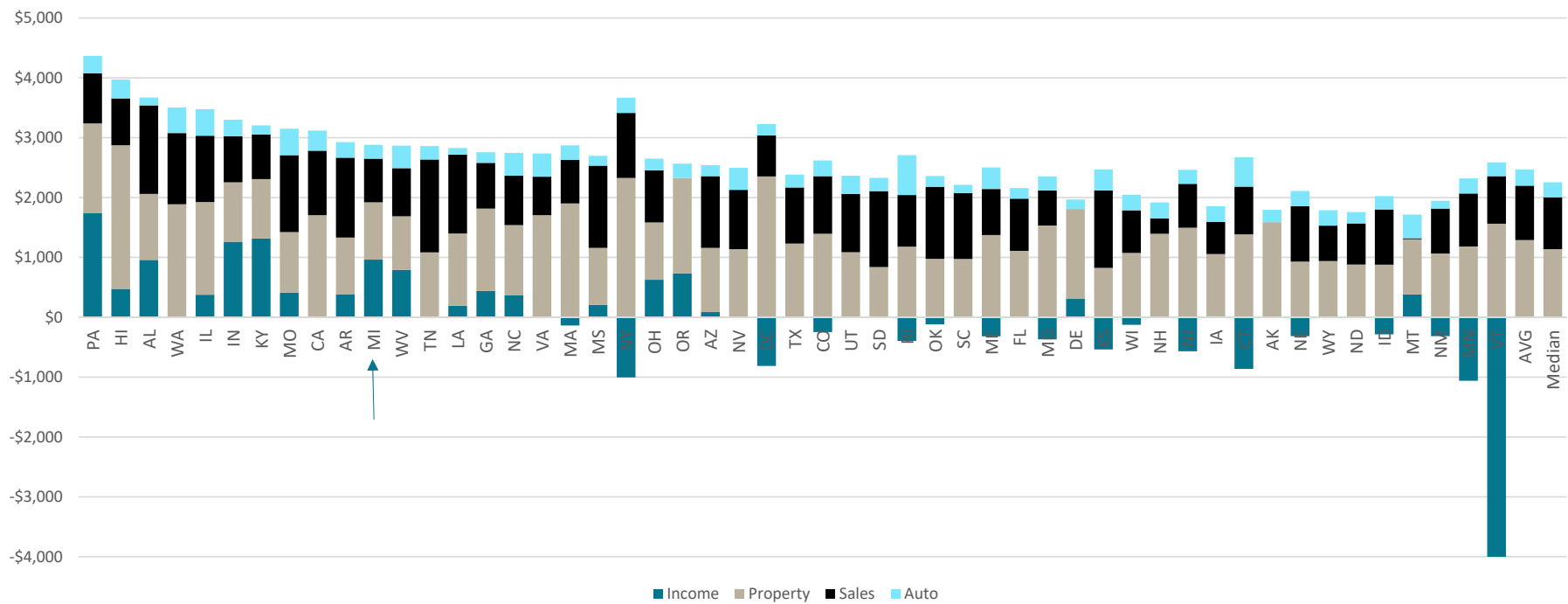


Michigan measured against itself



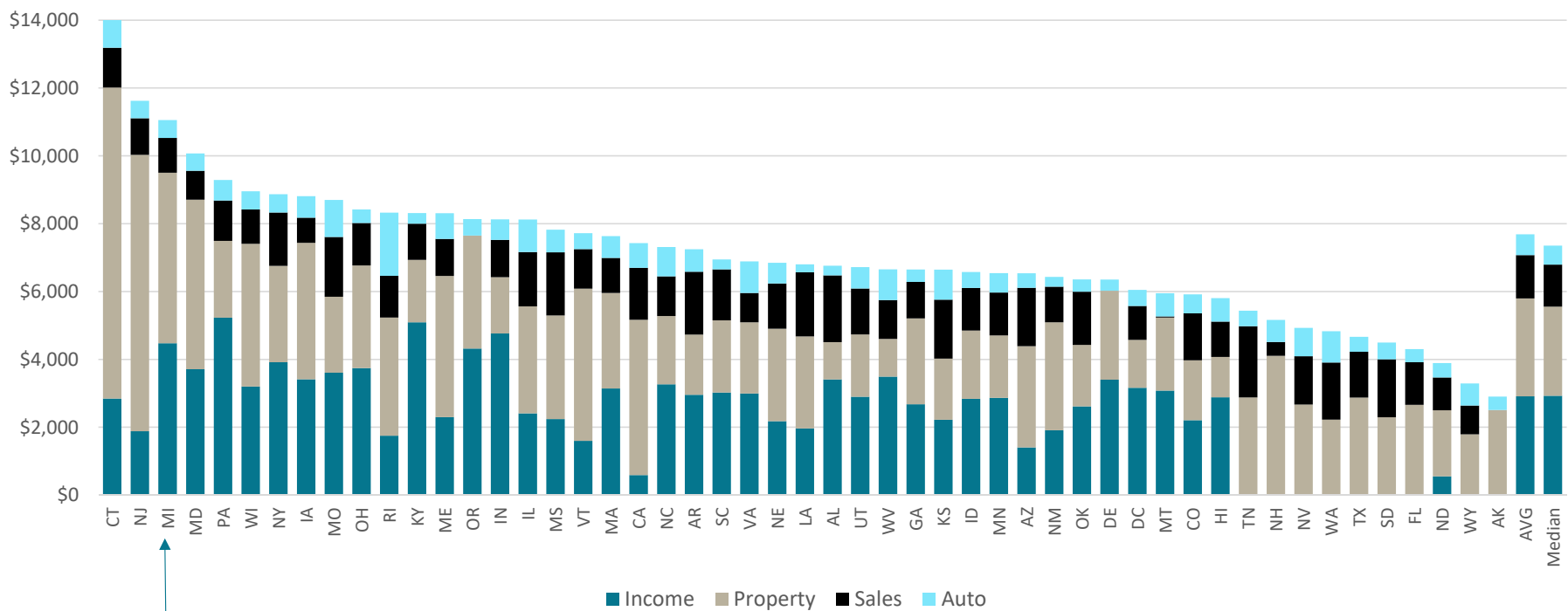
House Fiscal Agency, http://www.house.mi.gov/hfa/pdf/briefings/state_budget_overview_briefing_fy18-19.pdf

Estimated Burden of Major Taxes for Hypothetical Family in Largest City of each State Earning \$25,000/Year



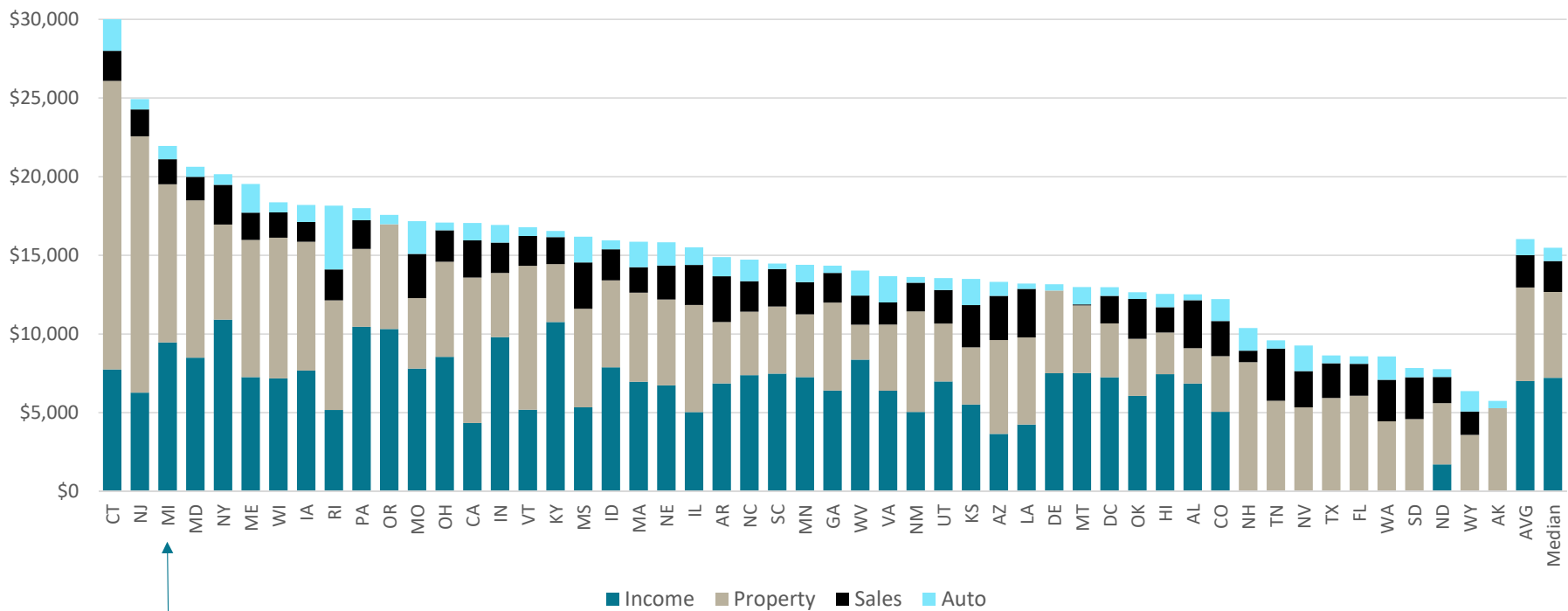
2016 Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison, District of Columbia Office of the Chief Financial Officer, Office of Revenue Analysis, <https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/2016%2051City%20Study.pdf>

Estimated Burden of Major Taxes for Hypothetical Family in Largest City of each State Earning \$75,000/Year



2016 Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison, District of Columbia Office of the Chief Financial Officer, Office of Revenue Analysis, <https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/2016%2051City%20Study.pdf>

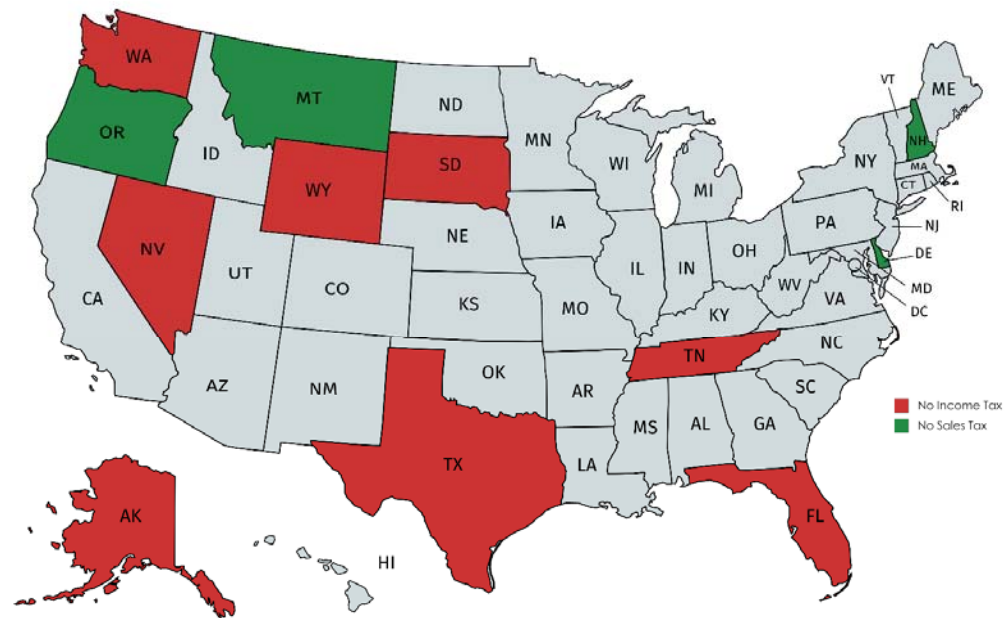
Estimated Burden of Major Taxes for Hypothetical Family in Largest City of each State Earning \$150,000/Year



2016 Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison, District of Columbia Office of the Chief Financial Officer, Office of Revenue Analysis, <https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/2016%2051City%20Study.pdf>

Some Guides for Judging Tax Systems

States able to Capitalize on Economic Assets

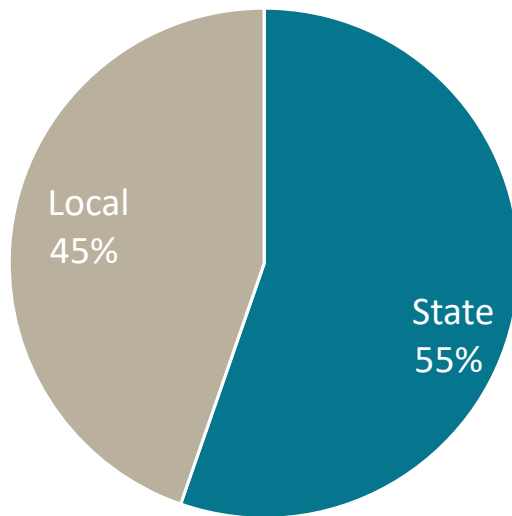


Created with mapchart.net ©

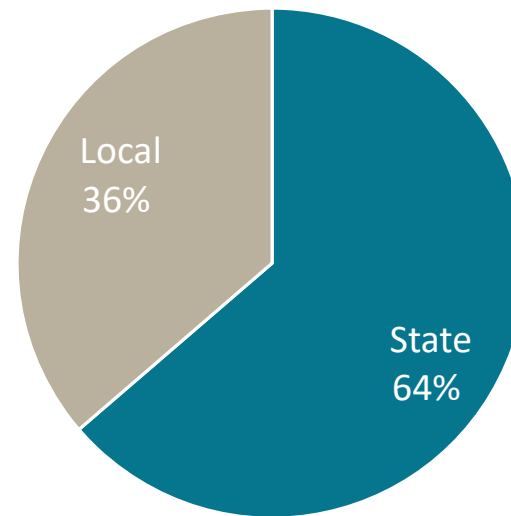
Percent of Revenues Generated at State or Local Level

Michigan raises greater portion of revenues at state level

U.S. Average

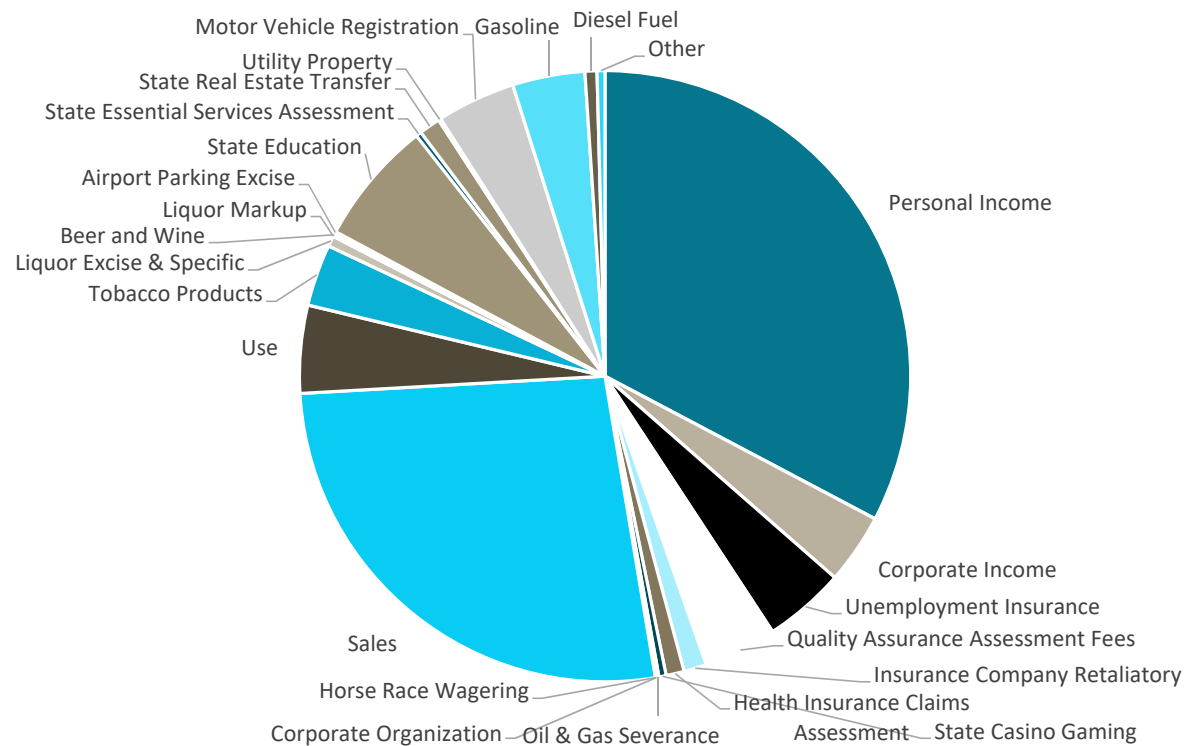


Michigan



Sources of Michigan State Government Revenues

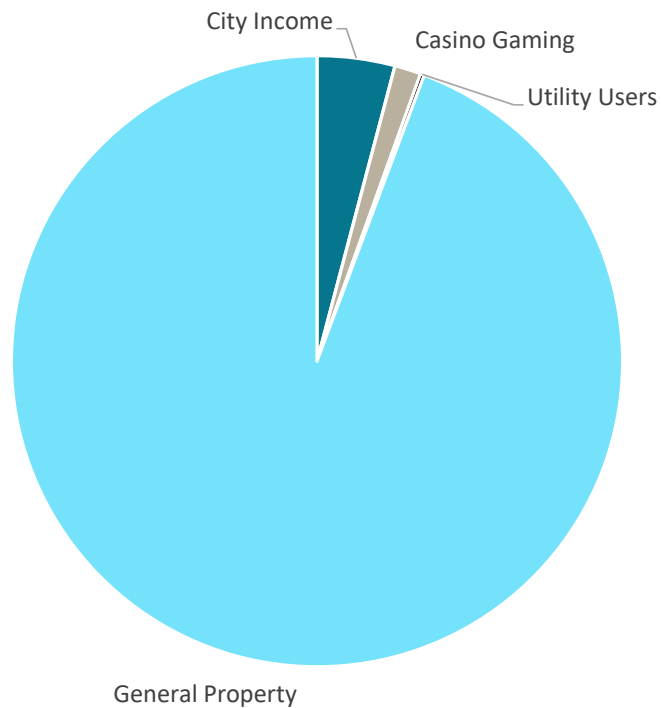
60% of revenues from personal income and sales taxes



Outline of the Michigan Tax System, Citizens Research Council of Michigan, <https://crcmich.org/tax-outline/>

Sources of Michigan Local Government Revenues

95% of revenues from property taxes

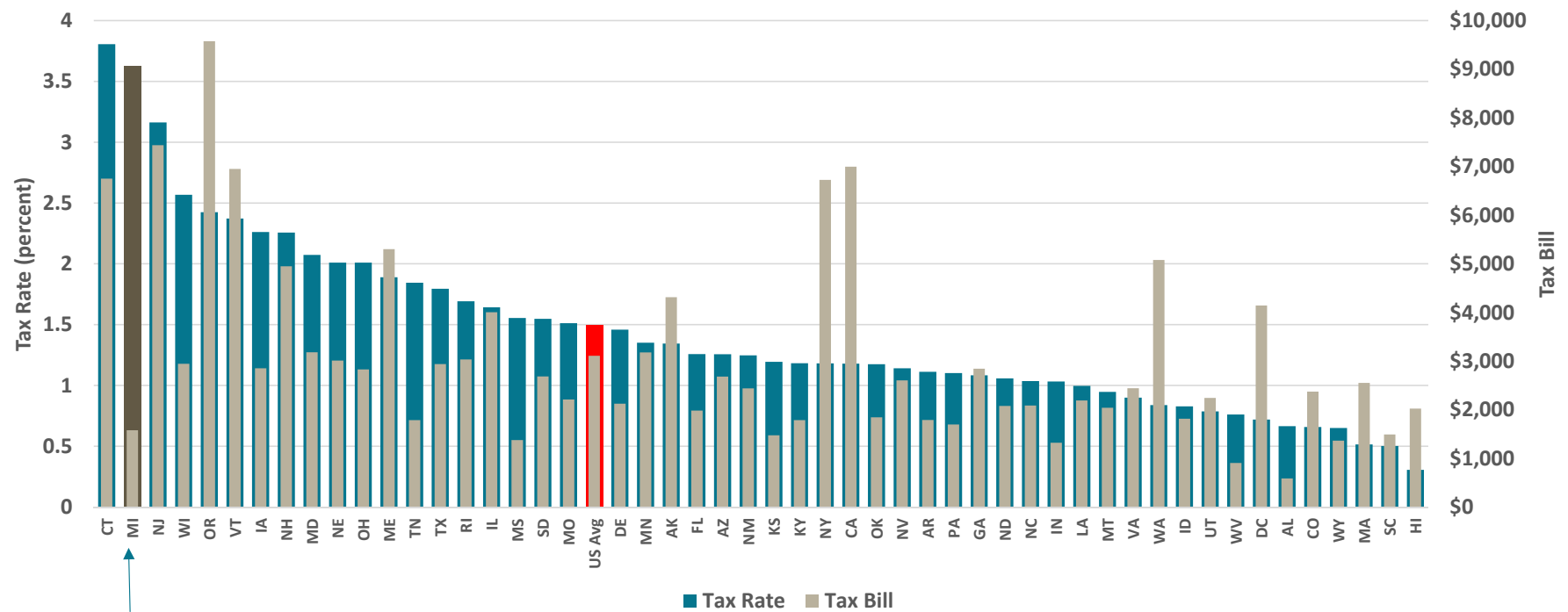


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Taxes on Individuals

Property Taxation

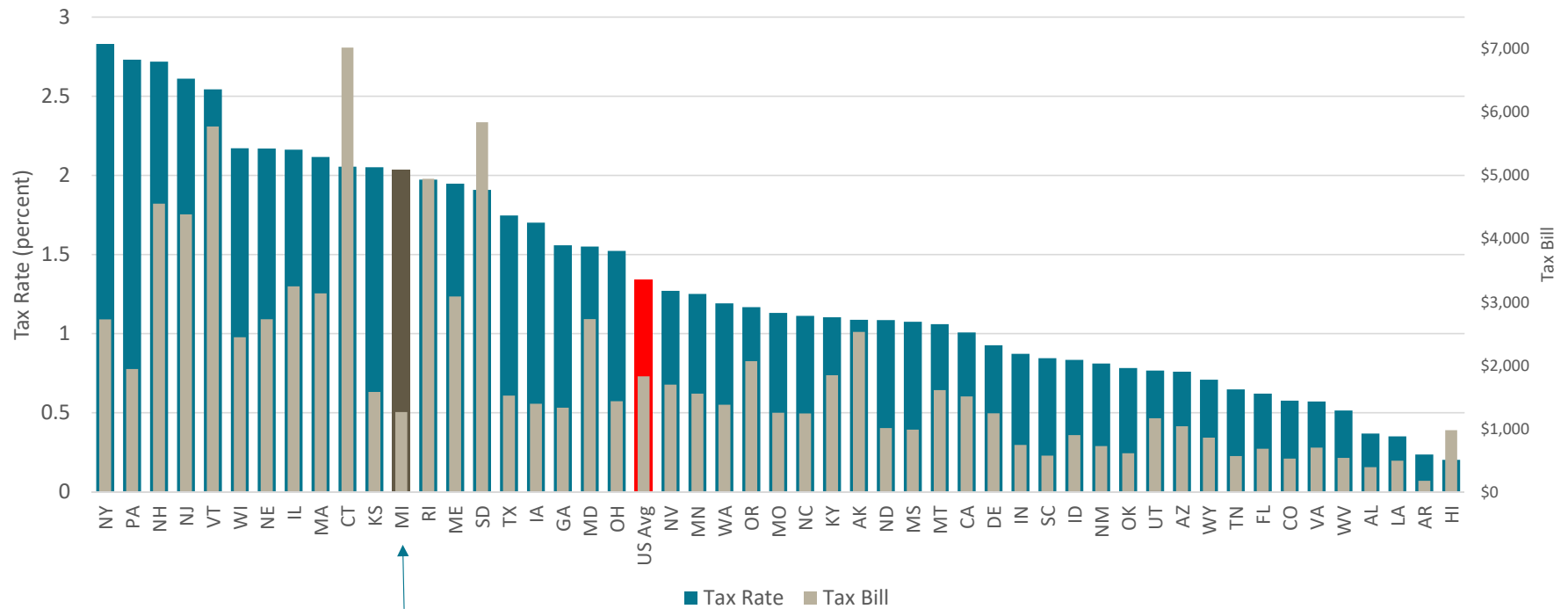
Tax Rate and Tax Bill for a Median Value Residential Property in Largest City in Each State (Detroit)



50-State Property Tax Comparison Study, April 2018, Lincoln Institute of Land Policy and Minnesota Center for Fiscal Excellence, https://www.lincolninst.edu/sites/default/files/pubfiles/50-state-property-tax-comparison-for-2017-full_1.pdf

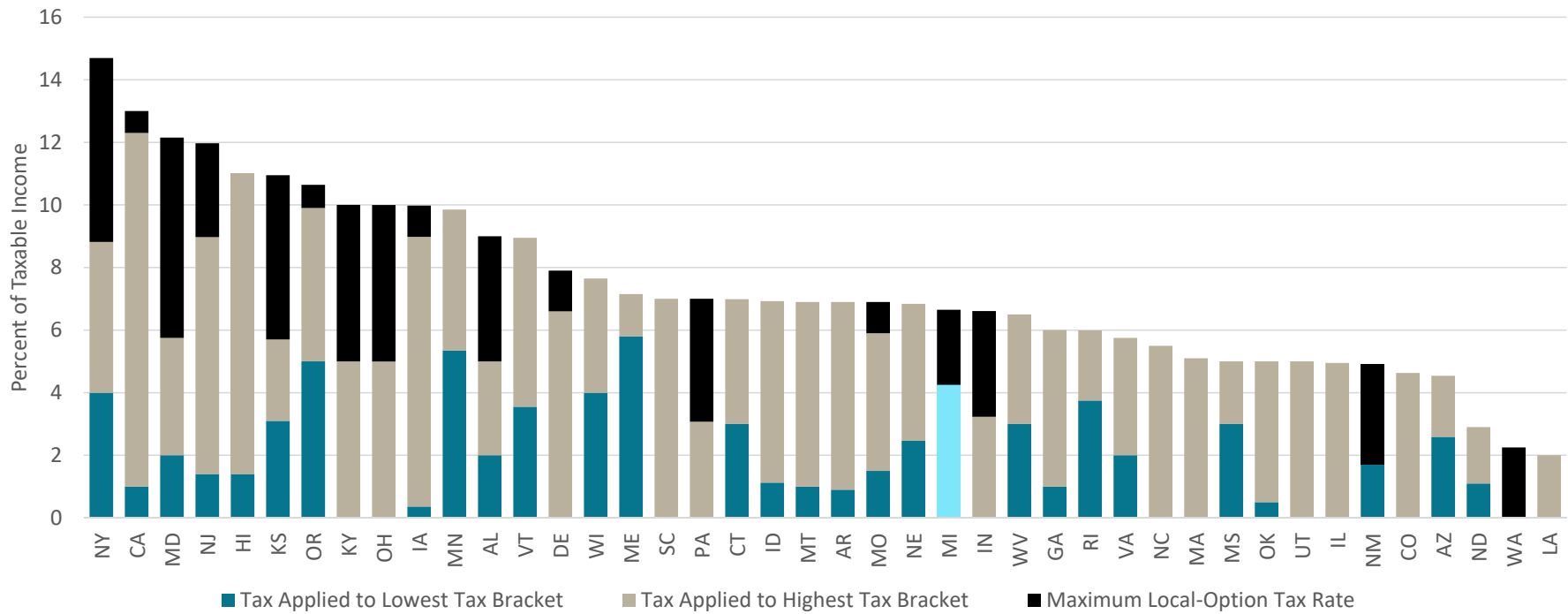
Property Taxation

Tax Rate and Tax Bill for Median Value Residential Property in a Selected Rural City in Each State (Manistique)



50-State Property Tax Comparison Study, April 2018, Lincoln Institute of Land Policy and Minnesota Center for Fiscal Excellence, https://www.lincolnst.edu/sites/default/files/pubfiles/50-state-property-tax-comparison-for-2017-full_1.pdf

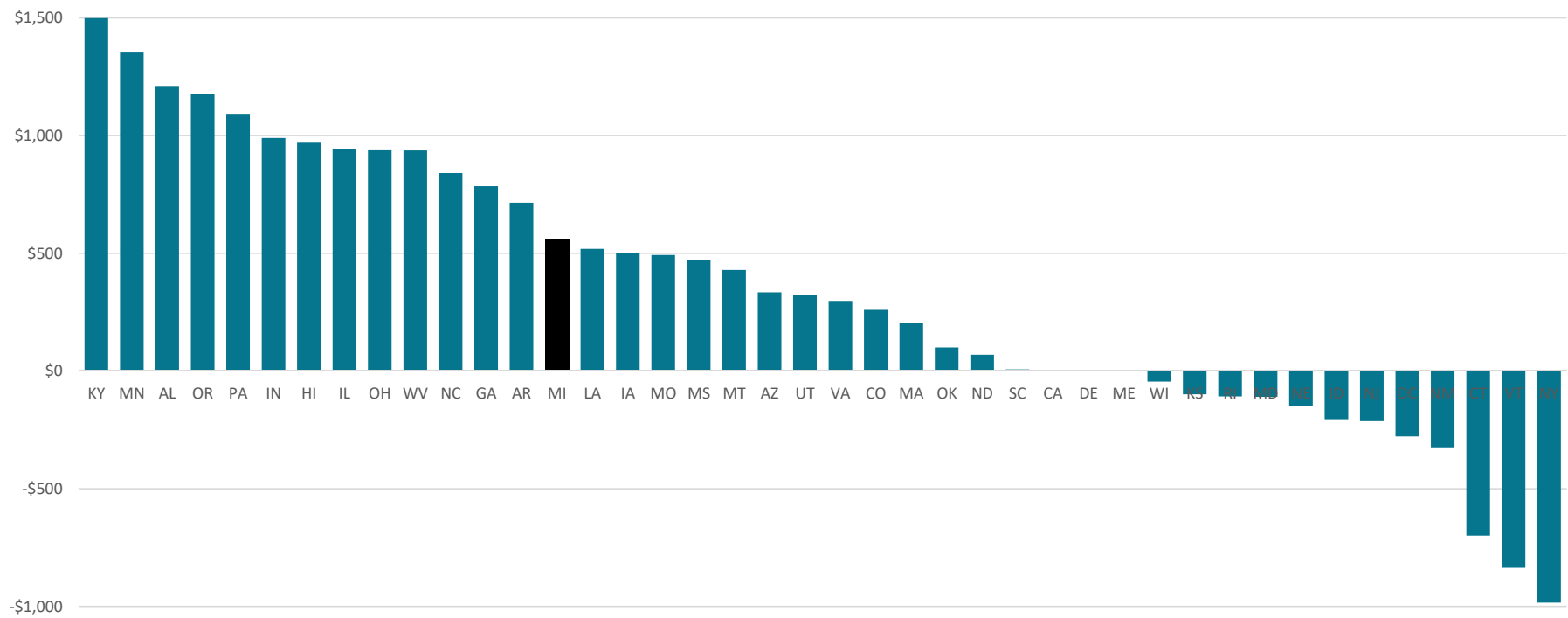
State and Local Personal Income Tax Rates



State Individual Income Tax Rates, Federation of Tax Administrators, https://www.taxadmin.org/assets/docs/Research/Rates/ind_inc.xls and *Diversifying Local-Source Revenue Options in Michigan*, Citizens Research Council of Michigan, <https://crcmich.org/diversifying-local-source-revenue-options-in-michigan/>

Income Tax Burden

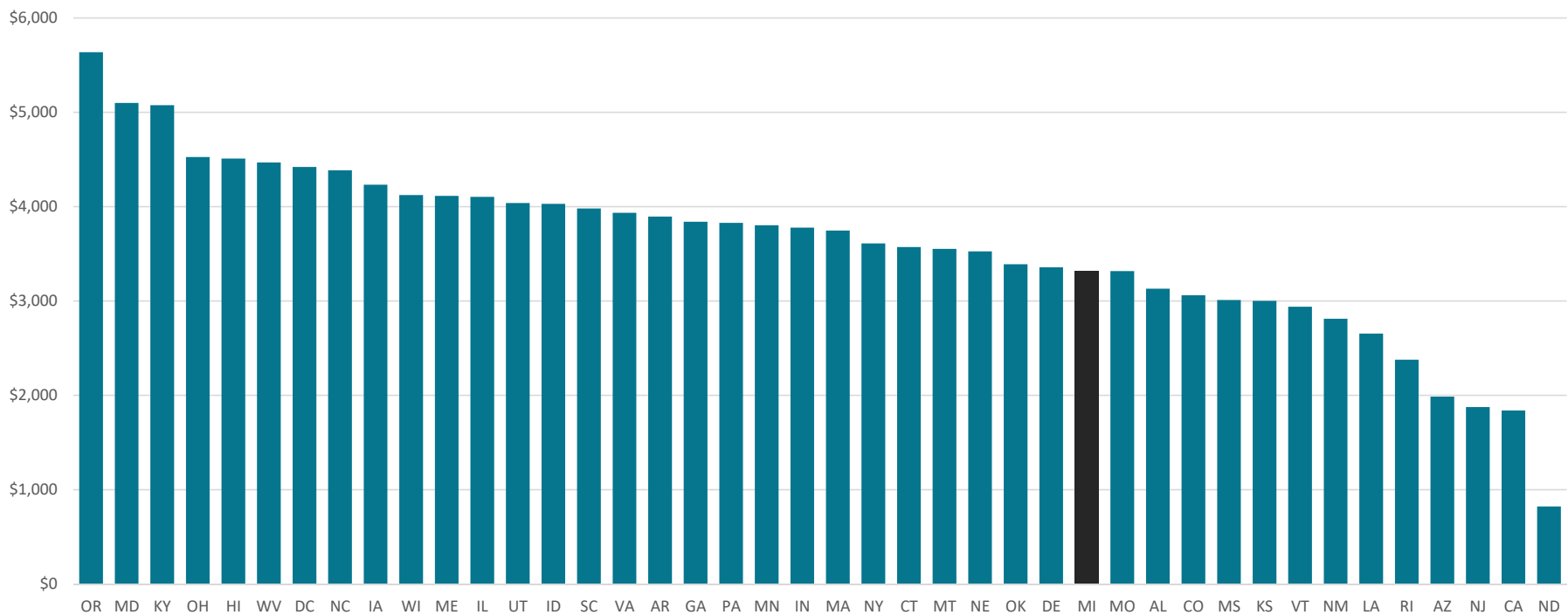
Married-Joint Filers, \$35,000 Income



Comparison of Individual Income Tax Burdens by State, 2017 Edition, Minnesota Center for Fiscal Excellence,
<https://www.fiscalexcellence.org/our-studies/income-tax-burden-study-2017edition-final.pdf>

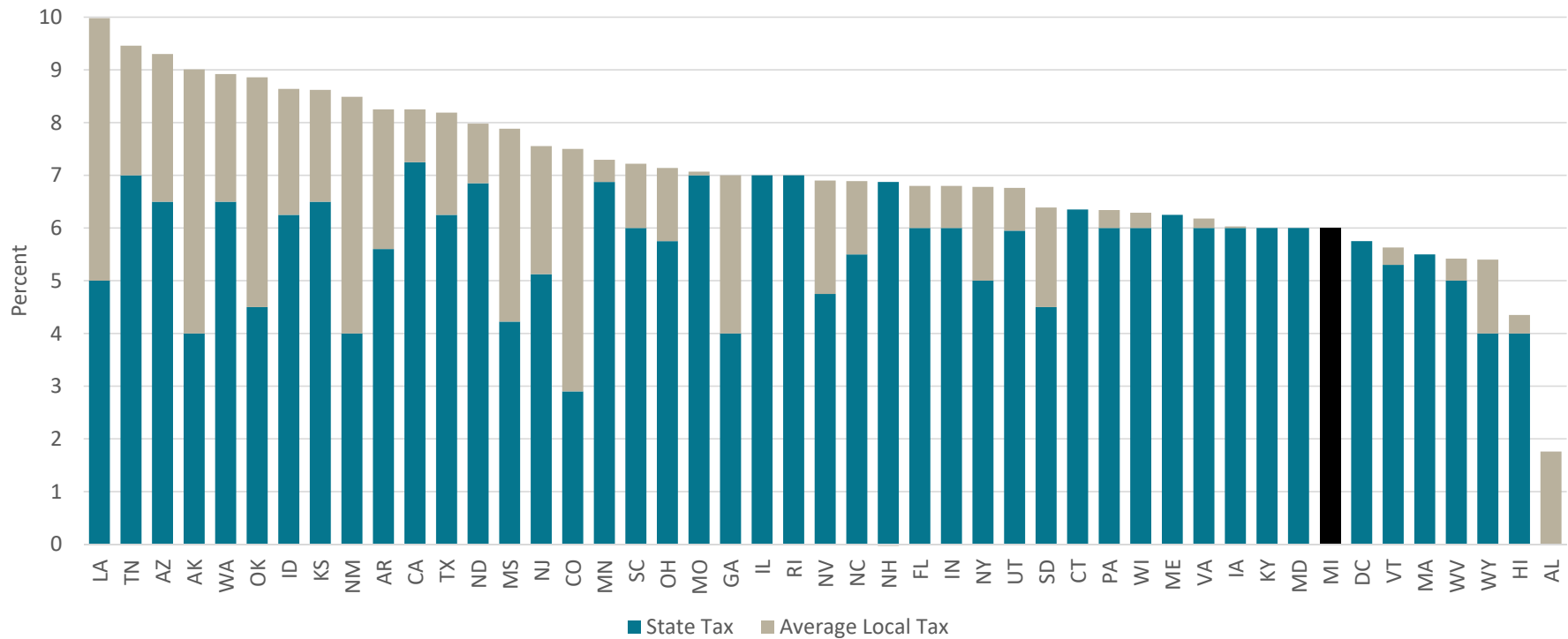
Income Tax Burden

Married-Joint Filers, \$100,000 Income



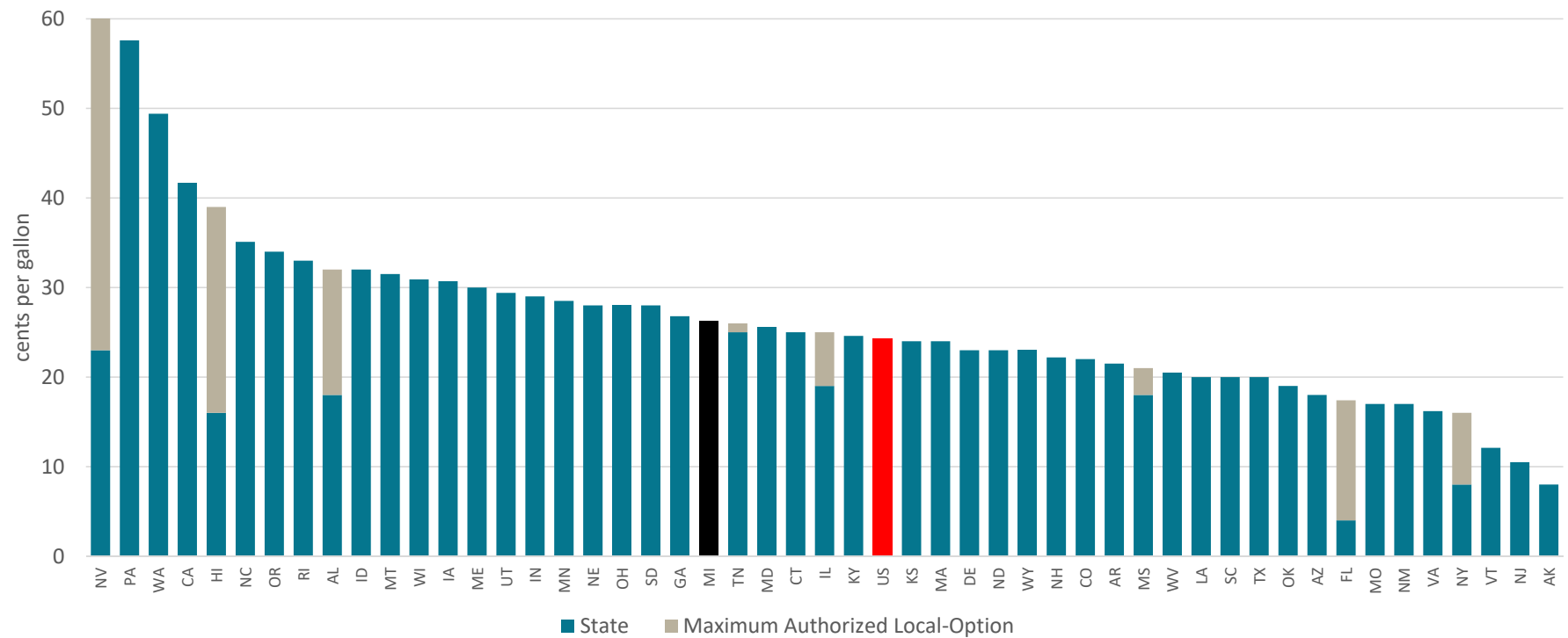
Comparison of Individual Income Tax Burdens by State, 2017 Edition, Minnesota Center for Fiscal Excellence,
<https://www.fiscalexcellence.org/our-studies/income-tax-burden-study-2017edition-final.pdf>

State and Local General Sales and Use Tax Rates



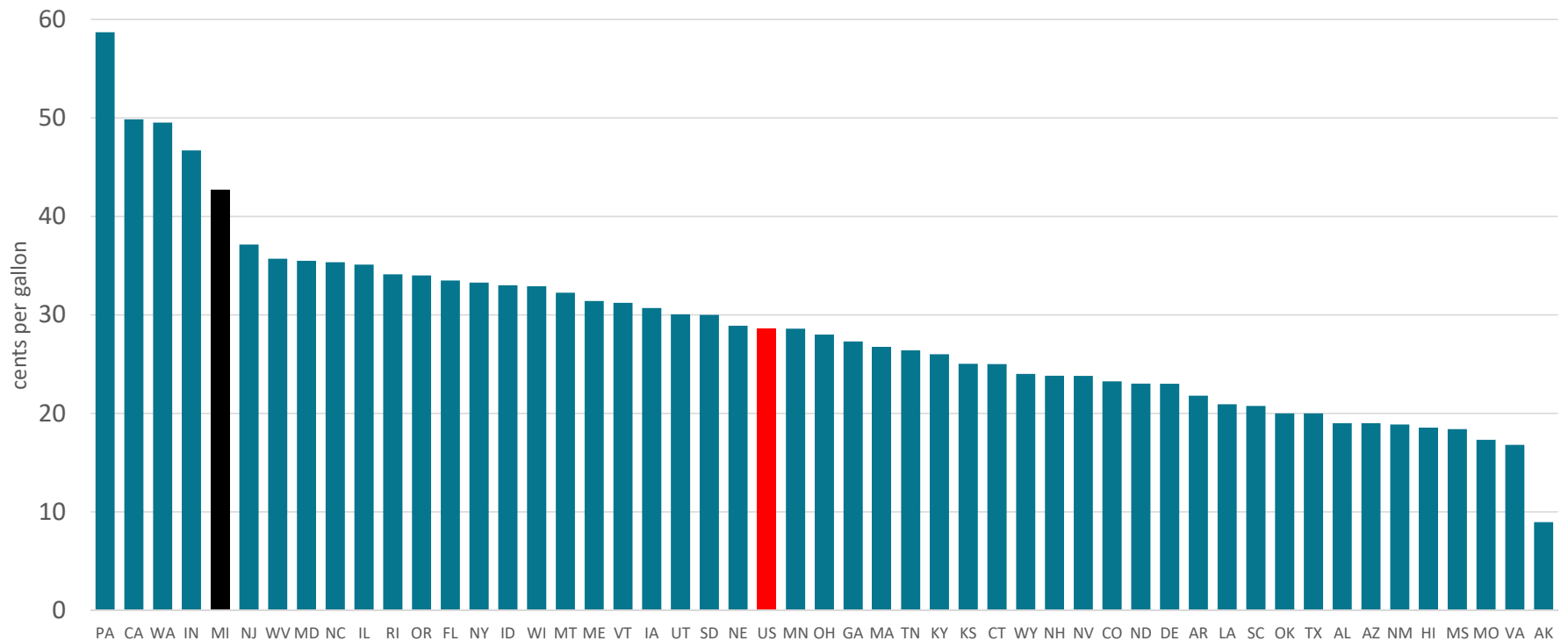
State and Local Sales Tax Rates, Federation of Tax Administrators, https://www.taxadmin.org/assets/docs/Research/Rates/wa_statelocal_sales_2017.pdf

State and Local Motor Fuel Tax Rates



State Motor Fuel Excise Tax Rates, Federation of Tax Administrators, <https://www.taxadmin.org/assets/docs/Research/Rates/mf.xls>

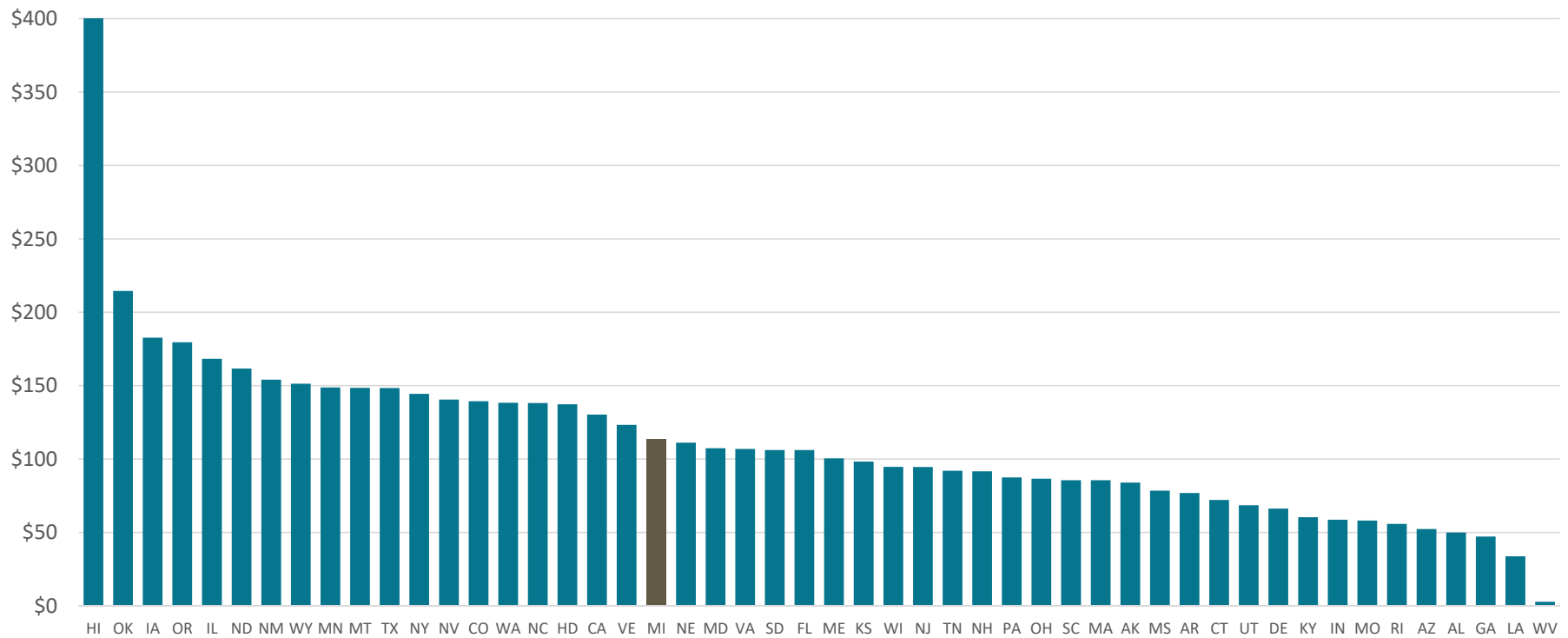
All State Taxes Levied at the Pump



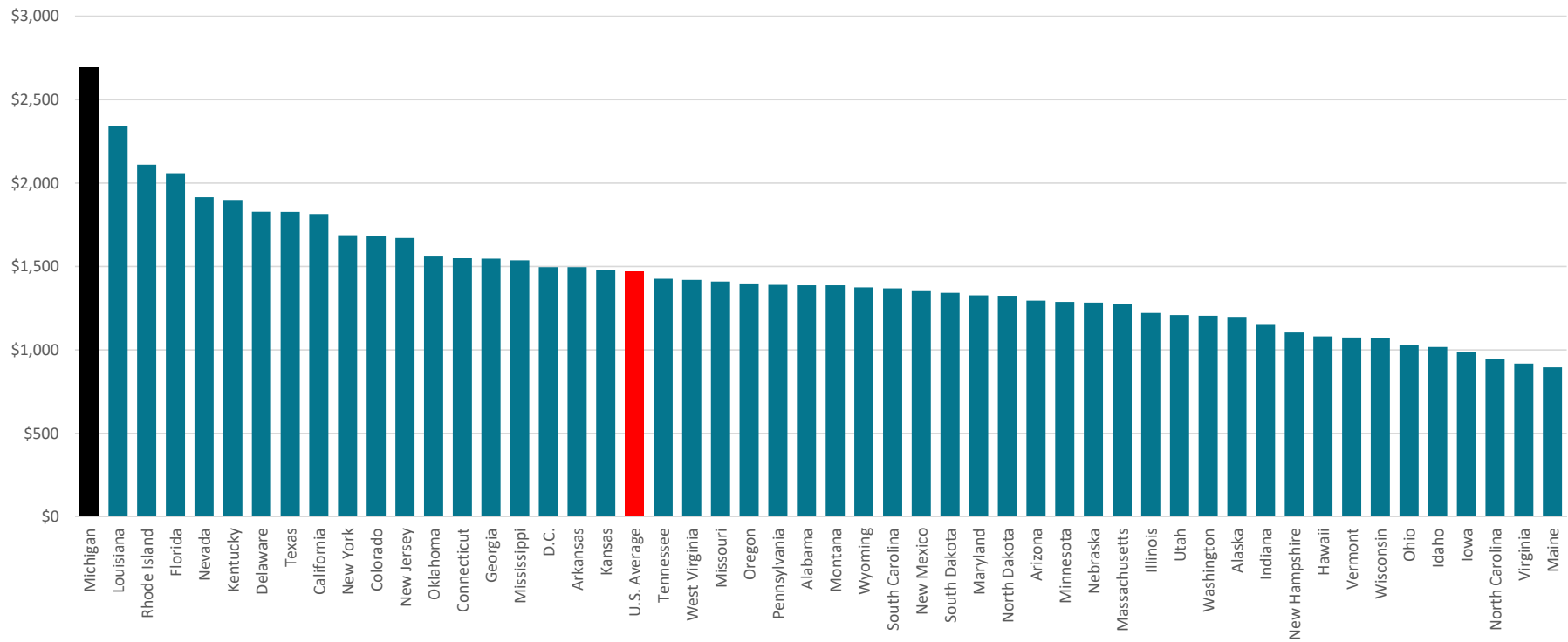
Evaluating Michigan's Options to Increase Road Funding, Citizens Research Council of Michigan, <https://crcmich.org/evaluating-michigans-options-to-increase-road-funding/>

Vehicle Registration Taxes (2016)

Vehicle Registration Fee Revenue Relative to Number of Private and Commercial Vehicles and Motorcycles



Average Auto Insurance Rates, 2019



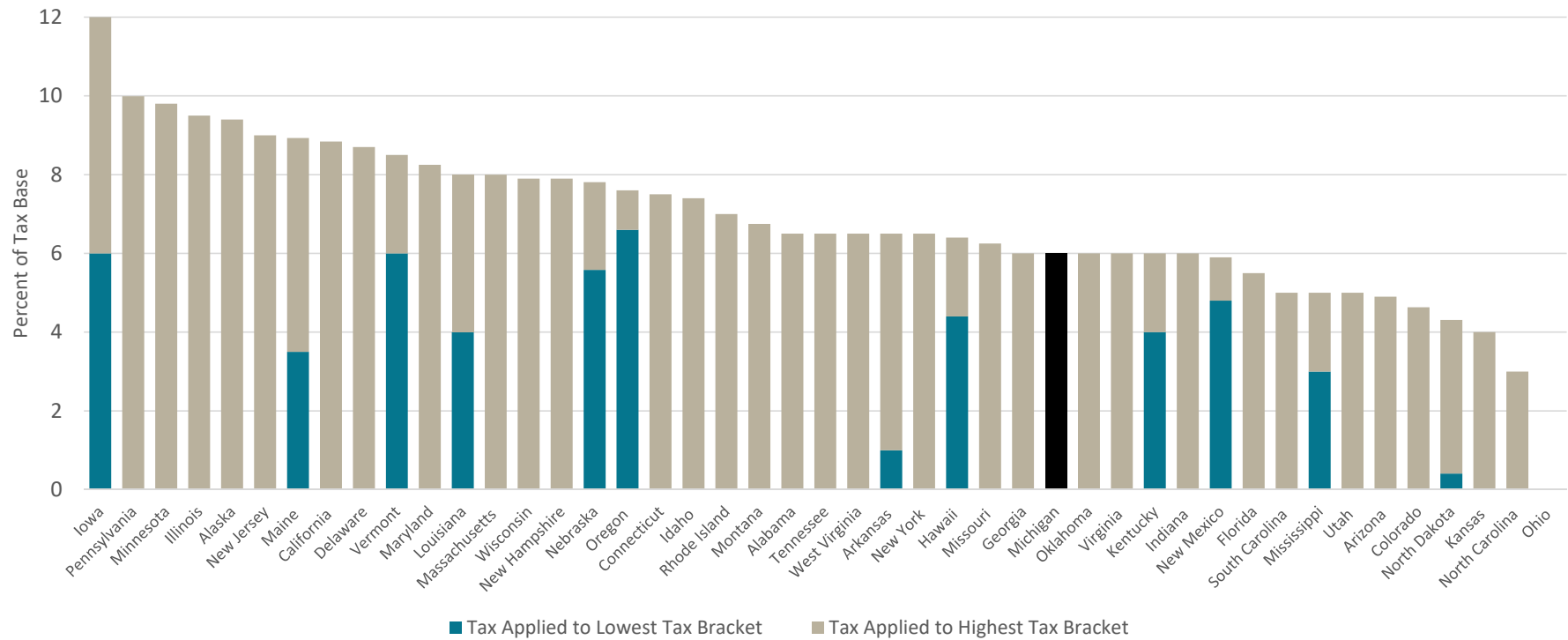
The State of Auto Insurance - 2019, Tax Zebra, <https://www.thezebra.com/state-of-insurance/auto/2019/>

Summary of Taxes Levied on Individuals

- The taxes levied on individuals in Michigan compare favorably to those levied by other states
 - With the exception that taxes on Detroit residents are among the highest in the nation. That should be a statewide concern.
- The biggest tax/cost burdens (property taxes and auto insurance) are hardest to avoid and most regressive
- While the mix is not hugely out of balance, Michigan relies on property tax revenues more than most other states

Taxes on Businesses

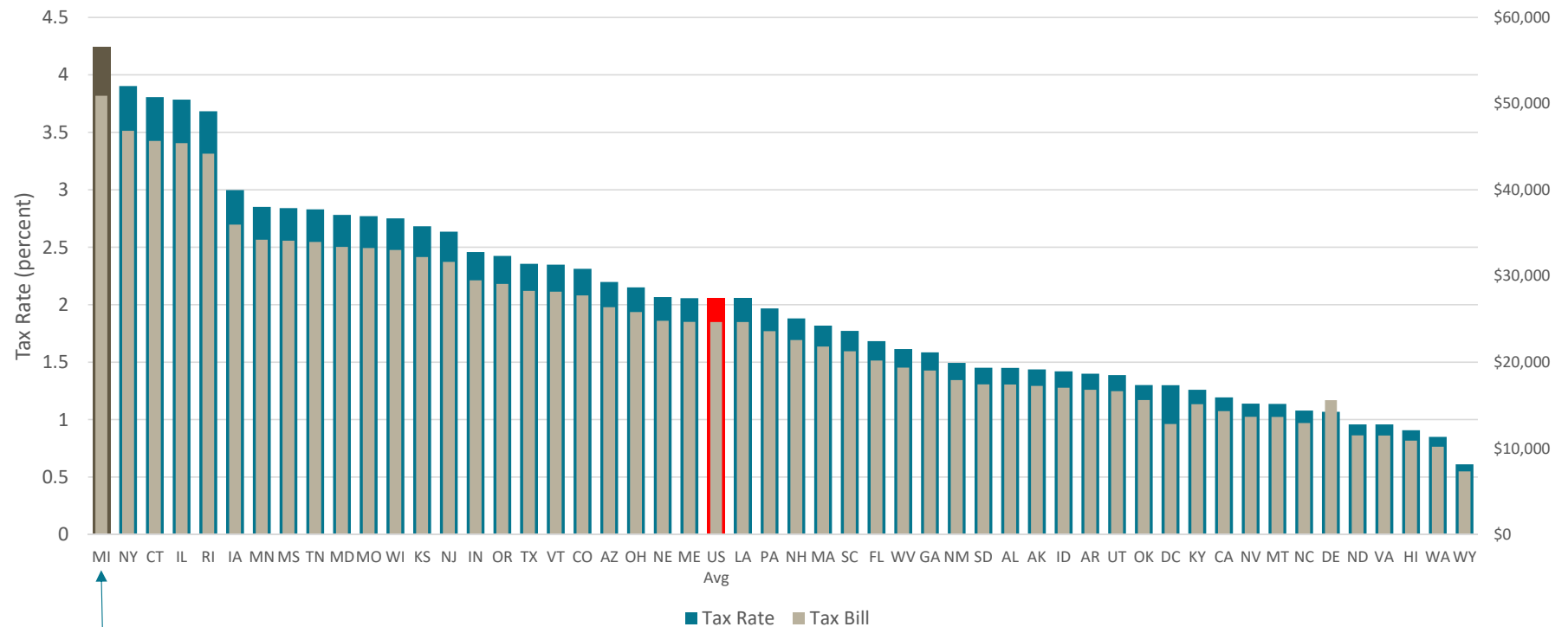
Corporate Income Taxation



State Corporate Income Tax Rates, Federation of Tax Administrators, <https://www.taxadmin.org/assets/docs/Research/Rates/corp.xls>

Property Taxation

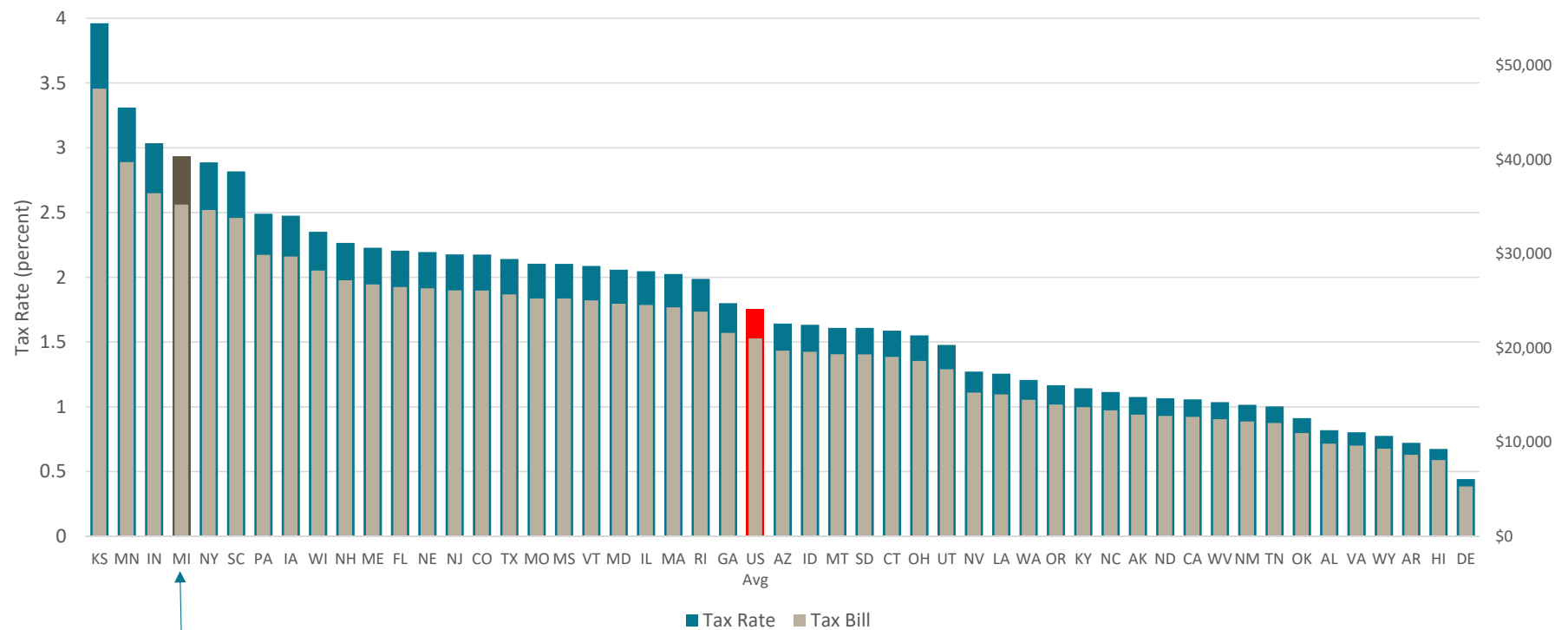
Tax Rate and Tax Bill for \$1 million Commercial Property in Largest City in Each State (Detroit)



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Property Taxation

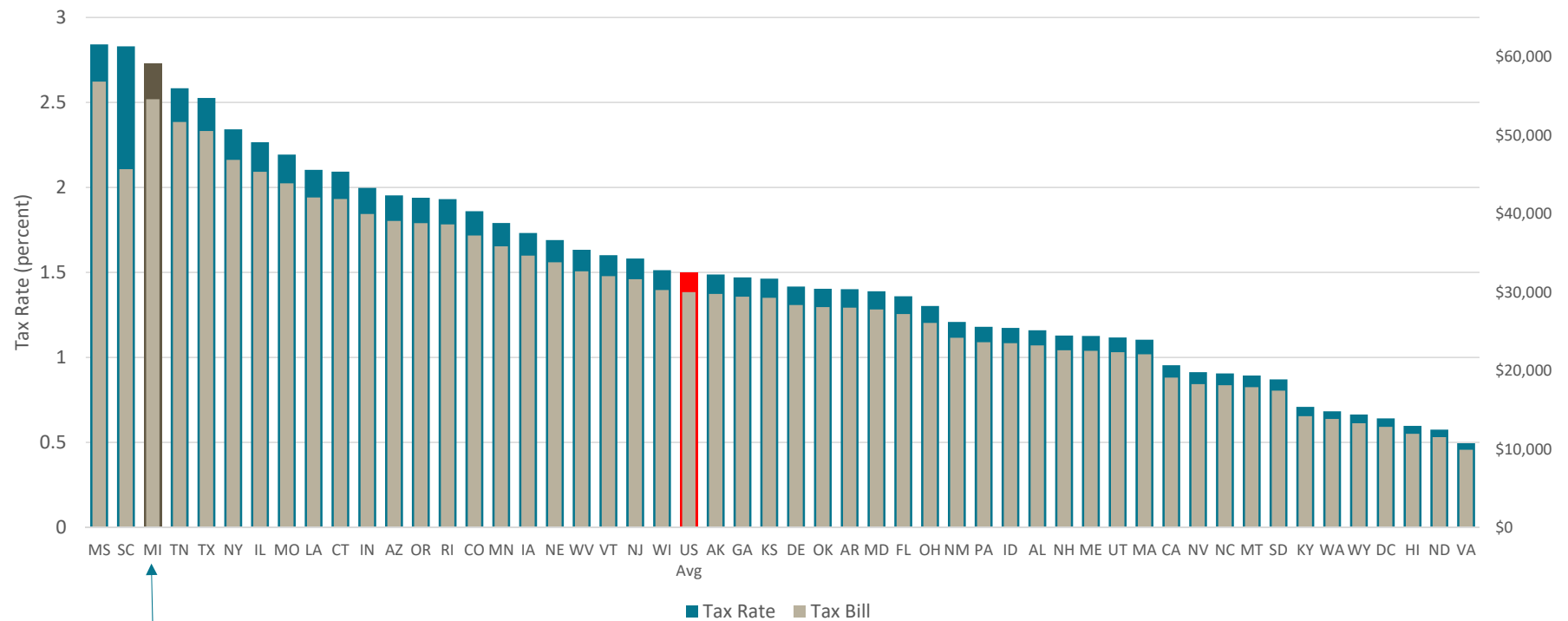
Tax Rate and Tax Bill for \$1 million Commercial Property in a Selected Rural City in Each State (Manistique)



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Property Taxation

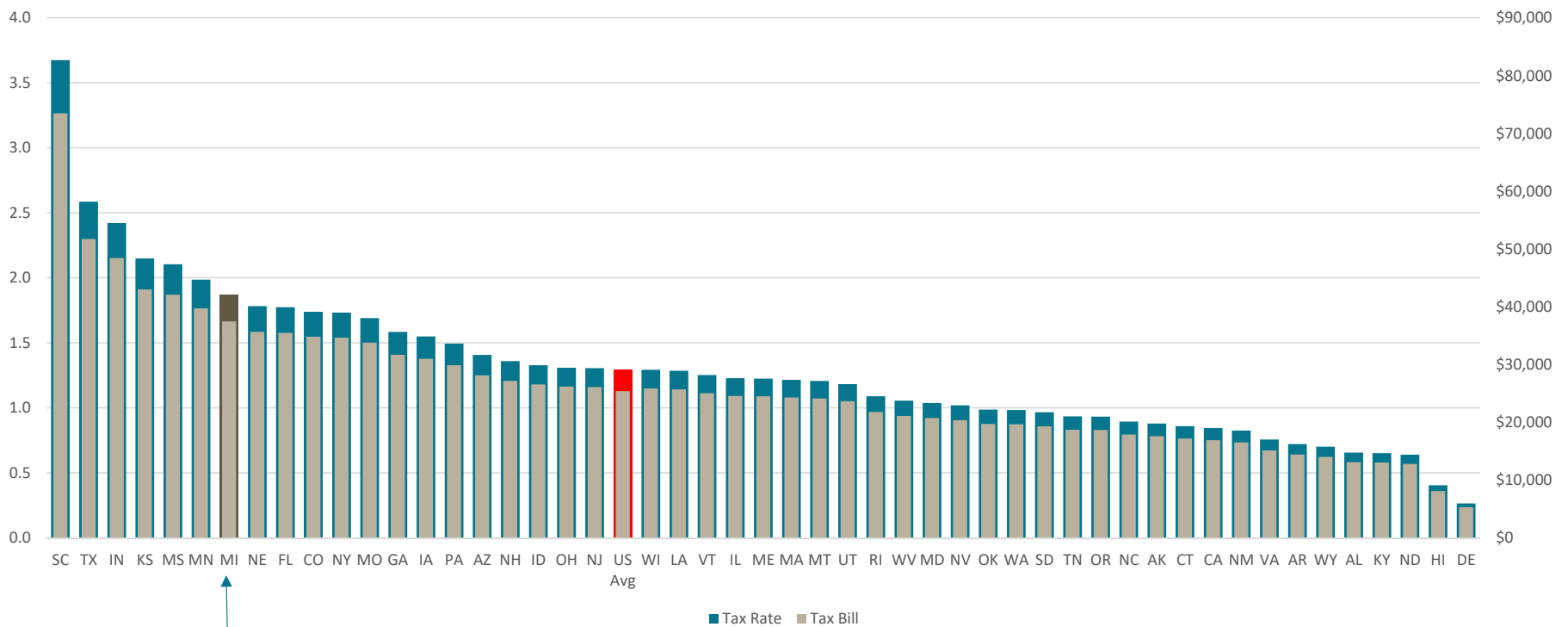
Tax Rate and Tax Bill for \$1 million Industrial Property in Largest City in Each State (Detroit)



50-State Property Tax Comparison Study, April 2018, Lincoln Institute of Land Policy and Minnesota Center for Fiscal Excellence, https://www.lincolninst.edu/sites/default/files/pubfiles/50-state-property-tax-comparison-for-2017-full_1.pdf

Property Taxation

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Summary of Taxes Levied on Businesses

- Michigan has been competitive in attracting and retaining businesses because of the tax structure
- Property taxes are the least competitive part of the business tax structure
- Whether S-corporations are taxed under the individual income tax or the corporate income tax, the rates are very competitive

Citizens Research Council of Michigan

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