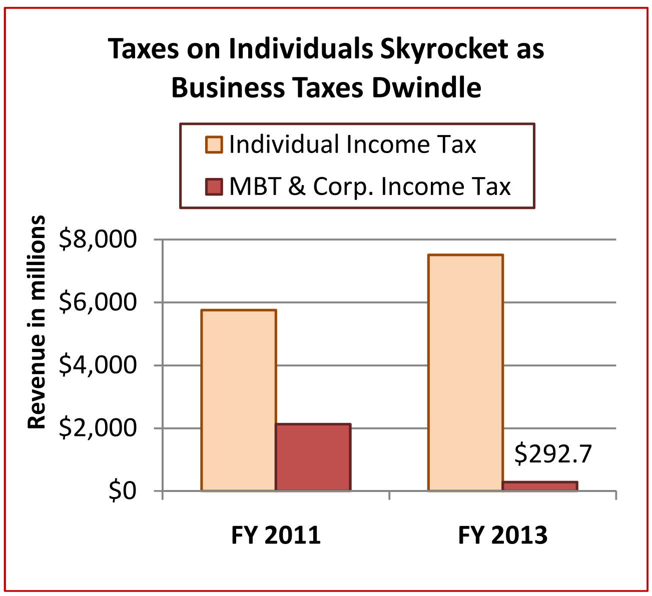
March 2011

Fact Sheet: Big Tax Shift

Governor Snyder's proposed tax changes cut business taxes by 86 percent while increasing individual income taxes by 31 percent.

Tax changes for businesses:

- Business taxes would be cut by 86 percent from an estimated $2.1 billion in FY 2011 to $292.7 million in FY 2013, the first full year of the proposed tax changes.
- On Jan. 1, 2012, the proposal would replace the MBT with a flat 6 percent Corporate Income Tax.
- Businesses would continue to get grandfathered tax breaks at a cost of $500 million in FY 2013.
- An estimated 95,000 companies would no longer have to file a state business tax return, and most businesses would enjoy a net tax reduction.



Source: Michigan League for Human Services

Tax changes for families and individuals:

- Taxes on individuals from the state income tax would rise by $1.7 billion or nearly 31 percent, from an estimated $5.75 billion in FY 2011 to $7.5 billion in FY 2013, the first full year of the tax changes.
- The state income tax rate would be reduced from 4.35 percent to 4.25 percent. Higher incomes groups would benefit more, as a percent of their income, by lowering the income tax rate, according to the Institute for Tax and Economic Policy.
- The Michigan Earned Income Tax Credit (EITC), which helps offset state taxes paid by low-income working families, would be eliminated. An estimated 14,000 children will be pushed into poverty as a result.
- The $600 deduction for children would be eliminated.
- Pension income, and senior dividends and interest would be taxed, even for those in poverty.
- Other credits that would be eliminated include donations to food banks and homeless shelters.
- The personal exemption of $3,700 in 2011 is retained, but is phased out for household income over $75,000 for individuals and $150,000 for joint filers. Special exemptions would be eliminated, except for the disabled.
- The Homestead Property Tax Credit is retained with the current credit percentage up from 60 percent to 80 percent. Seniors now receiving a 100 percent credit would have that reduced to 80 percent. The disabled would retain the current 100 percent credit. The credit is phased out at lower incomes.

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