



Fact Sheet: Big Tax Shift

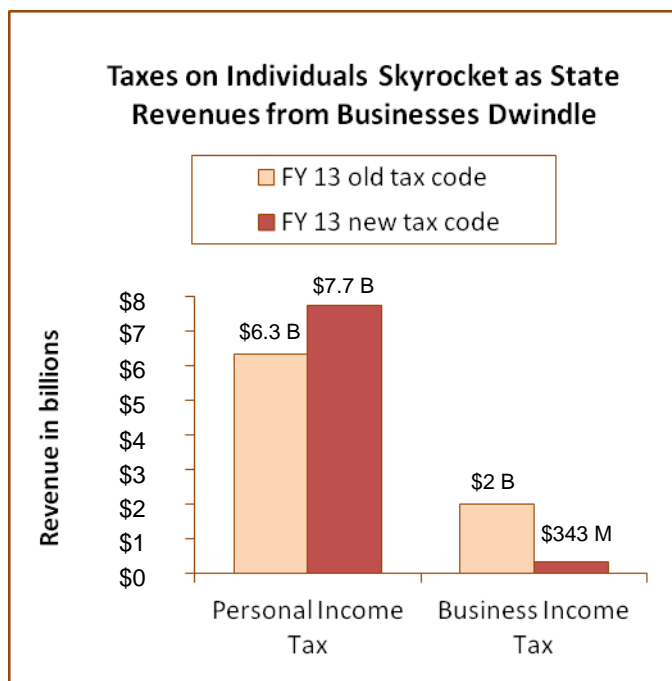
New tax changes cut business income tax revenues by 83 percent while increasing individual income tax revenues by 23 percent.

Tax changes for businesses:

- Business taxes will be cut by 83 percent, or \$1.6 billion.
- On Jan. 1, 2012, the Michigan Business Tax will be replaced with a flat 6 percent Corporate Income Tax.
- Businesses will continue to get grandfathered MBT firm-specific credits at a cost of \$500 million in FY 2013.
- An estimated 95,000 companies will no longer have to file a state business tax return, and most businesses will enjoy a net tax reduction.
- Corporate income tax cuts aren't likely to create job growth, according to the Center for Budget and Policy Priorities.

Selected tax changes:

- Taxes on individuals from the state income tax will rise by \$1.4 billion or nearly 23 percent higher than old law.
- The state income tax rate will be reduced from 4.35 percent to 4.25 percent beginning Jan. 1, 2013. Freezing the rate at 4.25 percent in future years will generate \$223 million in revenue a year. Higher incomes groups will 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, which helps offset state taxes paid by low-income working families, will be reduced from 20 percent to 6 percent of the federal credit, a reduction of \$262 million. As a result of keeping part of the credit, an estimated 5,000 children will be lifted above poverty.
- The \$600 deduction for children will be eliminated, a loss of \$57 million for families.
- Seniors will lose \$343 million in pension tax provisions depending on their age and income.
- Other credits will be eliminated including donations to food banks and homeless shelters, resulting in a loss of \$23 million in credits.
- The personal exemption of \$3,700 in 2011 will be phased out for those with incomes over \$75,000 for individuals and \$150,000 for joint filers, increasing taxes by \$83 million.
- The \$2,300 special exemption for the unemployed and seniors will be eliminated, a \$41 million tax increase.
- The Homestead Property Tax Credit will be reduced by \$270 million as many filers will no longer qualify.



Data from House Fiscal Agency
Chart by Michigan League for Human Services

Michigan League for Human Services

1223 Turner Street, Suite G1, Lansing, MI 48906

Phone – (517) 487-5436 • Fax – (517) 371-4546 • Website – www.milhs.org