

## STATE TAX BURDEN BELOW AVERAGE, C.R.C. MEMO SAYS

Michigan's overall tax burden is below the national average, a memo from the Citizens Research Council shows, and with the exception of Indiana the state's tax burden is below the other Great Lakes states.

Using 2004 data released by the U.S. Census Bureau, the CRC said that the average per capita state and local taxes paid by individuals across the nation was \$3,447 while Michigan's average per capita taxes totaled \$3,313, with a ranking of 25 among all the states.

The state's income tax was ranked 32<sup>nd</sup> in terms of taxes paid on a per capita basis, the study said. The state's Single Business Tax was ranked 9<sup>th</sup> overall, but the study said that was because it was ranked against business income taxes when it is not a pure income tax.

While Michigan ranked 21<sup>st</sup> among all states when measuring taxes per \$1,000 of personal income, the study also said Michigan's \$103.28 rate was nonetheless below the national average of \$104.09.

Those findings contrast greatly with the state's earlier rankings. According to the study for 1979, Michigan was at its highest state ranking at 12<sup>th</sup> in per capita taxes nationwide. By 1989, the state ranked 14<sup>th</sup> in terms of per capita taxes.

In 1999, after the drastic changes to the state's tax system wrought by the Proposal A school financing reform with its major cuts in property taxes and an increase in the sales tax, the state still ranked 16<sup>th</sup> in terms of per capita tax burden.

The latest data shows Michigan's total tax burden to be comparable to Ohio, Pennsylvania, Virginia, Kansas and Colorado, the CRC said. Only Colorado out of that list charged less in taxes.

And except for Indiana, which levied per capita taxes of \$2,999 and ranked 30<sup>th</sup> overall, Michigan charged less than all the other Great Lakes states (all of which, as both Republicans and Democrats have pointed out, have faster growing economies than Michigan's). Compared to the \$3,313 per capita Michigan levied, Illinois charged \$3,555; Minnesota charged \$3,811 per capita; Ohio charged \$3,419; and Wisconsin charged \$3,714.

Alabama had the lowest overall taxes, charging \$2,328 per capita, according to the study; while Washington, D.C., had the highest overall taxes, charging \$7,154 per capita.

Looking at specific taxes, Michigan ranked 43<sup>rd</sup> in terms of motor fuel taxes with the average resident paying \$107 a year in taxes compared to the national average of \$119. But the state's tobacco tax was the second highest in the nation, netting \$99 a year per capita, well over twice the national per capita average of \$43.

Among the major taxes, however, Michigan ranked 16<sup>th</sup> in terms of property taxes as most local governments still rely solely on the property tax for their revenues. However in 1989, the state ranked 9<sup>th</sup> in terms of property taxes charged per capita. That had fallen to 20<sup>th</sup> in 1999.

But, in part because no local governments have sales taxes, Michigan ranked 27<sup>th</sup> in terms of sales taxes charged per capita. Before the increase was enacted in 1994 as part of the Proposal A changes, Michigan ranked as low as 41<sup>st</sup> in sales taxes.

In 1989, when the state's income tax rate was 4.6 percent, the state ranked 11<sup>th</sup> in terms of taxes charged per capita. It still ranked 11<sup>th</sup> in 1999 when the rate was 4.4 percent. The rate now is 3.9 percent, and the state in 2004 ranked 32<sup>nd</sup> in terms of income taxes charged per capita.

However, Michigan's single business tax ranked 9<sup>th</sup> overall in terms of business income taxes in 2004, down from 5<sup>th</sup> position in 1999. The CRC report said the Census Bureau does not distinguish for a value added tax like the SBT -- which is likely to be repealed by the end of 2007.