Citizens Research Council of Michigan

Outline of the Michigan Tax System

May 2015

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CITIZENS RESEARCH COUNCIL OF MICHIGAN

CRC

OUTLINE OF THE MICHIGAN TAX SYSTEM

MAY 2015

CITIZENS RESEARCH COUNCIL OF MICHIGAN

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2015 Update

For a second consecutive year, the state Legislature's most significant effort to overhaul state tax laws had its fate decided not by roll call votes on the floors of the House and Senate but by a vote of the people at polling stations across the state. In 2014, state policymakers enacted legislation phasing out the personal property tax (PPT) on most commercial and industrial property; but that package was tied to an August 2014 statewide ballot measure related to the earmarking of use tax revenue towards reimbursement of local governments for PPT revenue losses. The August Proposal 14-1 was approved by voters.

Just months after that public vote, the Legislature – after years of deliberations – reached an agreement on tax changes that would generate roughly $1.3 billion in new annual transportation revenue to address growing problems with Michigan's road infrastructure. A ten-bill package passed in the final days of the 2013-2014 legislative session. Once again, however, the changes were tied to a public vote held on May 5, 2015. Proposal 15-1 would have directly allowed for an increase in the state sales and use taxes, generating new revenues to ensure in particular that the education system and local governments were not adversely impacted by a provision in the transportation legislative package that would exempt gasoline and diesel fuel from the sales tax.

The PPT and transportation ballot measure were similar in many ways. Both were designed to approve tax law changes aimed at holding certain stakeholders harmless from the revenue impacts of the fundamental elements of each set of tax changes. Both ballot proposals were also tied to other enacted legislation, creating an "all-or-nothing" decision for voters. Failure of either proposal would send state policymakers back to the drawing board on the major legislative issue at hand.

The ballot measures, however, were not entirely the same. Proposal 15-1 was a vote to amend the state's Constitution, whereas Proposal 14-1 was a referendum on one specific public act that was part of the broader PPT package. Most significantly, while Proposal 14-1 was approved comfortably by voters, Proposal 15-1 was rejected by a 4-to-1 margin at the ballot box.

Transportation Funding: Back to the Drawing Board

By rejecting the May ballot proposal, Michigan voters effectively repealed a package of legislation that was expected to generate roughly $1.8 billion a year in new state revenue - $1.3 billion of which would have been earmarked for transportation infrastructure improvements. The package aimed to achieve the dual goals of increasing transportation taxes and ensuring that the revenues from those taxes would be dedicated exclusively for transportation purposes. A common complaint from the public with regard to previous attempts to raise transportation taxes was that the state's 6 percent sales tax was also imposed on gasoline, but those revenues were not used to address transportation needs. The legislative agreement that resulted in Proposal 15-1 would have addressed this concern by raising the state's motor fuel taxes on gasoline and diesel fuel, but at the same time, exempting those motor fuels from the sales tax.

With the failure of the ballot measure, the legislature will need to decide how and when to move forward on a new plan to fund transportation needs. In doing so, it will once again need to decide whether these funds should be generated through tax increases or be realized by redirecting existing revenues currently used for some other purpose. Either approach is likely to produce criticism from those adversely impacted by the new plan, meaning that these follow-up efforts at producing a road funding solution are unlikely to be any easier than they were last year.

Mainstreet Fairness: Nexus and Michigan's Sales and Use Taxes

Beyond the transportation funding debates, state policymakers also enacted legislation aimed at expanding the taxation of remote sales, including certain e-commerce transactions. Public Acts 553 and 554 of 2014 revised Michigan's sales and uses taxes to add several presumptions to the laws regarding when a seller is "engaged in the business of making sales at retail" in Michigan – and thus is liable for collecting and remitting sales and use tax. The acts address the revenue problems experienced by Michigan, and many other states, because of the growing popularity of online remote purchases. Under Michigan's Use Tax Act, Michigan residents are liable to remit a use tax payment to the state for goods purchased online from out-of-state sellers. However, the enforcement of this requirement is difficult, and many residents – either out of ignorance of the law's requirements or intentional avoidance of their tax liabilities – do not make these required use tax payments.

Michigan and many other states developed the Streamlined Sales Tax Project in 2000 in an effort to simplified sales and use tax structure nationally to encourage voluntary use tax compliance with the assistance of sellers. More recently, states have begun to enact so-called "Amazon" laws in order to compel the collection of some portion of the tax owed on Internet sales. These laws have also commonly been referred to as "Mainstreet Fairness" laws as they attempt to equalize the tax burden between in-state brick-and-mortar businesses and their out-of-state e-commerce competitors. Michigan's new public acts create presumptions in the law that a seller is "engaged in the business of making sales at retail" in Michigan when: (a) the seller or a person affiliated with the seller engaged in certain specified activities related to sales (e.g., utilized an in-state business location to facilitate deliveries; had in-state operations to perform maintenance or installation services); or (b) entered into certain agreements with one or more Michigan residents for customer referrals, including on-line activities.

Legislative analyses suggest the bills could generate up to $60 million in new state revenue depending upon how the acts' provisions are applied and how sellers and affiliated businesses respond to the legislation.[1]

Repeal of the Multistate Tax Compact Act

One of the bigger tax policy stories in 2014 came in July when the Michigan Supreme Court sided with the IBM Corporation in a lawsuit against the State of Michigan regarding the apportionment of IBM's tax liability under the former Michigan Business Tax. The suit centered on how IBM – a corporation that operates all across the world – should apportion its income and gross receipts to Michigan as opposed to other states and countries in which it operates. The MBT Act based this apportionment on one factor: sales in Michigan. However, another pre-existing state law known as the Multistate Tax Compact allows multi-state firms operating in Michigan to use a three-factor apportionment formula that includes not only sales, but also property and payroll within the state. For a firm like IBM that sells in Michigan but does not retain a significant business presence in terms of offices, equipment, and employees, the MTC's approach is much more favorable.[2] Using the three-factor approach, the court found IBM was due a $4.7 million tax refund from the state.

Unfortunately for the state, the ruling generated ripple effects that went well beyond IBM. Court documents suggested Michigan was involved in 134 other open cases regarding the same apportionment issue, and the Michigan Department of Treasury estimated the potential revenue impact of adverse rulings in these cases to be over $1.1 billion. In response, the legislature approved Public Act 282 of 2014 which, among other things, retroactively repealed the Multistate Tax Compact. The legislation was aimed at precluding future court action, but it is possible that despite the state legislation, legal disputes on apportionment may now move to the federal courts.

1 www.legislature.mi.gov/documents/2013-2014/billanalysis/Senate/pdf/2013-SFA-0658-E.pdf

2 For additional details and a discussion of the case, see CRC's blog post: *The IBM Ruling: Could the State Have Avoided a Potential $1 Billion Problem?*, August 29, 2014.

Other Tax Policy Changes

While transportation funding, the PPT changes, and Mainstreet Fairness dominated headlines during 2014, a number of other significant tax policy changes were approved. These changes include:

- The restoration of the state's use tax on Medicaid managed care organizations, which had previously been repealed. The restoration provides new revenue to fund the state's Medicaid program.
- The creation of a new specific tax for certain hydroponic and aquaculture production facilities; these facilities will now be exempt from levies under the General Property Tax Act.
- A reduction in the rate imposed on paid health claims under the Health Insurance Claims Assessment from 1 percent to 0.75 percent.

Conclusions

While the public gave its strong approval to the PPT ballot measure in August 2014, it withheld its support from the recent proposal from state policymakers to bolster the state's road funding revenues. The failure of Proposal 15-1 at the polls will require the Legislature and Governor to go back to work on a critical public policy issue that some believed had been solved last December.

With the ballot measure now behind them, the Legislature and Snyder Administration will now have to decide how to proceed with putting together a new road funding plan. Those decisions will involve answering a number of difficult and politically sensitive questions: How much new revenue should be raised, and how soon? Should the revenue be achieved through tax increases or by redirecting existing state revenues to transportation? And, of course, where should that revenue come from?

Further, the challenge of achieving a new consensus on road funding has implications that go beyond just tax policy. The state has supplemented constitutionally dedicated transportation tax revenues with general fund revenue in a limited fashion in recent years. In FY2014, about $450 million in general fund/general purpose (GF/GP) revenues were appropriated for transportation purposes, and another $285 million is currently appropriated for transportation in FY2015. With no plan in place, the state may need to draw on GF/GP dollars once again – which has ramifications on all other programs and entities that lean on the general fund for support. That includes high-dollar state programs such as Medicaid, higher education, and corrections.

The Legislature's next steps are likely to be difficult, both from a political standpoint and in terms of the policy issues at hand. Still, many argue that some form of action to raise new transportation revenues is now a necessity.

Outline of the Michigan Tax System

The Michigan system of state and local taxes contains 60 elements, including 38 identifiable taxes imposed by the state for its own use and 22 taxes imposed by or for local governments. In this report, state and local taxes are classified according to the basis of taxation: *Income Taxes* — directly on or measured by the income of individuals; *Business Privilege Taxes* — on the privilege of doing business in Michigan; *Sales-Related Taxes* — on general retail sales and on transactions involving specific goods (selective sales taxes); *Property* Taxes — on property or in lieu of property taxes; *Transportation Taxes* — on the direct users of transportation facilities.

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

Acknowledgment

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

Outline of the Michigan Tax System

Introduction

This outline is designed to be a ready reference to the 60 taxes levied by state and local government in Michigan. It contains information on each of the 38 state and 22 local taxes effective as of the publication date, including:

— A description of each of the 60 state and local taxes and historical collections from major taxes (pages 1 to 75).

— A summary of major tax law enacted by the state legislature between January 1, 2014 and December 31, 2014 (pages 79 to 82).

— A table of tax collections for fiscal years 2011-2014 (page 85).

Taxes Defined

A tax is an enforced financial charge exacted by a government for the support of its various functions. State and local governments in Michigan levy several types of taxes. This report categorizes Michigan taxes as follows:

- **Income taxes** are levied based on income earnings. The state and local personal income taxes are based on federal adjusted gross income. Non-resident local income taxes are based on earnings from within the taxing cities. In 2011, the state enacted a 6 percent Corporate Income Tax levied only on C corporations. Only the state and city governments are authorized to levy income taxes in Michigan.
- **Business privilege taxes** are levied on firms that do business in Michigan or, in some cases, engage in a specific line of business. With the Single Business Tax, in effect from 1975 to 2007, and the Michigan Business Tax, in effect from 2007 to 2011, Michigan businesses were subject to a value-added tax with the SBT and to a hybrid of two individual taxes; a business income tax and a modified gross receipts tax. The Michigan Business Tax was eliminated effective January 1, 2012 for most business firms, and replaced with the Corporate Income Tax. State government is authorized to levy eleven types of business privilege taxes in Michigan. Counties in Michigan are authorized to levy one type of business privilege tax (9-1-1 charge) and the only municipal government authorized to levy this type of tax is the City of Detroit, which can levy a casino gaming tax on the three Detroit casinos (a complement to the state-level tax levied on the casinos).
- **Sales-related taxes** are levied in several forms in Michigan. The Sales and Use taxes are levied on the retail sale or use of tangible personal property. Until recently, only the state government was authorized to levy sales and use taxes in Michigan. At the August 2014 election, voters authorized a statewide special authority to levy a local use tax. (See boxes on pages 26 and 30). Excise or selective sales taxes are levied, like sales and use taxes, on the purchase of individual products and services. In addition to the excise taxes included under the sales-related taxes, motor fuel taxes are listed separately under transportation taxes because they are, in large measure, user charges. State government is authorized to levy nine types of sales-related taxes in Michigan. Counties are authorized to levy three types of sales-related taxes, and the City of Detroit is also authorized to levy a sales-related tax.
- **Property taxes** are levied based on the value of property. In addition to the taxation of real and personal property that typically falls under the local General Property Tax, local governments are authorized to levy three other ad valorem taxes (unit-wide special assessments, Low Grade Iron Ore Tax, and the County Real Estate Transfer Tax) and the state government is authorized to levy five ad valorem taxes (State Education Tax, Utility Property Tax, State Real Estate Transfer Tax, State Essential Services Assessment Tax, and Motor Vehicle Registration Tax). Motor vehicle registration taxes are not typically associated with property taxes; however, because Michigan taxes personal passenger vehicles based on their value, the Motor Vehicle Registration Tax qualifies as a property tax. Michigan local governments are authorized to levy eleven different types of specific taxes in lieu of ad valorem property taxes, several of which were created as economic development tools to reduce the tax burden on individual taxpayers.
- **Transportation taxes** are sales-related and property taxes levied on items used for transportation purposes. Each of these taxes is earmarked specifically to transportation purposes (i.e., operating and capital expenditures). For ease of use, they are grouped as transportation taxes in this outline as opposed to another type of tax.

When is a charge considered a tax?

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

State vs. Local Taxes. One ramification of the Headlee Amendment is the differentiation of state and local taxes.

Section 26, 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, in addition to the categorization by tax type, 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 constitutionally-established ratio noted above. While local taxes are not affected by this limitation directly, the drafters of the Headlee Amendment considered the possibility that one means of evading this restriction would be to pass functions to local government. Section 25 of Article IX, provided for such a possibility by providing that

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

Some taxes are very clearly state taxes. These taxes are levied on a statewide basis, uniform across all taxpayers, and the revenues from these taxes are deposited into state funds to finance state government activities. For other taxes the distinction is not so clear. Some taxes are state taxes levied for local purposes. The Airport Parking Excise Tax for instance, is levied only on the parking facilities in and around the Detroit Metropolitan Wayne County Airport and the majority of the revenues are used to support primarily local functions, such as general assistance to the City of Romulus and indigent health care in Wayne County. Even though the majority of the revenues are used for seemingly local purposes, this tax is considered a state tax.

Other taxes are state taxes collected by local government. Cities and townships are responsible for collecting property taxes for all units that geographically overlap their boundaries, including: counties, local school districts, intermediate school districts, and special authorities. With enactment of the State Education Tax as part of Proposal A of 1994, cities and townships became responsible for collection of that tax as well. Although taxpayers pay this tax to local units of government, it is levied uniformly across the state, revenues are transferred to a state account, and it is dedicated to the state School Aid Fund, making it a state tax.

Taxes vs. Fees. Because of the number and variety of local units of government, it is not practical to place an overall limit on the total revenue of local government in a state. Instead, the Headlee Amendment attempted to limit local tax revenues in two different ways. First, it attempted to control the property tax burden, the primary means of funding local government in Michigan, by limiting net growth in the tax yield on a unit-wide basis. Second, and more significant, it required voter approval for the levy of new local taxes or increasing the rate of existing local taxes. Section 31 of Article IX provides

> Units of Local Government are hereby prohibited from levying any tax not authorized by law or charter when this section is ratified or from increasing the rate of an existing tax above that rate authorized by law or charter when this section is ratified, without the approval of a majority of the qualified electors of that unit of Local Government voting thereon. . .

This provision has come under some scrutiny over the question of taxes versus fees. In a 1998 state Supreme Court decision, *Bolt v City of Lansing*, the court laid out three criteria to distinguish a fee from a tax:

1. User fees must serve a regulatory purpose rather than a revenue-raising purpose;
2. User fees must be proportionate to the necessary costs of the service or commodity, and imposed on those benefiting from the right/service/improvement supported by the fee; and
3. User fees are voluntary in nature.

Contrasted with fees are taxes levied by government. By implication, a tax:

1. Is to be levied to raise revenue for the general operation of government;
2. Is to be levied to benefit the general public; and
3. Is compulsory in nature.

A fee may be thought of as a charge that permits an individual or other entity access to a government service or to a privilege granted by government, whereas a tax simply underwrites the provision of governmental services available to anyone, whether the tax has been paid or not. For example, a toll on a bridge or highway permits a specific individual access to the bridge or highway and is, therefore, a fee. On the other hand, a gasoline tax, which also pays for bridges and highways, confers no special privilege and is, therefore, a tax.

Outline of the Michigan Tax System

Significant Events in the History of the Michigan Tax System

1890

- 1893 - General Property Tax Act enacted
- 1899 - Inheritance Tax Act enacted
- 1905 - Motor Vehicle Weight Tax enacted

1910

- 1925 - Gasoline Tax enacted

1930

- 1933 - 15 Mill property tax limitation added to State Constitution – Sales Tax enacted at 3% – Taxation of liquor initiated with Liquor Markup – Beer and Wine Taxes enacted – Horse Race Wagering Tax enacted
- 1938 - State Constitution amended by "Anti-Diversion Amendment" to dedicate gasoline taxes for highway purposes
- 1939 - State takes over collection of Intangibles Tax, sharing 100% of revenues with local government
- 1946 - "Sales Tax Diversion Amendment" to State Constitution to share revenues with schools and locals
- 1947 - First Tobacco Tax enacted

1950

- 1953 - Business Activities Tax enacted
- 1957 - Liquor Excise Tax enacted
- 1960 - Sales Tax increased to 4%
- 1963 - New Constitution includes ban on graduated income tax
- 1964 - Uniform City Income Tax Act enacted
- 1967 - State Individual Income Tax enacted/State Corporate Income Tax replaces Business Activities Tax

1970

- 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

1990

- 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 phased rate reduction initiated
  - Single Business Tax phase out initiated
- 2006 - Single Business Tax eliminated by legislative enactment of petition-initiated legislation
- 2007 - Michigan Business Tax enacted

2010

- 2011 - Corporate Income Tax replaces Michigan Business Tax
- 2012 - Personal property exempted from property taxation. Portion of Use Tax diverted to local tax for reimbursement of foregone revenues

INCOME TAXES

Personal Income Tax
Corporate Income Tax
Uniform City Income Tax

PERSONAL INCOME TAX

LEGAL CITATION: M.C.L. 206.1 et seq.; 1967 PA 281; Section 7, Article IX, state Constitution.

YEAR ADOPTED: 1967

BASIS OF TAX: A direct tax on income.

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

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

Subtractions include personal and dependency exemptions. The exemption was $4,000 in 2014 with future exemptions indexed to inflation from the 2012 base exemption of $3,700 (i.e., the indexing will become effective once the inflation-adjusted exemption exceeds the current $4,000 level), and special exemptions for totally or permanently disabled, and disabled veterans. Also excluded are all or part of:

(1) interest income from federal government obligations;

(2) armed forces compensation;

(3) railroad pension;

(4) National Guard pension or retirement benefits;

(5) Social Security;

(6) retirement benefits (public and private), based on the taxpayer's birth year:

Taxpayer Born Before 1946*

Public pensions are exempt.

Private pensions, subtract up to $49,027 for single and $98,054 for joint return (based on 2014 indexed to inflation); maximum deduction reduced by any public benefits exempted.

Subtract up to $10,929 for single and $21,857 for joint return (based on 2014 indexed to inflation) of interest, dividends, or capital gains earned by a senior citizen: maximum deduction is reduced by pension deduction claimed.

Taxpayer Born 1946 to 1952*

Before taxpayer reaches 67:

For public and private pensions, subtract up to $20,000 for single and $40,000 for joint return.

After taxpayer reaches 67:

Can take standard deduction from all income up to $20,000 for single and $40,000 for joint return.** No specific pension or retirement benefit deduction. Standard deduction is reduced by any military or railroad retirement benefits.

Taxpayer Born After 1952*

After taxpayer reaches 67:

Taxpayer can choose:

A) Take a standard deduction from all income up to $20,000 for single and $40,000 for joint return.** However, Social Security, military pension, and railroad pension income are subject to tax. Also, taxpayer can not claim personal exemption.

B) Social Security, military pension, and railroad pension are exempt from tax; taxpayer may also claim personal exemption.

* For married couples filing jointly, the age of the oldest spouse determines the age bracket into which the couple falls.
** Limits are increased to $35,000 single/$55,000 joint for persons receiving benefits from governmental agency not covered by Social Security.

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

(8) for taxpayer born before 1946, up to $10,929 ($21,857 for a joint return) of interest, dividends, or capital gains earned in 2014; maximum deduction is indexed for inflation and is reduced by pension deduction claimed (see table);

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

PERSONAL INCOME (CONTINUED)

(10) educational savings account contributions up to $5,000 per education savings account ($10,000 for a joint return) and interest earned on those contributions;

(11) gain from an initial equity investment made before 2010 of at least $100,000, if the investment plus the gain, or a portion of it, is reinvested in an equity investment in a "qualified business". The deduction is available after 2006 and the initial equity investment has to be made before 2010.

Credits against tax liability as follows:

(1) Homestead property taxes. Limited to homesteads (excluding unoccupied agricultural properties) with a taxable value of $135,000 or less and maximum credit is $1,200:

(a) for taxpayers other than senior citizens – 60% of taxes in excess of 3.5% of total household resources if total household resources are $41,000 or less; credit reduced by 10% for each $1,000 increment of total household resources (eliminated when the total household resources is $50,000);

(b) for senior citizens – 100% of taxes in excess of up to 3.5% of total household resources if total household resources are $21,000 or less; credit phases down by 4 percentage points for each $1,000 increment of household resources until the credit reaches 60% of taxes in excess of 3.5% of total household resources ($30,000 total household resources); credit is reduced further for total household resources above $41,000 (10% for each $1,000 increment of total household resource) and is eliminated when total household resources is $50,000;

(c) for veterans, surviving spouses and blind individuals – credit based on taxable value allowance of between $2,500 and $4,500 depending on taxpayer's status (e.g. veteran, spouse, blind); allowance divided by homestead's taxable value to determine percent of tax relief; calculated percentage is multiplied by property taxes assessed to determine credit of up to $1,200; credit is reduced further for total household resources above $41,000 (10% for each $1,000 increment of total household resource) and is eliminated when total household resources is $50,000;

(2) Property taxes on rented homesteads. Equal to 20% of gross rent paid (10% in certain subsidized housing projects). Credit reduced by proportion of income from welfare. Credit reduced by 10% at $41,000 income and by another 10% for each $1,000 increment above $41,000.

(3) Farmland property taxes. Available to farmers who have entered into an agreement not to develop their land for another use for a minimum of 10 years. For individuals, partnerships, S corporations and grantor trusts, credit is 100% of taxes in excess of 3.5% of household income.

(4) Earned income. Equal to 6% of the Federal Earned Income Tax Credit (EITC). To qualify for the Federal EITC, taxpayers must meet certain requirements and file a tax return, even if they did not earn enough money to be obligated to file a return.

(5) Income tax paid to another state.

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

RATE: 4.25%

ADMINISTRATION: Michigan Department of Treasury.

PERSONAL INCOME (CONTINUED)

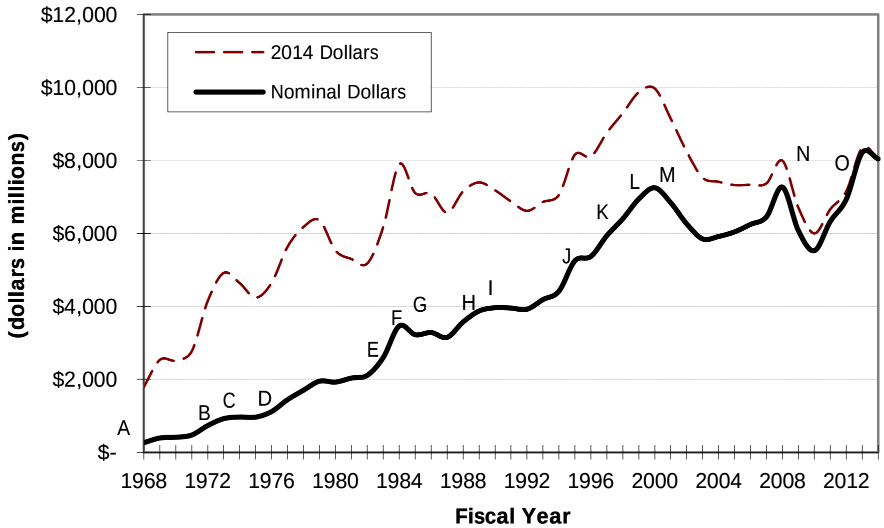
REPORT AND PAYMENT: Estimated tax declarations and payments due on 15th of April, June, September, and January. Balance of tax due April 15. Withholding required.

DISPOSITION: 23.8% of gross collections before refunds to School Aid Fund; remaining revenue to the General Fund.

2013-14 COLLECTIONS: $9,791,755,000 gross; $1,753,456,000 refunds and credits; $8,038,299,000 net.

2013-14 COLLECTIONS/UNIT: $230 million/0.1% gross; $189 million/0.1% net (after refunds and credits)

Chart 1
Michigan Personal Income Tax Revenue, 1968 - 2014



A	1967	PA 281	— Personal Income Tax established with a 2.6% tax rate and $1,200 personal exemption effective July 20, 1967.
B	1971	PA 76	— Increased tax rate to 3.9%.
C	1973	PA 20	— Increased personal exemption to $1,500 effective January 1, 1974.
D	1975	PA 19	— Increased tax rate to 4.6%.
E	1982	PA 155	— Increased tax rate to 5.6% effective April 1, 1982 through September 30, 1982. — Returned tax rate to 4.6% effective October 1, 1982.
F	1983	PA 15	— Increased tax rate to 6.35% for calendar year 1983.
G	1984	PA 221	— Reduced tax rate to 5.35% as of September 1, 1984.
H	1986	PA 16	— Reduced tax rate to 4.6% effective April 1, 1986.
I	1987	PA 254	— Increased the personal exemption to $1,600 for 1987, $1,800 for 1988, $2,000 for 1989, and $2,100 for 1990.
J	1993	PA 328	— Decreased tax rate to 4.4% effective May 1, 1994.
K	1995	PAs 2&3	— Increased the personal exemption to $2,400 in 1995, to $2,500 for tax years beginning after 1996, and indexed the personal exemption to the consumer price index in $100 increments.
L	1997	PA 86	— Increased the personal exemption by $200 beginning with the 1998 tax year.
M	1999	PA 2-6	— Reduced the tax rate by one-tenth of a percentage point per year beginning in tax year 2000, with the final reduction to 3.9% occurring in 2004.
N	2007	PA 94	— Increased tax rate to 4.35% effective October 1, 2007. Beginning October 1, 2011, and each October 1st after 2011, the rate is reduced 0.1% until the rate reaches 3.95%. On October 1, 2015, the rate is 3.9%.
O	2011	PA 38	— Maintained the rate at 4.35% until January 1, 2013. Under 2007 PA 94 (see N above) rate was scheduled to be reduced to 4.25% on October 1, 2011. The rate was reduced to 4.25% effective January 1, 2013.

CORPORATE INCOME TAX

LEGAL CITATION: M.C.L. 206.601 et seq.; 2011 PA 39; Section 7, Article IX, state Constitution.

YEAR ADOPTED: 2011. Originally authorized in 1967.

BASIS OF TAX: The tax is comprised of three distinct taxes:

- A corporate income tax on C corporations (and entities taxed as C corporations for federal income tax purposes). The income tax is a direct tax on business income;
- A premiums tax on insurance companies. The premiums tax is a direct tax on premiums written on property or risk located or residing in Michigan; and
- A franchise tax on financial institutions. The franchise tax is a direct tax on apportioned net capital.

Each tax applies to businesses with activity in the state and gross receipts exceeding $350,000 sourced to Michigan.

MEASURE OF TAX (BASE): Corporate Income Tax

Business income for federal income tax purposes, subject to certain adjustments both before and after allocation or apportionment to Michigan. Federal taxable income is adjusted to:

(1) add back certain federal income tax deductions (e.g., interest income and dividends from other states' obligations; income taxes paid; net operating loss carryback/forward; royalty, interest, or other expense paid to a person related to the taxpayer by ownership or control for the use of an intangible asset);
(2) deduct certain items included in federal taxable income (e.g., dividends and royalties from non-United States entities; interest income from U.S. obligations; income and expenses from producing oil and gas);
(3) deduct any business loss.

Apportionment: For corporations with activity entirely within Michigan, the tax base is allocated entirely to Michigan. For corporations with multi-state activity, the tax base is allocated in proportion to sales in Michigan.

Credit: The alternative small business tax credit is available to corporations other than financial institutions and insurance companies with gross receipts that do not exceed $20 million and with adjusted business income, minus losses, that does not exceed $1.3 million (adjusted annually for inflation). Eligible corporations pay an alternative 1.8% tax rate on adjusted business income.

Premiums Tax

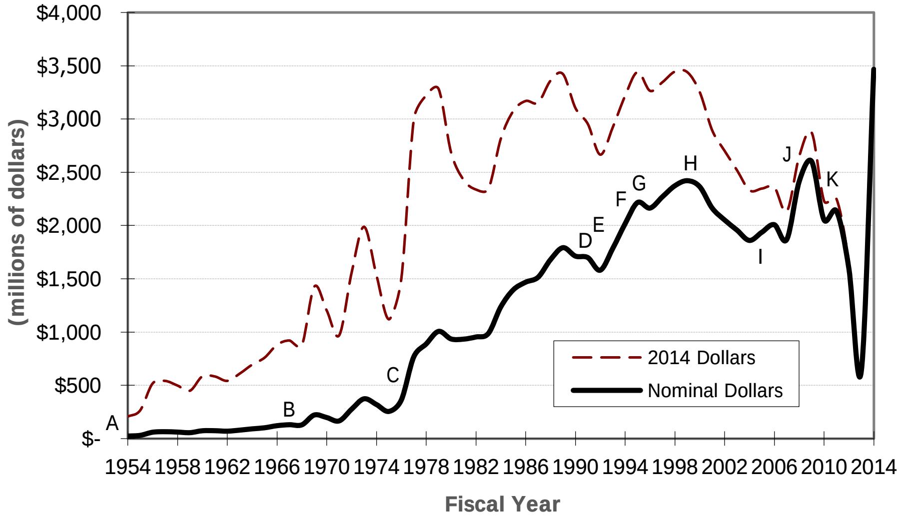
Gross direct premiums written on property or risk located or residing in Michigan, excluding:
(1) premiums on policies not taken;
(2) returned premiums on canceled policies;
(3) receipts from the sale of annuities;
(4) receipts on reinsurance premiums if the tax was paid on the original premium; and
(5) the first $190 million of disability insurance premium, other than credit insurance and disability income insurance premiums

CORPORATE INCOME TAX (CONTINUED)

	Franchise Tax The financial institution's net capital after allocation or apportionment to Michigan. Net capital is averaged over a five-year period and excludes goodwill and the average daily value of obligations of the United States and Michigan.
RATE:	Corporate Income Tax: 6% Premiums Tax: 1.25% Franchise Tax: 0.29%
ADMINISTRATION:	Michigan Department of Treasury.
REPORT AND PAYMENT:	Due April 30. Estimated quarterly returns and payments due by the 15th day of April, July, October, and January if estimated liability for year is over $800; due dates adjusted for taxpayers with fiscal year other than calendar year. A taxpayer, other than an insurance company or financial institution, with annualized apportioned gross receipts of less than $350,000 need not file a return.
DISPOSITION:	General Fund
2013-14 COLLECTIONS:	$1,074,494,000

BUSINESS ACTIVITY, CORPORATE INCOME, SINGLE BUSINESS, MICHIGAN BUSINESS, CORPORATE INCOME TAXES

Chart 2
Michigan Corporate Income Tax / Value Added Tax Revenues, 1976 - 2014



A	1953	PA 150	— Business Activity Tax established at rate of 2 mills on gross receipts less certain taxes, purchases, interest, rent, and reasonable depreciation on real property.
B	1967	PA 281	— Corporate Income Tax established at 7.8% replacing the Business Activity Tax.
C	1975	PA 228	— Single Business Tax established at 2.35% replacing eight previous taxes including a corporate and financial institutions income tax, an annual corporation franchise fee, the business portion of the intangibles tax, the property tax on inventories, and various privilege taxes on savings and loans and domestic insurance companies.
D	1991	PA 77	— Apportionment of SBT tax base changed for tax years 1991 and 1992, so that sales account for 40%, and property and payroll account for 30% each; and, for tax years after 1992, sales account for 50%, and property and payroll account for 25% each; modified capital acquisition deduction (CAD) to permit deduction of all capital expenditures, including depreciable personal property, regardless of location, apportioned like tax base; increased gross receipts filing exemption to $60,000 for tax year 1991 and $100,000 for subsequent years.
E	1992	PA 98	— Reduced, effective with tax year 1992, the small business alternative tax to 3%.
F	1994	PA 245	— Reduced the rate of the small business alternative tax from 3% to 2% of adjusted business income.
		PA 246	— Increased the gross receipts filing threshold to $250,000 for tax years beginning after December 31, 1994.
		PA 247	— Reduced SBT tax rate to 2.3% effective October 1, 1994.
G	1995	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.
H	1999	PA 115	— Beginning January 1, 1999 the SBT rate is reduced by 0.1% per year until the tax is eliminated. The Insurance Tax rate is reduced proportionately to the SBT rate. The CAD was replaced with an investment tax credit, for tax years beginning after December 31, 1999.
I	2006		— Legislative enactment of voter-initiated legislation to repeal SBT effective for tax years beginning after December 31, 2007.
J	2007	PA 36	— Michigan Business Tax Act, consisting of an income tax (4.95% rate) and a modified gross receipts tax (0.8% rate), enacted to replace SBT as the primary business privilege tax in the state effective January 1, 2008. The MBT also replaced some personal property taxes.
K	2011	PA 39	— Corporate Income Tax, consisting of an income tax (6.0% rate), premiums tax (1.25% rate), and franchise tax (0.29% rate), enacted to replace MBT as the primary business privilege tax in the state effective January 1, 2012.

* 1988 through 2007 excludes Single Business Tax collections paid by insurance companies.

UNIFORM CITY INCOME TAX

LEGAL CITATION: M.C.L. 141.501 et seq.; 1964 PA 284; Section 7, Article IX, state Constitution.

YEAR ADOPTED: Uniform state law adopted in 1964. Individual cities adopted by ordinance in various years, subject to referendum upon petition of voters. Cities cannot impose a new city income tax after January 1, 1995 without voter approval.

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 600,000 (Detroit) may impose rates of up to 2.4% on residents, 2.0% on corporations, 1.2% on nonresidents. Maximum rates may be further reduced until the rates reach 2.2% and 1.1% respectively (see box). (The rate appearing on income tax forms each calendar year is the average rate from before and after July 1 of that year.)

Detroit Income Tax Rate Revisions

Public Act 394 of 2012 amends the City Income Tax Act to freeze a scheduled rollback of income tax rates for resident and nonresident taxpayers in the City of Detroit. The act establishes a new maximum rate of 2.4% for residents and 1.2% for nonresidents effective in the 2013 tax year. The act was part of a legislative package that authorized the creation of a public lighting authority within the city to service and operate the municipally owned lighting system. The act provides that if such an authority is created (which the Detroit City Council did vote to approve in 2013), the revenue collected from 0.2% of the rate levied on residents and 0.1% of the rate levied on nonresidents is dedicated to the city's police department budget.

Beginning in the tax year immediately following the year in which all bonds and indebtedness issued by the new lighting authority have been fully paid, the maximum rates will be reduced to 2.2% for residents and 1.1% for nonresidents.

The new act effectively suspended the income tax rate rollback required in Public Act 500 of 1998. That law required that the resident tax rate be reduced by one-tenth of a percentage point per year from its 1999 level of 3.0%, with the nonresident rate reset to one-half of the resident rate, over a ten-year period until the new rates became 2.0% and 1.0% respectively.

The city council in three cities that met certain statutory criteria (Highland Park, Saginaw, and Grand Rapids) were allowed to impose rates of up to 2% on residents and corporations and 1% on nonresidents if approved by voters before November 15, 1988.

Cities that levied an income tax before March 30, 1989 and with (a) populations between 140,000 and 600,000; or (b) populations between 65,000 and 100,000 in a county with a population below 300,000 (Saginaw) may increase the tax rate to not more than 1.5 percent on residents and corporations and 0.75 percent on nonresidents if approved by voters.

ADMINISTRATION: Administrator designated by the city. Collected by city treasurer.

UNIFORM CITY INCOME (CONTINUED)

REPORT AND PAYMENT: Due April 30 (when tax year ends December 31). Quarterly estimates and payments due April 30, June 30, September 30, and January 31. Withholding required.

DISPOSITION: General fund of the city. A portion of Detroit's city income tax revenue is earmarked to the city police budget (see box on "Detroit Income Tax Revisions").

2014 COLLECTIONS:

City	Year Adopted	Tax Rates: Resident	Tax Rates: Corporation	Tax Rates: Nonresident	2014 Net Collections
Albion	1972	1.0%	1.0%	0.5%	$ 1,050,883
Battle Creek	1967	1.0	1.0	0.5	16,419,086
Big Rapids	1970	1.0	1.0	0.5	2,020,558
Detroit	1962	2.4	2.0	1.2	250,760,421
Flint	1965	1.0	1.0	0.5	14,953,999
Grand Rapids	1967	1.5	1.5	0.75	77,359,284
Grayling	1972	1.0	1.0	0.5	489,063
Hamtramck	1962	1.0	1.0	0.5	1,878,930
Highland Park	1966	2.0	2.0	1.0	3,069,773
Hudson	1971	1.0	1.0	0.5	471,492
Ionia	1994	1.0	1.0	0.5	2,201,171
Jackson	1970	1.0	1.0	0.5	8,283,675
Lansing	1968	1.0	1.0	0.5	31,013,385
Lapeer	1967	1.0	1.0	0.5	2,831,970
Muskegon	1993	1.0	1.0	0.5	7,985,695
Muskegon Heights	1990	1.0	1.0	0.5	970,500
Pontiac	1968	1.0	1.0	0.5	10,681,664
Port Huron	1969	1.0	1.0	0.5	6,263,698
Portland	1969	1.0	1.0	0.5	598,872
Saginaw	1965	1.5	1.5	0.75	12,290,865
Springfield	1989	1.0	1.0	0.5	788,262
Walker	1988	1.0	1.0	0.5	10,118,648

BUSINESS PRIVILEGE TAXES

Unemployment Insurance Tax
Quality Assurance Assessment Fees
Health Insurance Claims Assessment Fee
Foreign Insurance Company Retaliatory Tax
Captive Insurance Company Tax
Oil and Gas Severance Tax
Corporate Organization Tax
Horse Race Wagering Tax
State Casino Gaming Tax
State 9-1-1 and Emergency 9-1-1 Charges
Minerals Severance Tax
Local Casino Gaming Tax
County 9-1-1 Charges

UNEMPLOYMENT INSURANCE TAX

LEGAL CITATION: M.C.L. 421.1 et seq.; 1936 PA 1 (Extra Session).

YEAR ADOPTED: 1936

BASIS OF TAX: To provide for an Unemployment Insurance Fund.

MEASURE OF TAX (BASE): Wages paid per covered employee up to a limit of $9,500 or wages equal to the federal unemployment tax base if higher; limit lowered to $9,000 for nondelinquent employers if Unemployment Compensation Fund balance reaches $2.5 billion.

RATE: Basic rate is 2.7% on new employers for their first two years of liability, except for construction contractors who pay the average construction contractor rate. Rate for fully experienced employers (after 4 years experience) may vary from 0.06% to 10.3%, depending on the employer's experience rating and solvency of the fund. Total tax rate calculation is based on the following components:

Nonchargeable Benefit Component (NBC): a rate of 0.06-1% to cover certain benefit costs not directly charged to an employer account (e.g., employer is out of business). These costs are pooled across all employers. The 1% standard rate is charged to employers with recent claims filed against their accounts. If an employer's CBC rate (see below) is less than 0.2%, that employer's NBC rate falls to 0.5%. If the employer has not had any benefit charges over a number of consecutive years, the NBC rate can be further reduced in accordance with the following schedule:

If Number of Consecutive Years without Claims is:	Rate Is:
5	0.10%
6	0.09%
7	0.08%
8	0.07%
9	0.06%

Experience Account, which has two parts:

(a) *Chargeable Benefit Component* (CBC), a rate of 0-6.3% measured by the "benefit ratio" (benefits charged to employer's account in the last 3 years as a percent of employer's taxable wages in those years).

(b) *Account Building Component* (ABC), a rate of 0-3% based on a "reserve ratio" deficiency (amount by which an employer's actual reserve falls below 3.75% of total annual payroll). If overall trust fund balance is at least 1.875% of all contributing employers' payrolls, employer's deficiency, as defined above, is multiplied by 0.25, not to exceed a 2% rate. Otherwise, employer's deficiency is multiplied by 0.5, not to exceed a 3% rate.

If overall trust fund balance is 1.2% of all contributing employer's payrolls, all fully experience-rated employers (after 2 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 (not in effect for 2005 or 2006 rate years).

Solvency Tax, a rate of 0-2% based on a "reserve ratio" deficiency, imposed only on "negative balance" employers (those with deficit in their experience account as of the prior June 30) who have been contributing employers for five or more years; solvency tax imposed only during years when the fund has interest-bearing loans outstanding; tax is not currently imposed

ADMINISTRATION: Michigan Department of Licensing and Regulatory Affairs, Unemployment Insurance Agency.

REPORT AND PAYMENT: By Unemployment Insurance Agency regulation — currently quarterly.

DISPOSITION: Deposited with UIA for transfer to U.S. Treasury to establish pool for payment of unemployment insurance benefits, except for solvency tax which goes to contingency fund in state treasury.

2013-14 COLLECTIONS: $1,580,160,000

QUALITY ASSURANCE ASSESSMENT FEES

LEGAL CITATION: M.C.L. 333.20161, M.C.L. 400.109f; 2002 PA 303, 304, & 562; 2005 PA 83

YEAR ADOPTED: 2002 (hospitals and nursing and long-term care facilities). **BASIS OF TAX:** Privilege of participating in the Medicaid program.

MEASURE OF TAX (BASE): The tax base varies by type of provider. For hospitals, the number of licensed beds is assessed a uniform charge per bed. For nursing and hospital long-term care units, the assessment is based on the total number of patient days of care each nursing and long-term care unit provided to non-Medicare patients during the preceding year.

Assessments are charged by the state on hospitals and on nursing and long-term care facilities. The resulting revenue collections, combined with federal matching revenues, are used to increase the rates paid by the state to these providers of services to patients participating in the Medicaid program.

RATE: The rates for the providers are as follows:

- *For hospitals*, a fixed or variable rate that generates funds not more than the maximum allowable under federal matching requirements.
- *For nursing and hospital long-term care units*, an amount resulting in not more than 6% of total industry revenues.

ADMINISTRATION: Department of Community Health.

REPORT AND PAYMENT: The Department of Community Health sends each provider a statement of the amounts owed for the particular assessment. Payments received are deposited in the State Treasury.

DISPOSITION: The assessment revenues finance part of the Medicaid program and are restricted for that purpose. This revenue is used to capture additional Federal funding for the Medicaid program and offset the amount of General Fund resources allocated to the program.

2013-14 COLLECTIONS: $975,786,000

Medicaid Managed Care Organizations

Effective October 1, 2009, the Federal Deficit Reduction Act required that a quality assurance assessment program (QAAP) fee charged by a state must be uniform across all service providers, regardless of whether or not they serve Medicaid-eligible individuals. This uniformity requirement effectively prevented the State of Michigan from assessing the QAAP fee selectively on Medicaid managed care organizations to support the state's Medicaid program and to provide general budgetary relief. In response to this, the state enacted changes to the Use Tax Act (PA 440 of 2008) to apply the 6% use tax to the use or consumption of medical services provided by Medicaid managed care organizations (health maintenance organizations (HMOs) and prepaid inpatient health plans (PIHPs)), the same organizations that were previously subject to the QAAP. The use tax changes took effective April 1, 2009.

PA 440 of 2008 also repealed the relevant sections of the Social Welfare Act that authorized the QAAP fee for the HMOs and PIHPs, effectively terminating the assessments for these entities on April 1, 2009.

PA 141 of 2011 amended the Use Tax Act to terminate the use tax on medical services provided by Medicaid managed care organizations and prepaid inpatient health plans effective March 31, 2012. To replace the lost state revenue from the use tax changes (approximately $400 million annually), PA 142 of 2011 required a 1% assessment on health insurance claims effective January 1, 2012 (see Health Insurance Claims Assessment Fee).

This financing strategy was revisited in 2014, and PA 161 of 2014 effectively restores the use tax on Medicaid managed care organizations effective April 1, 2014. The assessment rate on health insurance claims was reduced to 0.75% via tie-barred legislation that was enacted as PA 162 of 2014.

HEALTH INSURANCE CLAIMS ASSESSMENT FEE

LEGAL CITATION: M.C.L. 550.1731 et seq., 2011 PA 142

YEAR ADOPTED: 2011. Authorizing act will sunset on January 1, 2018.

BASIS OF TAX: Direct assessment on paid health care claims.

MEASURE OF TAX (BASE): Paid claims include actual payments, net of recoveries, made to a health and medical services provider or reimbursed to an individual by a carrier, third party administrator, or excess loss or stop loss carrier.

Certain claims and health-related payments are exempt from the assessment:

- Claims paid for services provided to persons who are not residents of Michigan;
- Claims paid for services provided outside of Michigan to Michigan residents;
- Claims-related expenses;
- Claims paid under specified accident or accident-only coverage, credit, disability income, long-term care, automobile insurance, homeowners insurance, farm owners' insurance, commercial multi-peril coverage, worker's compensation, and coverage issued as a supplement to liability insurance;
- Claims paid under a federal employee health benefit program, Medicare, Medicare Advantage, Medicare Part D, Tricare, by the U. S. Veterans Administration and for certain high risk pools; and
- Reimbursements to individuals under a flexible spending arrangement, a health savings account, an Archer medical savings account, a Medicare Advantage medical savings account, or other health reimbursement arrangements authorized under federal law.

Each carrier or third party administrator that pays the assessment will receive a proportional credit against the carrier's or third party administrator's assessment in the succeeding year if the total revenue generated by the assessment combined with the net general fund/general purpose revenue generated by the use tax imposed on Medicaid managed care organizations exceeds $450 million.

RATE: 0.75% on paid claims; however, there is a cap of $10,000 per individual. Also, certain commercial carriers would be subject to an assessment of 0.1%.

If the federal government informs the state that revenues from the use tax imposed on Medicaid managed care organizations will not be federally reimbursed under the Medicaid program, the rate imposed on paid claims will automatically increase to 1%.

ADMINISTRATION: Department of Treasury.

REPORT AND PAYMENT: Quarterly payments due on April 30, July 30, October 30, and January 30.

DISPOSITION: Deposited in the Health Insurance Claims Assessment Fund to finance part of the Medicaid program and are restricted for that purpose.

2013-14 COLLECTIONS: $277,030,000

FOREIGN INSURANCE COMPANY RETALIATORY TAX

LEGAL CITATION:	M.C.L. 500.440a-500.476c; 1956 PA 218.
YEAR ADOPTED:	1869
BASIS OF TAX:	Privilege of transacting business in Michigan.
MEASURE OF TAX (BASE):	Gross premiums of out-of-state insurance companies, with certain exclusions.
RATE:	For out-of-state insurers, an amount equal to taxes and other costs that would be imposed upon a Michigan insurer doing business in the foreign insurer's state or taxation imposed by the Michigan Business Tax, whichever is higher; for unauthorized insurers, 2% tax plus 0.5% regulatory fee on premiums written in Michigan.
ADMINISTRATION:	*Retaliatory tax* – Michigan Department of Treasury. *Unauthorized insurers* – Department of Insurance and Financial Services
REPORT AND PAYMENT:	Estimated quarterly payments due before April 30, July 31, October 31, January 31; report and additional amounts due before March 1 for preceding calendar year.
DISPOSITION:	General Fund.
2013-14 COLLECTIONS:	$339,534,000.

CAPTIVE INSURANCE COMPANY TAX

LEGAL CITATION:	M.C.L. 500.4601-500.4813; 2008 PA 29.
YEAR ADOPTED:	2008
BASIS OF TAX:	Privilege of transacting business in Michigan.
MEASURE OF TAX (BASE):	Annual volume of insurance and reinsurance premiums written by captive insurance companies.
RATE:	See table below.

For annual premiums:	Amount of Tax:
Less than $5,000,000	$5,000
Equal to or greater than $5,000,000 but less than $10,000,000	$10,000
Equal to or greater than $10,000,000 but less than $15,000,000	$15,000
Equal to or greater than $15,000,000 but less than $25,000,000	$25,000
Equal to or greater than $25,000,000 but less than $40,000,000	$40,000
Equal to or greater than $40,000,000 but less than $55,000,000	$50,000
Equal to or greater than $55,000,000 but less than $75,000,000	$75,000
Equal to or greater than $75,000,000	$100,000

ADMINISTRATION:	Department of Insurance and Financial Services.
REPORT AND PAYMENT:	March 1st of each calendar year.
DISPOSITION:	Captive Insurance Regulatory and Supervision Fund.
2011-12 COLLECTIONS:	$39,402

OIL AND GAS SEVERANCE TAX

LEGAL CITATION:	M.C.L. 205.301 et seq.; 1929 PA 48
YEAR ADOPTED:	1929
BASIS OF TAX:	Privilege of producing oil and gas.
MEASURE OF TAX (BASE):	Gross cash market value of oil and gas severed. Exemption for certain hydrocarbon fuels qualifying for federal tax credits and acquired pursuant to royalty interests sold by the state.
RATE:	*Oil* — 6.6%; *Gas* — 5%; *Stripper wells and marginal properties* — 4%.
ADMINISTRATION:	Department of Treasury.
REPORT AND PAYMENT:	Due by 25th of the month following the production.
DISPOSITION:	General Fund; the greater of 2% or $1 million to Orphan Well Fund if unexpended balance in that fund is less than $3 million.
2011-12 COLLECTIONS:	$53,785,000

CORPORATE ORGANIZATION TAX

LEGAL CITATION:	M.C.L. 450.2062; 1972 PA 284.
YEAR ADOPTED:	1891
BASIS OF TAX:	Privilege of incorporating, renewing, and exercising franchise.
MEASURE OF TAX (BASE):	*Domestic* — authorized capital stock; *Foreign* — capital stock attributable to Michigan.
RATE:	*Domestic* — $50 initially for first 60,000 shares (and $30 for each additional 20,000 shares and with increase in stock); *Foreign* — $50 initially for shares deemed attributable to Michigan ($30 for each 20,000 share increase in stock).
ADMINISTRATION:	Michigan Department of Licensing and Regulatory Affairs, Corporations, Securities, and Commercial Licensing Bureau.
REPORT AND PAYMENT:	Due at time of incorporation, admission, or increase in stock.
DISPOSITION:	General Fund.
2011-12 COLLECTIONS:	$21,663,000

HORSE RACE WAGERING TAX

LEGAL CITATION:	M.C.L. 431.301-431.336; 1995 PA 279.
YEAR ADOPTED:	1995. Originally authorized in 1933.
BASIS OF TAX:	Privilege of engaging in interstate and inter-track horse race simulcast wagering.
MEASURE OF TAX (BASE):	Amounts wagered by pari-mutuel methods on interstate and inter-track simulcasts of thoroughbred, standard bred, quarter horse, Appaloosa, American paint horse, and Arabian horse racing.
RATE:	3.5%.
ADMINISTRATION:	Michigan Gaming Control Board.
REPORT AND PAYMENT:	Licensee makes daily remittance with detailed statement.
DISPOSITION:	Michigan Agriculture Equine Industry Development Fund.
2011-12 COLLECTIONS:	$4,959,000

STATE CASINO GAMING TAX

LEGAL CITATION:	M.C.L. 432.201-432.216; Initiated Law 1 of 1996
YEAR ADOPTED:	1996
BASIS OF TAX:	Privilege of operating a casino. Initiated Law 1 of 1996 authorized three licensees in the City of Detroit.
MEASURE OF TAX (BASE):	Adjusted gross receipts received by a gaming licensee.
RATE:	8.1%.
ADMINISTRATION:	Michigan Gaming Control Board in Michigan Department of Treasury.
REPORT AND PAYMENT:	Due daily.
DISPOSITION:	100% to School Aid Fund.
2011-12 COLLECTIONS:	$115,020,000
2012-13 COLLECTIONS:	$110,667,000

STATE 9-1-1 AND EMERGENCY 9-1-1 CHARGES

LEGAL CITATION: M.C.L. 484.1401a et. seq.; 2007 PA 164.

YEAR ADOPTED: 1999 (scheduled to sunset December 31, 2021)

BASIS OF TAX: Communication services capable of accessing a 9-1-1 system.

MEASURE OF TAX (BASE): All communication services capable of accessing a 9-1-1 system, including local telephones, contractual and prepaid cellular telephones, wireless communications, and interconnected voice over Internet devices.

RATE: For all communication services other than prepaid cellular telephones:

For the first ten lines per service user: $0.19 per line per month. For additional lines: rate is $0.019 per line per month.

For pre-paid cellular telephones per service user: 1.92% surcharge on total transaction amount imposed by retailers at point of sale.

ADMINISTRATION: Department of State Police and Department of Treasury.

REPORT AND PAYMENT: Due 30 days after the end of each quarter.

DISPOSITION: Service suppliers allowed to retain 2% of the 9-1-1 charge for billing and collection costs. Remainder deposited in the Emergency 9-1-1 Fund distributed as follows:

Counties (per capita):	49.50%
Counties (equal share):	33.00%
Local exchange providers:	7.75%
Emergency 9-1-1 centers for training:	6.00%
State Police:	3.75%

Through FY2015, up to $150,000 of the allocation for local exchange providers may be retained by the Department of Treasury to cover program administration costs.

2011-12 COLLECTIONS: $28,039,000

MINERALS SEVERANCE TAX

LEGAL CITATION: M.C.L. 211.781 et seq.; 2012 PA 410

YEAR ADOPTED: 2012

BASIS OF TAX: Privilege of extracting or beneficiating minerals in this state.

MEASURE OF TAX (BASE): Total value (both cash and non-cash) received by a taxpayer for the sale or transfer of taxable minerals, with no deductions.

RATE: 2.75%.

ADMINISTRATION: Department of Treasury.

REPORT AND PAYMENT: Paid to local tax collecting unit by February 15 of each year.

DISPOSITION: 65% to the State of Michigan, local school districts, and local governmental units in the same proportion as general ad valorem property taxes are distributed.

35% to the Rural Development Fund created under the Rural Development Fund Act (2012 PA 411) to support projects that address rural infrastructure and development efforts within the agriculture, forestry, mining, oil and gas production, and tourism industries.

LOCAL CASINO GAMING TAX

LEGAL CITATION:	M.C.L. 432.201-432.216; Initiated Law 1 of 1996, as amended by 2004 PA 306.
YEAR ADOPTED:	1996
BASIS OF TAX:	Privilege of operating a casino. Initiated Law 1 of 1996 authorized three licensees in the City of Detroit.
MEASURE OF TAX (BASE):	Adjusted gross receipts received by a gaming licensee.
RATE:	10.9%.
ADMINISTRATION:	City of Detroit.
REPORT AND PAYMENT:	Due daily.
DISPOSITION:	City of Detroit.
2011-12 COLLECTIONS:	$181,575,000 (July to June City fiscal year)

COUNTY 9-1-1 CHARGE

LEGAL CITATION:	M.C.L. 484.1401b et. seq.; 2007 PA 164.
YEAR ADOPTED:	2007 (scheduled to sunset December 31, 2021)
BASIS OF TAX:	Communication services capable of accessing a 9-1-1 system.
MEASURE OF TAX (BASE):	All communication services capable of accessing a 9-1-1 system, including local telephones, contractual cellular telephones, wireless communications, and interconnected voice over Internet devices.
RATE:	Counties can charge up to $.42 per line per month by resolution of the county board of commissioners and up to a maximum of $3.00 per line per month with the approval of the voters of the county. Service users with multiple access points/lines are charged the full rate for the first ten access points/lines and then one charge for each additional ten access points/lines.
ADMINISTRATION:	County.
REPORT AND PAYMENT:	Due quarterly to the county.
DISPOSITION:	Service suppliers may retain 2% to cover billing and collection costs. Remainder is distributed to the Primary 9-1-1 centers.

SALES-RELATED TAXES

Sales Tax
Use Tax/State Share Tax
Tobacco Products Tax
Liquor Markup
Liquor Tax
Beer Tax
Wine Tax
Mixed Spirits Tax
Airport Parking Excise Tax
Local Community Stabilization Share Tax
Accommodations (Hotel-Motel) Tax
Convention and Tourism Marketing Fees
Uniform City Utility Users Tax
Stadium and Convention Facility Tax

SALES TAX

LEGAL CITATION:	M.C.L. 205.51 et seq.; 1933 PA 167; Section 8, Article IX, state Constitution.
YEAR ADOPTED:	1933
BASIS OF TAX:	Privilege of selling at retail.

MEASURE OF TAX (BASE): Gross proceeds from retail sale of tangible personal property for use or consumption. Also includes certain conditional and installment lease sales; sales to consumers of electricity, gas, and steam; and sales to persons in real estate construction and improvement business. Certain sales with the following characteristics are exempt from taxation, as follows:

Exemptions based on status of purchaser:

- property not purchased for resale by various nonprofit organizations and used primarily to carry out the organization's purposes;
- property sold to churches for noncommercial purposes and certain vans and buses used to transport persons for religious purposes;
- food sold to enrolled students by an educational institution not operated for profit;
- property affixed to the real estate of nonprofit hospitals and nonprofit housing, including county long-term medical care facilities;
- certain property sold to commercial radio and television station licensees;
- vehicles not purchased for resale which are used by nonprofit corporations organized exclusively to provide a community with ambulance or fire department service;
- textbooks sold by a school to kindergarten through 12th grade students;
- vehicles which are purchased by nonresident active military personnel for titling in his or her home state;
- property purchased for use in a "qualified business activity" as defined in the Enterprise Zone Act;
- property sold to the federal government or to an instrumentality thereof;
- property sold to qualified taxpayers to be used at a producing nonferrous mineral mine or a facility where nonferrous minerals are beneficiated;
- tangible personal property for fund-raising purposes purchased by certain nonprofit organizations with calendar year sales of less than $5,000;
- trucks, trailers and certain property affixed to trucks or trailers owned by motor carriers engaged in interstate commerce to the extent of out-of-state usage;
- passenger or cargo aircraft with a certified takeoff weight of at least 6,000 pounds, or parts and materials (except shop equipment or fuel) sold to a domestic air carrier;
- employees of restaurants for food provided by their employer;
- sale of an eligible automobile by a qualified non-profit, charitable organization to a qualified recipient who is eligible for public assistance;
- motor vehicles, recreational watercraft, snowmobiles, or all terrain vehicles, and mobile homes sold to resident tribal members if the purchased item is for personal use and is to be used on the resident tribal member's tribe agreement area.

Exemptions based on item purchased:

- copyrighted motion picture films, newspapers, and periodicals classified as second class mail;
- prosthetic devices, durable medical equipment, and mobility enhancing devices;
- prescription drugs and over-the-counter drugs obtained under a prescription for human use;
- food for human use not prepared for immediate consumption;
- beverage containers to the extent of any deposits;

SALES TAX (CONTINUED)

- railroad cars, locomotives, and accessories;
- commercial advertising elements;
- non-alcoholic beverages in sealed containers or food not artificially heated or cooled that are sold from a mobile facility or vending machine, except fresh fruit; tax may be paid on either sales of non-exempt vended food or sum of 45% of all vended sales other than carbonated beverages;
- water delivered through water mains or in bulk tanks in amounts over 500 gallons;
- personal property which is part of water and air pollution control facilities;
- personal property for resale, for lease if rental receipts are subject to Use Tax, and for demonstration purposes;
- investment coins and bullion;
- certain aircraft and aircraft parts temporarily located in Michigan;
- partial exemption (from two percentage points of the tax rate): sales for residential use of electricity, natural gas, and home heating fuel;

Exemptions based on transaction type:

- statutorily-defined portion ($2,000 in 2014) of the agreed-upon trade-in value of a motor vehicle or recreational vehicle that is applied toward the purchase of another new or used motor vehicle or recreational vehicle; allowable credit is increased incrementally until January 1, 2038 when the full trade-in value becomes tax exempt;
- agreed-upon trade-in value of a watercraft that is applied toward the purchase of another new or used watercraft;
- certain food or tangible personal property purchased with federal food stamps;
- property which is part of a drop shipment;
- property which results in uncollectible debt;

Exemptions based on status of seller:

- certain vending machine merchandise to the extent that commissions are paid to tax-exempt organizations;
- property on an isolated basis by property owners not required to have Sales Tax license;

Exemptions based on the use of the property or service:

- tangible personal property purchased by a person engaged in constructing, altering, repairing, or improving real estate if it is to be affixed or made a structural part of a sanctuary;
- specially-ordered commercial vessels of at least 500 tons engaged in interstate commerce and fuel, provisions, and supplies therefore;
- property used in production of horticultural or agricultural products as a business enterprise;
- property used or consumed in industrial processing;
- certain property used to provide any combination of telecommunications services which are subject to the Use Tax;
- certain products, equipment, machinery, and utilities used or consumed by an industrial laundry;
- grain drying equipment and natural or propane gas used to fuel the equipment for agricultural purposes;
- tangible personal property sold or used before January 1, 2016 in the construction or renovation of a "qualified convention facility" (refers to Cobo Hall in Detroit);
- 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.

SALES TAX (CONTINUED)

RATE: 6% (state constitutional limitation).

The Sales Tax can be considered two taxes, a 4% tax and a 2% tax. The 4% tax is established by law within the confines of a 4% limitation placed in the state Constitution. The voters approved an amendment to the constitution which authorized the remaining 2% tax rate in 1994. Because the state Constitution states that this additional tax *shall* be imposed, the 2% tax is the minimum rate that must be levied by the legislature.

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

ADMINISTRATION: Michigan Department of Treasury.

REPORT AND PAYMENT: For most taxpayers: payment is due by 20th day of month following sale, with discount for early remittance.

Very large taxpayers (those with sales tax liability, or use tax liability, or both, of $720,000 or more during the prior calendar year) make a monthly payment due by the 20th of the month that is equal to the lesser of (a) 75% of the tax liability for the same month in the prior calendar year or (b) 75% of liability for the previous month. In either case, a reconciliation payment is also required equal to any shortfall in the prior month's payment based on final sales.

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

School Aid Fund: 60% of gross revenue generated from the 4% tax rate and 100% of the revenue generated from the additional 2% tax rate. For FY2014, this equated to 72.8% of total sales tax revenue.

Local Governments: 15% of gross revenue generated from the 4% tax is constitutionally dedicated for revenue sharing to cities, villages, and townships; an additional allocation from the sales tax is appropriated by the legislature for statutory revenue sharing to local units of government. For FY2014, the total earmark equated to 15.9% of total revenue.

Comprehensive Transportation Fund: 6.975% of sales tax revenue generated from the 4% tax from the sales of motor fuel, motor vehicles, and motor vehicle parts and accessories is statutorily earmarked to the state's Comprehensive Transportation Fund to support public transportation programs. For FY2014, this equated to 1.2% of total revenue.

Health Initiative Fund: An amount equal to the sales tax revenue generated from the 4% tax from the sale at retail of computer software is statutorily earmarked to the Health Initiative Fund, which supports policy planning and public information regarding AIDS and Hepatitis C. For FY2014, this equated to 0.1% of total revenue.

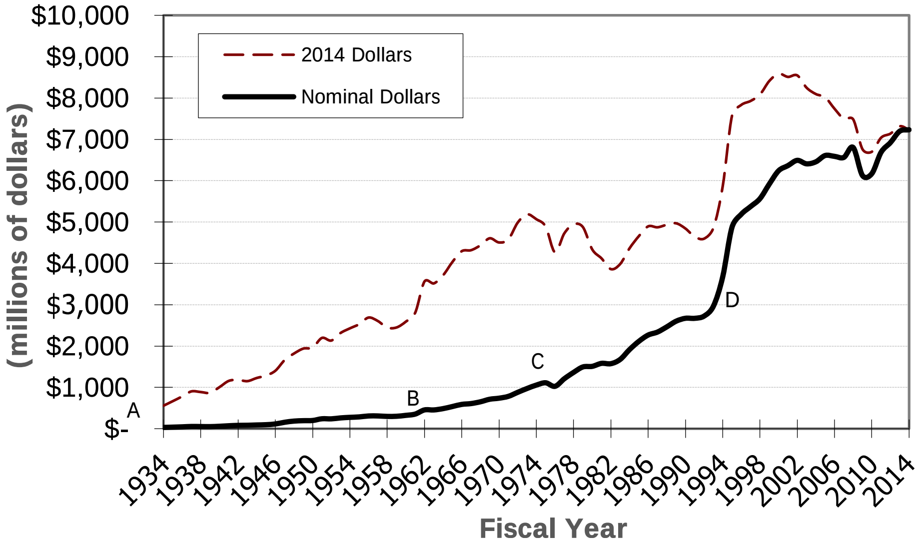
Remaining revenue, about 9.9% of total revenue in FY2014, to the state's general fund.

2013-14 COLLECTIONS: $7,232,030,000

2013-14 COLLECTIONS/UNIT: $1,205 million per 1%

SALES TAX (CONTINUED)

Chart 3
Michigan Sales Tax Revenue, 1934 - 2014



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.

Are Local Sales Taxes Constitutionally Permitted in Michigan?

Local units in many states levy sales taxes that are piggy-backed on a uniform state sales tax rate. Such situations create unevenness among local jurisdictions and competitive disadvantages for businesses in the higher tax jurisdictions. They also yield a significant revenue source that relieves pressure on the property tax and shifts some of the costs for local services outside the boundaries of the governmental unit.

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

Confronted with this question in 1970, the Attorney General ruled that local sales taxes are not permitted under Michigan's Constitution. In 1991, the legislature approved a bill permitting certain municipalities to impose an excise tax at a rate not to exceed 1% of the gross receipts of restaurants and hotels and 2% of automobile rental company gross receipts. These excise taxes reflect most of the elements of a sales tax and the tax on restaurants appears to fully meet all criteria defining a sales tax, notwithstanding the "excise tax" disguise.

Readers interested in more information on this subject are encouraged to review Report #305, *Issues Relative to the Constitutionality of Local Sales Taxation in Michigan*, June 1992, available on the CRC website at www.crcmich.org.

USE TAX / STATE SHARE TAX

LEGAL CITATION: M.C.L. 205.91 et. seq.; 1937 PA 94; Section 8, Article IX, state Constitution.

YEAR ADOPTED: Originally adopted as the use tax in 1937. The use tax was reorganized into the State Share Tax and Local Community Stabilization Share Tax by 2014 PA 80; these changes will become effective October 1, 2015.

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

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

Exemptions based on status of purchaser:
- property purchased for resale or for demonstration;
- property purchased for lend-lease to a public or parochial school offering drivers education;
- property of a nonresident brought into Michigan on a temporary basis and not used in non-transitory business activity for a period exceeding 15 days;
- property sold to the federal government or to an instrumentality thereof, the American Red Cross and its chapters and branches, and departments, institutions, or subdivisions of state government;
- property sold to nonprofit organizations used primarily for the organization's purposes;
- property sold to churches for noncommercial purposes and certain vans and buses used to transport persons for religious purposes;
- certain property sold to commercial radio and television station licensees;
- vehicles purchased in another state by nonresident active military personnel and upon which a sales tax was paid in the other state;
- vehicles not purchased for resale which are used by nonprofit corporations organized exclusively to provide a community with ambulance or fire department service;
- property sold to qualified taxpayers to be stored, used, or consumed at a producing nonferrous mineral mine or a facility where nonferrous minerals are beneficiated;
- property donated by a manufacturer, retailer, or wholesaler to certain tax exempt organizations;
- property purchased by a specified relative of seller;
- transfers of a vehicle, off-road vehicle, manufactured housing, aircraft, snowmobile, or watercraft if the transferee or purchaser is a specified relative-in-law;
- parts, excluding shop equipment and fuel, affixed to certain passenger and cargo aircraft owned or used by a domestic air carrier;
- equipment sold to an extractive operator (i.e., natural resources);
- the storage, use, or consumption of certain trucks, trailers, as well as parts and certain property affixed thereto used by interstate motor carriers;
- the storage, use, or consumption of a passenger or cargo aircraft purchased by, or leased to, a domestic air carrier with a maximum certified takeoff weight of at least 6,000 pounds;
- employees of restaurants for food provided by their employer;
- storage, use, or consumption of an eligible automobile provided to a qualified recipient by the Department of Human Services or another qualified organization;
- motor vehicles, recreational watercraft, snowmobiles, or all-terrain vehicles, and mobile homes sold to resident tribal members if the purchased item is for personal use and is to

USE / STATE SHARE TAX (CONTINUED)

be used on the resident tribal member's tribe agreement area.

Exemptions based on item purchased:

- property which Michigan is prohibited by federal law from taxing;
- copyrighted motion picture films, newspapers, and periodicals classified as second class mail;
- vehicle purchased for resale by a new vehicle dealer;
- certain computer software that was written for exclusive use of the purchaser and related technical support;
- prosthetic devices, durable medical equipment, and mobility enhancing devices;
- water delivered through water mains or bulk tanks of at least 500 gallons;
- certain components of water and air pollution control facilities;
- aircraft operating under a federal certificate which have a maximum takeoff weight of at least 12,500 pounds and used solely to transport cargo or commercial passengers;
- railroad cars, locomotives, and accessories;
- certain property purchased for resale as promotional merchandise;
- prescription drugs for human use;
- 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;
- prepaid telephone cards, prepaid authorization numbers, and charge for Internet access;
- storage, use, and consumption of investment coins and bullion;
- certain aircraft and aircraft parts temporarily located in Michigan;
- partial exemption (from two percentage points of the tax rate): consumption for residential use of electricity, natural gas, and home heating fuel.

Exemptions based on transaction type:

- statutorily-defined portion ($2,000 in 2014) of the agreed-upon trade-in value of a motor vehicle or recreational vehicle that is applied toward the purchase of another new or used motor vehicle or recreational vehicle; allowable credit is increased incrementally until January 1, 2038 when the full trade-in value becomes tax exempt;
- agreed-upon trade-in value of a watercraft that is applied toward the purchase of another new or used watercraft;
- property upon which the Michigan Sales Tax has been paid;
- property upon which sales or use tax was paid in another state or local unit of another state if that tax was at least equal to the Michigan use tax and the other state has a reciprocal exemption for Michigan taxes paid;
- property, possession of which was taken outside Michigan and the value of which does not exceed $10 during one calendar month;
- certain food or tangible personal property purchased with federal food stamps.

Exemptions based on the use of the property or service:

- tangible personal property purchased by a person engaged in constructing, altering, repairing, or improving real estate if it is to be affixed or made a structural part of real estate located in another state or of a sanctuary;
- property used in production of horticultural or agricultural products as a business enterprise;
- property used or consumed in industrial processing;
- specially-ordered commercial vessels of at least 500 tons engaged in interstate commerce, and fuel, provisions, and supplies thereof;
- certain machinery and equipment used to provide any combination of telecommunications services;

USE / STATE SHARE TAX (CONTINUED)

- certain products, equipment, machinery, and utilities used or consumed by an industrial laundry;
- tangible personal property acquired before January 1, 2016 by a person engaged in the construction business if the property is part of a "qualified convention facility";
- 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% through September 30, 2015. Beginning October 1, 2015, the new state share rate will be 6% minus the local community stabilization share rate as determined annually by the Department of Treasury (see related box). The sum of the state and local share taxes will not exceed 6%.

The original 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.

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

ADMINISTRATION: Michigan Department of Treasury.

REPORT AND PAYMENT: For most taxpayers: payment is due by 20th day of month following sale, with discount for early remittance.

Very large taxpayers (those with sales tax liability, or use tax liability, or both, of $720,000 or more during the prior calendar year) make a monthly payment due by the 20th of the month that is equal to the lesser of (a) 75% of the tax liability for the same month in the prior calendar year or (b) 75% of actual liability for the previous month. In either case, a reconciliation payment equal to any shortfall in the prior month's payment based on final sales.

DISPOSITION: Revenue generated from the additional 2% tax rate approved by Michigan voters in March 1994 is deposited in the School Aid Fund.

From the revenue generated by the original 4% rate, revenue is deposited in the School Aid Fund in an amount equal to the revenue loss from the State Education Tax and certain school operating millages attributable to property tax exemptions enacted in 2014 for certain commercial and industrial personal property.

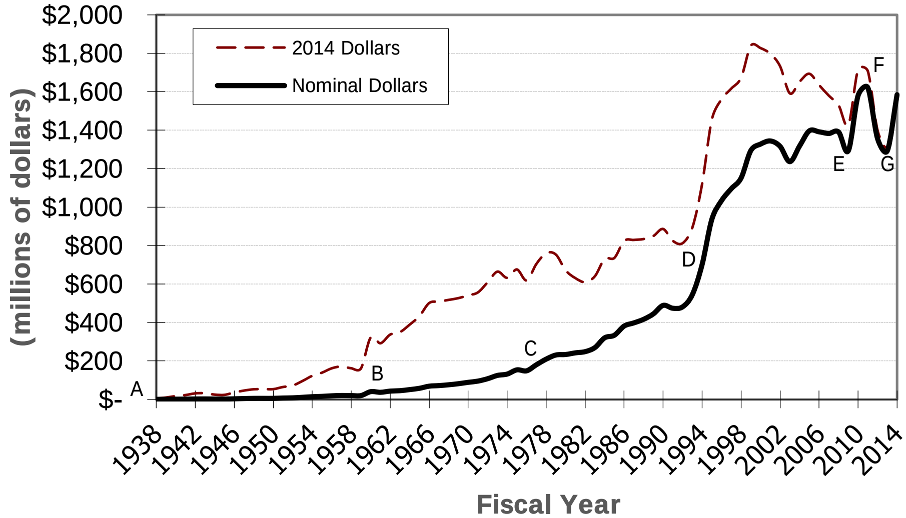
Remaining revenue goes to the General Fund.

2013-14 COLLECTIONS: $1,584,555,000

2013-14 COLLECTIONS/UNIT: $264 million per 1%

USE / STATE SHARE TAX (CONTINUED)

Chart 4
Michigan Use Tax Revenue, 1938 - 2014



A	1937	PA 94	— Use Tax established at 3%.
B	1960(2ES) PA 2		— Increased tax rate to 4%.
C	1974	Const Amend	— Eliminated sales and use taxes on food and prescription drugs.
D	1993	PA 326	— Increased tax rate to 6% effective May 1, 1994.
E	2008	PA 440	— Added to the tax base the use or consumption of medical services provided by Medicaid managed care organizations.
F	2011	PA 141	— Medical services provided by Medicaid managed care organizations is removed from base of Use Tax effective March 31, 2012.
G	2014	PA 80	— Use tax was reorganized into the State Share Tax and Local Community Stabilization Share Tax.

Recent Changes to Disposition of Use Tax Revenue

In August 2014, Michigan voters approved a significant change to the disposition of Michigan's Use Tax revenue. The change is related to legislative packages enacted in 2012 and 2014 that will phase out the personal property tax on eligible industrial and commercial personal property. The phase out by itself would lead to significant reductions in local property tax revenues. In order to reimburse local governments for most of those lost revenues, the legislation sets aside a portion of Use Tax revenues for payments to eligible local units. Public Act 80 of 2014 divides the use tax into two distinct taxes: a local community stabilization share tax to be levied by a newly created Local Community Stabilization Authority, ostensibly a local unit of government governed by a council composed of 5 members appointed by the Governor; and a state share tax which will continue to be levied by the state.

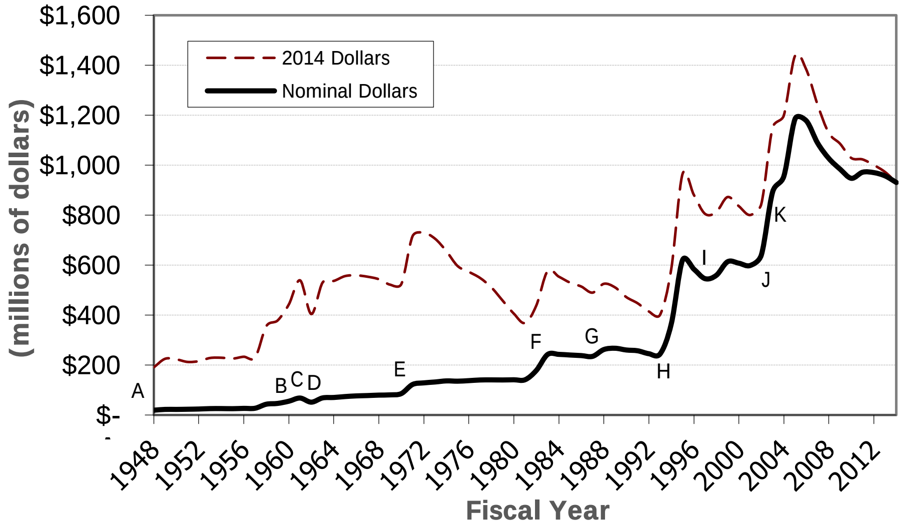
The rate of the local community stabilization share will be calculated annually by the Michigan Department of Treasury to equal the rate necessary to generate specific revenue targets contained in the legislation. This component of the Use Tax will take in $96.1 million in FY2016, $380.6 million in FY2017, and then gradually rise to $572.6 million in FY2028. After FY2028, the revenue target will be adjusted by an annual 1% growth factor. The state share rate will then be the current 6 percent use tax rate minus the calculated local community stabilization share rate. All of the funds attributed to the local community stabilization share will come out of revenues generated from the original 4 percent Use Tax rate that was previously earmarked to the general fund. The general fund will then receive the remaining revenue from the tax at the 4 percent rate. The tax's allocation to the School Aid Fund from the additional 2 percent rate approved in 1994 would be unaffected.

TOBACCO PRODUCTS TAX

LEGAL CITATION:	M.C.L. 205.421 et seq.; 1993 PA 327.
YEAR ADOPTED:	1993. The former Cigarette Tax (1947 PA 265) was repealed as of May 1, 1994.
BASIS OF TAX:	Privilege of selling tobacco products.
MEASURE OF TAX (BASE):	Tobacco products sold in Michigan.
RATE:	*Cigarettes*: 100 mills per cigarette ($2.00 per pack); *cigars, non-cigarette smoking tobacco, and smokeless tobacco*: 32% of wholesale price; however, the tax on an individual cigar is capped at $0.50 through October 31, 2016.
ADMINISTRATION:	Michigan Department of Treasury.
REPORT AND PAYMENT:	Due by 20th of each month. Licensees may retain 1.5% of the total tax due on cigarettes and 1.0% of the total tax due on other tobacco products as compensation for compliance costs, as well as 1.5% of the total tax that otherwise would be due on untaxed cigarettes sold to Indian tribes in Michigan. Digital stamping agents responsible for tax stamps may retain 0.5% of the total tax due on cigarettes until the agent is compensated for the direct costs of necessary technology and equipment upgrades related to the digital stamps. These agents will also be reimbursed for the costs of eligible equipment purchases by retaining 1/18 of the purchase price from monthly taxes collected over the first 18 months after digital stamping is implemented.
DISPOSITION:	*Cigarette* proceeds: School Aid Fund 41.620% Medicaid Benefits Trust Fund 31.875% General Fund 19.7625% *(From the General Fund allocation, $3.5 million is earmarked to the State Capitol Historic Site Fund beginning in FY2015; earmark is adjusted for inflation in subsequent years.)* Healthy Michigan Fund 3.750% Health and Safety Fund 2.4375% Wayne County Indigent Health Care 0.555% *Cigar, non-cigarette smoking tobacco, and smokeless tobacco* proceeds: Medicaid Benefits Trust Fund 75.0% General Fund 25.0%
2013-14 COLLECTIONS:	$930,751,000; $857,700,000 from cigarettes and $73,051,000 from non-cigarettes

TOBACCO PRODUCTS (CONTINUED)

Chart 5
Michigan Tobacco Products Tax Revenue, 1948 - 2014



A	1947	PA 265	— Cigarette Tax established at 1.5 mills per cigarette (3 cents per pack).
B	1959	PA 274	— Increased tax rate to 2 mills per cigarette (4 cents per pack).
C	1961	PA 156	— Increased tax rate to 2.5 mills per cigarette (5 cents per pack).
D	1962	PA 215	— Increased tax rate to 3.5 mills per cigarette (7 cents per pack).
E	1970	PA 11	— Increased tax rate to 5.5 mills per cigarette (11 cents per pack).
F	1982	PA 73	— Increased tax rate to 10.5 mills per cigarette (21 cents per pack) effective May 1, 1982.
G	1987	PA 219	— Increased tax rate to 12.5 mills per cigarette (25 cents per pack) effective January 1, 1988.
H	1993	PA 327	— Tobacco Products Tax established.
			— Repealed 1947 PA 265 (Cigarette Tax).
			— Increased tax rate to 37.5 mills per cigarette (75 cents per pack) effective May 1, 1994.
			— Non-Cigarette Tobacco Products Tax established at 16% of wholesale price.
I	1997	PA187	— Tax stamp for cigarettes sold in state created, effective May 1, 1998 for wholesalers, September 1, 1998 for retailers.
J	2002	PA 503	— Increased tax rate to 62.5 mills per cigarette ($1.25 per pack) effective August 1, 2002.
			— Non-cigarette tobacco products tax increased to 20% of wholesale price effective August 1, 2002.
K	2004	PA 164	— Increased tax rate to 100 mills per cigarette ($2.00 per pack). Non-Cigarette Tobacco Products Tax increased to 32% of wholesale price. All became effective July 1, 2004.

LIQUOR MARKUP

LEGAL CITATION:	M.C.L. 436.1233; 1998 PA 58.
YEAR ADOPTED:	1933. The former statute (1933 PA 8 (Ex. Session)) was repealed as of April 14, 1998.
BASIS OF TAX:	State gross sales minus cost of goods sold from sale and distribution of alcoholic liquor.
MEASURE OF TAX (BASE):	Wholesale price of liquor.
RATE:	Uniform prices are established by the Liquor Control Commission that will return a gross profit of at least 51% and not more than 65%. Currently, the full 65% markup from cost is applied to set the retail price of the liquor. A discount of 17% is deducted from the price to establish the cost of the liquor for retail sales outlets.
ADMINISTRATION:	Michigan Department of Licensing and Regulatory Affairs, Liquor Control Commission.
REPORT AND PAYMENT:	Subject to general business practices regarding the wholesaling of the merchandise and remittance of the state's gross profit.
DISPOSITION:	General Fund.
2013-14 COLLECTIONS:	$258,226,000

LIQUOR MARKUP (CONTINUED)

Chart 6
Michigan Liquor Markup Tax Revenue, 1960 - 2014

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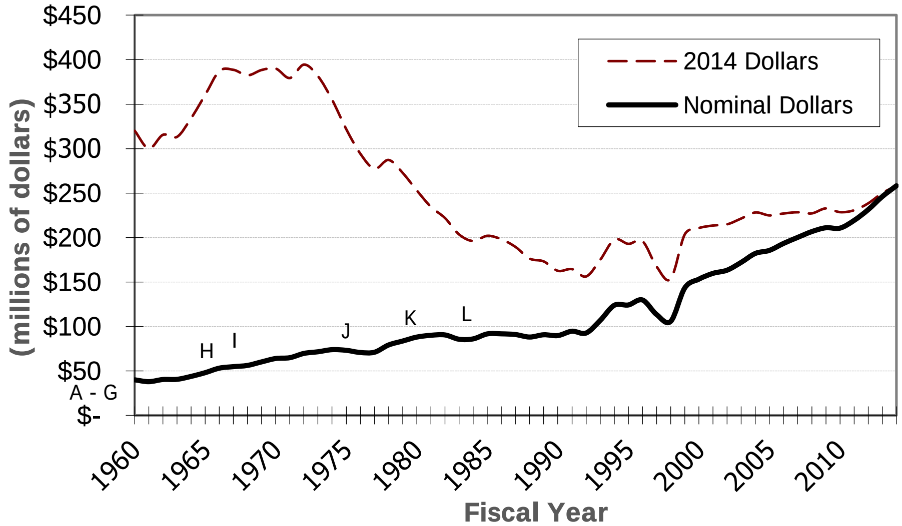


A	1933	PA 8 (ES)	— Liquor Markup Tax established with a 45% markup rate effective January 1, 1934.
B	1937	__	— Increased markup rate to 55% effective August 1937.
C	1940	__	— Decreased markup rate to 50% effective July 1940.
D	1941	__	— Decreased markup rate to 46% effective October 1941.
E	1945	PA 33	— Discount rate established at 10% for off-premise purchases and 15% for on-premise purchases effective April 30, 1945.
F	1947	PA 350	— Discount rate decreased to 12.5% for on-premise purchases effective July 3, 1947.
G	1952	__	— Decreased markup rate to 44% effective July 1952.
H	1966	__	— Increased markup rate to 46% effective March 1966.
I	1967	PA 90	— Increased the discount rate for off-premise purchases to 11.5% effective February 26, 1967.
J	1975	__	— Increased markup rate to 48% and increased the discount rates to 15% for both off-premise purchases and on-premise purchases effective January 1975.
K	1980	__	— Increased markup rate to 51% and increased the discount rates to 17% for both off-premise and on-premise purchases effective October 1980.
L	1983	__	— Increased markup rate to 65% effective May 1983.

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

LIQUOR TAX

LEGAL CITATION: M.C.L. 436.2201-436.2207; 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 as of April 14, 1998.

BASIS OF TAX: Privilege of selling spirits.

MEASURE OF TAX (BASE): Wholesale base price of spirits sold to retail liquor licensees. Tax is passed through to retail customers in final retail selling price.

RATE: 12% of base price of liquor sold to retail licensee effective October 1, 2012. Effective rate on retail price is 10.8%. (2011 PA 166 repealed the 1.85% specific tax on the retail selling price of spirits for off-site consumption effective October 1, 2012.)

ADMINISTRATION: Michigan Department of Energy, Labor and Economic Growth, Liquor Control Commission.

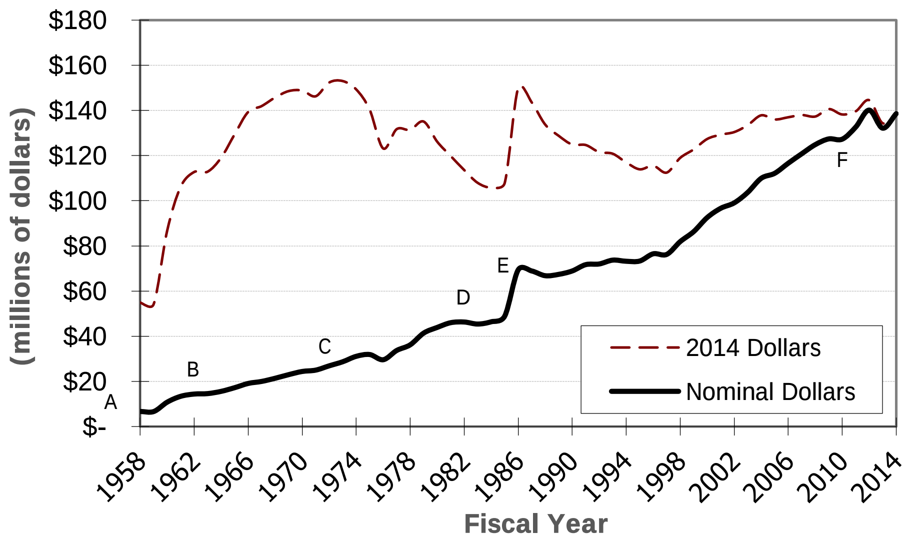
REPORT AND PAYMENT: Liquor Control Commission regulation.

DISPOSITION: 4% rate (specific) - General Fund;
4% rate (excise) - School Aid Fund;
4% rate (specific) - Convention Facility Development Fund.

The 1.85% specific tax on liquor sales for off-site consumption was repealed effective October 1, 2012. Revenue from this component of the tax was deposited in the Liquor Purchase Revolving Fund.

2013-14 COLLECTIONS:		**2013-14 COLLECTIONS/UNIT:**
General Fund:	$46,425,000	$11.6 million/1%
School Aid Fund:	45,952,000	$11.5 million/1%
Convention Facility Development Fund:	46,177,000	$11.5 million/1%
TOTAL	$138,554,000	

Chart 7
Michigan Liquor Tax Revenues, 1958 - 2014



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 bases.
E 1985 PA 107 — Liquor Specific Tax established at 4%.

BEER TAX

LEGAL CITATION:	M.C.L. 436.1409; 1998 PA 58.
YEAR ADOPTED:	1933. The former statute (1933 PA 8 (Ex. Session)) was repealed as of April 14, 1998.
BASIS OF TAX:	Privilege of manufacturing and selling beer.
MEASURE OF TAX (BASE):	Beer manufactured or sold in Michigan; credit for beer shipped out of state for sale and consumption or sold to a military installation or an Indian reservation; exemption for beer consumed on manufacturing premises or damaged and not offered for sale. Exemption for beer consumed on premises does not apply to beer sold by brewpubs or micro brewers.
RATE:	$6.30 per barrel (31 gallons = 1 barrel), with $2 per barrel credit, up to 30,000 barrels, for small brewers producing not more than 50,000 barrels annually.
ADMINISTRATION:	Michigan Department of Licensing and Regulatory Affairs, Liquor Control Commission.
REPORT AND PAYMENT:	Due by 8th of each month.
DISPOSITION:	General Fund.
2013-14 COLLECTIONS:	$39,078,102
2013-14 COLLECTIONS/UNIT:	$6.2 million per $1 of tax per barrel.

WINE TAX

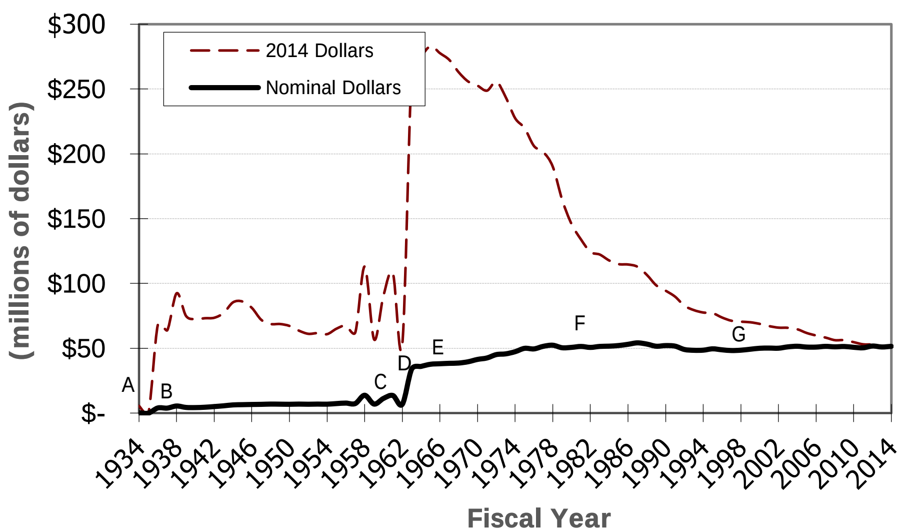
LEGAL CITATION:	M.C.L. 436.1301; 1998 PA 58.
YEAR ADOPTED:	1937. The former statute (1933 PA 8 (Ex. Session)) was repealed as of April 14, 1998.
BASIS OF TAX:	Privilege of manufacturing and selling wine.
MEASURE OF TAX (BASE):	Wine sold in Michigan; credit for wine shipped out of state for sale and consumption or sold to a military installation or an Indian reservation; exemption for sacramental wine used by churches.
RATE:	13.5 cents per liter if 16% alcohol or less; 20 cents per liter if over 16% alcohol.
ADMINISTRATION:	Department of Licensing and Regulatory Affairs, Liquor Control Commission.
REPORT AND PAYMENT:	Due by 15th of each month.
DISPOSITION:	General Fund.
2013-14 COLLECTIONS:	$12,445,581

MIXED SPIRITS TAX

LEGAL CITATION:	M.C.L. 436.1301; 1998 PA 58.
YEAR ADOPTED:	1989. The former statute (1933 PA 8 (Ex. Session)) was repealed as of April 14, 1998.
BASIS OF TAX:	Privilege of manufacturing and selling mixed spirits.
MEASURE OF TAX (BASE):	Mixed spirits drinks (10% or less alcohol by volume and mixed with non-alcoholic beverages or flavorings) manufactured or sold in Michigan; credit for mixed spirits drinks shipped out of state for sale and consumption or sold to a military installation or an Indian reservation or damaged and not offered for sale.
RATE:	48 cents per liter.
ADMINISTRATION:	Michigan Department of Licensing and Regulatory Affairs, Liquor Control Commission.
REPORT AND PAYMENT:	Due by 8th of each month.
DISPOSITION:	General Fund.
2012-13 COLLECTIONS:	$523,261
2012-13 COLLECTIONS/UNIT:	$10,901 per 1 cent

BEER, WINE, AND MIXED SPIRITS TAXES

Chart 8
Michigan Beer, Wine, and Mixed Spirits Tax Revenues, 1934 – 2014



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

AIRPORT PARKING TAX

LEGAL CITATION:	M.C.L. 207.371-207.383; 1987 PA 248.
YEAR ADOPTED:	1987. 1987 PA 248 will be repealed under the provisions of 2002 PA 680 effective on the date that all bonds described in Section 7a(1)(a) (M.C.L. 207.377a) are retired. These bonds are projected to be retired in May 2031.
BASIS OF TAX:	Privilege of providing public parking at an airport which services 4,000,000 or more enplanements annually (Detroit Metropolitan Wayne County Airport).
MEASURE OF TAX (BASE):	Amount charged for parking.
RATE:	27%
ADMINISTRATION:	Michigan Department of Treasury.
REPORT AND PAYMENT:	Due at same time and manner as Use Tax.
DISPOSITION:	Airport Parking Fund to be used as follows:

Dedicated to	Amount	Dedicated for
State Aeronautics Fund	$6 million	safety and security projects at state airports
City of Romulus	$1.5 million	general fund
Wayne County	balance of revenues	indigent care

2013-14 COLLECTIONS: $22,275,000

LOCAL COMMUNITY STABILIZATION SHARE TAX

LEGAL CITATION: M.C.L. 205.91 et seq.; 2014 PA 80.

YEAR ADOPTED: 2014. Tax was created as a component of the previously existing Use Tax, which was originally adopted through 1937 PA 94.

BASIS OF TAX: Privilege of using, storing, and consuming certain tangible personal property, plus the services of telephone, telegraph, and other leased wire communications; used auto sales between individuals; and use of transient hotel and motel rooms.

MEASURE OF TAX (BASE): Purchase price of tangible personal property or service. Certain sales are exempt from taxation; the exemptions are identical to those listed under the State Share Tax (see page 27).

RATE: Determined annually by the Department of Treasury. The department is to calculate the annual rate based on specific revenue targets outlined in the authorizing statute. The rate shall be sufficient to generate annual revenues as outlined below:

Fiscal Year	Revenue Target	Fiscal Year	Revenue Target
2016	$96,100,000	2023	$548,000,000
2017	$380,600,000	2024	$561,700,000
2018	$410,500,000	2025	$569,800,000
2019	$437,700,000	2026	$571,400,000
2020	$465,900,000	2027	$572,200,000
2021	$491,500,000	2028	$572,600,000
2022	$521,300,000	2029 and after	1% growth from prior year

ADMINISTRATION: Michigan Department of Treasury.

REPORT AND PAYMENT: Same requirements as the Use Tax / State Share Tax.

DISPOSITION: Deposited with the Local Community Stabilization Authority to be disbursed to local units of government as reimbursement for revenues foregone due to the elimination of the personal property tax on certain eligible personal property. The authority shall disburse these in accordance with the provisions of the Local Community Stabilization Authority Act.

ACCOMMODATIONS (HOTEL-MOTEL) TAXES[3]

LEGAL CITATION: M.C.L. 141.861 et seq.; 1974 PA 263.

M.C.L. 207.621-207.640; 1985 PA 106.

YEAR ADOPTED: 1974 (enabling act for certain counties with populations under 600,000 which may adopt by ordinance).

1985 (for counties with populations over 700,000). Tax is authorized until December 31, 2039, or 30 days after debt issued by the Detroit Regional Convention Facility Authority is retired, whichever is sooner. These debts are not projected to be retired until 2039.

BASIS OF TAX: Privilege of engaging in business of providing accommodations.

MEASURE OF TAX (BASE): *In counties under 600,000 population and with a city over 40,000 population*: amount charged transient guests for lodging in any hotel/motel. As of 2014, Calhoun, Genesee, Ingham, Kalamazoo, Kent, Muskegon, Saginaw, and Washtenaw levy the tax.

In counties over 700,000 and with a 350,000 sq. ft. convention facility and/or 2,000 rooms (Wayne, Oakland, and Macomb): amount charged transient guests for lodging in a hotel/motel of over 80 rooms.

RATE: Rate varies according to the population of the county in which the hotel/motel is located. Rate further varies if the hotel/motel is located within a "Qualified Governmental Unit," which is defined as a city (Detroit) that is the owner or lessee of a convention facility with 350,000 square feet or more of total exhibit space (Cobo Hall).

In counties under 600,000: not more than 5%, as determined by county. As of 2014, all counties levy the tax at the maximum rate.

In counties over 700,000:

No. Rooms Available:	"Qualified Governmental Unit" (Detroit):	Other Governmental Units (Wayne, Oakland, Macomb):
81-160	3%	1.5%
161 or more	6%	5%

ADMINISTRATION: *In counties under 600,000*: determined by county; collected by county treasurer.

In counties over 700,000: Michigan Department of Treasury, Bureau of Revenue.

REPORT AND PAYMENT: *In counties under 600,000*: determined by county.

In counties over 700,000: same as Use Tax / State Share Tax.

DISPOSITION: *In counties under 600,000*: special fund for use by county or authority organized under state law.

In counties over 700,000: Convention Facility Development Fund for distribution to units of local government.

2013-14 COLLECTIONS: $21,759,000 (1985 PA 106 only)

2 Accommodations also are taxed under the Use Tax. See page 27.

CONVENTION AND TOURISM MARKETING FEES

LEGAL CITATION:	M.C.L. 141.881 et seq.; 1980 PA 383. M.C.L. 141.871 et seq.; 1980 PA 395. M.C.L. 141.891 et seq.; 1989 PA 244. M.C.L. 141.1321 et seq.; 2007 PA 25. M.C.L. 141.1431 et seq.; 2010 PA 254.
YEAR ADOPTED:	1980 (enabling act for a convention bureau within a county having a population more than 1,500,000, and counties contiguous to it – Wayne, Oakland, and Macomb). 1980 (enabling acts for a convention bureau within a county with a population of less than 650,000). 1989 (enabling act for regional marketing organization operating for at least 10 years and operates in a region composed of 15 counties - Upper Peninsula). 2007 (enabling act for a convention bureau within a municipality with a population of more than 570,000 and less than 775,000 - Kent County). 2010 (enabling act for a convention bureau within a county with a population of more than 80,000 and less than 115,000 and that contains a city with a population of more than 35,000 and less than 45,000, and shares a border with a county that levies a tax under 1974 PA 263 - Bay and Midland Counties).
BASIS OF TAX:	Privilege of operating a transient facility (e.g., hotel/motel) with a minimum number of rooms; 35 rooms (PA 383 and PA 25), 10 rooms (PA 395 and PA 244), and 2 rooms (PA 254).
MEASURE OF TAX (BASE):	Room charges imposed on transient guests for lodging in transient facilities, excludes charges for food, beverages, state use tax, telephone service, or services paid in connection with the room charge.
RATE:	Rate varies according to the population of the county in which the hotel/motel is located: In counties over 1,500,000: not more than 2% of the room charges. In counties under 650,000: not more than 5% of the room charges. In Upper Peninsula counties: not more than 1% of the room charges. In counties of more than 570,000 and less than 775,000: not more than 2% of the room charges. In counties of more than 80,000 and less than 115,000 and with a city of 35,000 to 45,000: not more than 5% of the room charges.
ADMINISTRATION:	Convention bureau of the county or region.
REPORT AND PAYMENT:	30 days after the end of each month.
DISPOSITION:	Depository of the convention bureau.

UNIFORM CITY UTILITY USERS TAX

LEGAL CITATION:	M.C.L. 141.1151 et seq.; 1990 PA 100.
YEAR ADOPTED:	1990. Originally enacted as 1970 PA 198, but expired on June 30, 1988.
BASIS OF TAX:	Privilege of consuming public telephone, electric, steam, or gas services in a city of 600,000 or more (Detroit).
RATE:	To be established by increments of one-fourth of 1%, Detroit levies at the maximum rate of 5%.
ADMINISTRATION:	Administrator designated by the city. Collected by the city treasurer.
REPORT AND PAYMENT:	Amounts owed for a given month are due before the last day of the following month. Annual return due by end of fourth month (April 30) following end of tax year.
DISPOSITION:	First $12.5 million to any city-established lighting authority; remainder to retain or hire police officers.
2014 COLLECTIONS:	$42,400,000 (estimated)
2014 COLLECTIONS/UNIT:	$8.5 million per 1%

STADIUM AND CONVENTION FACILITY TAX

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

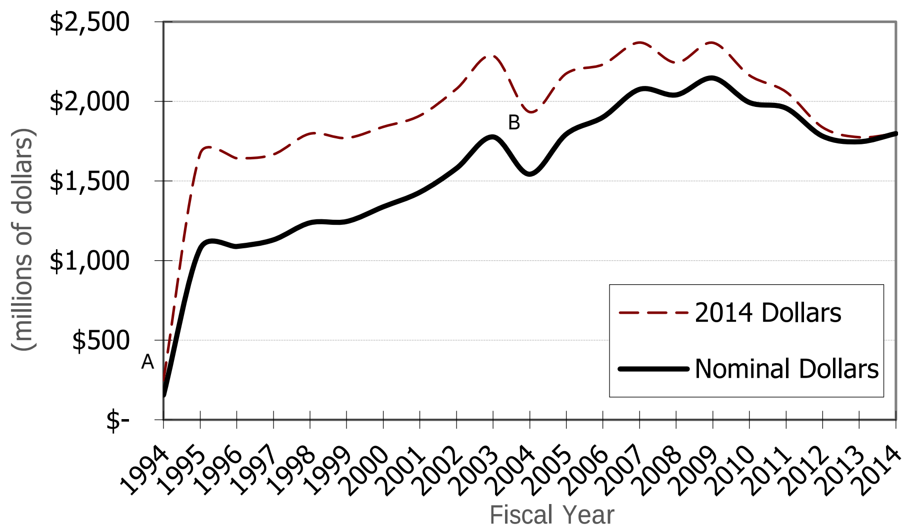
PROPERTY TAXES

State Education Tax
State Real Estate Transfer Tax
Utility Property Tax
State Essential Services Assessment Tax
General Property Tax
Ad Valorem Special Assessments
Mobile Home Trailer Coach Tax
Industrial Facilities Tax
Obsolete Properties Tax
Neighborhood Enterprise Zone Facilities Tax
Hydroponics and Aquaculture Facilities Specific Tax
Enterprise Zone Facilities Tax
Low Grade Iron Ore Specific Tax
County Real Estate Transfer Tax
Commercial Rehabilitation Tax
Commercial Facilities Tax
Commercial Forest Tax
Qualified Forest Tax

STATE EDUCATION TAX

LEGAL CITATION:	M.C.L. 211.901 et seq.; 1993 PA 331.
YEAR ADOPTED:	1993
BASIS OF TAX:	Ownership of real and personal property not otherwise exempted.
MEASURE OF TAX (BASE):	Same as General Property Tax, except property classified as industrial personal property and property occupied by a public school academy (charter school) and used exclusively for educational purposes is exempt. Recent changes enacted in Public Acts 401, 402, and 403 of 2012 will further exempt other personal property from the tax, including: 1) commercial personal property owned by a taxpayer who owns commercial and industrial property with a combined true cash value of $80,000 or less with the local taxing collecting unit; the exemption was effective beginning in tax year 2014. 2) certain commercial personal property used within industrial processing; the exemption will be phased in between tax year 2016 and 2023.
RATE:	6 mills – Not subject to tax rate rollbacks under the Headlee Amendment (see General Property Tax).
ADMINISTRATION:	Collection: Township, city, and county treasurers. Supervision: Michigan Department of Treasury.
REPORT AND PAYMENT:	Same as General Property Tax.
DISPOSITION:	School Aid Fund.
2013-14 COLLECTIONS:	$1,797,186,000
2013-14 COLLECTIONS/UNIT:	$300 million per mill

Chart 9
Michigan State Education Tax Revenue, 1994 - 2014



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

STATE REAL ESTATE TRANSFER TAX

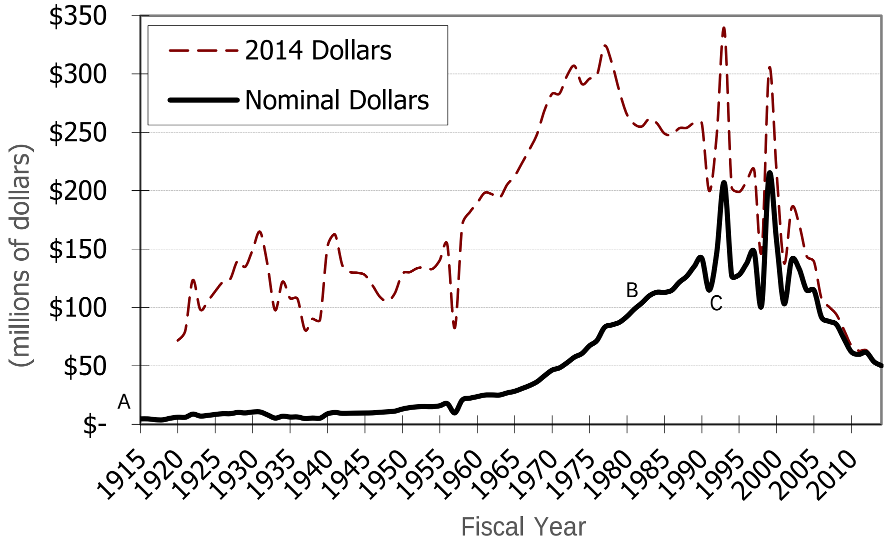
LEGAL CITATION:	M.C.L. 207.521 et seq.; 1993 PA 330.
YEAR ADOPTED:	1993
BASIS OF TAX:	Privilege of transferring interests in real property.
MEASURE OF TAX (BASE):	Fair market value of written instrument by which property is transferred. *Exemptions*: written instruments involving the following: (1) transfers of less than $100; (2) transfers of land outside Michigan; (3) transfers which the state is prohibited by federal law from taxing; (4) security or an assignment or discharge of a security interest; (5) transfers evidencing a leasehold interest; (6) personal property; (7) transfers of interests for underground gas storage purposes; (8) transfers where a governmental unit is the grantor; (9) transfers involving foreclosure by a governmental unit; (10) certain interspousal transfers; (11) transfers ordered by a court if no consideration is ordered; (12) transfers to straighten boundary lines if no consideration is paid; (13) transfers to correct a title flaw; (14) land contracts in which title does not pass until full consideration is paid; (15) transfers to dissolve corporations; (16) transfers between limited liability corporations and their members; (17) transfers between partnerships and their members; (18) transfers of mineral rights; (19) creation of joint tenancies if at least one joint tenant already owned the property; (20) sales agreements entered into before enactment of the tax; (21) transfers to persons considered to be "single employers" under the internal revenue code; (22) transfers to a bankruptcy trustee, receiver, or administrator; (23) transfers between religious societies of property exempt from property taxes.
RATE:	$3.75 per $500 (0.75%) or fraction thereof of total value.
ADMINISTRATION:	Collection: County treasurer. Supervision: Michigan Department of Treasury.
REPORT AND PAYMENT:	Due by 15th of the month following receipt by county treasurer.
DISPOSITION:	School Aid Fund.
2013-14 COLLECTIONS:	$219,647,000

UTILITY PROPERTY TAX

LEGAL CITATION:	M.C.L. 207.1 et seq.; 1905 PA 282; Section 5, Article IX, state Constitution.
YEAR ADOPTED:	1905
BASIS OF TAX:	In lieu of other general property taxes.
MEASURE OF TAX (BASE):	Taxable value of all real and tangible personal property of telephone companies, the unit value allocated to Michigan of railroad companies, the taxable value of freight cars of private owners allocated to Michigan in connection with doing business in Michigan. *Credits*: 1) Under certain circumstances, railroad companies receive a credit equal to 100% of expenditures for maintaining and improving Michigan rights-of-way, up to company's total tax liability. 2) Railroad companies and private railcar owners receive a credit equal to all of the expenses for maintenance or improvements done in Michigan, up to company's total tax liability. 3) Telephone companies receive: a) A credit equal to 12% of eligible expenditures associated with new equipment capable of carrying 200 kilobits per second in two directions, subject to certain limitations and not to exceed the total tax liability; b) A credit against the remainder of tax liability after taking the investment credit (#3a above) that is equal to certain telecommunication rights-of-way maintenance fees paid, subject to certain limitations and any portion of the credit that exceeds the remaining tax liability for the tax year shall not be refunded but may be carried forward to offset any tax liability in subsequent tax years that remains after any investment credit claimed in that subsequent tax year is determined until used up.
RATE:	Average statewide general property ad valorem tax rate paid by other commercial, industrial, and utility property in preceding calendar year.
ADMINISTRATION:	Assessment: Department of Treasury, State Tax Commission. Collection: Department of Treasury.
REPORT AND PAYMENT:	Report due March 31. Tax due by August 1 to avoid interest penalty; however, if one-half of tax liability is paid by August 1 and the rest by December 1, interest penalty (1% per month) is avoided.
DISPOSITION:	General Fund.
2013-14 COLLECTIONS:	$50,207,000

UTILITY PROPERTY TAX (CONTINUED)

Chart 10
Michigan Utility Property Tax Revenue, 1915 - 2014



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.

STATE ESSENTIAL SERVICES ASSESSMENT TAX

LEGAL CITATION: State Essential Services Assessment: M.C.L. 211.1051 et seq.; 2014 PA 92.
Alternative State Essential Service Assessment: M.C.L. 211.1071 et seq.; 2014 PA 93.

YEAR ADOPTED: 2014. Assessment takes effect on January 1, 2016.

BASIS OF TAX: Ownership, lease, or possession of certain eligible industrial and/or commercial personal property predominantly used in industrial processing or direct integrated support that is otherwise exempt for the general property tax.

MEASURE OF TAX (BASE): Fair market value of the personal property at time of acquisition, including the cost of freight, sales tax, installation, and other capitalized costs, except capitalized interest.

Exemptions: The Board of Directors of the Michigan Strategic Fund may, by resolution, exempt eligible personal property from the state assessment and from the alternative state assessment, at its discretion. In order to be eligible for exemption, the personal property must be part of a broader business plan presented by an eligible claimant that demonstrates a minimum of $25.0 million in additional personal property investment within Michigan during the duration of a written agreement between the claimant and the Michigan Strategic Fund.

RATE: Based on the number of years elapsed since acquisition of the property. Relevant personal property will generally be assessed at the regular rate. Eligible property exempted from the regular rate by the Michigan Strategic Fund may be assessed at the alternative rate, which is one-half the regular rate. The Michigan Strategic Fund may also fully exempt eligible property from any assessment.

Acquisition year precedes assessment year by:	Regular	Alternative
1 to 5 years	2.4 mills	1.2 mills
6 to 10 years	1.25 mills	0.625 mills
More than 10 years	0.9 mills	0.45 mills

ADMINISTRATION: Michigan Department of Treasury.

REPORT AND PAYMENT: Due by September 15 of each assessment year.

DISPOSITION: State general fund.

GENERAL PROPERTY TAX

LEGAL CITATION: M.C.L. 211.1 et seq.; 1893 PA 206; Sections 3 and 6, Article IX, state Constitution.

YEAR ADOPTED: 1893. Territorial Act.

BASIS OF TAX: Ownership of real and personal property not otherwise exempted.

Real versus Personal Property

The distinction between real and personal property is relatively straightforward. Real property is basically land and buildings. Personal property is generally movable. Personal property includes a broad array of assets, including most equipment, furniture, and fixtures used by businesses. In addition, electric transmission and distribution equipment, gas transmission and distribution equipment, and oil pipelines are all considered personal property.

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

Property taxes are determined by multiplying the tax rate by the taxable value of a parcel of property. The taxable value of a parcel may differ from the state equalized value as a result of limits on increases placed in the Michigan Constitution by Proposal A of 1994. Taxable value may not rise by more than the lesser of the increase in the consumer price index or 5%. The methodology used to assess personal property virtually assures that a parcel's assessed and taxable values will be the same. In contrast, real property had a gap of 10.0% between assessed and taxable values in 2013.

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 may not exceed 50% of true cash value. The taxable value for agricultural property being transferred between owners will remain capped if the new owner keeps the property in agricultural use for at least seven years from the date of transfer. If the property ceases to be agricultural property within the seven-year period, the property's taxable value will be adjusted to reflect the property's state equalized valuation. The taxable value for qualified forest property being transferred between owners will remain capped if the new owner keeps the property as qualified forest property for at least 10 years from the date of transfer. If the property ceases to be qualified forest property within the 10-year period, the property's taxable value will be adjusted to reflect the property's state equalized valuation.

Numerous exemptions exist, notably:

(1) certain property owned by nonprofit religious, charitable, or educational organizations;
(2) government property;
(3) property subject to specific state taxes (e.g., railroad and telephone property, intangibles, motor vehicles);
(4) property subject to specific local taxes in lieu of property taxation, such as commercial forest land; mobile homes; low grade iron ore; certified industrial, commercial, technological, commercial housing facilities, obsolete property rehabilitation; certain nonferrous minerals and mineral-producing property; and eligible hydroponics and aquaculture production facilities.
(5) certain household property, personal business property and mechanic's tools;
(6) personal property used in agricultural operations;
(7) inventory property;
(8) special manufacturing tools (dies, jigs, fixtures, molds, etc.);
(9) solar, water or wind energy conversion devices (pre-1984);

GENERAL PROPERTY TAX (CONTINUED)

Phase-Out of the Personal Property Tax on Certain Manufacturing Property

Legislation enacted in 2012 and 2014 phases out the personal property tax (PPT) on most industrial and commercial personal property. The new laws will:

- Effective for tax year 2014, exempt all commercial and industrial personal property (regardless of use) from the PPT if the combined true cash value of the property owned or controlled by a taxpayer in a given local tax collecting unit is less than $80,000.
- Beginning in tax year 2016, exempt all new industrial personal property and any new commercial personal property used primarily for or in direct support of industrial processing that was purchased and placed into service during or after 2013.
- Beginning in tax year 2016 and continuing thereafter, exempt any industrial personal property and any new commercial personal property used primarily for or in direct support of industrial processing that has effectively been placed in service for the immediately preceding 10 years.

The table below illustrates how the phased in exemption will work. Again, property becomes exempt immediately in 2014 if an individual controls property with a total true cash value below $80,000. Remaining personal property tied to industrial processing will become exempt over time based on the year it was first placed into service. In tax year 2016, new personal property tied to industrial processing and placed into service after December 31, 2012 will all become exempt. Further, any eligible personal property placed into service before 2006 will also become exempt from the PPT. In 2017, the exemption will be expanded to cover eligible personal property placed into service during 2006. Likewise in tax year 2018, property placed into service during 2007 will become exempt. This gradual phase-in will continue until all eligible property becomes exempt in tax year 2023.

Phase-In Schedule for Existing Eligible Personal Property

Year placed in service	Tax Year 2016	2017	2018	2019	2020	2021	2022	2023
2005	X	X	X	X	X	X	X	X
2006		X	X	X	X	X	X	X
2007			X	X	X	X	X	X
2008				X	X	X	X	X
2009					X	X	X	X
2010						X	X	X
2011							X	X
2012								X
2013	X	X	X	X	X	X	X	X

X = exempt from personal property taxation

GENERAL PROPERTY TAX (CONTINUED)

(10) property in transit located in a public warehouse, dock or port facility;
(11) property located in a renaissance zone, except for the portion of tax attributable to special assessments, taxes levied for the payment of general obligation bonds, intermediate school district-wide enhancement mills and local school district sinking fund millages;
(12) federally-qualified health centers;
(13) biomass gasification systems, thermal depolymerization systems, and methane digesters;
(14) personal property designated as industrial and commercial property for school operating millages;
(15) new personal property in one or more "distressed parcel", subject to local approval;
(16) supportive housing property for school operating millages;
(17) property occupied by a public school academy (charter school) and used exclusively for educational purposes for school operating millages;
(18) commercial and industrial personal property owned by a taxpayer with a true cash value of less than $80,000 in a particular tax collecting unit;
(19) Beginning in 2016, the tax is phased out for certain personal property used primarily for, or in direct support of, industrial processing. The phase out continues until all such property is exempt in 2023;
(20) Real and personal property owned by a nonprofit street railway.

Credits for property taxes paid: see Personal Income Tax.

RATE:

Varies by local unit, but certain statewide constitutional and statutory restrictions exist. The rate may not exceed 15 mills ($15 per $1,000) or 18 mills in counties with separate, voter-fixed allocations for all jurisdictions without voter approval. (These limitations were reduced by the number of mills allocated to local school districts in 1993, after which local school districts may not receive allocated millage.)

The foregoing limitations may be increased up to 50 mills with voter approval. Excluded from these limitations are:
(1) Debt service taxes for all full faith and credit obligations of local units;
(2) Taxes imposed by units having separate tax limitations provided by charter or general law (cities, villages, charter townships, and charter counties);
(3) Taxes imposed by certain districts or authorities having separate limits (e.g., charter water authorities, port districts, metropolitan districts, and downtown development authorities);
(4) Certain taxes imposed by municipalities for special purposes (garbage services, library services, services to the aged, and police and fire pension funding).

The state constitutional tax limitation amendment of 1978 (Headlee) and state law require a taxing jurisdiction to roll back maximum authorized rates if the taxable value, excluding new construction, increases faster than the rate of inflation (which the governing body can overcome by vote). Local school district operating taxes are limited to the lesser of 18 mills or the 1993 millage rate. Principal residence, industrial personal property, and qualified agricultural property is entirely exempt from school millages. Commercial personal property is partially exempt (12 of the 18 mills). However, school districts with a 1994-95 per pupil foundation allowance of over $6,500 may reduce the exemption on principal residence and qualified agricultural property by the number of mills necessary to raise that portion of their per pupil foundation allowance that exceeds $6,500 and, if necessary, also may levy additional mills on all property to generate that additional per pupil dollar amount. In addition, voters in intermediate school districts may approve up to 3 additional mills for operating purposes. In calendar year 2014, the state

GENERAL PROPERTY TAX (CONTINUED)

average millage rate, including the 6-mill State Education Tax, was 40.8 mills.

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

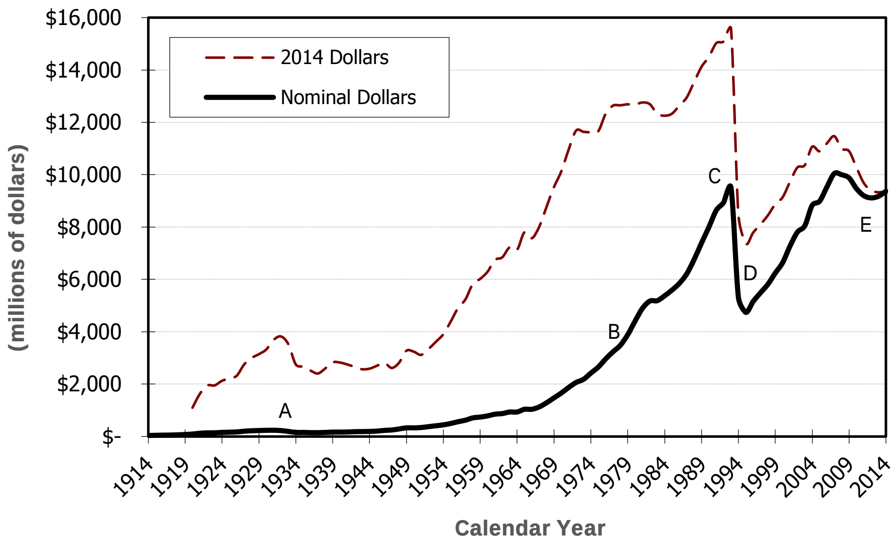
REPORT AND PAYMENT: Township and county taxes due December 1. School taxes due December 1, unless school board elects to make all or one-half due July 1. City and village taxes due in accordance with charters.

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

2013 & 2014 COLLECTIONS:

	2013 Levy		2014 Levy	
School[3]	$5,653,525,847	51%	$5,724,103,806	51%
City	2,260,305,258	21	2,286,675,192	20
County	2,120,401,553	19	2,182,713,260	19
Township	875,384,626	8	917,043,642	8
Village	87,995,264	1	89,057,750	1
Total Levy	$10,997,612,548	100%	$11,199,593,650	100%

Chart 11
Total Michigan Local Property Tax Collections, 1914 - 2014



A	1933	Const Amend	— 15 mill limit.
B	1978	Const Amend	— Headlee Amendment established requiring voter approval for any new local taxes and limited the rate of growth for the assessed values of property for each local unit of government.
C	1993	PA 145	— exempted property from millage levied by a local or intermediate school district for school operating purposes, beginning December 31, 1993.
		PA 312	— limited school operating property taxes on non-principal residence property to lesser of 18 mills or 1993 rate; exempted principal residence and qualified agricultural property from school operating millage in most school districts; authorized school districts to levy up to 3 additional mills with voter approval.
D	1994	Const Amend	— Proposal A reduced school operating taxes, established cap on assessments and taxable value as the tax base.
E	2012	PAs 401-3	— Certain classes of personal property exempted from taxation.

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

GENERAL PROPERTY TAX (CONTINUED)

Chart 12
Michigan Statewide Average Property Tax Rate, 1927 – 2014

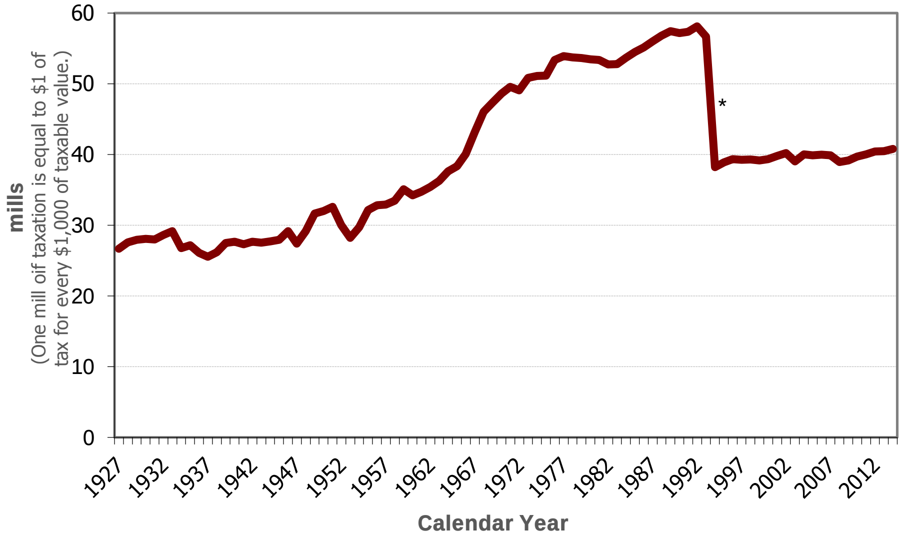
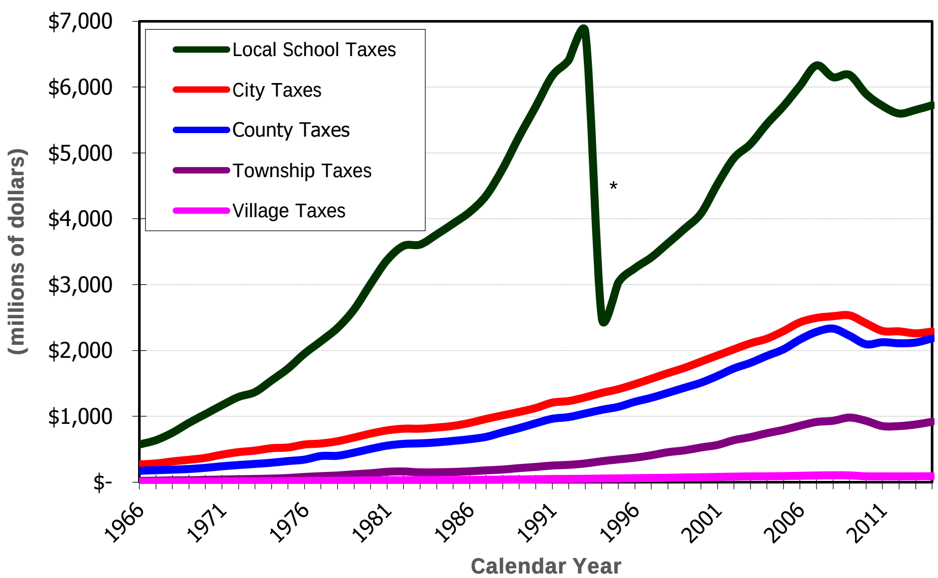


Chart 13
Michigan Property Tax Revenues by Unit of Government, 1966 – 2014



* Proposal A of 1994 reduced the school operating tax by an average of 18.45 mills and cut school operating tax revenues by $4.3 billion from 1993 to 1994.

AD VALOREM SPECIAL ASSESSMENTS

LEGAL CITATION:	M.C.L. 117.4d; 1909 PA 279 (public improvements and street lighting – cities); M.C.L. 41.414; 1923 PA 116 (various public improvements – townships and villages); M.C.L. 41.801; 1951 PA 33 (police/fire equipment and operations – cities with less than 10,000 population, townships, and villages); M.C.L. 41.721 et seq.; 1954 PA 188 (various public improvements – townships); M.C.L. 560.192a; 1967 PA 288 (operation and maintenance of storm water retention basins – townships, villages, and cities); M.C.L. 125.1662; 1975 PA 197 (construction, renovation, etc. of facilities, existing buildings and multi-family dwellings – downtown development authorities).
YEAR ADOPTED:	Various (see above).
BASIS OF TAX:	Ownership of real property.
MEASURE OF TAX (BASE):	Taxable value of the real property subject to the assessment. Property that is exempt from the General Property Tax, such as religious, charitable, or educational property is not exempt from the base of special assessments unless the statute authorizing the specific type of special assessment so provides. PA 33 and PA 197 exempt property that is exempt from the General Property Tax Act. PA 279 prohibits city-wide ad valorem special assessments for street lighting if real property in the city is assessed on ad valorem basis.
RATE:	Determined as a rate by dividing the cost of the public improvement or service being financed by the taxable value of the special assessment district. In some cases, limits, as to the rate, are established in law. PA 33 limits levy to 10 mills for equipment, no limit for operations. PA 116 limits levy for a single assessment to 15% of assessed value and to 45% of assessed value for all assessments under the Act in any single year. PA 197 limits levy to 2 mills.
ADMINISTRATION:	Same as General Property Tax.
REPORT AND PAYMENT:	Same as General Property Tax.
DISPOSITION:	Locally determined.
2014 COLLECTIONS:	$147,663,673 (unit-wide special assessments only).

MOBILE HOME TRAILER COACH TAX

LEGAL CITATION:	M.C.L. 125.1041 et seq.; 1959 PA 243.
YEAR ADOPTED:	1959
BASIS OF TAX:	In lieu of general property taxation.
MEASURE OF TAX (BASE):	Occupied mobile homes in licensed trailer coach parks.
RATE:	$3 per month per occupied trailer coach.
ADMINISTRATION:	Township or city treasurer.
REPORT AND PAYMENT:	Due each month.
DISPOSITION:	$2 per coach to School Aid Fund; 50 cents per coach to county in which coach is located; and 50 cents per coach to municipality in which coach is located.

INDUSTRIAL FACILITIES TAX

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

OBSOLETE PROPERTIES TAX

LEGAL CITATION:	M.C.L. 125.2781 et seq.; 2000 PA 146.
YEAR ADOPTED:	2000
BASIS OF TAX:	In lieu of general property taxation for up to 12 years after completion of facility. Partial exemption for facility located in a renaissance zone. New exemptions cannot be granted after December 31, 2016; however, existing exemptions in effect as of this date shall remain in effect until their expiration.
MEASURE OF TAX (BASE):	For all taxes levied, taxable value of facility in year prior to granting of exemption certificate, excluding land and personal property other than buildings on leased land. For local school operating taxes and the State Education Tax, add the increase in the taxable value of the rehabilitated facility to the frozen taxable value of the facility.
RATE:	Varies by local unit. Total millage rate for all taxing units. State Treasurer can exempt, for up to six years on the post-rehabilitation taxable value, up to one-half of the mills levied for local school operating purposes and the State Education Tax.
ADMINISTRATION:	Same as General Property Tax. Local legislative body and State Tax Commission must approve issuance of certificate.
REPORT AND PAYMENT:	Same as General Property Tax.
DISPOSITION:	Same as General Property Tax, except that revenue that is attributable to local school districts and intermediate school districts is credited to the state School Aid Fund.

NEIGHBORHOOD ENTERPRISE ZONE FACILITIES TAX

LEGAL CITATION: M.C.L. 207.771 et seq.; 1992 PA 147.

YEAR ADOPTED: 1992

BASIS OF TAX: In lieu of general property taxation for up to 15 years after rehabilitation or completion of facility granted exemption. Partial exemption for facility located in a renaissance zone.

MEASURE OF TAX (BASE): *New facility*: taxable value of facility, excluding land.

Rehabilitated facility: taxable value of facility in year prior to granting of exemption certificate, excluding land. For last three years of exemption, current taxable value of facility, excluding land.

Homestead facility: taxable value of facility, excluding land.

RATE: *New facility* – principal residence: 1/2 of the state average tax rate in the immediately preceding calendar year on other principal residence or qualified agricultural property.

New facility – non-principal residence: 1/2 of the state average tax rate in the immediately preceding calendar year on other commercial, industrial, and utility property.

Rehabilitated facility: total property tax rate levied under General Property Tax, varies by local unit.

Homestead facility: total property tax rate levied under General Property Tax less the sum of one-half of the operating tax rate levied by the local unit in which the facility is located and one-half of the operating tax rate levied by the county in which the facility is located.

Two Years before the Exemption Expires
Total property tax rate levied under General Property Tax less the sum of three-eighths of the operating tax rate levied by the local unit in which the facility is located and three-eighths of the operating tax rate levied by the county in which the facility is located.

One Year before the Exemption Expires
Total property tax rate levied under General Property Tax less the sum of one-fourth of the operating tax rate levied by the local unit in which the facility is located and one-fourth of the operating tax rate levied by the county in which the facility is located.

Year that the Exemption Expires
Total property tax rate levied under General Property Tax less the sum of one-eighth of the operating tax rate levied by the local unit in which the facility is located and one-eighth of the operating tax rate levied by the county in which the facility is located.

ADMINISTRATION: Same as General Property Tax. Local legislative body (homestead) or State Tax Commission (new or rehabilitated facility) must approve issuance of certificate.

REPORT AND PAYMENT: Same as General Property Tax.

DISPOSITION: Same as General Property Tax, except that revenue that is attributable to local school districts and intermediate school districts is credited to the state School Aid Fund.

HYDROPONICS AND AQUACULTURE FACILITIES SPECIFIC TAX

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

ENTERPRISE ZONE FACILITIES TAX

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

LOW GRADE IRON ORE SPECIFIC TAX

LEGAL CITATION:	M.C.L. 211.621 et seq.; 1951 PA 77.
YEAR ADOPTED:	1951
BASIS OF TAX:	In lieu of general property taxation.
MEASURE OF TAX (BASE):	Rated annual capacity of production and treatment plant, and gross ton value of ore.
RATE:	Prior to full production: rated annual capacity times 0.55% of value per gross ton, times percent completion of plant. Subsequently: 5-year average production times 1.1% of value per gross ton.
ADMINISTRATION:	Assessment: Township or city assessor; Michigan Department of Environmental Quality, Office of Oil, Gas, and Minerals. Collection: Township or city treasurer.
REPORT AND PAYMENT:	Same as General Property Tax.
DISPOSITION:	Same as General Property Tax, except that revenue that is attributable to local school districts and intermediate school districts is credited to the state School Aid Fund.

COUNTY REAL ESTATE TRANSFER TAX

LEGAL CITATION:	M.C.L. 207.501 et seq.; 1966 PA 134.
YEAR ADOPTED:	1966
BASIS OF TAX:	Privilege of transferring any interest in real property.
MEASURE OF TAX (BASE):	Fair market value of written instrument by which property is transferred. Exemptions include written instruments involving the following: (1) transfers of less than $100; (2) transfers of land outside Michigan; (3) transfers which the state is prohibited by federal law from taxing; (4) security or an assignment or discharge of a security interest; (5) transfers evidencing a leasehold interest; (6) personal property; (7) transfers of interests for underground gas storage purposes; (8) transfers where a governmental unit is the grantor; (9) transfers involving foreclosure by a governmental unit; (10) certain interspousal transfers; (11) transfers ordered by a court if no consideration is ordered; (12) transfers to straighten boundary lines if no consideration is paid; (13) transfers to correct a title flaw; (14) land contracts in which title does not pass until full consideration is paid; (15) transfers of mineral rights; (16) creation of joint tenancies if at least one joint tenant already owned the property; (17) transfers to a bankruptcy trustee, receiver, or administrator.
RATE:	55 cents per $500 (0.11%) or fraction thereof of total value. Wayne County is statutorily authorized to impose a rate of 75 cents per $500 (0.15%), but voter approval is required. It currently levies the tax at a rate of 55 cents per $500 (0.11%) of taxable value.
ADMINISTRATION:	Supervision: Department of Treasury. Collection: Treasurer of county in which transfer occurs.
REPORT AND PAYMENT:	Due when transaction is recorded.
DISPOSITION:	General fund of county in which tax is collected.

COMMERCIAL REHABILITATION TAX

LEGAL CITATION:	M.C.L. 207.841 et seq.; 2005 PA 210.
YEAR ADOPTED:	2005
BASIS OF TAX:	In lieu of general property taxation for up to 10 years after rehabilitation of facilities granted exemption certificates within commercial rehabilitation districts. Authority to issue certificates expires on December 31, 2015, but an exemption then in effect will continue until expiration of the certificate.
MEASURE OF TAX (BASE):	Taxable value of facilities, excluding land and personal property, in year prior to granting of exemption certificate. Exemption certificate creates alternate taxable value for all tax levies except school operating millages and State Education Tax.
RATE:	Varies by local unit.
ADMINISTRATION:	Same as General Property Tax. County can object to creation of district. Local legislative body and State Tax Commission must approve issuance of certificate.
REPORT AND PAYMENT:	Same as General Property Tax.
DISPOSITION:	Same as General Property Tax, except that revenue that is attributable to local school districts and intermediate school districts is credited to the state School Aid Fund.

COMMERCIAL FACILITIES TAX

LEGAL CITATION:	M.C.L. 207.651 et seq.; 1978 PA 255.
YEAR ADOPTED:	1978
BASIS OF TAX:	In lieu of general property taxation for up to 12 years after completion of facilities granted exemption certificates within commercial redevelopment districts. Authority to issue certificates expires on December 31, 2020, but an exemption then in effect continues until expiration of certificate.
MEASURE OF TAX (BASE):	*New or replacement facility*: current taxable value of facility, excluding land and personal property other than buildings or leased land. *Restored facility*: taxable value of facility, excluding land and personal property other than buildings and leased land, in year prior to granting of exemption certificate.
RATE:	*New or replacement facility*: 1/2 of the total property taxes levied by all units, other than the State Education Tax, plus the entire amount of the State Education Tax. The State Treasurer, in order to promote economic growth, may exempt up to 1/2 of the mills levied under the State Education Tax for a period not to exceed six years. The Treasurer may only issue 25 exemptions each year. *Restored facility*: same as the local property tax rate.
ADMINISTRATION:	Same as General Property Tax. Local legislative body must approve issuance of certificate.
REPORT AND PAYMENT:	Same as General Property Tax.
DISPOSITION:	Same as General Property Tax, except that revenue that is attributable to local school districts and intermediate school districts is credited to the state School Aid Fund.

COMMERCIAL FOREST TAX

LEGAL CITATION:	M.C.L. 324.51101-324.51120; 1995 PA 57.
YEAR ADOPTED:	1925. The former statute (1925 PA 94) was repealed as of May 24, 1995.
BASIS OF TAX:	In lieu of general property taxation.
MEASURE OF TAX (BASE):	Lands placed in commercial forest reserve (generally, 40 acre minimum). Commercial forest land located in a renaissance zone is exempt from the tax.
RATE:	*Specific*: $1.25 per acre until December 31, 2016. Beginning January 1, 2017, and every five years after that date, the tax rate will be increased by five cents per acre. (The state also pays $1.25 per acre until December 31, 2016. Beginning January 1, 2017, and every five years after that date, the annual state payment will increase by five cents per acre to each county within which acreage is located). *Withdrawal*: $1.00 per acre application fee with a minimum fee of $200 per application and a maximum of $1,000 per application, plus per acre penalty. The penalty is a function of the number of acres withdrawn, value of property, average millage rate for all townships in the county where property is located, the number of years, up to seven, in which the withdrawn property had been designated as commercial forestland, and a county-specific (contained in law) factor. The property's value is equal to the previous year's value adjusted for inflation, but not to exceed 5%. However, owners of commercial forest land who are approved for the Qualified Forest program under Public Act 42 of 2013 may withdraw without penalty between June 6, 2013 and June 5, 2014. For commercial forestland that is subject to a sustainable forest conservation easement, the rate is 15 cents per acre less than the rate for all other commercial forestland. The application fee for withdrawal is $2.00 per acre with a minimum fee of $200 per application and a maximum of $1,000 per application.
ADMINISTRATION:	Department of Natural Resources; township assessors, township and county treasurers.
REPORT AND PAYMENT:	*Specific*: with property tax; *Withdrawal*: with application to withdraw.
DISPOSITION:	Deposited into Private Forestland Enhancement Fund, which is to be used to finance programs that encourage the judicious management of forestlands.

QUALIFIED FOREST TAX

LEGAL CITATION:	M.C.L. 324.51101-324.51120; 1995 PA 57.
YEAR ADOPTED:	2013. Initially authorized by 1925 PA 94. Property tax exemptions and recapture tax initially adopted in 2006.
BASIS OF TAX:	Ownership of qualified forest lands that are eligible for certain general property tax benefits, including exemption from school operating millage levies and from the uncapping of taxable value upon sale/transfer of qualified property.
MEASURE OF TAX (BASE):	Taxable value of qualified forest lands where owner has signed affidavit attesting that land will remain in forest production and be managed in accordance with a forest management plan. Generally, 20 acre minimum for land 80% stocked in productive forest; 40 acre minimum for land 50% stocked in productive forest. Maximum of 640 acres per tax collecting unit.
RATE:	*Tax/Participation Fee*: 2 mills on the taxable value of a qualified parcel. *Withdrawal/Recapture Tax*: *If one or more harvests have occurred on the property before withdrawal*: taxable value of the qualified forest property x the number of school operating mills levied net of the 2 mill participation fee x the number of years the property was exempt from school operating mills as qualified forest property (up to 7 years); plus repayment of any property taxes that would have been paid had the taxable value not remained capped due to designation as qualified forest property. *If no harvests have occurred on the property before withdrawal*: taxable value of the qualified forest property times the number of school operating mills levied times two; plus repayment of any property taxes that would have been paid had the taxable value not remained capped because of designation as qualified forest property.
ADMINISTRATION:	Department of Agriculture and Rural Development; township assessors, township and county treasurers.
REPORT AND PAYMENT:	*Specific*: annually with property tax; *Withdrawal*: with application to withdraw.
DISPOSITION:	Deposited into Private Forestland Enhancement Fund, which is to be used to finance the Qualified Forest program and programs that encourage sustainable management of forestlands. Recapture tax proceeds accrued to the general fund until January 1, 2014.

TRANSPORTATION TAXES

Motor Vehicle Registration Fees
Gasoline Tax
Diesel Fuel Tax
Liquified Petroleum Gas Tax
Motor Carrier Fuel Tax
Motor Carrier Single State Registration Tax
Watercraft Registration Fee
Aviation Gasoline Tax
Aircraft Weight Fee
Snowmobile Registration Fee

MOTOR VEHICLE REGISTRATION FEES

LEGAL CITATION: M.C.L. 257.801-257.810; 1949 PA 300; Section 9, Article IX, state Constitution.

YEAR ADOPTED: 1905

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

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

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.

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.

Pickup trucks and vans under 8,000 lb., passenger cars, and motor homes purchased before October 1, 1983 are assessed on the basis of the following schedule in lieu of a value tax:

0-24,000:	$491	36,001-42,000:	$874	66,001-72,000:	$1,529	115,001-130,000:	$2,448
0-3,000 lb.	$29	4,501-5,000 lb.	$47	6,501-7,000 lb.	$67	8,501-9,000 lb.	$86
3,001-3,500 lb.	$32	5,001-5,500 lb.	$52	7,001-7,500 lb	$71	9,001-9,500 lb.	$91
3,501-4,000 lb.	$37	5,501-6,000 lb.	$57	7,501-8,000 lb.	$77	9,501-10,000 lb.	$95
4,001-4,500 lb.	$43	6,001-6,500 lb.	$62	8,001-8,500 lb.	$81	Over 10,000 lb.	add $.90/100 lb.

The above rates are adjusted annually in accordance with changes in state personal income.

2. 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		

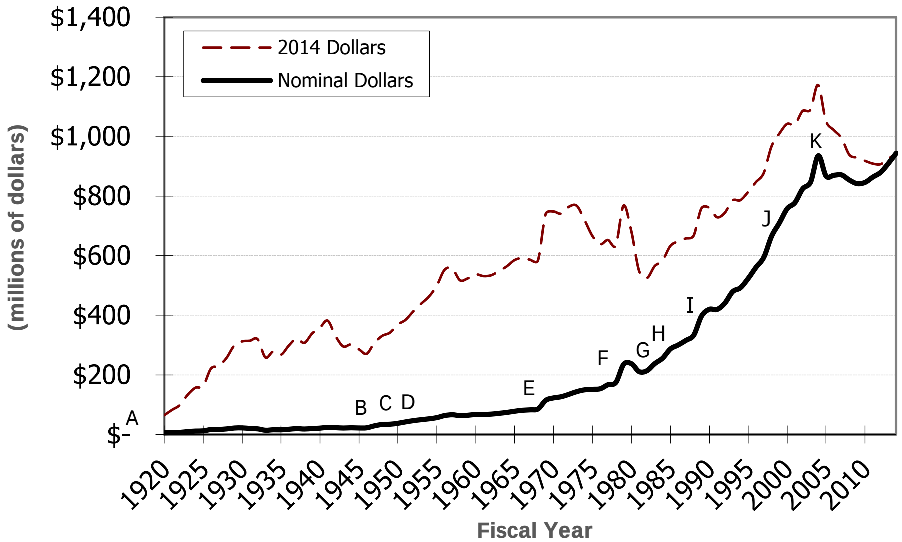
6. For *trailers* (one-time fee): under 2,500 lb. $75; 2,500 lb. to 9,999 lb. $200; 10,000 lb. and over $300.

An additional fee of $8 is added to most registrations to cover certain regulatory and administrative costs. The fee is scheduled to expire on October 1, 2015.

MOTOR VEHICLE REGISTRATION FEES (CONTINUED)

ADMINISTRATION:	Michigan Department of State; certain fees, Michigan Department of Natural Resources.
REPORT AND PAYMENT:	Registration expires annually on owner's birthday, except for certain commercial vehicles owned by "persons" other than individuals (last day of February), for trailers (lifetime registration), for motorcycles (March 31), and for historic vehicles (on April 15 in the 10th year after the date of issue). Tax due with new registration.
DISPOSITION:	Michigan Transportation Fund (See Gasoline Tax); Of the $8 fee imposed on most vehicle registrations, $2.25 credited to the Traffic Law Enforcement and Safety Fund and $5.75 to the Transportation Administration Collection Fund.
2013-14 COLLECTIONS:	$943,620,000

Chart 14
Michigan Motor Vehicle Registration Tax Revenue, 1920 – 2014



A	1915	PA 302	— Motor Vehicle Weight Tax established.
B	1945	PA 255	— Revised 1915 PA 302.
C	1949	PA 300	— Established Motor Vehicle Code with revised registration fee schedules.
D	1951	PA 55	— Established new fee schedules for various classifications of vehicle based on vehicle weight.
E	1967(ES)	PA 3	— Established new fee schedules for various classifications of vehicle based on vehicle weight.
F	1978	PA 427	— Established new fee schedules for various classifications of vehicle based on vehicle weight
G	1982	PA 439	— Established new fee schedules for various classifications of vehicle based on vehicle weight.
			— Replaced weight tax with a value tax of 0.4% of purchase price for personal passenger vehicles purchased after September 30, 1983.
H	1983	PA 165	— Required value tax of 0.5% of list price for personal passenger motor vehicles purchased after September 30, 1983 based on manufacturer's base list price.
I	1987	PA 238	— Increased tax imposed upon certain passenger vehicles and trucks
J	1997	PA 80	— Increased certain truck registration fees.
K	2003	PA 152	— Established new fee scheduled for trailers.

GASOLINE TAX

LEGAL CITATION:	M.C.L. 207.1001 et seq.; 2000 PA 403; Section 9, Article IX, state Constitution.
YEAR ADOPTED:	1925. The Gasoline Tax (1925 PA 150), the Diesel Fuel Tax (1951 PA 54), and the Liquefied Petroleum Gas Tax (1953 PA 147) were recodified by the Motor Fuel Tax Act, 2000 PA 403.
BASIS OF TAX:	Privilege of using highways.
MEASURE OF TAX (BASE):	Gasoline sold or used in operating vehicles on public highways. *Exemption* for gasoline used in: (1) vehicles owned by state or federal government; (2) vehicles owned or leased and operated by units of local government. (3) school buses owned and operated by private nonprofit parochial, or denominational schools, college, or universities. *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.
REPORT AND PAYMENT:	Due by 20th of each month.
DISPOSITION:	Michigan Transportation Fund: 2% to Recreation Improvement Fund; Sums sufficient for administrative and collection costs; $3 million to Rail Grade Crossing Account; $3 million to Local Bridge Fund; Revenue from three cents of tax to State Trunkline Fund and local road agencies; Revenue from one cent of tax to state and local bridges; $43 million for state debt service payments; 10% earmarked to Comprehensive Transportation Fund; $5 million to Local Bridge Fund; $40.3 million to Transportation Economic Development Fund; $33 million to Local Program Fund; Remainder allocated: 39.1% to State Trunkline Fund; 39.1% to county road commissions; 21.8% to cities and villages.
2013-14 COLLECTIONS:	$823,747,000
2013-14 COLLECTIONS/UNIT:	$43.3 million per 1 cent of Gas Tax.

DIESEL FUEL TAX

LEGAL CITATION:	M.C.L. 207.1001 et seq.; 2000 PA 403; Section 9, Article IX, state Constitution.
YEAR ADOPTED:	1951. The Gasoline Tax (1925 PA 150), the Diesel Fuel Tax (1951 PA 54), and the Liquefied Petroleum Gas Tax (1953 PA 147) were recodified by the Motor Fuel Tax Act, 2000 PA 403.
BASIS OF TAX:	Privilege of using highways.
MEASURE OF TAX (BASE):	Diesel fuel sold or used in operating vehicles on public highways. *Exemption* for diesel fuel used in or for: (1) vehicles owned by the state or federal government; (2) vehicles owned or leased and operated by units of local government; (3) school buses owned and operated by private nonprofit parochial, or denominational schools, college, or universities; (4) off-highway use; (5) home heating oil; (6) export; (7) as other than motor fuel; (8) for use in trains. *Refund* of tax on diesel fuel purchased for use in ten or more person capacity vehicles operated under a municipal franchise.
RATE:	15 cents per gallon.
ADMINISTRATION:	Department of Treasury.
REPORT AND PAYMENT:	Due by 20th of each month.
DISPOSITION:	Michigan Transportation Fund (See Gasoline Tax).
2013-14 COLLECTIONS:	$112,349,000
2013-14 COLLECTIONS/UNIT:	$7.5 million per 1 cent of Diesel Fuel Tax.

LIQUIFIED PETROLEUM GAS TAX

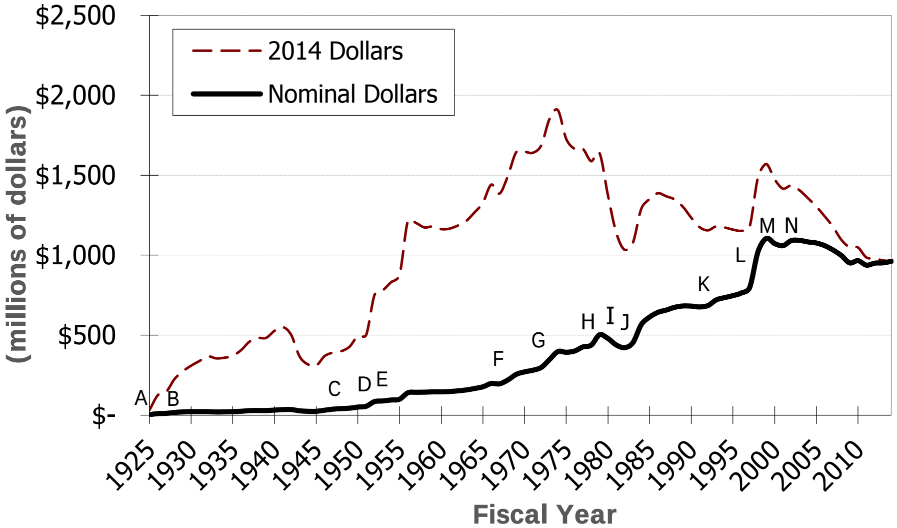
LEGAL CITATION:	M.C.L. 207.1152 et seq.; 2000 PA 403; Section 9, Article IX, state Constitution.
YEAR ADOPTED:	1953. The Gasoline Tax (1925 PA 150), the Diesel Fuel Tax (1951 PA 54), and the Liquefied Petroleum Gas Tax (1953 PA 147) were recodified by the Motor Fuel Tax Act, 2000 PA 403.
BASIS OF TAX:	Privilege of using highways.
MEASURE OF TAX (BASE):	Liquified petroleum gas 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.
REPORT AND PAYMENT:	Quarterly, by the 20th of each month following the close of the calendar quarter.
DISPOSITION:	Michigan Transportation Fund (See Gasoline Tax).
2013-14 COLLECTIONS:	$424,000
2013-14 COLLECTIONS/UNIT:	$28,267 per 1 cent in Liquified Petroleum Gas Tax.

MOTOR CARRIER FUEL TAX

LEGAL CITATION:	M.C.L. 207.211 et seq.; 1980 PA 119; Section 9, Article IX, state Constitution.
YEAR ADOPTED:	1980
BASIS OF TAX:	Privilege of using Michigan highways. Tax applies to *interstate* motor carriers only. *Intrastate* motor carriers are subject to the Motor Fuel Tax.
MEASURE OF TAX (BASE):	Motor fuel consumed by interstate motor carriers in operating qualified commercial vehicles on public roads and highways in Michigan.
RATE:	15 cents per gallon.
ADMINISTRATION:	Department of Treasury.
REPORT AND PAYMENT:	Quarterly, on the last day of month following the close of the calendar quarter.
DISPOSITION:	Michigan Transportation Fund (See Gasoline Tax).
2013-14 COLLECTIONS:	$25,107,000
2013-14 COLLECTIONS/UNIT:	$1.67 million per 1 cent of tax.

MOTOR FUEL TAXES

Chart 15
Michigan Motor Fuel Tax* Revenues, 1925 - 2014



A	1925	PA 2	— Gasoline Tax established at 2 cents per gallon.
B	1927	PA 150	— Increased tax rate to 3 cents per gallon; repealed 2 PA 1925.
C	1947	PA 319	— Diesel Fuel Tax established at 5 cents per gallon.
D	1951	PA 54	— Increased Gas Tax rate to 4.5 cents per gallon; added Chapter 2 (Diesel Fuel Tax) to 150 PA 1927 at 6 cents per gallon; repealed 1947 PA 319.
E	1953	PA 147	— Added Chapter 3 (Liquefied Petroleum Gas Tax) to 150 PA 1927 at 4.5 cents per gallon.
F	1967(ES)	PA 5	— Increased tax rates to 7 cents per gallon.
G	1972	PA 326	— Gas and Liquefied Petroleum Gas tax rates increased to 9 cents per gallon.
H	1978	PA 426	— Gas and Liquefied Petroleum Gas tax rates increased to 11 cents per gallon.
			— Increased Diesel Fuel Tax rate to 9 cents per gallon.
I	1980	PA 118	— Raised Diesel Fuel Tax rate to 11 cents per gallon; allowed a 6 cent per gallon discount to commercial vehicles.
		PA 119	— Motor Carrier Fuel Tax established at rate equal to Diesel Fuel Tax rate on commercial vehicles for road use based on miles driven in state.
J	1982	PA 437	— Created formula for altering gas tax rate in 1983 and 1984; set Diesel Fuel and Liquefied Petroleum Gas tax rates equal to Gasoline Tax rate (increased tax rates to 13 cents per gallon in 1983 and 15 cents per gallon in 1984).
K	1992	PA 225	— Altered the collection point of Gasoline and Diesel Fuel taxes from wholesalers to suppliers.
L	1996	PA 584	— Increased Motor Carrier Fuel Tax rate to 21 cents per gallon with 15-cent credit for fuel purchased in Michigan.
M	1997	PA 83	— Increased Gasoline Tax rate to 19 cents per gallon.
N	2000	PA 403	— Gasoline, Diesel Fuel, and Liquefied Petroleum Gas taxes recodified.

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

MOTOR CARRIER SINGLE STATE REGISTRATION TAX

LEGAL CITATION:	M.C.L. 478.1-478.8; 1933 PA 254.
YEAR ADOPTED:	1933
BASIS OF TAX:	Privilege of using highways to transport property.
MEASURE OF TAX (BASE):	Intrastate motor vehicles operated on highways by common and contract carriers.
RATE:	$50 per intrastate vehicle for trucks or tractors used exclusively for transporting household goods. $100 per intrastate vehicle for all others.
ADMINISTRATION:	Department of Licensing and Regulatory Affairs, Public Service Commission; and Department of State Police.
REPORT AND PAYMENT:	Due annually by December 1.
DISPOSITION:	Public Service Commission and Truck Safety Fund ($750,000 or 10%, whichever is greater).
2013-14 COLLECTIONS:	$4,972,000

WATERCRAFT REGISTRATION FEE

LEGAL CITATION: M.C.L. 324.80115-324.80128; 1995 PA 58; Section 40, Article IX, state Constitution.

YEAR ADOPTED: 1967. The former statute (1967 PA 303) was repealed and replaced by 1995 PA 58.

BASIS OF TAX: In lieu of general property tax for privilege of operating motor boats and other vessels on Michigan waters.

MEASURE OF TAX (BASE): Length of boat. Exemptions for lifeboats, hand propelled vessels 16′ or less, non-motorized canoes not used for rental or commercial purposes, all-terrain vehicles, rafts, surfboards, swim floats, and vessels used temporarily on state waters.

RATE: Registration for 3-year period. Rates for motor boats (in feet):

Under 12,	$14	16-less than 21,	$42	28-less than 35,	$168	42-less than 50,	$280
12-less than 16,	$17	21-less than 28,	$115	35-less than 42,	$244	50 or more,	$448

Separate rates for pontoon boats and motorized canoes, non-powered vessels 12 feet or over, and vessels carrying freight and passengers for hire.

ADMINISTRATION: Collection: Michigan Department of State. Enforcement: Department of Natural Resources, county sheriffs.

REPORT AND PAYMENT: Due by April 1 every three years.

DISPOSITION: Michigan Conservation and Legacy Fund, Waterways Account distributed as follows:

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

2013-14 COLLECTIONS: $9,475,801

AVIATION GASOLINE TAX

LEGAL CITATION:	M.C.L. 259.203; 1945 PA 327; Section 9, Article IX, state Constitution.
YEAR ADOPTED:	1929
BASIS OF TAX:	Privilege of using aviation facilities.
MEASURE OF TAX (BASE):	Fuel sold or used for propelling aircraft.
RATE:	3 cents per gallon. *Refund* of 1.5 cents per gallon to airline operators on interstate scheduled operations.
ADMINISTRATION:	Department of Treasury.
REPORT AND PAYMENT:	Due by 20th of each month.
DISPOSITION:	State Aeronautics Fund.
2013-14 COLLECTIONS:	$5,014,000

AIRCRAFT WEIGHT FEE

LEGAL CITATION:	M.C.L. 259.77; 1945 PA 327; Section 9, Article IX, state Constitution.
YEAR ADOPTED:	1923
BASIS OF TAX:	In lieu of all other general property taxes on aircraft.
MEASURE OF TAX (BASE):	The greater of maximum gross weight or maximum takeoff weight. Many exemptions exist.
RATE:	1 cent per pound.
ADMINISTRATION:	Department of Transportation, Aeronautics Commission.
REPORT AND PAYMENT:	Due by each August 1.
DISPOSITION:	State Aeronautics Fund.
2013-14 COLLECTIONS:	$303,000

SNOWMOBILE REGISTRATION FEE

LEGAL CITATION:	M.C.L 324.82101-324.82111; 1995 PA 58; Section 40, Article IX, state Constitution.
YEAR ADOPTED:	1968. The former statute (1968 PA 74) was repealed as of May 24, 1995.
BASIS OF TAX:	Required registration and fee by owner of each snowmobile in state using public lands.
MEASURE OF TAX (BASE):	Each snowmobile considered a separate unit subject to registration. All snowmobiles must be registered unless used exclusively on private property. Annual trail permit required for all snowmobiles unless used exclusively on land owned or controlled by the snowmobile owner and on frozen waters for ice fishing.
RATE:	*Regular snowmobile*: Registration is for 3-year period, $30.00. *Historic snowmobile*: Life-time registration (non-transferable), $50.00. *Trail Permit*: Annual, $45.00. Beginning October 1, 2016 and every fifth year thereafter, the trail permit fee will be adjusted by the cumulative percentage change in the consumer price index during the most recent 5-year period.
ADMINISTRATION:	Collection: Department of State. Enforcement: Department of Natural Resources, county sheriffs.
REPORT AND PAYMENT:	Due by October 1 every three years.
DISPOSITION:	Michigan Conservation and Legacy Fund, Snowmobile Account distributed as follows: *Regular snowmobile*: Department of Natural Resources: $19.00 of fee; Department of State: Not more than $3.00 of fee; Snowmobile Trail Easement Subaccount: $8.00 of fee. *Historic snowmobile*: Department of Natural Resources: $5.00 of fee; Department of State: Not more than $3.00 of fee; Snowmobile Trail Improvement Subaccount: $42.00 of fee. *Trail permit*: Department of State and selling agent: Not more than $1.50 of fee; Snowmobile Trail Improvement Subaccount: $48.50
2013-14 COLLECTIONS:	$2,329,699

CHANGES IN MICHIGAN TAX LAWS

2014 CHANGES IN MICHIGAN TAX LAWS

Tax Administration

2014 PA 2: Amends the Revenue Act to limit the liability under certain circumstances of the purchaser of a business for the former owner's unpaid taxes; limits the personal liability of officers, managers, or partners for unpaid taxes of a business to a "responsible person"; sets audit and refund processing deadlines for Department of Treasury.

PA 35: Requires the Department of Treasury to provide a copy of complete audit work papers and audit report of findings upon request to the person subject to the audit or to a person whose books, records, and papers were subject to examination; requires promulgation of administrative rules to establish new auditing standards that meet requirements outlined in the act.

PA 240: Allows the Department of Treasury to create an offer-in-compromise program through which it could reach a settlement with a taxpayer under which the state would receive less than the full amount owed in taxes.

PA 277: Requires the Department of Treasury to propose administrative rules regarding the courteous treatment of the public, the fair and consistent application of tax laws and rules, and prohibiting the use of collection goals or quotas when conducting audits or examining unclaimed property records; allows the awarding of damages of up to $45,000 to a taxpayer if the department violates the prohibition on goals and quotas.

PA 424: Requires the state to pay additional interest at an annual 3 percent rate for each day a refund under the Michigan Business Tax Act is not issued beyond 90 days after the claim is approved or 90 days after the date established by law for filing a return if specified conditions are otherwise met.

Income Taxes

Personal Income Tax

2014 PA 523: Revises current limitations on the use of federal Low Income Home Energy Assistance Program (LIHEAP) funding for weatherization services, which impacts the amount of LIHEAP funding remaining to support the Home Heating Tax Credit; requires a 25 percent match from the property owner for certain weatherization services performed on rental properties

Corporate Income Tax

2014 PA 13: Allows a taxpayer that acquires assets of another corporation through certain liquidations or reorganizations to deduct business losses attributable to that corporation; clarifies when property "stored in transit" would be defined as a sale in Michigan for apportionment purposes; clarifies the meaning of the term "officer" in determining eligibility for the small business alternative credit.

PA 14: Clarifies that transactions between persons within a unitary business group would be excluded for purposes of determining exemptions, credits, and the filing threshold.

PA 15: Exempts firms that qualify under the federal Internal Revenue Code as a "domestic international sales corporation" .

PA 16: Eliminates the gains from the sale or disposition of an asset from the calculation of the recapture of investment credits issued under the Single Business Tax or Michigan Business Tax due to the sale, transfer, or disposal of an asset for which the credit was originally claimed.

PA 295: Exempts flow-through entities (e.g. partnerships, S corporations) from withholding requirements related to members' shares of business income when those withholdings violate federal or state housing laws or regulations.

Business Privilege Taxes

Michigan Business Tax

2014 PA 282: Repeals the Multistate Tax Compact (1969 PA 343), which included an elective three-factor apportionment formula for businesses with activity or income in multiple state jurisdictions, retroactive to January 1, 2008; also revises calculations of the investment tax credit and renaissance zone tax credit and other provisions related to the modified gross receipts tax base and the treatment of dock sales for the purposes of apportionment.

Oil and Gas Severance Tax

2014 PA 82: Reduces the tax applicable for a "carbon dioxide secondary or enhanced recovery project" to 4 percent of the gross cash market value of the oil or natural gas extracted; previously, the tax rate was 6.6 percent for oil and 5 percent for natural gas.

Health Insurance Claims Assessment Fee

2014 PA 162: Reduces the rate from 1 percent of paid claims to 0.75 percent of paid claims.

Sales-Related Taxes

Sales Tax

2014 PA 53: Extends the current sales tax exemption for property sold or used in the construction or renovation of a "qualified convention facility" (which refers to Cobo Hall in Detroit) through January 1, 2016.

PA 108: Limits the use of indirect audit procedures by the Department of Treasury to determine sales tax liability when the department believes additional taxes are due because a taxpayer has maintained inaccurate or incomplete records.

PA 425: Makes technical adjustments to the Sales Tax Act related to provisions that require certain taxpayers to make accelerated sales tax payments.

PA 554: Creates new presumptions in the law that a seller was "engaged in the business of making sales at retail" in Michigan (and thus has "nexus" with Michigan and would be required to collect and remit the use tax) if the seller or an affiliated

2014 CHANGES IN MICHIGAN TAX LAWS

person engages in certain sales-related activity in Michigan or enters into certain sales and promotional agreements with one or more Michigan residents.

Use Tax

2014 PA 54: Extends the current sales tax exemption for property used in the construction or renovation of a "qualified convention facility" (which refers to Cobo Hall in Detroit) through January 1, 2016.

PA 80: Divides the current state use tax into a local community stabilization share tax and a state share tax and sets the local use tax rate at a level sufficient to achieve specific revenue targets; the state share tax would be 6% minus the relevant local community stabilization share tax rate. (Note: 2014 PA 80 was subject to a legislative referendum and was approved by voters at the August 2014 election.)

PA 86: Establishes a Local Community Stabilization Authority to levy and distribute the local community stabilization share tax; distributions to local units of government would be based on revenue losses attributable to recent property tax exemptions for certain industrial and commercial personal property.

PA 109: Limits the use of indirect audit procedures by the Department of Treasury to determine use tax liability when the department believes additional taxes are due because a taxpayer has maintained inaccurate or incomplete records.

PA 121: Retroactively adjusts the effective date of 2012 PA 474 from January 1, 2006 to January 1, 2005; act provided a use tax exemption for certain property affixed to property in another state.

PA 161: Restores the use tax imposed on medical services provided by Medicaid managed care organizations; these services were removed from the use tax base in 2012.

PA 248: Extends current use tax exemption for the transfer of a vehicle, off-road vehicle, manufactured housing, aircraft, snowmobile, or watercraft to a parent, grandparent, sibling, or child to include certain family members related through marriage (e.g. father-in-law, sister-in-law).

PA 426: Makes technical adjustments related to provisions that require certain taxpayers to make accelerated use tax payments.

PA 554: Creates new presumptions in the law that a seller was "engaged in the business of making sales at retail" in Michigan (and thus has "nexus" with Michigan and would be required to collect and remit the use tax) if the seller or an affiliated person engages in certain sales-related activity in Michigan or enters into certain sales and promotional agreements with one or more Michigan residents; certain sellers would be required to register with the Department of Treasury to collect the use tax.

Tobacco Products Tax

2014 PA 272: Earmarks $3.0 million of the revenue generated from the tax on cigarettes in FY2015 to the State Capitol Historic Site Fund; earmark would increase in subsequent years based on changes in the Consumer Price Index; revenue would be redirected from current revenues earmarked for the state General Fund.

PA 298: Expands the types of upgraded technology and eligible equipment for which a stamping agent may receive compensation through the retention of specified amounts of tax collections; limits combined reimbursement for all qualified equipment costs to $60,000.

Convention and Tourism Marketing Fees

2014 PA 273: Requires lodging facility owners who are delinquent by more than 90 days in paying an assessment owed to a local tourism or convention bureau to also pay reasonable attorney fees and court costs related to the collection in addition to current interest charges.

Accommodations (Hotel-Motel) Taxes

2014 PA 284: Allows a county to provide in its hotel-motel tax ordinance that if the tax remained unpaid for over 90 days, the county could collect that tax, along with associated interest, fee, and other costs, in the same manner as a delinquent special assessment.

Beer Tax

2014 PA 48: Allows a Michigan brewer to designate a beer wholesaler to pay the beer tax on behalf of the brewer, and provides that an eligible brewer may still claim the $2 per barrel credit for small brewers; adds exemption for beer damaged in the process of distribution; requires the Liquor Control Commission to promulgate rules regarding the collection of the tax and reporting requirements to verify the remission of taxes.

Wine Tax

2014 PA 49: Allows a Michigan wine maker or manufacturer to designate a wholesaler to pay the wine tax on behalf of the wine maker or manufacturer; requires the Liquor Control Commission to promulgate rules regarding the collection of the tax and reporting requirements to verify the remission of taxes.

Property Taxes

State Essential Services Assessment Tax

2014 PA 92: Establishes a new specific tax on certain eligible personal property otherwise exempt from the general property tax; provides sanctions for nonpayment or delinquent payment and allows the Michigan Strategic Fund board to exempt certain eligible personal property from the assessment; repeals local essential services special assessment established in 2012 PA 406.

2014 CHANGES IN MICHIGAN TAX LAWS

PA 93: Establishes an Alternative State Essential Services Assessment equal to 50% of the full assessment created under 2014 PA 92; alternative assessment would be imposed, at the discretion of the Michigan Strategic Fund board, on certain eligible personal property otherwise exempted from the full assessment.

General Property Tax

2014 PA 18: Provides that the taxable value of a property would remain unchanged if the property is reconstructed due to an accident or act of God, as long as substantially the same materials are used and the rebuilt structure is not more than 5 percent larger than the original property.

PA 33: Revises provisions regarding the collection of interest on delinquent taxes by counties; allowable interest rate changed from a fixed rate of 1 percent to a rate <u>up to</u> 1 percent.

PA 40: Deletes requirement that property not be for sale in order to maintain a principal residence exemption from the 18-mill school operating levy for property previously occupied as a principal residence by a person who now resides in a nursing home or assisted living facility.

PA 87: Maintains existing property tax exemptions under MCL 211.9f for "eligible manufacturing personal property" until that property otherwise becomes exempt under recently enacted exemptions for certain industrial and commercial personal property; also excludes utility personal property from the exemptions.

PA 89: Ties property tax exemption of "eligible manufacturing personal property" purchased after December 31, 2012 to approval by voters of either 2012 PA 408 or 2014 PA 80. (Note: 2014 PA 80 was approved by voters at the August 2014 election.)

PA 90: Ties property tax exemption of all commercial and industrial personal property where the true cash value of all such property owned by the taxpayer within the local tax collecting unit is less than $80,000 to approval by voters of either 2012 PA 408 or 2014 PA 80. (Note: 2014 PA 80 was approved by voters at the August 2014 election.)

PA 91: Ties property tax exemption of "eligible manufacturing personal property" that had been subject to or exempt from taxation for the immediately preceding 10 years to approval by voters of either 2012 PA 408 or 2014 PA 80. (Note: 2014 PA 80 was approved by voters at the August 2014 election.)

PA 126: Provides that uncollected delinquent taxes due to a county from a local taxing unit or the state are a lien against future payments to the local unit or the State from the county's delinquent tax revolving fund; provides that a decrease in the interest rate on delinquent taxes does not apply to borrowing against those taxes that occurred before the rate was reduced.

PA 274: Allows a local tax collecting unit, with approval of the state Treasurer, to exempt specific property of an eligible economic development group from the property tax for up to seven years; affected county would have the ability to withdraw county-levied mills from the exemption.

PA 310: Excludes from the definition of "transfer of ownership" certain conveyances of residential real property to a parent, sibling, child, adopted child, or grandparent; the exclusion would effectively prevent the property's taxable value from being uncapped after being conveyed.

PA 456: Allows a charitable nonprofit housing organization that owns eligible nonprofit housing property to apply to the State Tax Commission for general property taxation; expands definition of eligible property to include a residential building lot and multi-unit buildings with up to four units and sets timeframes for exemptions; discontinues current authorization for local tax collecting units to exempt such property for up to two years as of January 1, 2015.

PA 488: Exempts real and personal property owned by a nonprofit street railway from general property taxation.

PA 499: Authorizes foreclosing governmental units to create delinquent property tax installment plan for eligible property held by financially distressed persons; allows the unit to remove the eligible property from a foreclosure petition upon receiving the initial installment payment and to waive interest charges upon completion of the installment plan; allows county treasurers, until June 30, 2016, to enter into tax foreclosure avoidance agreements for up to 5 years with owners of eligible tax-delinquent property.

PA 500: Allows foreclosing governmental units until July 1, 2016 to reduce the amount of taxes, interest, penalties, and fees required to redeem an eligible property to an amount equal to 50 percent of the state equalized valuation of the property if the property is in compliance with a delinquent property tax installment plan or a tax foreclosure avoidance agreement and the amount owed would otherwise exceed 50 percent of the state equalized valuation.

PA 501: Revises provisions related to the bidding process, making payments, and issuing deeds for tax-reverted properties; imposes new restrictions on who may bid on and purchase such properties.

PA 502: Allows foreclosing governmental units to acquire property owned by the state, the federal government, a land bank fast track authority, or other governmental entity in order to facilitate the sale of tax-reverted property; such property would be sold at an auction sale as a group with other parcels with net proceeds deposited into the foreclosing unit's delinquent tax property sales account.

PA 511: Exempts real property used for eligible hydroponics production facilities and eligible aquaculture

2014 CHANGES IN MICHIGAN TAX LAWS

production facilities from general property taxes levied after December 31, 2014; property would instead be subject to a new specific tax.

PA 535: Excludes from the definition of "transfer of ownership" a conveyance of land by distribution under a will or trust or by intestate succession if the land were first made subject to a state conservation easement or was eligible under federal tax law for a deduction as a qualified conservation contribution; the exclusion would effectively prevent the property's taxable value from being uncapped after being conveyed.

PA 568: Allows the officers of a city, township, or village to enter into an agreement with the county treasurer to administer the property tax collection functions of the city, township, or village pursuant to approval by the county board of commissioners.

Ad Valorem Special Assessments

2014 PA 429: For townships that allow a special assessment to be payable in installments, limits the amount of any lien on a parcel of property assessed for that special assessment to the amount of the installment currently due; requires townships to provide a statement of the amount of any lien and accrued interest upon request.

PA 561: For townships that allow a special assessment to be payable in installments, limits the amount of any lien on a parcel of property assessed for that special assessment to the amount of the installment currently due.

Industrial Facilities Tax

2014 PA 513: Requires the State Tax Commission to issue an industrial facilities exemption certificate in a specific instance involving a certificate approved in August 2011 by a local unit of government for which an emergency manager was appointed.

PA 514: Provides that amended or transferred applications for and requests to revoke an industrial facility exemption approved by the legislative body of a local unit of government before October 31 but forwarded to the State Tax Commission after October 31 shall be considered effective as of December 31 of the year approved by the local unit.

Hydroponics and Aquaculture Specific Tax

2014 PA 512: Establishes a new specific tax in lieu of general property taxation levied upon owners of eligible hydroponic or aquaculture facilities; the amount of the annual specific tax will equal 25 percent of the property tax that would otherwise be owed if the facilities were not exempt from the general property tax.

Enacted Tax Legislation Repealed due to the Failure of Proposal 15-1

2014 PA 467: Exempts gasoline and diesel motor fuel used to operate vehicles on public roads from the sales tax effective October 1, 2015 and increases the 4 percent portion of the sales tax rate to 5 percent.

2014 PA 468: Increases the tax rate on gasoline and diesel fuel to a new level equal to 14.9 percent of the average wholesale price of each fuel; establishes a rate floor and rate ceiling within which future tax rates would fall, with floor and ceiling adjusted annually based on consumer price inflation; sets tax rate for certain alternative fuels to equal the diesel fuel rate and amends current revenue distribution for FY2016 and FY2017 to pay down state road debt.

2014 PA 469: Increases the state earned income tax credit against the state income tax from 6 percent to 20 percent of the federal earned income tax credit; increases the amount of the homestead property tax credit for senior citizens and disabled individuals with household resources between $3,001 and $6,000.

2014 PA 470: Eliminates the current depreciation discount applied to ad valorem registration tax rates for passenger cars and trucks; increases the registration tax rates on trucks weighing over 8,000 pounds and truck-tractors designed to pull trailers; establishes a new annual registration surcharge for electric-powered vehicles.

2014 PA 474: Exempts gasoline and diesel motor fuel used to operate vehicles on public roads from the use tax effective October 1, 2015 and increases the 4 percent portion of the use tax rate to 5 percent; earmarks 12.3 percent of the new 5 percent use tax rate to the School Aid Fund.

2014 PA 475: Amends the Motor Carrier Fuel Tax Act to make motor fuel tax rates under the act consistent with the new diesel fuel tax rate established within 2014 PA 468.

GLOSSARY OF TERMS

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

C Corporation: A corporation that is taxed separately from its owners under the federal income tax. C corporations include all corporations not taxed as S corporations.

Capitation: A payment method for health care services. The physician, hospital, or other health care provider is paid a fixed contracted rate for each member assigned, regardless of the number or nature of services provided. Payment can be adjusted for age, gender, illness, and regional differences.

Captive Insurance Company: An insurance company that insures risks of its parent, affiliated companies, controlled unaffiliated business, or a combination of its parent, affiliated companies, and controlled unaffiliated business.

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

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

Earmarked: The dedication or setting aside of financial resources for a specific use.

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

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

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

Gross Receipts: Entire amount received by a taxpayer from any business activity for direct or indirect gain, benefit or advantage to the taxpayer.

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

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

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

Personal Property: Generally considered to be things that are movable. Personal property includes tangible property (other than real property), intangible property, and inventory.

Real Property: Land, buildings and fixtures on the land, and appurtenances to the land.

Scrip: Any substitute for currency which is not legal tender and is often a form of a credit.

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

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

GLOSSARY OF TERMS (CONTINUED)

Subchapter S Corporation: A small business corporation limited to no more than 100 shareholders. Statutorily, it is defined as a corporation electing taxation under subchapter S of chapter 1 of subtitle A of the Internal Revenue Code, sections 1361 to 1379 of the Internal Revenue Code.

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

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

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

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

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

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

Written Instrument: Includes contracts for the sale or exchange of real estate or any interest therein. Includes deeds or instruments of conveyance of real property or any interest therein for consideration.

COLLECTIONS FROM MAJOR MICHIGAN TAXES, 2011-2014

(In Millions)

	State Taxes	2011	2012	2013	2014	Data Source
Income	Personal Income	$6,327	$6,934	$8,211	$8,038	A
	Corporate Income	0	436	1,016	1,074	A
	Subtotal[7]	$6,327	$7,370	$9,227	$9,112	
Business Privilege	Single Business	$61	$12	$7	($44)	A
	Michigan Business	2,136	1,256	(127)	(610)	A
	Unemployment Insurance	1,748	1,904	1,782	1,580	B
	Oil & Gas Severance	62	54	60	65	A
	Insurance Company Retaliatory	273	294	292	340	A
	Horse Race Wagering	5	5	5	4	A
	Corporate Organization	21	22	23	23	A
	Health Insurance Claims Assessment	0	112	268	277	A
	State Casino Gaming	114	115	112	107	A
	Quality Assurance Assessment Fees	883	959	970	976	G
	Subtotal[7]	$5,303	$4,733	$3,392	$2,718	
Sales-Related	Sales	$6,689	$6,922	$7,198	7,232	A
	Use	1,621	1,356	1,293	1,585	A
	Tobacco Products	972	970	957	931	A
	Beer and Wine	50	51	51	51	A
	Liquor Excise	133	140	132	139	A
	Liquor Markup	219	231	246	258	E
	Airport Parking Excise	20	21	21	22	A
	Subtotal[7]	$9,704	$9,691	$9,898	$10,218	
Property	Utility Property	$60	$62	$54	$50	A
	Estate	0	0	0	0	A
	State Real Estate Transfer	118	144	192	220	A
	State Education	1,957	1,781	1,746	1,797	A
	Subtotal[7]	$2,135	$1,987	$1,992	$2,067	
Transportation	Gasoline	$831	$823	$823	$824	A
	Diesel Fuel	106	106	107	112	A
	Motor Vehicle Registration	863	879	909	944	A
	Other	20	21	22	26	A
	Subtotal[7]	$1,820	$1,829	$1,871	$1,906	
	Total State Taxes[7]	**$25,289**	**$25,610**	**$26,380**	**$26,021**	
Local Taxes						
Income	City Income	$413	$441	$464	$463	C
Business Privilege	Casino Gaming	$177	$182	$174	$168	F
Sales-Related	Utility Users	$45	$40	$35	$42	F
Property	General Property[7]	$11,072	$10,935	$10,998	$11,200	D
	Total Local Taxes[7]	**$11,707**	**$11,598**	**$11,671**	**$11,873**	
	Total State and Local Taxes[7]	**$36,996**	**$37,208**	**$38,050**	**$37,894**	

Data Sources:

A Annual Report of the State Treasurer (state fiscal year cash basis).
B U.S. Department of Labor (state fiscal year basis).
C State Tax Commission (calendar year basis).
D State Tax Commission (local fiscal year basis).
E Michigan Department of Licensing and Regulatory Affairs, Liquor Control Commission (state fiscal year cash basis).
F Detroit Comprehensive Annual Financial Report (local fiscal year modified accrual basis).
G Michigan Comprehensive Annual Financial Report (state fiscal year modified accrual basis).

[7] Omits collections from certain minor taxes.

APPENDIX

The Michigan Business Tax and the Estate Tax have been repealed but remain in effect for certain taxpayers.

MICHIGAN BUSINESS TAX

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

YEAR ADOPTED: 2007. The tax is repealed for nearly all taxpayers effective January 1, 2012. See "Repeal of Michigan Business Tax" below.

Repeal of the Michigan Business Tax

The tax was repealed for most taxpayers effective January 1, 2012. Public Act 39 of 2011 replaced the Michigan Business Tax with a 6% Corporate Income Tax. The special taxes on financial institutions and insurance companies contained in the Michigan Business Tax Act were moved, intact, to the Income Tax Act (which contains the new Corporate Income Tax); however, a number of the credits available to these entities were eliminated. Nearly all of the Michigan Business Tax credits are eliminated under the new Corporate Income Tax. In certain cases, however, taxpayers can elect to continue to file under the Michigan Business Tax to take advantage of specific credits authorized prior to January 1, 2012.

Beginning January 1, 2012, certain taxpayers with "certificated credits" can elect to continue to file under the Michigan Business Tax election, in place of the new Corporate Income Tax, in order to receive their credit. The law requires taxpayers to pay a tax based on the greater of their Michigan Business Tax liability or their liability under the Corporate Income Tax. Taxpayers electing to file under the Michigan Business Tax must continue to do so until the certificated credit and any carryforward from that credit is used up. Generally speaking, "certificated credits" refer to those credits that result from some agreement between the state and the taxpayer in which a voucher or credit certificate is issued. Tax credits preserved under the definition of "certificated credits" include:

- Early Stage Venture Capital Credit;
- Brownfield Redevelopment Credit;
- Michigan Economic Growth Authority Credits (various);
- Film Production Credits;
- Film Infrastructure Credit;
- Historic Preservation Credit;
- Renaissance Zone Credit;
- Farmland Preservation Credit; and
- NASCAR Speedway Infrastructure and Safety Credit;

Under Public Act 39, the Michigan Business Tax Act will be repealed when the Department of Treasury notifies the Secretary of State that all certificated credits have been exhausted. Thus, the Michigan Business Tax was not immediately repealed under Public Act 39 for all taxpayers, although for most taxpayers effectively it was repealed.

BASIS OF TAX: The tax is comprised of two components, an income tax and a modified gross receipts tax. For the income tax component, the basis is a direct tax on business income. For the modified gross receipts component, the basis is the privilege of doing business in Michigan. Both components apply to all businesses with activity in the state and gross receipts exceeding $350,000 sourced to Michigan. Insurance companies and financial institutions pay separate taxes from the income and gross receipt taxes and are not subject to the $350,000 filing threshold.

MEASURE OF TAX (BASE): The basis of the business income tax component begins with the federal taxable income of the business entity. The basis of the modified gross receipts tax component is the gross receipts of the business entity, less purchases from other firms. Both taxes are subject to a number of base adjustments and apportionment to Michigan.

Base Adjustments:
Business Income Tax
Federal taxable income adjusted to:

(1) add back certain federal income tax deductions (e.g., interest income and dividends from other states' obligations; income taxes and Michigan Business Tax paid; net operating loss carryback/forward; royalty, interest, or other expense paid to a person related to the taxpayer by ownership or control for the use of an intangible asset);

(2) deduct certain items included in federal taxable income (e.g., dividends and royalties

MICHIGAN BUSINESS TAX (CONTINUED)

from non-United States entities; interest income from U.S. obligations; net earnings from self-employment; the book-tax difference for qualifying assets);

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

(4) deduct any business loss.

Modified Gross Receipts Tax

Gross receipts exclude the following:

(1) amounts of "bad debt" for federal income tax purposes phased in over a 5-year period (50% in 2008, 60% in 2009 and 2010, 75% in 2011, and 100% in 2012 and each year thereafter);

(2) proceeds from sales by a principal that are collected in an agency capacity solely on behalf of the principal and delivered to the principal;

(3) amounts received as an agent solely on behalf of the principal that are expended by the taxpayer under certain circumstances;

(4) amounts excluded from gross income of a foreign corporation engaged in the international operation of aircraft under IRC section 883(a);

(5) amounts received by an advertising agency used to acquire advertising media time, space, production or talent on behalf of another person;

(6) amounts received by a newspaper used to acquire advertising space not owned by that newspaper in another newspaper on behalf of another person, excluding any consideration received for acquiring that advertising space;

(7) amounts received by a person that manages real property owned by a client that are deposited into a separate account kept in the name of the client and that are not reimbursed and are not indirect payments for management services provided to that client;

(8) proceeds from the original issue of stock, equity instruments or debt instruments;

(9) refunds from returned merchandise;

(10) cash and in-kind discounts;

(11) trade discounts;

(12) federal, state or local tax refunds;

(13) security deposits;

(14) payment of the principal portion of loans;

(15) value of property received in like-kind exchange;

(16) proceeds from a sale or other disposition of property less any gain from the disposition or reorganization to the extent that the gain is included in the taxpayer's taxable income, subject to certain limitations;

(17) proceeds from an insurance policy, settlement of a claim or judgment in a civil action, less any proceeds that are included in federal taxable income;

(18) proceeds from the taxpayer's transfer of an account receivable, if the sale that generated the account receivable was included in gross receipts for federal income tax purposes. This provision does not apply to a taxpayer who both buys and sells any receivables during the tax year.

(19) for a sales finance company at least partly owned by a motor vehicle manufacturer, and for a securities broker or dealer, amounts realized from the repayment or sale of the principal of a loan, bond, or similar marketable instrument if not held as inventory, and the principal amount received under a repurchase agreement or other transaction properly characterized as a loan;

(20) for a mortgage company, proceeds representing the principal balance of loans transferred or sold in the tax year;

MICHIGAN BUSINESS TAX (CONTINUED)

(21) for a professional employer organization (PEO), the actual cost of compensation paid to or on behalf of a covered employee by the PEO under a professional employer arrangement;
(22) invoiced items used to provide more favorable floor plan assistance to a person subject to the MBT than to a person not subject to the MBT and paid by a manufacturer, distributor, or supplier;
(23) for an individual, estate, or other person organized for estate or gift planning purposes, amounts received from personal investment activity and the disposition of property held for personal use and enjoyment;
(24) for a person that is organized exclusively to conduct investment activity for himself or a relative, amounts derived from investment activity;
(25) interest income and dividends derived from obligations or securities of the U.S. government, state government, or any sub-state governmental unit;
(26) dividends and royalties received from a foreign operating entity;
(27) to the extent amounts are not deducted as "purchases from other firms", amounts relating to certain federal and state taxes and certain state fees;
(28) amounts attributable to an ownership interest in a pass-through entity, investment company, real estate investment trust, or cooperative corporation;
(29) amount of the excise taxes paid by a person on or for cigarettes or tobacco products.
(30) amounts attributable to the taxpayer pursuant to a discharge of indebtedness as defined in the federal Internal Revenue Code, including forgiveness of a nonrecourse debt.

"Purchases from other firms" include:
(1) inventory acquired during the tax year;
(2) depreciable assets;
(3) materials and supplies;
(4) for eligible general building, heavy construction, and construction special trade contractors "materials and supplies" also includes payments for materials deducted as purchases in determining the cost of goods sold for the purpose of calculating total income on Federal return;
(5) for a staffing company, compensation of personnel supplied to its customers;
(6) for eligible construction contractors, payments to subcontractors;
(7) for a theater owner, film rental and royalty payments; and
(8) for real estate brokers, salespeople, or appraisers, certain payments made to independent contractors.

Insurance Companies and Financial Institutions Tax
For insurance companies: The base of the tax is gross direct premiums written on property or risk located or residing in Michigan, excluding:
(1) premiums on policies not taken;
(2) returned premiums on canceled policies;
(3) receipts from the sale of annuities;
(4) receipts on reinsurance premiums if the tax was paid on the original premium; and
(5) the first $190 million of disability insurance premium, other than credit insurance and disability income insurance premiums

For financial institutions, including their subsidiaries: The base of the tax is the financial institution's net capital. Net capital is averaged over a five-year period and excludes goodwill and the average daily value of obligations of the United States and Michigan.

MICHIGAN BUSINESS TAX (CONTINUED)

Apportionment:

For businesses with activity entirely within Michigan, the income and modified gross receipts tax bases are allocated entirely to Michigan. For businesses with multi-state activity, the income and modified gross receipt tax bases are allocated in proportion to sales in Michigan, with exceptions for certain types of businesses.

Exemptions are allowed for:

(1) governmental agencies;
(2) most "persons" exempt from federal income taxes;
(3) nonprofit cooperative housing corporations;
(4) agricultural producers;
(5) certain revenues and expenses of farmers' cooperatives;
(6) that portion of the tax base attributable to the services provided by an attorney-in-fact to a reciprocal insurer;
(7) expenses attributable to multiple employer arrangements to fund dental benefits;

Credits are allowed for:

(1) 0.37% of compensation paid in Michigan;
(2) 2.9% of the cost of new capital assets located in Michigan. Combined with the compensation credit, limited to 52% of tax liability, before surcharge;
(3) 1.9% of research and development expenses. Combined with compensation credit and the investment credit, limited to 65% of tax liability, before surcharge;
(4) NASCAR Speedway, 100% of expenditures for infield renovation, grandstand, and infrastructure upgrades, not to exceed $1,580,000 per year for tax years 2011 through 2016. To be eligible for the credit in tax years 2011 and 2012, taxpayer must make at least $30,000,000 in capital expenditures before January 1, 2011. To be eligible for the credit in tax years 2013 to 2016, taxpayer must make an additional $32,000,000 in capital expenditures before January 1, 2016 (including a minimum of $10,000,000 between January 1, 2011, and December 31, 2012);
(5) NASCAR Speedway, for tax year 2011, 100% of necessary expenditures incurred in Michigan, including professional fees, additional police officers, and traffic management devices, to ensure traffic and pedestrian safety while hosting motorsports events;
(6) certain sports stadia, 45% of tax liability, not to exceed $1.18 million, for 2011 tax year; and 25% of tax liability, not to exceed $650,000, for 2012 tax year;
(7) threshold credit, for firms with allocated or apportioned gross receipts between $350,000 and $700,000;
(8) 35% of taxes paid on eligible industrial personal property;
(9) 13.5% of taxes paid on eligible telephone personal property;
(10) 10% of taxes paid on eligible natural gas pipeline property;
(11) alternative small business tax credit equal to the amount of tax liability above 1.8% of adjusted business income (subject to phase-in);
(12) 50%, up to $100,000, of contributions of $50,000 or more to art, historical, or zoological institute;
(13) new motor vehicle dealer credit equal to 0.25% of the amount paid to acquire inventory in the tax year;
(14) eligible exhibition owner, operator, or controller of an international auto show in Michigan, equal to the taxpayer's liability or $250,000, whichever is less;
(15) large retailer (operates at least 17 million square feet of retail space) credit equal to 1.0% of compensation paid in Michigan, not to exceed $8.5 million;

MICHIGAN BUSINESS TAX (CONTINUED)

(16) retailer (operates at least 2.5 million square feet of retail space) credit equal to 0.125% of compensation paid in Michigan, not to exceed $300,000;
(17) 3.9% of the compensation paid to employees at a facility in Troy that is engaged in research and development of a two-mode hybrid car engine. The maximum credit in a single year is $2 million and is refundable. The credit is available through tax year 2015;
(18) bottle deposit compliance credit equal to 30.5% of expenses required to comply with Michigan's bottle deposit law;
(19) private equity funds credit equal to remaining tax liability, after application of other credits, that is proportional to the total activity conduced by the private equity manager in Michigan;
(20) liability of the start up business in tax years that the qualified business has no business income;
(21) difference between the negotiated rate of return on an original investment in the Michigan Early Stage Venture Capital Investment Fund and the actual repayment. This difference is issued in the form of a tax voucher that may be used to pay any tax liability. Any amount of a voucher not used in one year may be used in subsequent years to satisfy any tax liability;
(22) 50% of charitable contributions;
(23) amount paid for workers' disability compensation;
(24) 75% of contributions to reserve fund of a fiduciary organization pursuant to an individual or family development account program;
(25) 50% of contributions to food bank and homeless shelter;
(26) research, development, or manufacturing of an alternative energy system, alternative energy vehicle, alternative energy technology, or renewable fuel based. One credit based on qualified business activity; another credit based on qualified payroll amount;
(27) amounts certified by the Michigan Economic Growth Authority (MEGA) (see box below);
(28) tax liability in the amount equal to the business activity conducted in a renaissance zone;
(29) up to 25% of expenditures for historic preservation projects;
(30) certain expenditures on brownfield projects;
(31) $1.00 per long ton of hematite ore consumed;
(32) up to 42% of production costs and up to 30% of personnel costs for film industry;
(33) up to 25% of base investment, subject to minimum investment amount, in qualified film and digital media infrastructure project;
(34) up to 50% of qualified job training expenditures for eligible film production companies;
(35) 30% of costs in converting existing fuel pumps to ones that provide E85 or biodiesel blends up to $20,000 per year per taxpayer (capped at $1 million in total credits);
(36) 0.42% of the amount of the deduction for bonus depreciation (available in tax years 2009 and 2010 to taxpayers other than regulated utilities);

RATE: 4.95% Business income tax; 0.8% modified gross receipts tax; alternative tax of 1.8% of adjusted business income for eligible small businesses; insurance companies are subject to a tax of 1.25% of gross direct premiums plus a retaliatory tax; financial institutions are subject to a franchise tax of 0.235% of an institution's net capital.

ADMINISTRATION: Michigan Department of Treasury.

MICHIGAN BUSINESS TAX (CONTINUED)

Michigan Economic Growth Authority

Public Act 24 of 1995 created the Michigan Economic Growth Authority (MEGA) tax credit to the Single Business Tax to promote economic growth and job creation within the state. The credit was retained under the Michigan Business Tax. The original act has been amended several times since to expand the size and types of businesses eligible to receive the tax credit. The credit amounts are approved by the MEGA board, which is an eight-member body, consisting of four state officials and four gubernatorial appointees. Today, the MEGA tax credit is a refundable credit applied against a firm's Michigan Business Tax liability. The amount of the tax credit available to a business is based on the number of jobs created and/or retained, the type and location of the business, and whether the firm is expanding or locating in Michigan. The credit amount is based, in part, on the amount of personal income tax associated with new or retained jobs. (Note: The amounts for specific MEGA credits (e.g., polycrystalline silicon, photovoltaic energy) are based on other factors, such as energy consumption and capital investment.) The amount of each tax credit is included in an agreement between the MEGA board and the firm. There are five general types of agreements:

1) High-tech or high-wage, where business activity is concentrated in specific, defined sectors, and where the wage level meets certain criteria (high wage);
2) Rural, limited to businesses located in counties with a population of 90,000 or less;
3) Retention, where existing businesses agree to create a certain number of jobs or make a certain level of capital investment;
4) Standard, where a business agrees to create jobs in specific, defined sectors; and
5) Combination, consists of components of both a retention tax credit and a standard, rural, or high-tech tax credit.

Tax credits (certificates) are only awarded after fulfillment of the terms of an agreement. Once issued, tax certificates are provided with a firm's Michigan Business Tax return and applied to its tax liability.

REPORT AND PAYMENT: Due April 30. Estimated quarterly returns and payments due by the 15th day of April, July, October, and January if estimated liability for year is over $800; due dates adjusted for taxpayers with fiscal year other than calendar year. A taxpayer, other than an insurance company or financial institution, with annualized apportioned gross receipts of less than $350,000 need not file a return.

DISPOSITION: General Fund. Prior to Fiscal Year 2012, the School Aid Fund received a formula-based allocation equal to the previous year's allocation adjusted for growth in the United States Consumer Price Index during the previous year. If MBT cash collections in a fiscal year exceed a specified amount, 60% of the excess shall be refunded to taxpayers.

2013-14 COLLECTIONS: ($610,007,000)

ESTATE TAX

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

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

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

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

Estate Tax Elimination

Michigan's Estate Tax is equal to the maximum allowable federal state death tax credit. In 2001, federal tax reforms phased out the allowable state death tax credit over a four-year period beginning in 2002. As a result, there is no state death tax credit for dates of death after December 31, 2004. The credit was set to be reinstated in 2013, but the elimination was made permanent by the American Taxpayer Relief Act of 2012. The State of Michigan has taken no action to offset the federal change and therefore the state Estate Tax is no longer effective. State Estate Tax revenues, which approached $200 million in FY2001, will not be collected by the state in the future unless the federal death tax credit is resumed or the state decouples its estate tax rate from the federal credit.

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

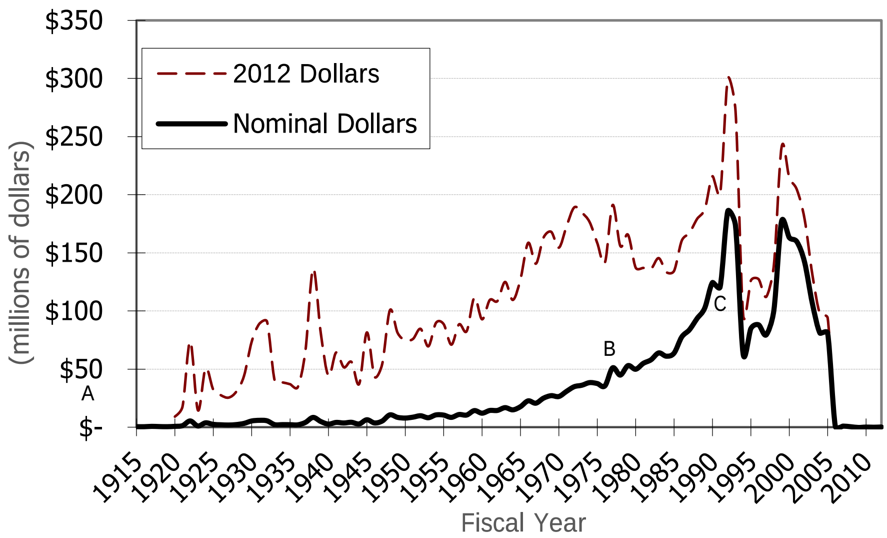
ADMINISTRATION: Department of Treasury.

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

DISPOSITION: General Fund.

2013-14 COLLECTIONS: $31,000

Chart 16
Michigan Estate Tax Revenue, 1915 - 2012



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 — Estate Tax replaced Inheritance Tax.