March 2011

Fact Sheet: All Pain, No Gain

Snyder tax plan is regressive

Michigan has a regressive tax system, meaning that lower-income people pay a bigger share of their income in state and local taxes than higher-income people. Gov. Rick Snyder's plan would make it even more regressive, according to an analysis by the Institute on Taxation and Economic Policy, a Washington D.C.-based nonpartisan think tank. In fact, the impact on Michigan's poorest households will be more than 10 times greater than the impact on the wealthiest households.

Business gets big break

The Snyder plan would dramatically reduce taxes on businesses (86% drop) while increasing taxes paid by individuals (31% increase).

Income taxes rise

Income tax changes proposed include taxing pensions, reducing credits for seniors, ending the Michigan Earned Income Tax Credit, ending the $600 per child tax deduction and dropping the income tax rate from 4.35 percent to 4.25 percent. While proposed changes to the Homestead Property Tax Credit would help some low-income families, the impact from eliminating the EITC far overshadows it.

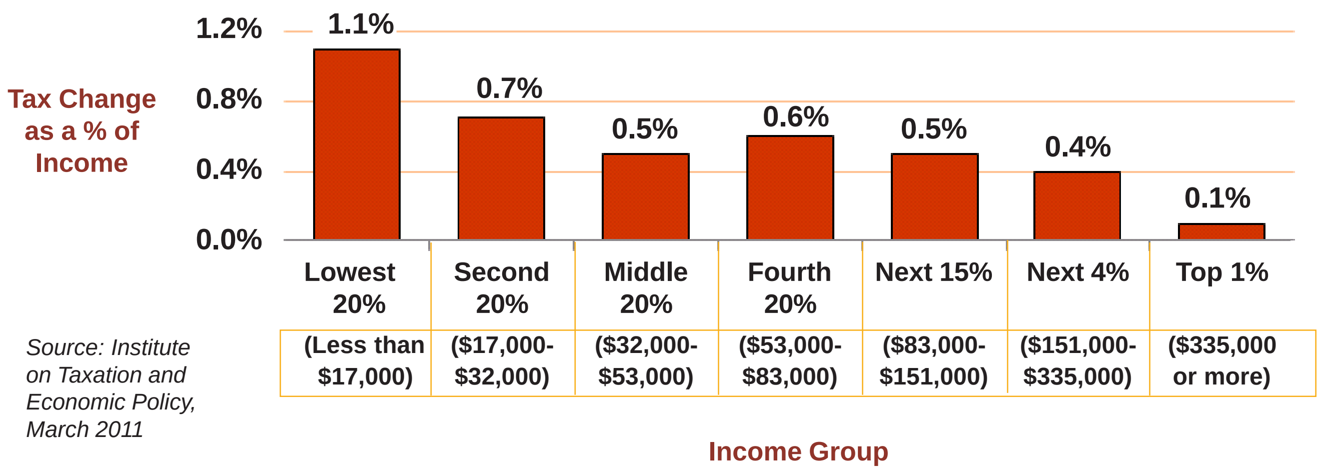
Poor hit harder

ITEP's distributional analysis finds that the lowest 20 percent of households would pay 1.1 percent more of their incomes in increased taxes. All other income groups would pay less than 1 percent in new taxes. In fact, the top 1 percent of households would pay 1/10th of 1 percent more.

System is already regressive

An earlier analysis by ITEP found that Michigan's existing tax system is regressive with the lowest 20 percent paying 8.9 percent of income in state and local taxes while the top 1 percent pays only 5.3 percent. Snyder's plan would make it even more regressive.

Gov. Snyder's Personal Income Tax Proposals Impact Low-Income Households the Most



Source: Institute on Taxation and Economic Policy, March 2011

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