A Review and Analysis of Michigan Tax Policies Impacting K-12 Finances

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Author's Sources

Sources reviewed for this analysis include but are not limited to: House and Senate Legislative Analyses of the many public acts; the public acts themselves, the various Michigan Tax Outlines of the Citizens Research Council of Michigan; state budget documents; state monthly financial reports; and the detailed work papers of the bi-annual Consensus Revenue Estimating Conferences for various years.

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Introduction

State tax policies often have impacts beyond the direct and obvious. This review and analysis will look at Michigan tax policies whose primary purpose addressed another policy goal but which also impact K-12 finances. The paper will look at two categories of tax policy actions: first, tax policies that address broad state tax policy issues or perceived inequities within the tax system; and second, specific tax policies aimed at encouraging economic development within Michigan and its communities. In practice, both types of actions may sometimes be proxies for "taxes are too high."

The primary focus of the analysis will be on policy changes enacted since the adoption of Michigan's Proposal A school finance reform, adopted by the Legislature in December 1993 and approved by the voters in March 1994. The expenditure changes took effect for the school fiscal year beginning July 1, 1994, while most tax law changes took effect May 1, 1994. Including the net tax cut accompanying Proposal A, actions over the last eight years have produced what is likely an unprecedented period of tax reductions in Michigan.

Whatever the original intent of the policy, many of these tax changes also have impacted K-12 finances, either at the local level through reducing local property tax collections or by impacting state taxes that are earmarked for the state School Aid Fund (SAF). In some cases this impact has been recognized and some effort has been made to hold the K-12 system harmless from the impact of the policy change. In the majority of cases, however, this has not been done. Many tax policy changes are assumed to have relatively minor secondary impacts, but they may accumulate to significant amounts over time. In other cases, the secondary impact may not ever be immediately apparent.

Many of these tax policy changes would be classified as good tax policy on an individual basis. Public finance experts generally ask that good tax policy address the following criteria: simplicity or ease of administration for taxpayers and the government, equity or fairness (both vertical and horizontal equity), neutrality (taxes should not influence decision-making), and adequacy or sufficiency (state revenue systems should provide for the cost of services).[1] Some have gone further and more specifically suggested that indexing a state income tax personal exemption for inflation protection would be a specific way to maintain or improve equity by protecting a minimum level of taxpayer income from inflation.

Michigan's overall tax system is better balanced entering 2002 than it was entering 1990. However, balance and improvements on the equity side of good policy may now have reached the point where it is appropriate to look at the adequacy side of the equation of good tax policy. This is critically important to all expenditure-side policy, but particularly so to K-12 education, given the high degree of earmarking supporting the School Aid Fund (SAF).

One of the key policy improvements of the last decade was the Proposal A school finance reform. Proposal A dramatically reduced Michigan's reliance on the property tax for K-12 finance. In the process of reducing property tax rates and capping the growth rate of property tax assessments Proposal A has essentially eliminated the recurring revolts against the property tax that seasoned political debate in the 1970's, 1980's and early 1990's.

Proposal A produced significant improvements in base revenue stability for Michigan's school districts. While somewhat more vulnerable to the vagaries of the economic cycle, districts aren't as vulnerable to tax revolt fever as they were in the late 1980's and early 1990's. No longer do districts have to fear the loss of renewal of major portions of their local operating revenue due to voter revolt. The price of that stability is life with a financing system that is more sensitive to changes in state tax policy. The sensitivity comes from the fact that nearly all of the state school aid fund (SAF) revenues (roughly 80% of the total of state and local revenues in the post-Proposal A environment) are "earmarked" to the SAF by constitutional or statutory language.

Sources of State and Local Revenues: FY 2002 K–12 Finance

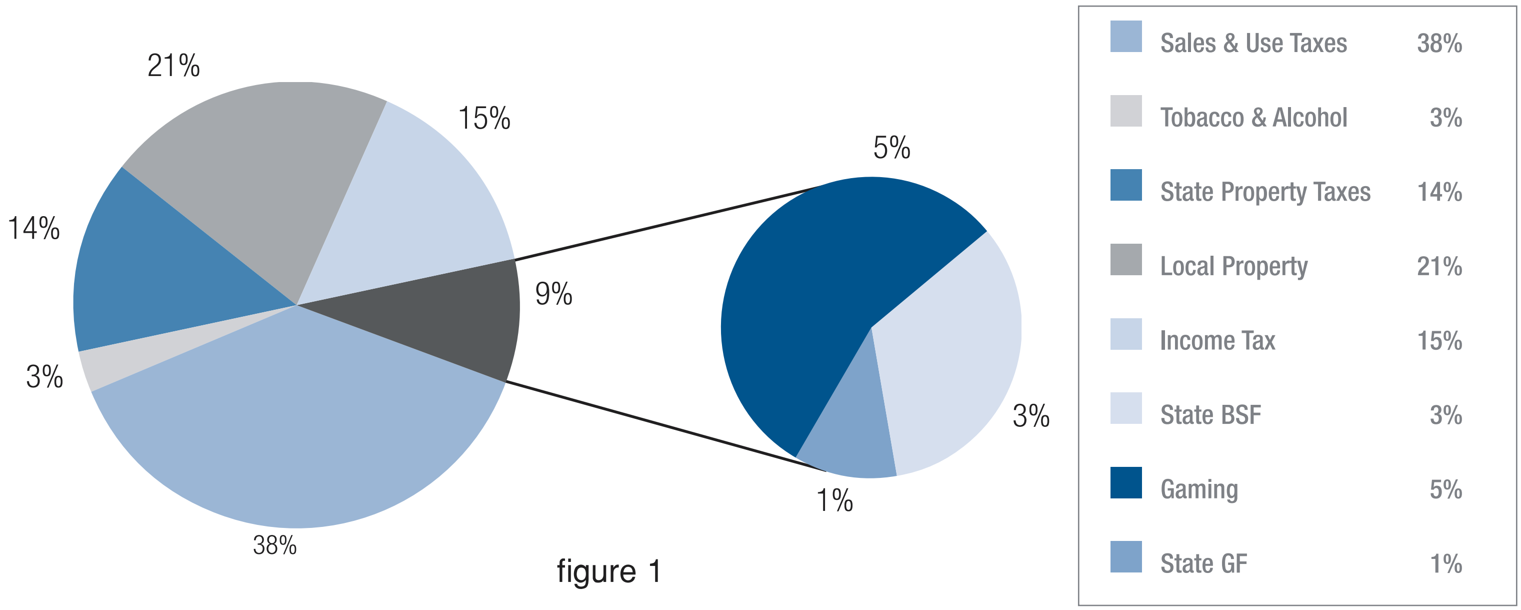

figure 1

Earmarking is sometimes considered the "comfort food" of tax policy. It attempts to lock in a guaranteed level of support for the recipient program. However, policy makers tend to develop a belief over time that the recipient program thus can stand on its own with little or no additional support or close review.

The new state funding system for Proposal A is a stable source of revenue, with modest but relatively steady growth potential. Its main source of revenue, sales and use taxes, have only rarely experienced actual year to year declines in Michigan's history, and the few that have occurred have been barely negative. The second largest component of the "new" SAF is the earmarking of approximately 25% of the gross collections before refunds of the Michigan Income Tax. This is somewhat more volatile, with the trade-off that it also offers improved growth potential for the fund as a whole on the state side. The next largest state source of revenue is the 6 mill state education property tax, and it offers steady growth potential. The local 18 mills on non-homestead property is another key component, and is actually the third largest overall source, followed by the state 6 mills.

In this first decade of Proposal A there have been funding concerns. In general they have centered on issues of the learning curve of accurately estimating the relative growth rate of the SAF in both rapidly growing and slow growth or slight decline periods of economic activity. This learning curve also encompasses the need for state and local district financial managers to recognize when it is appropriate to exercise caution on the expenditure side of the equation, both at the state level and also at the individual district level. While SAF growth rates may vary significantly from year to year around its trend line (which appears to be about 4.5 percent), to date the SAF has not suffered an actual year- to-year decline. (Overestimation of projected revenues has caused some budgeting disruption, but that is a different issue.) The balance of the revenue sources earmarked to the fund will make that unlikely, although not impossible.

This relative stability, however, does not mean that the SAF is invulnerable to potential impacts of the economic cycle or state tax policy actions, be they positive or negative. Many observers mistakenly believe that there is no question of a negative impact on the SAF from most state tax policy actions because of the "guarantee" inherent in the foundation grant system. This is not necessarily true for two reasons.

First, the SAF can suffer revenue losses from state tax policy that could either reduce the ability to support the existing level of the foundation grant or to support an increase if the policy reduces the existing rate of any of the earmarked taxes. For example, the scheduled phased-in reduction of the income tax would have eliminated significant revenue already going into the SAF. The Legislature recognized the scope of this potential impact and provided a hold-harmless feature that increased the portion of the tax earmarked to the SAF in order to guarantee no loss of base revenue. The result is that General Fund, General Purpose revenues will absorb the entire loss…the equivalent of 11.5% of the GFGP revenues when the phase-out began.

Second, the SAF can be impacted negatively by the accumulation of numerous smaller policy changes that collectively can dramatically reduce the growth potential of the earmarked taxes over time by eliminating items entirely from the base of a tax or by limiting the base included for taxation. Such policy actions have only rarely held the SAF harmless.

The reason that these actions can have a negative impact on school finance is that collectively they will limit the growth of SAF revenues and thus limit the potential for future increases in the foundation grant. This is critical because local school districts must cope with the effects of inflation just like individuals and businesses. And, in contrast to individuals and businesses they have little flexibility in reducing services or increasing prices or productivity.

The following review and analysis will primarily look at state tax policy actions since the onset of Proposal A and assess their impact on the SAF. Several on-going policy issues in place before Proposal A will also be examined in the context of the Proposal A changes. Finally, the analysis will note the impacts of some of the key components of Proposal A itself.

Readers should note that nearly all of the policy actions discussed in this paper meet all or most of the generally accepted criteria for good tax policy. Individuals may differ on their perceptions of how some address the questions of equity, but, in general, the concern with most of them would be that cumulatively they may raise concerns about the criteria of adequacy or sufficiency.

Broad State Tax Policy: Income Tax Policies

Michigan's flat rate income tax is critical to K-12 finances for two reasons: first, with the approval of Proposal A by Michigan's voters in 1994 and subsequent legislative actions, a significant portion of the tax is earmarked by statute for the SAF; second, the income tax is by far the largest revenue source for the state's General Fund, General Purpose (GFGP) budget, and therefore is critical to the ability of the GFGP to support the additional appropriations to the SAF that have been customary in Michigan.

Earmarking a portion of the income tax (specifically, gross collections before refunds and credits, so that tax credits such as the property tax credit, or refunds for over-withholding don't reduce SAF revenue) began with Fiscal Year 1994-95, the first year of Proposal A implementation. The initial earmarking was set at 14.4% of gross collections, effective October 1, 1994. The earmarking percentage was increased to 23.0% effective October 1, 1996 (Fiscal Year 1996-97).[2] With this change, nearly a quarter of every income tax dollar collected was going into the SAF.

When the Legislature made the policy decision to adopt a phased reduction of Michigan's income tax rate, it was recognized that there was the potential for the SAF to lose 23% of the revenue from each one-tenth-percentage point reduction in the tax rate. This would have had an impact on SAF revenues of roughly $40.0 to $45.0 million for each one-tenth as the rate dropped from 4.4% to 3.9%. The Legislature recognized the significant impact this could have on existing SAF revenues and provided for annual increases in the earmarking percentage to hold the SAF harmless from any revenue loss. This did, however mean that the GFGP budget absorbed 100% of each scheduled reduction. When the rate cut is fully phased in for the 2005 tax year, the earmarking percentage will be approximately 25.9%

In this case the size of the change was large enough to have policy makers consider the impact and make the decision to offset the impact to K-12 finances. In the case of other income tax changes no offset has been provided.

Income Tax Earmarking Fiscal 2002

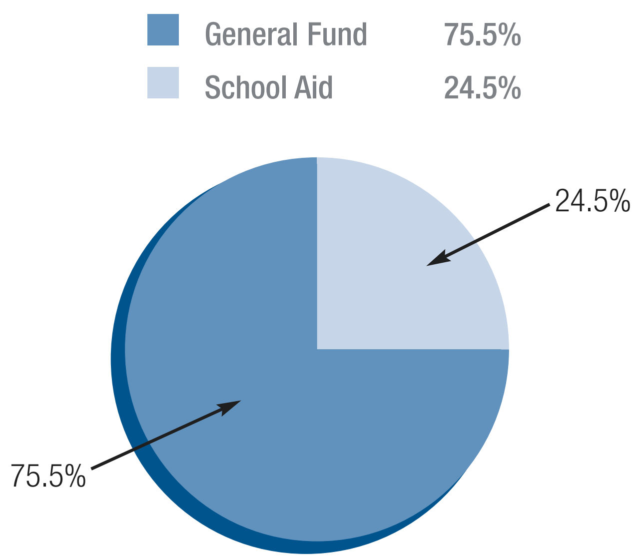

figure 2

Many of the income tax changes that impact K-12 finances via the SAF earmarking are some of the best examples of good tax policy in terms of equity and fairness. For instance, a number of key state income tax exemptions have been indexed to inflation in order to maintain their real value for taxpayers. Michigan's basic personal exemption, its special exemptions for children, the handicapped, the elderly and other special category exemptions are all "indexed" or adjusted annually for inflation. Similarly, a large number of deductions are indexed as well (private pension income, dividend and interest deduction, etc). Further, because Michigan's income tax is linked to federal adjusted gross income (AGI), items that are added to the Internal Revenue Code or existing items that are increased (such as the IRA provisions) impact Michigan's tax as well.

Maintaining the real benefit of basic exemptions and deductions for taxpayers has long been considered to be a linchpin of good state tax policy. Indexing has the effect of protecting real net income from "bracket creep" in states with graduated income taxes, and protecting the real (after inflation) value of the personal exemption in flat rate tax states such as Michigan.

There are two caveats to this: first, a state with a high degree of indexing where multiple items beyond the personal exemption are indexed and second, a state with significant "earmarking" of its income tax. Here indexing has the additional effect of limiting the growth potential of the earmarked taxes and with that the ability of the budget to meet the demands of inflation on the expenditure side of the equation. This leaves the good policy of indexing open to questions about meeting the policy criteria of adequacy. In Michigan, in contrast to the increased earmarking to offset the impacts of the rate reductions, no action has been taken to hold the SAF harmless from the impacts of indexing or the other equity policy actions below. While the net effect of these changes is an income tax that is still elastic relative to personal income growth, it is less so than in 1993.

Perhaps this is because it can be argued that SAF revenues lose nothing by accepting a lower rate of revenue growth in order to protect taxpayers from inflation. There is a loss, however, of adequacy, because in order to protect the programs and services offered by the K-12 system (and others) from the effects of inflation on their costs, some degree of inflation recognition is needed as well.

Perhaps it is also because the impact of an annual increase of $100 in the personal exemption means only a reduction of approximately $6.5 to $7.0 million in SAF revenue. As we will see below, however, a number of other items are also indexed and the aggregated impact is much larger. In addition, since the adoption of Proposal A in 1994, a number of new income tax policy initiatives have been enacted into law, some with and some without indexing. The cumulative impact of these changes has been significant.

Appendix I, Tables I through XIII provide detail on changes in the rate, earmarking, personal exemption and other major income tax policy changes in Michigan since 1994. Table XIV summarizes the impact numbers from the preceding tables. Table XV notes the impact of the income tax rate cut that was part of the Proposal A tax reform, although it is not included in any totals.

Including the personal exemption changes, the cumulative impact is estimated to be just under $700 million in lost revenue to the SAF from Fiscal Year 1994 through the end of the current year, Fiscal 2002. On an annual basis, Fiscal 2002 contributes about $155 million to the cumulative total. In order to put $155 million in perspective, think of it as the equivalent of $90 per pupil in each district in the state. Even though it won't itself add to the total because of the earmarking increases, by the time the income tax rate reduction ends in Fiscal 2005, that year's annual total is estimated to be just under $185 million, and the cumulative total is projected to be $1.2 billion.

Each of these policy changes has good rationale supporting it beyond the virtues of indexing. One may wonder, however, if the cumulative impact of all of these changes has become far more than policymakers realized as they adopted each individual change. Let's look briefly at the major changes in Tables I–XIV.

Tables I to III provide a history of the income tax rate, the earmarking percentage, and the personal exemption. The personal exemption for 2002 is estimated to be $3,000, up by $900 from the $2100 level in effect for 1994. This is now estimated to mean a reduction in earmarked SAF revenues of $67 million for 2002 alone, and a cumulative total of nearly $345 million. The next three years are projected to boost the annual total to about $90 million and the cumulative total to $590 million. See Table IV.

There was an income tax deduction for private pension income prior to 1994, but it was dramatically increased in 1994 from $7,500 on a single return and $15,000 on a joint return, to $30,000 and $60,000 in 1995.[3] The increase alone, with its subsequent indexing, is lowering SAF earmarked income tax revenues by $15 million for 2002. See Table V.

Table VI summarizes projections of the impact of the deduction for dividend and interest income received by senior citizens. Starting with a very small deduction of $1,000 for a single return and $2,000 on a joint return in 1995, the deduction was substantially increased by legislative action in two separate 1995 acts.[4] The projected impact of this deduction on SAF revenue for 2002 is $5.6 million, which will result in a projected cumulative total of over $29 million.

A special additional deduction for children now has an SAF impact projected at $13.6 million for 2002 alone. It will have accumulated to $51 million since adoption (Table VII). Other special exemptions for seniors, the disabled and persons who receive unemployment compensation that is more than 50% of their federal adjusted gross income will add another $15.6 million impact for 2002. (Table VIII) Special dependent exemptions took effect for the first time in 2001, with a $7 million impact on SAF revenues (Table IX).

Another new state income tax feature is the deduction for contributions to the Michigan Education Savings Plan (MESP). As with indexing, and all of the other deductions noted above, the purpose is excellent: encouraging parents to save for their children's higher education by providing a tax deduction, now projected to have a nearly $2 million SAF impact for 2002 (Table X).

Table XI summarizes a different kind of deduction: a 100% income tax deduction for residents of Renaissance Zones. The policy goal is a complement to the economic development goal of Renaissance Zones: they will work better and help build more viable neighborhoods and communities if there are also incentives for residents to remain there or move there. The amounts involved are very small (a projected $73,500 for 2002), and the SAF is reimbursed for the lost revenue involved by the General Fund. These amounts are not included in Table XIV because of the reimbursement.

Table XII is an example of yet another type of secondary policy impact. Michigan's income tax is linked to the Internal Revenue Code so that a federal deduction or exemption that reduces adjusted gross income (AGI) also has the effect of granting a comparable Michigan exemption. This happens because the Michigan tax starts with federal AGI, after the deduction. Deductible IRAs have long been part of the federal revenue code, and thus implicitly part of Michigan's.

In the post-Proposal A years, however, there have been two major federal policy changes that significantly increased the value of the IRA deduction and thus its impact on Michigan revenues. Once again, an admirable tax policy aimed at encouraging individuals to save for retirement has the additional consequence of reducing revenue to Michigan's SAF. The net effect of these policy changes is to reduce 2002 revenues to the SAF by almost $27 million from the Proposal A tax code levels.

Table XIII offers an example of a new federal tax deduction: interest paid on federal student loans. Enacted with a phase-in as part of the Tax Reduction Act of 1997, it is rapidly building to an estimated $1 million annual reduction of SAF revenue from earmarked income taxes. As with all of these, the individual proposal makes sense and has a good public purpose, but also contributes to a very significant accumulated impact that may not have been intended.

Federal tax policy changes can also have the impact of increasing state revenues. For example, it has been argued that recent federal changes in the taxation of long-term capital gains encouraged many stockholders to cash out market gains that resulted in significantly increased tax payments to the federal and state governments in the late 1990's and 2000.

The Michigan Legislature does have the power to "de-couple" from the effects of internal revenue code changes such as those in the above two paragraphs. It would not be recommended to do so. Such an action would protect the adequacy of the state income tax, but it would badly fail the tests of simplicity and ease of administration.

Table XIV summarizes the impacts of the above proposals: $155.0 million in Fiscal 2002, making a cumulative total of $698 million of lost SAF revenue since the adoption of Proposal A. GFGP revenues would be down by three times $155.0 million, excluding the effects of the current rate reductions. What this means in SAF perspective is $90.00 more per pupil in Fiscal 2002.

Composition of $155.0 million in figure 3

	millions
Indexed Personal Exemption	($67.6)
Private Pension Deductions	($15.6)
Dividend & Interest Deductions	($ 5.6)
Child Exemptions	($13.6)
Special Exemptions	($15.8)
Dependent Exemptions	($ 7.1)
College Savings (MESP)	($ 1.9)
Federal IRA Changes	($27.0)
Federal Student Loan Deductions	($ 0.8)
Total	**($155.0)**

Income Tax Policy Changes Impacting School Aid

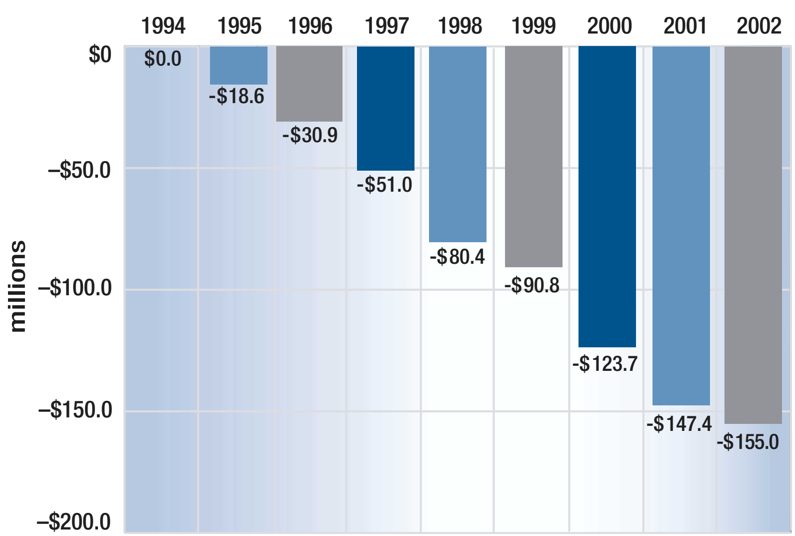

figure 3

Please note that this discussion excludes certain other items that cannot be estimated precisely and which are likely to be very small. The first is Public Act 181 of 1999. It allows for an income tax deduction of the amount of any monetary settlement received by a Holocaust survivor. The second one could grow over time. Public Act 400 of 2000 allows for a deduction for charitable contributions made from the distribution of assets under a retirement plan.

One other item has been excluded as well at this time due to lack of specific data, although the amounts could be significant. The existing federal tax reform embodied in last year's H.R. 1836 will affect Michigan's income taxes. The January 2002 Consensus Conference concluded that the total impact would be \$14.9 million for 2002 and \$24.9 million for 2003, but the SAF impact was estimated at only \$0.6 million for each of the two years, due to the expectation that the biggest effect would be in reduced refunds rather than reduced payments. At this time however, there is some lack of clarity on how much of the impact will come via policy changes that will flow through and result in reduced gross collections of the Michigan income tax.

Table 15 summarizes for informational purposes only the impact of the income tax rate cut from 4.6% to 4.4% that was implemented along with Proposal A.

Broad State Tax Policy: Sales and Use Tax Policies

The decade of the 1990's in Michigan sales and use tax policy may be remembered primarily for the large number of seemingly small exemptions that were granted. Many of these resulted from continuing interpretations of the policy implications of several key components of Michigan's tax policy despite the fact that both taxes date back to the 1930's. In addition, certain economic-related policy reforms, such as electrical deregulation have had tax policy implications along with a number of other miscellaneous tax exemptions and administrative policy changes.

All of these are critical to K-12 finance because of the major contributions made to the SAF by earmarked sales and use taxes. Prior to Proposal A, 60% of the 4-cent sales tax (or 2.4 cents) was constitutionally earmarked to the SAF. Proposal A added another 2 cents that was 100% earmarked to SAF, making a total of 4.4 cents. However, residential energy utilities were exempted from the 2 cent increase, creating a slightly lower tax base for the new levy compared to the old on the equity grounds of not further burdening homeowners and renters. While readers should remember this base adjustment issue, the impact of a sales tax deduction or exemption on SAF revenues can be roughly thought of as 73% (4.4 / 6.0) or 75% for a ballpark estimate.

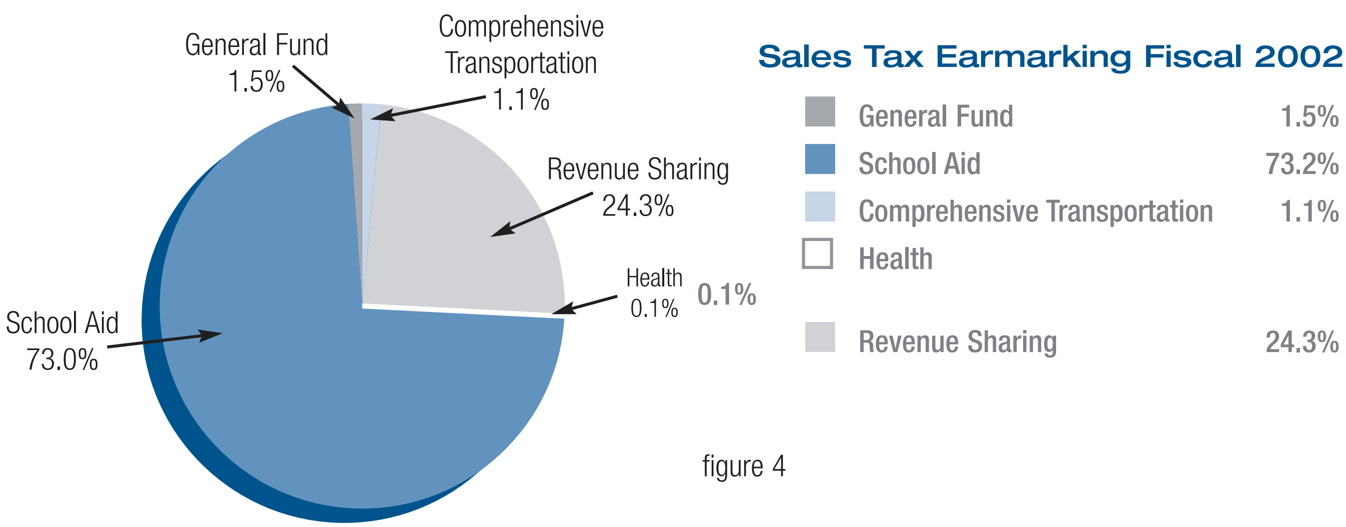

figure 4

Accompanying this high degree of sales tax constitutional earmarking to the School Aid Fund is a combination of constitutional and statutory earmarking for the state revenue sharing that covers roughly another 25% of collections. This leaves about 2% of sales tax collections in the general fund. With state government directly receiving such a small share of the total collections schools and local governments may need to exercise greater oversight of sales tax policy in the future since their stake in the collections is so much greater.

Because it was an integral part of Proposal A, the difference in energy taxation noted above is not included in the tables of Appendix II which trace post Proposal A sales and use tax changes since 1993. However, it has totaled a significant amount of money. The January 2002 Consensus Conference built its sales tax estimates off a base that assumed that $206 million of the yield from the 4-cent levy came from residential energy utilities. This means that the additional 2-cent levy, and the SAF, were down $103 million from what they would otherwise have been. As with many of the income tax exemptions discussed above, the sound tax policy of not over burdening the basic need of energy by taxation has resulted in significant revenue implications for the SAF.

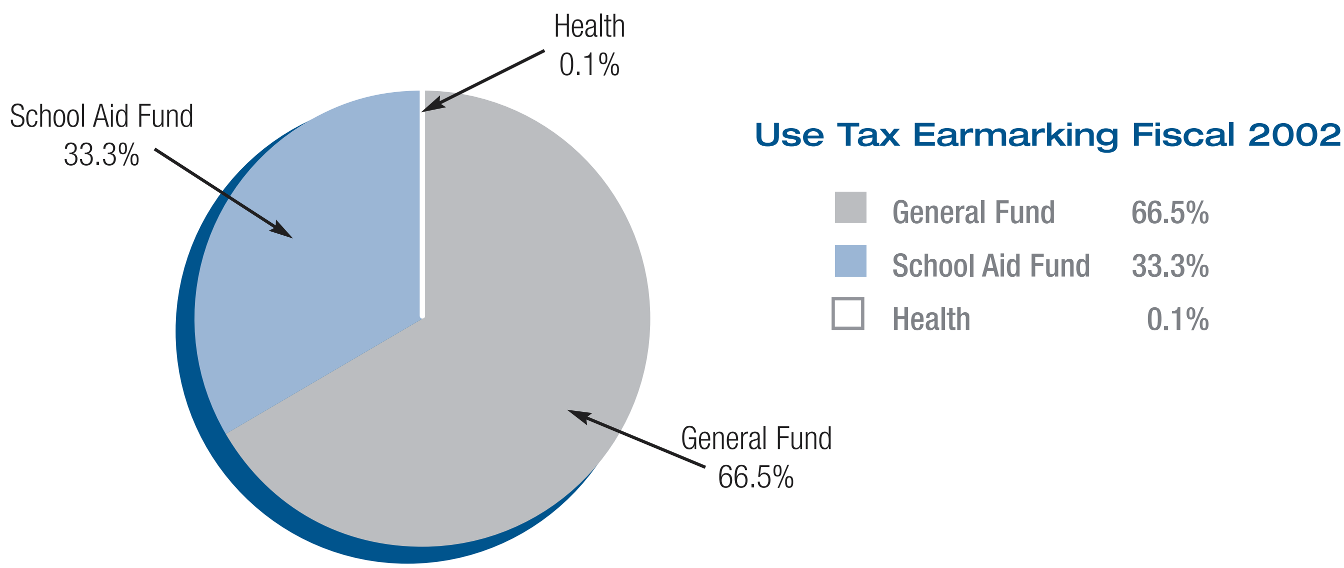

figure 5

The use tax, too, is now earmarked in part. The Proposal A legislative package also provided for a 2-cent increase in the use tax, which was 100% earmarked for the SAF. The existing 4 cents remains a GFGP revenue source. Thus a use tax exemption will have a one-third or 33.3% impact on SAF revenues (2.0 / 6.0).

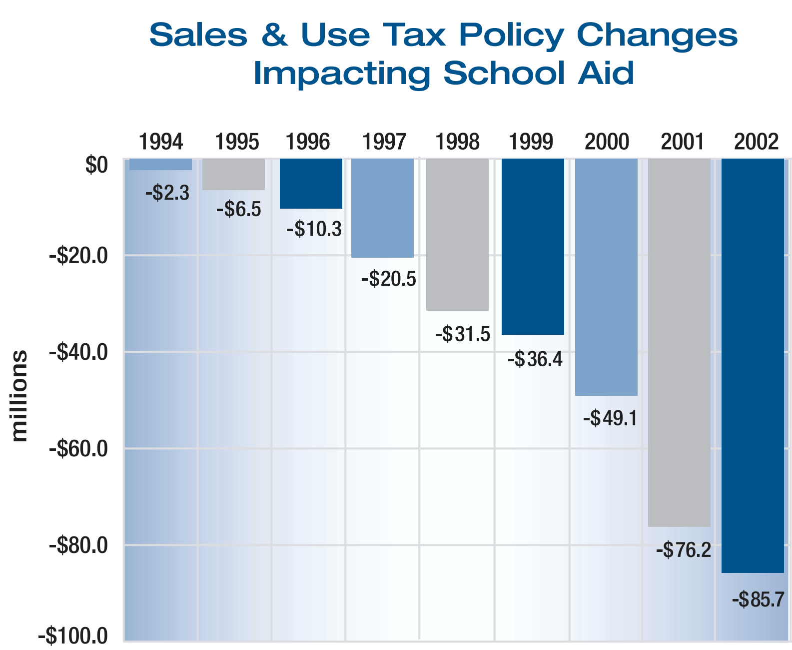

figure 6

Composition of $85.7 million in figure 6

	millions
Mobile Vendors Food Sales	($ 5.6)
Auto Lemon Law Returns	($ 0.7)
Non-Profit Sales & Purchases	($ 2.6)
Promotional Materials	($ 0.2)
Vended Bakery Products	($ 0.4)
Expand Definition of Relatives, Auto Use Tax	($ 0.2)
Commercial Advertising	($ 3.4)
Telecomm Equipment	($ 2.0)
Aircraft, Aircraft Parts, Rolling Stock	($ 8.4)
Vended Juice Drinks	($ 2.0)
Payment Schedule Changes	+$ 0.6
Materials for Church Construction	($ 2.0)
Industrial Laundry Sales & Purchases	+$ 0.4
Exempt Certain Hospital Construction	($ 0.9)
Payment Schedule, Construction Credit	($ 2.1)
Exempt Certain Computer	($ 0.6)
Exempt Investment Coins & Bullion	($ 0.2)
Apportionment & Industrial Processing	($10.7)
Trucks, Parts, Rolling Stock #2	($ 8.8)
Use Tax Bad Debt Deduction	($ 2.0)
Electrical Deregulation Impact	($ 3.1)
Telecomm Reform Imports	($ 5.9)
Aircraft #2	($ 2.2)
Exempt Employee Meals	($ 5.1)
Electrical Deregulation #2	($12.0)
Vended Soft Drinks	($ 7.8)
Total	($85.7)

The result of the earmarking, and the changes summarized in Appendix II is a projected 2002 annual loss to the SAF of $55.4 million of sales tax collections and $30.3 million of use tax collections, with about half coming from actions taking effect in 2001. The cumulative losses since Proposal A are estimated at $185.9 million for sales tax and $132.6 million of use taxes.

Food and Food Related Exemptions

The first set of policy issues comes from the constitutional exemption of food and prescription drugs adopted by the voters in 1974 that provided:

> "No sales or use tax shall be charged or collected from and after January 1, 1975 on the sale or use of prescription drugs for human use, or on the sale or use of food for human consumption except in the case of prepared food intended for immediate consumption as defined by law. This provision shall not apply to alcoholic beverages."[5]

A food exemption has long been considered the hallmark of the very best practice in state sales tax policy, the argument being that food costs are perhaps the most basic cost of living component, and that food costs consume a much larger proportion of the expenditures of low income persons.

"Prepared food intended for immediate consumption…" is the phrase that resulted in several Public Acts in the post Proposal A years as it had in the previous twenty years since voter approval of the constitutional amendment. While Appendix II is organized in rough chronological order tracking the dates of the Public Acts involved, the very first entry was another in a long series of actions addressing this issue.

Right after the March 1994 approval of Proposal A and concurrent with the May 1, 1994 effective date of most of the tax changes including the sales tax increase, Public Act 49 of 1994 exempted food and beverages sold by mobile vendors. Mobile vendors, in case the reader is unclear, would include the following: ice cream trucks, hot dog vendor carts and the sort of mobile kitchens at construction sites and other locations. As with most of the sales and use tax changes, this action hasn't resulted in a lot of lost revenue itself (but an estimated $5.6 million loss to the SAF in 2002 still means about $3.25 per pupil). Its most lasting legacy however may be the other exemptions it may have inspired.

Public Act 63 of 1995 provided that bakery products sold from vending machines would also be exempted. While vending machines may offer what seems to be the ultimate in immediate consumption to some, vendors arguments for equity with bakery-sold products, some of which are also eaten immediately, carried the day. The result: an additional estimated SAF loss of $438,000 for 2002.

Public Act 576 of 1996 provided a 1-16-97 effective date for exemption of juice drinks sold through a vending machine, at least in part due to the analogy that juices are often considered food, and that juices bought at most grocery stores in the same multi-packs of small bottles often used to stock vending machines were exempt. The impact is an additional estimated SAF impact of $1.97 million in 2002.

Vending machine operators waited until Public Act 417 of 2000 for their next achievement—exemption of vended soft drinks. Again, part of the argument was that soft-drink multi-packs purchased at grocery stores were exempt. While most nutritionists may legitimately wonder if there is any food value in most soft drinks, that was never the question. The fiscal impact: another $7.8 million estimated SAF loss for 2002.

The total impact of this quest for equity in the taxation of food: an estimated $15.83 million in 2002, or enough for $9.30 per pupil per year. This process of exemption by relationship as seen with the food exemption changes can be a lengthy one. Each new exemption moves the line between exempt and non-exempt items closer to the next item still taxed. That business then often discovers the inequitable treatment it receives relative to the recently exempted industry or product that is so much like it. It then begins to discuss the equity of the treatment it faces under the statute and seeks "fairness."

Still in the food arena, a slightly different perspective resulted in Public Acts 328 and 329 of 2000 which provided for the exemption from sales taxes of meals provided to employees by restaurants, with a projected 2002 SAF impact of $5.1 million in addition to the total in the paragraph above. Note that these are meals for consumption on the premises of a restaurant that is selling the same meals to customers in the next room, all for immediate consumption and all subject to sales tax. The policy argument is a little more complex in this case since restaurants argue that the no cost or low cost meals provided for employees are actually part of their compensation and would not be subject to sales tax if the same value was provided in cash. On the other hand, if the same value were paid in cash, income taxes would be collected (with approximately 25% going to the SAF).

Industrial Processing Exemptions

The second broad policy category of sales and use tax exemptions relates to the exemptions for industrial (and agricultural) processing. In general an industrial processing exemption allows an intermediate business such as a manufacturer, assembler, or processor of raw materials to be exempt from paying a sales or use tax on purchases that become a component part of a final good or product that is taxed. Just as "immediate consumption" is a key phrase for the food exemption, so too is "component part."

Michigan has long been considered to have one of the broadest industrial processing exemptions among the states. That has not stopped pressure for further expansion as we will see below. Here's an example of two of the types of distinctions involved in component part exemption. A computer purchased for use to control the actions of robotic assembly or paint equipment in an auto assembly plant would be exempt. A computer purchased for use in the plant's attached office complex would not be. A broom purchased for use in a farmer's barn might be exempt. A broom purchased for the house would not be exempt.

Public Acts 34 and 424 of 1994 created and then clarified a use tax exemption for promotional materials purchased outside of Michigan and included in sales of a product made in Michigan. They also provided for retroactive refunds back to December 31, 1987 as part of an attempt to settle a litigation dispute with the state over taxability of these items. The annual impact is estimated at a relatively small $500,000 gross in 2002, with a $166,650 impact the SAF (Use Tax, ⅓ earmarked). The retroactive refunds were an estimated $1.5 million of gross collections, and the cumulative SAF impact for 2002 is estimated at $1.7 million.

Public Acts 208 and 209 of 1995 extended the processing exemption to include materials purchased for use as elements of commercial advertising campaigns. Primarily impacting the sales tax, the 2002 impact is estimated at $3.3 million for the SAF, with a cumulative total through 2002 of just under $21.0 million.

Public Acts 435 and 436 of 1996 extended the exemptions to additional equipment purchased for use in telecommunications, with the impact primarily on use taxes. The projected impact: $6.1 million gross and $2.0 million SAF for 2002. Public Act 477 of 1996 extended a sunset date on an aircraft purchase exemption and expanded exemptions for rolling stock (train cars, truck trailers, etc.). The total use tax impact is estimated at $25.1 million for 2002, with $8.4 million affecting the SAF.

Public Acts 365 and 368 of 1998 created a complex change in the taxation of industrial laundries, exempting certain equipment and taxing sales of the laundry service. The net result was a gain in sales tax collections and reduction in use tax collections (Note: the sales tax number shown in the Appendix II tables is a negative number to distinguish it from the positive numbers showing revenue losses for other tax changes). While there was a net total loss to the state from this changeover, the SAF actually had a small net gain, picking up $1.3 million in sales taxes in 2002 and losing only $0.9 in use taxes, for a net gain of $0.4 million.

Public Acts 490 and 491 of 1998 exempted certain computers and equipment purchased for use in converting documents from microfilm to digital status for preservation. The estimated annual impact to the SAF is $584,000 in 2002.

Breaking the tendency for exemption action in even numbered years, Public Acts 70, 116, and 117 of 1999 further expanded the industrial processing and rolling stock exemptions of PA 477 of 1996, and once again extended a sunset. The industrial processing provisions resulted in an estimated 2002 SAF impact of $3.8 million sales tax and $6.9 million use tax. The rolling stock provisions added another $8.8 million of lost SAF sales taxes, making the total 2002 SAF impact $19.5 million.

The aircraft industry sought an expansion of its exemptions in 1996 PA 477 along with an extension of the sunset and achieved in it Public Acts 200 and 204 of 2000. The additional impact is projected at $1.8 million for SAF sales taxes and $0.4 million for SAF use taxes.

Non-profit Exemptions

The third traditional category of sales/use tax policy issues centers on the treatment of non-profit organizations. The issues involved center on the tax treatment of purchases by the non-profits and on the taxability of items they may sell as part of their fund raising efforts.

In Michigan this has played out on several fronts, beginning for the purposes of this analysis with Public Acts 156 and 157 of 1994 which broadened the exemption for personal property purchased by non-profits and also provided an exemption for sales made by them if the amount was less than $5,000.00 per year. The amounts involved are small, estimated at $2.4 million of sales tax for 2002, with an SAF impact of $1.8 million.[6]

Public Acts 274 and 275 of 1998 exempted certain materials purchased for use in the construction of a church. The 2002 impact has been estimated at $1.8 SAF sales tax and $0.2 million SAF use tax.

The construction motif continued in 1998 with Public Acts 365 and 368 which exempted materials used in certain hospital construction. These two bills impacted only the sales tax, with an SAF effect of $0.95 million.

Other Policy Initiatives

The effects of other policy initiatives such as telecommunications and electrical deregulation have also impacted sales and use tax collections. For example, Public Act 141 of 2000 was part of a package implementing electrical deregulation. Part of that package provided for a mandatory reduction of 5% in electrical rate charges. This lowered the sales tax base and thus sales tax collections, with an estimated SAF impact of $3.1 million for 2002. The impact would have been larger except that the additional 2-cent sales tax of Proposal A did not apply to residential energy utilities.

Other electrical deregulation impacts included Public Acts 390 and 391 of 2000, providing for the taxation of direct and indirect transmission of electrical energy. While this package is estimated to have resulted in lost revenue of $20.0 million of gross collections, its supporters argued that it was necessary to avert a still larger loss estimated at $130.0 million. The SAF impact in 2002 is estimated at $12.0 million, and again would have been larger except for the pre-existing exemption from the added 2 cents. Please note that while these amounts have been included in the sales/use tax totals because of the policy assumption that these results would occur, it is likely that the actual impact has been delayed.

Telecommunications reform provided for the elimination of the end user line charge (EULC), which narrowed the use tax base. Public Act 295 of 2000 has been estimated to have a gross impact of $17.7 million of lowered use tax collections in 2002, with an SAF impact of $5.9 million. Again, there may have been some delay in the actual impact of this change.

Miscellaneous Exemptions

There are always a number of miscellaneous exemption issues that crop up from time to time for sales and use taxes, and the last eight years have been no exception. Thus, we've seen Public Act 127 of 1994 that provided for a sales tax refund for cars returned to the manufacturer under the state's auto lemon law. The 2002 impact has been estimated at $1.1 million ($0.8 SAF). It is likely however that some of these customers bought another new auto from a different dealer and different manufacturer, although perhaps in a different year, so the net loss may be overstated.

Perhaps more likely to have been understated was the impact of Public Act 67 of 1995 which expanded the list of relatives exempt from use taxes on vehicle transfers, which has been estimated at a little over $0.6 million in 2002.

We've also exempted investment coins and gold bullion from taxation, perhaps under the theory that money shouldn't be taxed, even though in this particular case it is bought and sold for its intrinsic, not its currency value. Public Act 105 of 1999 is estimated to have a 2002 impact of $0.3 million gross, and $0.2 million SAF. Given the tradition of gradually expanding exemptions, perhaps traders in art and antiques will seek to follow suit in the future.

Payment Procedures and Other Administrative Issues Impacting Collections

In the 1980's and again in the 1990's Michigan recognized the need to speed up the timing of tax payments from major taxpayers. This was due primarily to the state's poor cash flow. Beginning with Public Acts 265,266, and 267 of 1998 however, the state changed those requirements and reduced the collection fee allowed for sales taxes. The net result is the second of the oddities in this group: an increase in sales taxes paid, while decreasing use taxes. The net impact on the SAF was a loss estimated at $0.4 in 2002. However, an estimated additional loss of $2.4 million hit GFGP revenues due to increased inter-fund borrowing costs due to the weaker cash flow.

An additional 1998 change, Public Act 453, allowed construction companies to make delayed use tax payments for materials purchased on credit, a significant change from the traditional definition of "sale" as being the point in time when possession of the property changes hands without regard for the method of payment. This provision had an estimated impact of $2.2 million in 2002 SAF collections.

Finally in this area, Public Act 117 of 1999, already mentioned above, also established a bad debt deduction for the use tax, allowing taxpayers to escape liability on taxes billed as part of an uncollectible transaction. The estimated impact here was $2.0 million in 2002.

Policy Issues For the Future

There are two significant current and future policy issues surrounding the sales and use tax with major importance for SAF revenues. First is the issue many know simply as Internet taxation. It is actually broader than that. While it certainly applies to taxation of goods and services purchased via the Internet, it also applies to goods and services purchase via other remote methods such as "800" numbers and by mail order from catalogs.

The central legal issue in all these forms of remote purchase is that of "nexus"—does the state of residence of the purchaser have legal standing to enforce collection of tax by a seller with no physical presence in the state? The answer to date is no, under numerous U. S. Supreme Court decisions. The long-term collective state response is to build multi-state support for a streamlined sales tax collection mechanism in the hope of building voluntary cooperation on the part of remote sellers, and of convincing Congress that the mechanism is a valid response to interstate commerce concerns that are the basis of the court cases.

The current short-term state response has been that such purchases are still taxable, under the use tax, and the purchaser has the legal responsibility to remit the tax. This has been of limited enforceability whether the purchase has been clothing from Land's End, furniture from North Carolina, a Dell Computer, or electronics purchased from a camera store in New York or on E-Bay. Michigan is among many states that have undertaken major publicity campaigns to make taxpayers aware of their liability and to make it easier for them to pay by including use tax forms in the income tax booklet. The response has been a slight improvement in voluntary taxpayer reporting, but one that still falls far short of complete compliance.

For Michigan schools (and the general purpose local governments receiving state revenue sharing payments), the success of the first and longer-term initiative of collection of sales taxes by all remote sellers is an important issue. The SAF will get 73% of funds collected as sales taxes, and if the streamlined approach works, the amounts will be very large. Under current law, and the current strategy for enforcing that law by voluntary reporting, the SAF is receiving only 33% of the amounts voluntarily remitted by Michigan taxpayers as use tax. That amount is very small and the prospects for significant growth are perhaps even smaller.

The second key long-term policy issue is the still broader one of the sales tax base in totality. It may be easiest to think of this issue in terms of the taxation of services. As the national economy grows and diversifies to be one where a larger and larger percentage of our incomes is spent on the purchase of services rather than tangible goods (think laundry, dry-cleaning, business services, movie tickets, Greenfield Village admissions [as Florida taxes Disney World], etc.), the sales tax base as a percentage of total consumer expenditures is likely to shrink even more than via the purchase of goods over the internet.

A recent study tried to look at the combined impact of remote purchases and low taxation of services by measuring each state's sales tax base (the grossed-up retail sales amount equal to collections) as a percentage of a state's total personal income. Michigan tied for 22nd with Arizona, with tax collections equaling only 47.8% of personal income. Hawaii ranked first, with a tax base actually larger than the state's personal income. This is due to two factors: Hawaii taxes virtually all services including medical, and Hawaii has a high percentage of tourist spending relative to total spending of residents.[7]

The potential for revenue growth is probably greater in the broad services area than the internet, which in some ways should probably be regarded as a different venue of taxing current sales through brick and mortar stores. That is, developing some mechanism to easily collect from remote vendors will be critical **to avoid losing** more current revenue. Consideration of expansion of the base to partial or full coverage of services will be critical **to future growth** of the sales tax base. Also critical to avoiding future loss of current revenue will be minimizing new base exemptions.

Broad State Tax Policy: Property Tax Policies

One of the misunderstandings of Proposal A is that it eliminated the property tax for financing K-12 education. What it did was substantially reduce the property tax for K-12 operations, and essentially eliminate the uncertainty of millage elections for operations. Property tax dollars, however, are still a major component of funding K-12 operations, in fact, the second largest source after the sales tax if you combine both local and state levies. The local levy of 18 mills on non-homestead property raises a little over $2 billion. The state 6 mill levy on all property raises approximately $1.5 billion. Another $200 million or so is raised by the additional operating millages in the "hold-harmless" districts. In addition, property taxes are still levied for local K-12 bond retirement, for sinking funds, and for special education and vocational education.

In 1990, education property tax levies for all purposes were 71.32% of the total property tax levy in Michigan, and growing. In 1993 they reached 71.95% of the total, and dropped because of Proposal A to 58.25% in 1995. The education share of the total has stayed within 0.12% of the 1995 total through 2000.

School Tax Levies, By Source

Tax Year	Allocated	Extra-Voted	Debt, Bldg. and Site	State 6 Mills	Total School	School% Of Total	Total Tax Levy
1990	$1,222.1	$4,117.9	$364.5	$0.0	$5,704.5	71.32%	$7,998.5
1991	$1,322.1	$4,445.3	$403.4	$0.0	$6,170.8	71.43%	$8,638.9
1992	$1,356.0	$4,620.3	$434.8	$0.0	$6,411.1	71.70%	$8,941.7
1993	$1,453.6	$4,927.7	$454.8	$0.0	$6,836.1	71.95%	$9,500.6
1994	(Est) $30.6	$2,273.7	$515.7	$978.9	$3,798.9	57.35%	$6,624.0
1995	$32.9	$2,444.5	$554.5	$1,092.8	$4,124.7	58.25%	$7,081.1
1996	$34.8	$2,574.2	$639.1	$1,150.1	$4,398.2	58.36%	$7,536.1
1997	$37.3	$2,640.1	$736.2	$1,215.7	$4,629.3	58.21%	$7,952.7
1998	$38.9	$2,783.2	$804.9	$1,291.1	$4,918.1	58.21%	$8,449.6
1999	$41.0	$2,919.1	$885.7	$1,368.6	$5,214.4	58.37%	$8,933.4
2000	$43.8	$3,049.3	$985.9	$1,443.9	$5,522.9	58.37%	$9,462.3

Sources: State Tax Commission, Ad Valorem Property Tax Levy Report, various years. Tax year 1994 is estimated using CAFR (for state 6 mills), and the 1995 share of total school levies from allocated, extra-voted and debt mills. The total local school levy estimated by author. The data was not captured in the regular manner due to it being the first year of the Proposal A school finance reform implementation.

It is easy to see then that property tax policy is still a critical issue for K-12 finances and that state tax policies regarding exemptions and assessing practices are still critical to its stability and growth.

Prior to the adoption of Proposal A, the Legislature enacted a property tax assessment freeze to temporarily address popular concerns about property tax increases. The spring thaw never came to the assessment freeze and it was left in place when the Proposal A changes were adopted, essentially leaving assessments permanently one year behind. Part B of Appendix III summarizes the annual impact of the freeze since its implementation in 1992. As of 2002 the impact in total is estimated at $307.6 million, with $167.2 million of that impacting the various levies for K-12. The total accumulation of taxpayer savings on school taxes alone to date is estimated at $2.32 billion.

The Proposal A assessment cap on each individual parcel of property was a critical part of the overall finance reform package. It limits the annual growth of assessments to inflation (the consumer price index or CPI or 5%, whichever is less). The assessment cap is not included in the totals of tax policy changes summarized in this analysis, but it is noted because of its significant impact. Part B of Appendix III also provides a summary estimate of its impact in total and on school levies in particular. Through 2002 the cumulative impact for all taxes is estimated at $9.4 billion, with $5.1 billion of that estimated to be school taxes. The annual taxpayer savings on school taxes for 2002 alone is estimated at $1.3 billion.

The assessment freeze and the assessment cap are noted to provide perspective on the total tax relief provided Michigan citizens over the last decade, not to imply that these changes should be overturned to provide additional revenues for K-12 education. Those who recall the property tax pressures of the early 1990's know that Michigan cannot go back to those days. Whether the reader likes the result of Proposal A in today's world, he or she must remember that the old world was gone and some significant change would have happened. The choice facing Michigan voters in early 1994 was not Proposal A or the old system of school finance, it was Proposal A's distribution system financed primarily by either sales taxes (the voter approved system we have today) or income taxes with a somewhat more flexible local property tax option (the choice rejected by the voters).

What is relevant about the assessment freeze and the assessment cap, the school operating millage cuts of Proposal A and the other property tax relief measures discussed below, along with all of the other tax relief measures discussed in this analysis, is the question of the overall adequacy of the new system given all of the changes in the last decade. As we have noted many times in this analysis, each individual change has lots of good tax policy rationale behind it. Michigan's overall tax system is fairer than it was at the beginning of the 1990's. The overall tax burden on Michigan citizens is considerably less as well. As we look back at this decade of dramatic changes in taxation it is timely and fair to ask the question if we now have adequate resources to fund the level of services we want in public education and all other areas. If the answer to this question is no, there are two policy responses: increase resources or reduce services by prioritization in order to do the best job possible with the resources available.

Post Proposal A there have actually been relatively few changes in state and local property tax policy, but those that have been made started early. One of the first changes was to expand the definition of an agricultural homestead exempt from the local 18 mill levy relative to the definition in the legislative package accompanying Proposal A's adoption in December 1993. The effect of this change made in Public Act 140 of 1994 was to consider a substantially larger portion of agricultural land to be part of the homestead itself. The Senate Fiscal Agency has estimated that this change reduces the local 18 mills by about $24.0 million in 2002.

This change was modest and with one exception, all of the broad property tax exemptions enacted since Proposal A have been relatively modest in impact. That exception is the administrative promulgation of updated depreciation tables for the assessment of business personal property. The policy goal of the change was to better reflect the realities of the modern business world where technology equipment especially depreciates very rapidly. It is very difficult to put a number on the impact of a change such as this, but utilizing the numbers estimated for the impact of the change on the six mill state education tax, it is possible to establish a ball-park estimate.

The potential total impact on K-12 millages is projected at $85.1 million for 2002.

However, the implementation of the new depreciation schedules is probably not uniform around the state. The question of implementation is being litigated as well. In response to concerns about the litigation and the likely delay that may result, the state's auditors recently recommended that the SAF payables established through the end of Fiscal 2001 be eliminated as they are not likely to be required within one year. This added an estimated $130.0 million to the ending balance of the SAF for Fiscal 2001. These funds will support current programs through Fiscal 2003.

This puts the state in an interesting legal and fiscal position: on the one hand it has estimated losses on the six mill education tax and thus reduced the estimated yield of that tax because it is supporting utilization of the new tables. On the other hand, on advice of accountants, it has agreed to not establish formal payables relative to lost local foundation revenue from the 18 mills. Thus, if the state prevails in the litigation, there is likely to be a major retroactive impact as well as ongoing costs on an upcoming SAF budget as the state will be required to make state payments to local school districts who in turn will be required to make refunds to taxpayers. (Usually when the state "wins" a lawsuit it saves money. In this case winning will be costly to the SAF.)

The estimated 18 mill impact projected in Appendix III is slightly less than the amounts estimated in establishing the payables, but whatever number is used, that future impact will be a very big number. By the Appendix III table, if it takes only two more years to resolve the litigation, the Fiscal 2005 SAF budget could face a hit of $300 to $350 million or more ($194.5 through Fiscal 2002, $50.0 more for 2003 and 2004, and another $50.0 for 2005). Of course the litigation may drag on and the effect could be delayed further, or some sort of settlement allowing a slowly phased-in implementation could be reached. Or, the local units involved in the litigation could prevail and there would be no impact. In that event it is highly likely that the business community will renew a major push for a complete phase out of the personal property tax. On the other hand, while the state's auditors have recommended against maintaining a formal payable, there is no reason why the state and the school districts cannot avoid the temptation to spend these funds and by informal agreement constrain spending today and continue to hold an SAF balance sufficient to make these refunds without creation of a major future fiscal crisis. (It should also be noted that implementation of the new tables would impact all local millages, not just the 6 mill and 18 mill levies.)

This analysis has included the estimated impact of the new tables in the totals for property tax policy impacts because they are current post Proposal A state policy, even though they may be only partially implemented and under litigation.

Other property tax policy changes include Public Act 582 of 1995, which exempted water softeners, with an estimated total 2002 impact of $2.1 million, including $0.9 million for the six mill state tax. No loss is projected for the local 18 mills levied on non-homestead property since it is assumed that nearly all water softeners will be in homesteads.

Public Act 280 of 1998 provided for new tax billing for incomplete new construction, resulting in valuation reductions projected to cost $10.3 on all K-12 taxes in 2002.

Public Acts 260 and 261 provided for an exemption from the "pop-up" feature of the assessment cap for transfers of agricultural property remaining in agricultural use. PA 261 provides for a partial recapture of foregone taxes if the use is changed from agricultural. It is unknown how much of an impact the recapture provision will have other than it is unlikely to have any effect in the near future. The foregone revenue from PA 260 is projected at $6.1 million for 2002.

Property Tax Policies Impacting SAF

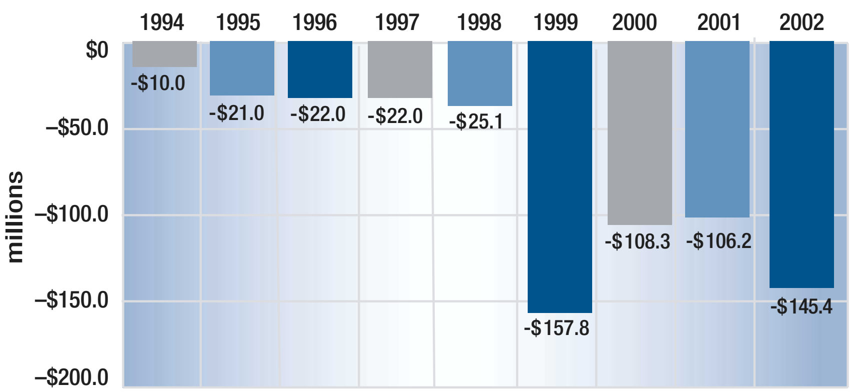

figure 7

The total impact of the property tax policy changes in Appendix III, including the personal property tax tables, but excluding the assessment freeze and assessment cap is projected at $145.4 million for school property taxes in 2002, with a cumulative impact to date of a little over $600.0 million. The $145.4 million impact would mean approximately $85 per pupil.

Broad State Tax Policy: Miscellaneous Tax Policies

Those interested in the fiscal health of the SAF also need to monitor a number of other taxes that are earmarked in whole or in part to SAF. To date relatively few policy changes have impacted them, but together they contribute significant dollars to SAF and are vulnerable to policy changes. Appendix IV lists those few changes and the text discussion of this section outlines areas to watch for other taxes.

Real Estate Transfer Tax

Public Act 203 of 2000 provided an exemption for certain church property transfers, with a projected 2002 impact of $700,000. Future policy considerations that might have an impact would be issues surrounding other non-profit transfers.

Cigarette and Other Tobacco Products Taxes

There have been no state tax policy changes to directly reduce collections. Indeed, state adoption of a cigarette tax stamp has had a major impact on reducing smuggling and other forms of evasion. This analysis has not included the impact of the tax stamp as an offset to other policies reducing revenues because it is considered to be an administrative change to provide better enforcement of the existing policies for the rate and base of the tax.

Cigarette & Tobacco Tax Earmarking

General Fund	24.6%
School Aid Fund	64.2%
Health & Safety	11.2%

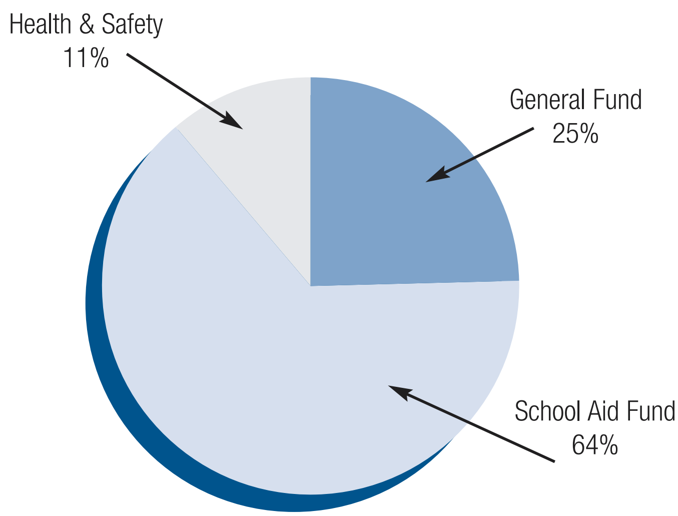

figure 8

As shown in Figure 8, the cigarette and tobacco taxes are highly earmarked.

The cigarette tax has been negatively impacted by the pricing impact of increased federal taxes.

The cigarette tax has been in a long-term decline, and it is not likely to provide any growth potential to the SAF. While future rate hikes may temporarily inject some growth, the continuing concern over the health effects of smoking and increased prices can only continue to reduce consumption over time.

Liquor

The SAF is the recipient of one of three separate 4% taxes on the sale of liquor. This may be the one tax, given its small size and the fact that other funds share equally, that is unlikely to pose any future problem to the SAF.

Lottery Profits and the Casino Wagering Tax

State lotteries are the mature industries of the gaming business, with very little growth potential. Further, they are increasingly subject to competition from the expansion of casinos. Michigan represents one of the front lines of that competitive battleground with lottery profits under challenge from Indian casinos and the three Detroit casinos.

The casinos have been the winners to date with lottery sales declines in the last two years as the Detroit casinos enter the first full year of operations for all three casinos. The state's portion of the casino wagering tax is earmarked for the SAF as are lottery profits, and is expected to yield a little over $80.0 million for 2002. The SAF appears to be a net winner relative to the Detroit casinos even though it loses 36 cents for each lost dollar of lottery sales and picks up only 8 cents of each casino wagering dollar. Indian casinos would likely be a net drain on lottery profits and the SAF since no funds from those casinos go into the SAF.

The casino wagering tax is not included as an offset to other policy reductions because it was an initiated petition, and voter approved over the objections of much of the state's policy leadership.

Lottery gaming issues for SAF recipients to monitor in the future center on the dynamic interaction between the pressure for new games with higher prize pay-out ratios and their potential to increase sales enough to also increase net profit and thus the transfer to the SAF. One of the lottery phenomena is the tendency for mature games to lose player interest, creating the need for newer games with bigger jackpots to attract the occasional players. Where million dollar prizes used to attract significant interest, now marginal players seem to want jackpots of $20 million or more before they begin to purchase or to increase purchases. Thus we've progressed from a once a week drawing for a $1 million prize to Lotto, to the Big Game, and upcoming a new Big Game with more states participating, higher odds and the potential for even larger mega jackpots.

This analysis considers these types of game changes to be policies designed to maintain the existing level of lottery revenues, growing out of the natural tendencies of the industry. The policy decision to have a lottery was made in 1974 with voter approval. These subsequent changes in gaming products are considered to be administrative actions to carry out that policy.

Specific Taxes In The School Aid Fund

The SAF is also the recipient of a number of specific taxes paid in lieu of ordinary property taxes. In these cases the specific tax almost always represents a lower tax burden to the taxpayer than the general property tax.

These taxes include: the Industrial Facilities Tax (Public Act 198 of 1974) the principal incentive in the state's economic development arsenal; the school portion of the mobile home tax (unchanged since 1959); the specific taxes for Commercial and Private Forest Lands; the Iron Ore specific tax; and a number of other miscellaneous economic development related specific taxes in addition to PA 198—Technology Park; Enterprise Zone Facilities; and Neighborhood Enterprise Zone Facilities.

All of these specific taxes represent partial payments in lieu of the regular property tax. The policy justification in the cases of specific taxes such as Iron Ore, Commercial Forest and mobile homes are based on both equity and administrative issues. For example, mobile homes situated in mobile home parks will implicitly pay some portion of the land-owners property taxes via their lot rent charges. Many assessors have argued that individually assessing these depreciating properties, often of limited initial value, would be enormously complex. The result is a specific fee of $3.00 per month, or $36.00 per year for each mobile home in a park. (Mobile homes on private lots are assessed in the same general manner as any other home.)

The Commercial Forest Tax is another example of a policy advocated as a response to the administrative difficulty of measuring the value of timber held for future use. It also serves the purpose of providing certain environmental and recreational benefits because land owners putting their forests in the program must have a management plan approved by the state and must make the land accessible to the public for hunting, hiking, etc. In return, the specific tax provides for a fee of $1.10 per acre. In addition to the land owners fee, the state pays an additional $1.20 per acre and the total of $2.30 per acre is then divided up among local governments according to their proportionate share of the tax levy, with the school portion going to the SAF.

The net result is a significant tax break even in the relatively low tax areas of the Upper Peninsula where much of the CFT land is located. For some school districts the impact of the land area involved is very large. While the Proposal A foundation grant system means there is no direct impact on the operating side, the acreage involved can impact local districts' bonding capacity. CFT land includes about 6.2% of the state's total land area, but is over 10% of the area of eleven counties, as shown below.[8]

County	% of Area In CFT Program
Alger	29.3%
Baraga	43.0%
Dickinson	11.3%
Gogebic	24.6%
Houghton	28.1%
Iron	25.9%
Keweenaw	45.7%
Luce	19.8%
Marquette	29.0%
Menominee	16.0%
Ontonagon	27.3%

Within some school districts the percentage of land in the CFT program could be even greater, but statewide data is not available on a school district basis. As an example, however, within the Superior Central School District in Alger County, 15.2% of the school district's land area is in CFT, which is somewhat less than the total for the county (meaning a neighboring district is more deeply affected), but an additional 17.4% is state property, and another 10.5% is federal property, making a total of 43.1% that is essentially tax exempt.[9]

In total the tax break for the landowner is significant, with the break probably in the area of 85 to 90% in some areas (author's estimates, using average of $250 taxable value per acre for comparison purposes and an average total tax rate of 30 mills compared to the payments made at $1.10 per acre).

Targeted Tax Policy: State and Local Economic Development Incentives

State and local economic development incentives cover a wide range of policy actions. They would include, for example: a rebate to a business on the income taxes paid by its employees for a number of years as an encouragement to hiring; a partial or complete rebate of single business taxes paid for a certain number of years; a reduction or elimination of property taxes paid on the real estate or personal property of the business for a given number of years. Other incentives that do not impact tax policy might include low interest financing through revenue bonding programs, worker training, infrastructure development around a new plant site (water, sewer, road construction, etc.), transportation (new rail line spurs, or new bus routes for employees, etc.).

At one time there was fairly general agreement among economists that the tax incentives and perhaps all types of incentives included in development packages really didn't make much of a difference in most location decisions. These conclusions were based on the relatively minor role that differences in state and local taxes seemed to play in most decisions and their deductibility against the federal corporate income tax. Most businesses, these arguments went, based their location decisions primarily upon access to markets or raw materials and the cost of labor. Only in rare instances, usually in border situations, would tax differentials impact a decision on a specific location within a region.

More recent research, while still inconclusive, seems to find a role for tax incentives in targeting business location decisions to specific locations. There is also some widespread agreement that while helpful, tax incentives can be costly. The reader interested in a careful review of recent thinking on this issue might first start with the *New England Review* issue for March/April 1997 which presented a symposium on this issue sponsored by the Boston Federal Reserve Bank. The many participants offer a broad range of perspectives, with several summaries of recent research on the issue.

Two studies published by the Upjohn Institute in Kalamazoo are also worth reviewing. One, by Peter S. Fisher and Alan H. Peters notes "there is now substantial evidence that economic development programs can help local economies by reducing unemployment and increasing earnings." Another, by Tim Bartik of the Upjohn Institute staff, suggests some policy guidelines for crafting incentives. Bartik notes that they are costly, but suggests that they should focus on maximizing benefits for local residents, possibly by targeting them to high unemployment areas. Bartik also suggests that "up-front" incentives may be more cost-effective than long-term incentives.[10]

At this point it is reasonable to summarize the current state of the art in research on state and local economic development incentives to say that research seems to find that they can make a difference in location decisions, but that difference will vary widely between regions and industries, and that more work needs to be done to identify better tools to target incentives rather than use them as a broad brush to benefit both the true "on-the-fence" decision and those who have compelling reasons to locate in a particular area without incentive.

It is also clear from the extent of the incentive wars among the states that no state can afford to unilaterally disarm even if its incentives really aren't making significant differences in location decisions. Here again, improved targeting may be both a better and more realistic policy option to ending incentives altogether.

Public Act 198 of 1974

PA 198 has been Michigan's premier weapon in the incentive wars. Focused since its creation on broadly defined industrial facilities, it offers two different types of incentives, one for new investment and one for rehabilitation of facilities. In practice both really involve new investment, with different tax consequences.

A "new" facility, built from scratch on a new site is entitled to the following benefit: first, under Michigan law it is taxed (like other property) at 50% of the value of the new investment. Second, it then pays only half the existing tax rate on the investment value. Since the adoption of Proposal A, the question of a 50% or 100% cut on the state 6 mill education property tax is a separate decision, under statute made by the State Treasurer, but by Executive Order delegated to the Michigan Economic Development Corporation.

A "rehab" investment in many ways is more advantageous to the business. An expansion and modernization of an existing facility pays taxes only on the value of the old facility before the new investment. In most cases depreciation and economic obsolescence has substantially reduced that value and thus creates circumstances where the effective tax break is greater than the 50% break for a straight new investment.

PA 198 of 1974 was obviously in place well before Proposal A but it is relevant to the discussion in this analysis for several reasons. First, the scope of its use is substantial and has increased since Proposal A. While some observers thought that the pressure for 198's tax breaks might decrease because of the substantial reductions in K-12 operating millages provided by Proposal A, the opposite seems true. While the data in the following table is somewhat colored by the recession of the early 1990's, note the increases in the number of 198 projects, especially in the early years after Proposal A.

Year	#of PA 198 Projects
1990	718
1991	568
1992	638
1993	682
1994	652
1995	827
1996	810
1997	808
1998	771
1999	789
2000	739
2001	587* (Incomplete Data)

Second, because of the Proposal A changes, PA 198 decisions now include a state level policy decision regarding granting tax breaks on the state 6 mill education property tax as well as local taxes.

Appendix V, Table I summarizes the on-going impact on K-12 property taxes for projects still in effect in 2001. The total impact is estimated at $244.1 million in 2001, with $138.6 million attributable to the 18 mills of non-homestead taxes in the Proposal A system, $49.0 million on the 6 mills, $30.3 million applicable to debt levies, $18.5 million impacting special education and lesser amounts for other levies. Note that these figures are not cumulative. They represent the 2001 impact only, after substantial allowance for depreciation from the initial level of investment in each project. To put this value in perspective, the breaks on the 6 mills and 18 mills alone equal about $110.00 per pupil in the K-12 system.

Appendix V, Table II is the source of the data above on the number of certificates issued each year. It also provides some perspective on the annual impact of those new issuances on education taxes. Note that this data represents only the amount of investment made under a PA 198 for each year. It is not adjusted for depreciation. The table should be read according to the following example: the first tax breaks on the 6 mills were granted in 1994. The break amounted to $4.6 million. Investments made in 1995 received breaks on the six mills equaling $12.7 million, and so on.

Finally, PA 198, like other tax legislation, has seen policy changes over the years. Two of the more significant changes came with PA 140 of 1999 (for this report PA 140 is included at the end of Appendix VI). First, PA 140 eliminated the veto power of a local government losing jobs over granting of a new certificate in a new unit of government—a veto power that had existed for the then 25 years that PA 198 had been in effect. Second, it temporarily expanded the definition of industrial facility (again in effect for 25 years) to include electric power generating plants. The temporary change was to sunset on June 30, 2002. The now pending House Bill 5568 of 2002 would extend the sunset to December 31, 2007.

Fifteen electric generating plants have received exemptions to date with an estimated property tax impact of about $13.4 million. According to the House Fiscal Agency Bill Analysis, the Public Service Commission is aware of 15 more in the planning process. This change presents an interesting public policy question: electric power plants usually are built in response to projections of demand loads based on residential and industrial developments. However, lack of access to adequate energy is sometimes cited as a barrier to economic development. It is possible that the economic boom of the late 1990's, which was accompanied by projections of energy cost increases and shortages, contributed to the belief that this policy change was necessary.

Other Economic Development Incentive Programs

Appendix VI offers a summary of a number of miscellaneous economic development incentive programs. In addition to the property tax incentives summarized here, some offer other considerable incentives against the Single Business Tax for example. The attentive reader will recall that earlier in this analysis there was discussion of an individual income tax break for residents of Renaissance Zones, which was included in that discussion because it was intended to be more of an income subsidy than an economic development incentive.

Public Act 469 of 1995 provided for the creation of a number of urban and rural Renaissance Zones in Michigan. Under certain circumstances businesses operating and individuals living in the Zones were to be eligible for significant tax breaks, principally against property and single business taxes. Some portions of the lost property tax revenue are reimbursed to school districts and community colleges, but the total value of the K-12 breaks are estimated at a total of $63.4 million for 2002, with an accumulated tax benefit of $208.7 million to date (See Appendix VI).

There may be some inconsistency of estimating relative to the Renaissance Zone program. While the Treasury estimate for the impact on the 6 mills alone for 2001 was $13.2 million, the reimbursements were only $7.5 million (See Appendix VI, Table 2).

Public Acts 18 and 498 of 1998 provided for additional tax breaks for personal property investments in the Zones, adding another $1.8 million of estimated 2002 benefit and $8.9 million to date.

Public Act 328 of 1998 created an exemption for personal property investments in certain "distressed" areas in the rest of the state. PA 328 was amended by Public Act 20 of 1999 to remove the requirement that the investment be in a distressed area. It will have a projected 2002 impact of $8.9 million, and a cumulative impact to date of $22.1 million. PA 328 estimates may be somewhat weaker than others due to the fact that there is no provision for reporting the actual amount of even the first investment made under the act, and with exemptions granted for up to 50 years, there will likely be multiple reinvestments of personal property. PA 328 has the potential to grow dramatically if it proves to be attractive for use with major development projects.

Special provisions of the MEGA package provided for property tax exemptions in Brownfield areas (PA 145 of 2000) and for certain other "obsolete" properties (PA 146 of 2000). The Brownfield exemptions are projected to have a 2002 impact of $13.5 million, and $17.1 million cumulative to date, with a potential for rapid growth.

PA 146 should provide additional tax breaks of $3.6 million in 2002, accumulating to $4.6 million, and again with potential for very rapid growth.

PA 247 of 2000 added High Technology Park tax breaks to the general provisions of PA 198 of 1974, with estimates of a 2002 impact of $6.1 million making a cumulative impact of $7.8 million. This is another exemption with high growth potential.

PA 248 of 2000 added provisions for Tax Increment Financing for High Tech facilities, with a projected 2002 impact of $5.3 million.

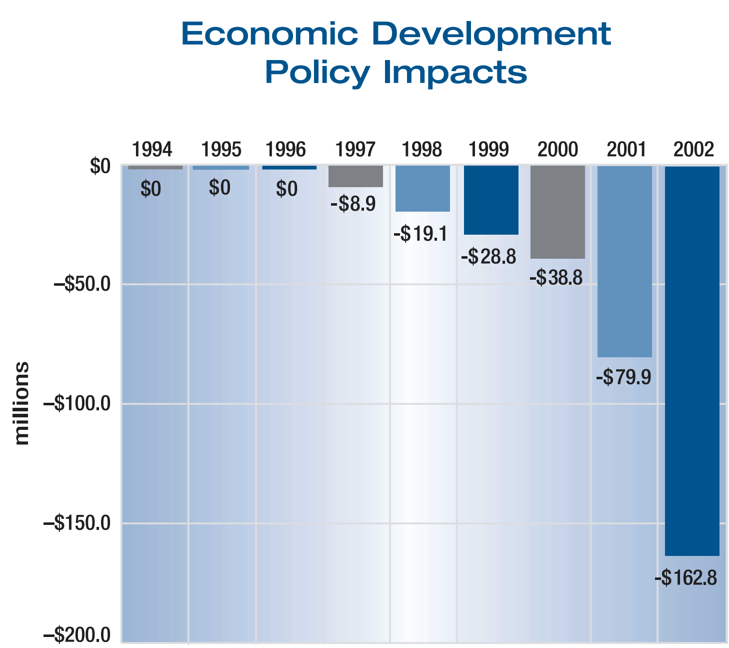

figure 9

All told these “miscellaneous” exemptions have significant total impact. The 2002 annual total is projected at $162.8 million (about $95 per pupil), with a cumulative total of $338.3 million.

Tax Increment Financing Authorities (TIFAs)

TIFAs have been in existence since long before Proposal A, but remain a key component of economic development efforts in Michigan.

Indications are that TIFAs captured $231.8 million of taxable homestead value and $3,690.5 million of non-homestead taxable value in 2001. The total estimated local property tax impact of this capture was $87.0 million for the various school levies. This is summarized in Appendix VII, Table 1.

These estimates are complicated by a lack of state level data about exactly which education taxes are captured by each TIFA. That is, some may capture debt mills, some just operating, some just a portion of one or both, some the ISD mills, some not, etc. The correct focus might be to look at the share of value that is captured.

In some respects TIFAs are like the Commercial Forest Act discussed above. They don’t impact every school district, and in many school districts they have only minimal impact. In some school districts, however, they represent a substantial portion of the taxable value of the district.

Appendix VII, Table 2 lists the districts with a TIFA and ranks them based upon the total percentage of the district’s value captured by the TIFA (see the last column on the right).

The TIFA numbers are displayed for informational purposes but are not included in the totals of post Proposal A changes noted elsewhere in this report.

Conclusions

Newly initiated post Proposal A tax policy changes have had a major impact on local K-12 revenue sources and on the state revenue sources earmarked to the School Aid Fund. The majority of these changes are good tax policy. While a few may be more questionable, none are without some level of good policy justification.

Where these changes may fall short is on the policy criteria of adequacy or sufficiency. The sheer scope of the total of all of the changes has impacted the growth capacity of K-12 funding sources and thus weakened the ability of the expenditure side of the system to fully keep up with the inflationary pressures it faces.

Total Tax Policy Impacts on SAF

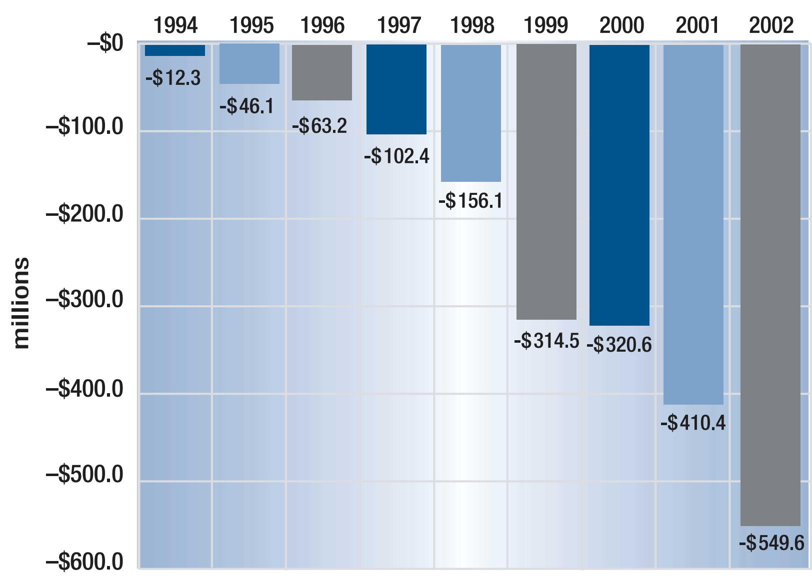

figure 10

In a very few instances the state has recognized this impact and provided for a hold-harmless (on the income tax rate cuts) or a partial reimbursement (on some of the Renaissance Zone tax breaks).

In some cases it seems that there may have been an incomplete understanding of the impact of some changes on local revenues as well as on state revenues. For example, some legislative bill analyses noted the state revenue impacts of proposed property tax or economic development incentive legislation, but omitted discussion of the impacts on the 18 mills, or on special education, vocational education or debt millages. Given the interaction of local and state funds supporting the foundation grants for school districts and the impact of property tax reductions on the other locally levied millages, policymakers should make sure that the full impacts of proposed legislation are reviewed and considered.

Further, given that many of the tax policy changes and especially the economic development incentives have very long lives and indeed tend to be considered as entitlements, policymakers should look at mechanisms for ensuring consideration of the long-term impacts of future changes.

In addition, the on-going impacts of pre-Proposal A legislation, principally PA 198s and TIFAs continue to erode education resources. This is still true even though K-12s have no voice in the establishment of a PA 198 or a TIFA despite the fact that the majority of the taxes impacted by them are levied for education. Only at the state level for 198 breaks on the 6 mill education taxes is there a separate action required that is to take into account the impact on education revenues and that is becoming an increasingly automatic tax break: in 2001 the tax breaks on the 6 mills accounted for almost $49.0 million.

There is no easy solution to these issues. There will be continuing debates about equity in individual and business taxation and about the need to be competitive in

Summary of Projected Impacts on State and Local K-12 Finances Changes Enacted Since 1993

	Projected Total Impacts For Fiscal Year 2002	Estimated Cumulative Total: 1994-2002
State Income Tax Policy Changes	$155,030,411	$697,886,228
State Sales & Use Tax Policy Changes	$85,728,078	$318,467,089
State & Local Property Tax Policy Changes	$145,392,333	$616,794,000
Miscellaneous State Tax Policy Changes	$700,000	$2,800,000
Economic Development Incentives: Other (Reduced for Renaissance Zone Reimbursements)	$162,823,117	$338,320,603
Total Impacts	**$549,673,939**	**$1,974,267,920**

Informational Display Only of Other Relevant Policy Impacts

On-Going Tax Policies In Effect Before Proposal A, With Continued Impacts On K-12 Finances

Economic Development Incentives: PA 198*	$244,145,363	$1,953,162,904
Tax Increment Financing Plans (TIFAs)*	$87,035,201	$696,281,608
Total These Items	**$331,180,564**	**$2,649,444,512**

On-Going Tax Policies That Were An Integral Part of Proposal A, With Continued Impacts

Exclusion of Residential Energy Utilities From 2 Cent Sales Tax	$206,000,000	$1,474,000,000
Estimated 2002 Impact of Assessment Cap	$1,250,025,432	$5,097,603,713
Income tax rate cut from 4.6 to 4.4	$85,284,000	$515,458,000
Impact of 1992 Assessment Freeze continued in A	$167,177,314	$1,259,156,053
Total These Items	**$1,708,486,746**	**$8,346,217,766**

**Most cumulative numbers are the sum of annual numbers in the detail appendix tables.*

**This represents the total for all 198 certificates in place in 2001, and the cumulative total is simply 8 years times this total.*

figure 11

both, but especially in business taxation. Good tax policy suggests that low rates, and a broad tax base are the best way to support a desired level of public services. We've had extensive debate and extensive tax cutting over the last decade. The next decade may be focused on policy discussions aimed at shaping the expenditure side of the tax/spend equation.

One approach to future suggested tax policy changes may be to seek to involve all impacted parties in the decision to enact the change and grant local tax breaks. It may also be appropriate to evaluate the effectiveness of our economic development tax breaks and to try to identify better ways to target those breaks to be most effective in the communities with the greatest need.

Endnotes

1 Numerous sources cite these criteria with some slight differences in terminology. A good recent source is "Tax Benchmarks," State Policy Reports, January 2002, Volume 20, Issue 1, pp 15-16. Another is National Conference of State Legislatures, "Tax Policy Handbook for State Legislators," December 1997. This is summarized in Appendix VIII.

2 Public Act 328 of 1993 and Public Act 194 of 1995.

3 Public Act 268 of 1994.

4 Public Acts 230 of 1995 increased the deduction to $3500/$7500 for 1997 and Public Act 291 of 1995 further pushed the deduction to $7500/$15,000 for 1998, and continued the indexing.

5 Article IX, Section 8, last paragraph, Michigan Constitution of 1963 as amended.

6 Public Acts 156 and 157 were inadvertently partially repealed by Public Act 214 of 1994, then subsequently reenacted by Public Act 424 of 1994 and then modified by Public Act 11 of 1995.

7 State Policy Reports, Volume 19, Issue 20, October 2001, p. 16

8 Acreage data from Michigan Department of Natural Resources, Forest Management Division, Commercial Forest Act parcels as of January 1, 2002; www.state.mi.us/dmb/mic/census/geog/landarea.htm, 1990 Land and Water Area By County.

9 Data on Superior Central School District supplied by Tony McLain, now Superintendent of Schools in Sault Ste. Marie, March 4, 2002.

10 Fisher, Peter S. and Peters, Alan H., "Industrial Incentives: Competition Among American States and Cities," W.E. Upjohn Institute for Employment Research, Fall 1998; and Bartik, Tim, "Economic Development Incentive Wars," W.E. Upjohn Institute for Employment Research, Spring, 1995.

Appendices to Analysis of State Tax Policies Impacting K-12 Finances

Appendix I Broad State Tax Policy: The Income Tax

Part A: Historical Background and Data Tables

Table I: Income Tax Rate History

	Nominal	Tax Year (CY)	Effective Rate St Fiscal Yr	Public Act	Effective Date	
1967	2.60%	1.15%	0.00%	PA 281 of 67	7/20/67	"Sources reviewed included: CRC Tax Outline, MCL, Legislative"
1968	2.60%	2.60%	2.45%			"Bill Analyses, MFR & Consensus Balance Sheets, Tax Expenditure"
						"Appendices, Michigan Department of Treasury List of Tax Cuts in 1990's"
1971	3.90%	3.90%	3.79%	PA 76 of 71	8/1/71	and other sources.
1972	3.90%	3.90%	3.90%			
1975	4.60%	4.31%	4.02%	PA 19 of 75	5/1/75	
1976	4.60%	4.60%	4.60%			
1982	5.60%	5.10%	5.10%	PA 155 of 82	4/1/82 to 9/30/82	4.6 10-1 to 12-31
1983	6.35%	6.35%	5.91%	PA 15 of 83	1/1/83	
1984	6.10%	5.85%	6.15%		1/1/84	
1984	5.35%	5.85%	6.15%	PA 221 of 84	9/1/84	
1985	5.35%	5.35%	5.35%			
1986	4.60%	4.60%	4.79%	PA 16 of 86	1/1/86	
1994	4.40%	4.47%	4.52%	PA 328 of 93	5/1/94	
2000	4.20%	4.20%	4.25%	PA's 1-6 of 99	1/1/00	
2001	4.20%	4.20%	4.20%	PA 40 of 2000	1/1/01	PA 40 Accelerated 4.2 by one year.
2002	4.10%	4.10%	4.13%		1/1/02	
2003	4.00%	4.00%	4.03%		1/1/03	
2004	3.90%	3.90%	3.93%		1/1/04	
2005	3.90%	3.90%	3.90%			

Table II: Income Tax Earmarking History

	CY Rate	CY Earmark	FY Rate	FY Earmark	Public Act	Effective Date
1994	4.40%	0.00%	4.52%	0.00%		
1995	4.40%	14.40%	4.40%	14.40%	PA 328 of 93	10/1/94
1996	4.40%	14.40%	4.40%	14.40%		
1997	4.40%	23.00%	4.40%	23.00%	PA 194 of 95	10/1/96
1998	4.40%	23.00%	4.40%	23.00%		
1999	4.40%	23.00%	4.40%	23.00%		
2000	4.20%	24.10%	4.25%	23.80%	PA's 1-6 of 99	
2001	4.20%	24.10%	4.20%	24.10%	PA 40 of 2000	
2002	4.10%	24.70%	4.13%	24.50%		
2003	4.00%	25.30%	4.03%	25.10%		
2004	3.90%	25.90%	3.93%	25.80%		
2005	3.90%	25.90%	3.90%	25.90%		

Table III: Income Tax Personal Exemption History

	CY Amount	FY Amount	Public Act	Effective Date
1967	$1,200		PA 281 of 1967	7/20/67
1968	$1,200	$1,200		
1973	$1,500	$1,350	PA 20 of 73	1/1/74
1974	$1,500	$1,500		
1987	$1,600	$1,575	PA 254 of 87	1/1/87
1988	$1,800	$1,750	PA 254 of 87	1/1/88
1989	$2,000	$1,950	PA 254 of 87	1/1/89
1990	$2,100	$2,075	PA 254 of 87	1/1/90
1991	$2,100	$2,100		
1994	$2,100	$2,100		
1995	$2,400	$2,325	PA 2 & 3 of 95	1/1/95
1996	$2,400	$2,400		
1997	$2,500	$2,475		
1998	$2,800	$2,725	PA 86 of 97	1/1/98
1999	$2,800	$2,800		
2000	$2,900	$2,875		
2001	$2,900	$2,900		
2002	$3,000 est	$2,975		
2003	$3,100 est	$3,075		
2004	$3,200 est	$3,175		
2005	$3,300 est	$3,275		

Part B: Policy Impact Analysis Tables

Table IV: Income Tax School Aid Fund Impacts of Indexed Exemption Increases

	State FY Effective Exemption	# Eff Exempts	Tax Savings Gross Amount	FY Tax Rate	Total Tax Impact v 94 Tax Savings Amount	Earmarking Percentage	Annual SAF Impact V. FY 94	Cumulative SAF Impact V. FY 94
1992	$2,100	7,801,900						
1993	$2,100	7,889,389						
1994	$2,100	7,483,942	$0	4.52%				
1995	$2,325	7,514,978	$1,690,870,050	4.40%	$74,398,282	14.40%	$10,713,353	$10,713,353
1996	$2,400	7,400,000	$2,220,000,000	4.40%	$97,680,000	14.40%	$14,065,920	$24,779,273
1997	$2,475	7,685,410	$2,882,028,750	4.40%	$126,809,265	23.00%	$29,166,131	$53,945,404
1998	$2,725	7,807,870	$4,879,918,750	4.40%	$214,716,425	23.00%	$49,384,778	$103,330,181
1999	$2,800	7,562,998	$5,294,098,600	4.40%	$232,940,338	23.00%	$53,576,278	$156,906,459
2000*	$2,875	7,540,000	$5,843,500,000	4.25%	$248,348,750	23.80%	$59,107,003	$216,013,462
2001*	$2,900	7,600,000	$6,080,000,000	4.20%	$255,360,000	24.10%	$61,541,760	$277,555,222
2002*	$2,975	7,650,000	$6,693,750,000	4.13%	$276,117,188	24.50%	$67,648,711	$345,203,933
2003*	$3,075	7,650,000	$7,458,750,000	4.03%	$300,214,688	25.10%	$75,353,887	$420,557,819
2004*	$3,175	7,650,000	$8,223,750,000	3.93%	$322,782,188	25.80%	$83,277,804	$503,835,624
2005*	$3,275	7,650,000	$8,988,750,000	3.90%	$350,561,250	25.90%	$90,795,364	$594,630,987

* # of exempts is est

Table V: Income Tax School Aid Fund Impacts of Private Pension Deduction

	Deduction Post 95 index to Detroit CPI	Public Act	Effective	Tax Savings Gross Amount	FY Tax Rate	Tot Tax Impact v 94 Tax Savings Amount	Earmarking Percentage	Annual SAF Impact V. FY 94	Cumulative SAF Impact V. FY 94
1994	7,500 /15,000		Authors Est	$15,000,000	4.52%		14.40%		
1995	30,000 / 60,000	PA 268 of 94	10/1/94	$63,000,000	4.40%	$48,000,000	14.40%	$6,912,000	$6,912,000
1996	31,920 / 63,840		Authors Est	$64,000,000	4.40%	$49,000,000	23.00%	$11,270,000	$18,182,000
1997	32,880 / 65,760		Authors Est	$66,000,000	4.40%	$51,000,000	23.00%	$11,730,000	$29,912,000
1998	33,630 / 67,260		Authors Est	$70,000,000	4.40%	$55,000,000	23.00%	$12,650,000	$42,562,00
1999	34,920 / 69,840		Authors Est	$73,000,000	4.40%	$58,000,000	23.80%	$13,804,000	$56,366,000
2000	36,090 / 72,180		Authors Est	$74,500,000	4.25%	$59,500,000	23.80%	$14,161,000	$70,527,000
2001			Authors Est	$76,000,000	4.20%	$61,000,000	24.10%	$14,701,000	$85,228,000
2002			Authors Est	$78,500,000	4.13%	$63,500,000	24.50%	$15,557,500	$100,785,500
2003			Authors Est	$78,500,000	4.03%	$63,500,000	25.10%	$15,938,500	$116,724,000
2004			Authors Est	$78,500,000	3.93%	$63,500,000	25.80%	$16,383,000	$133,107,000
2005			Authors Est	$78,500,000	3.90%	$63,500,000	25.90%	$16,446,500	$149,553,500

Table VI: Income Tax School Aid Fund Impacts of Dividend & Interest Deduction

Available to seniors not utilizing the private pension deduction above

	Deduction Post 98 index to Detroit CPI	Public Act	Effective	Tax Savings Gross Amount	FY Tax Rate	Tot Tax Impact v 94 Tax Savings Amount	Earmarking Percentage	Annual SAF Impact V. FY 94	Cumulative SAF Impact V. FY 94
1994				$0	4.52%	$0	14.40%	$0	$0
1995	1,000 / 2,000	PA 269 of 94	10/1/94	$7,000,000	4.40%	$7,000,000	14.40%	$1,008,000	$1,008,000
1996	1,064 / 2,128		Authors Est	$7,500,000	4.40%	$7,500,000	23.00%	$1,725,000	$2,733,000
1997	3,500 / 7,500	PA 230 of 95	Authors Est	$8,000,000	4.40%	$8,000,000	23.00%	$1,840,000	$4,573,000
1998	7,500 / 15,000	PA 291 of 95	Authors Est	$17,500,000	4.40%	$17,500,000	23.00%	$4,025,000	$8,598,000
1999	7,620 / 15,240		Authors Est	$20,000,000	4.40%	$20,000,000	23.80%	$4,760,000	$13,358,000
2000	7,785 / 15,570		Authors Est	$21,000,000	4.25%	$21,000,000	23.80%	$4,998,000	$18,356,000
2001	8,048 / 16,095		Authors Est	$22,000,000	4.20%	$22,000,000	24.10%	$5,302,000	$23,658,000
2002	8,200 / 16,400 est		Authors Est	$23,000,000	4.13%	$23,000,000	24.50%	$5,635,000	$29,293,000
2003			Authors Est	$24,000,000	4.03%	$24,000,000	25.10%	$6,024,000	$35,317,000
2004			Authors Est	$25,000,000	3.93%	$25,000,000	25.80%	$6,450,000	$41,767,000
2005			Authors Est	$26,000,000	3.90%	$26,000,000	25.90%	$6,734,000	$48,501,000

Table VII: Income Tax School iAid Fund Impacts of Child Exemption

	Deduction	Public Act	Effective	Tax Savings Gross Amount	FY Tax Rate	Tot Tax Impact v 94 Tax Savings Amount	Earmarking Percentage	Annual SAF Impact V. FY 94	Cumulative SAF Impact V. FY 94
1994				$0	4.52%	$0	14.40%	$0	$0
1995				$0	4.40%	$0	14.40%	$0	$0
1996				$0	4.40%	$0	23.00%	$0	$0
1997				$0	4.40%	$0	23.00%	$0	$0
1998	$600<7; 300>7<13	PA 81 of 97	1/1/98	$22,050,000	4.40%	$22,050,000	23.00%	$5,071,500	$5,071,500
1999	$600<7; 300>7<13			$29,400,000	4.40%	$29,400,000	23.80%	$6,997,200	$12,068,700
2000	$600 for all <18	PA 42 of 00	1/1/00	$49,500,000	4.25%	$49,500,000	23.80%	$11,781,000	$23,849,700
2001	$600 for all <18			$56,200,000	4.20%	$56,200,000	24.10%	$13,544,200	$37,393,900
2002				$55,700,000	4.13%	$55,700,000	24.50%	$13,646,500	$51,040,400
2003			Authors Est	$56,700,000	4.03%	$56,700,000	25.10%	$14,231,700	$65,272,100
2004			Authors Est	$57,500,000	3.93%	$57,500,000	25.80%	$14,835,000	$80,107,100
2005			Authors Est	$58,000,000	3.90%	$58,000,000	25.90%	$15,022,000	$95,129,100

Table VIII: Income Tax School Aid Fund Impacts of Special Exemptions

Additional deduction for handicapped persons; seniors; those whose unemployment compensation => 50% of AGI

	Deduction	Public Act	Effective	Tax Savings Gross Amount	FY Tax Rate	Tot Tax Impact v 94 Tax Savings Amount	Earmarking Percentage	Annual SAF Impact V. FY 94	Cumulative SAF Impact V. FY 94
1994				$0	4.52%	$0	14.40%	$0	$0
1995				$0	4.40%	$0	14.40%	$0	$0
1996	500 / 900		Authors Est	$15,000,000	4.40%	$15,000,000	23.00%	$3,450,000	$3,450,000
1997	500 / 900		Authors Est	$15,000,000	4.40%	$15,000,000	23.00%	$3,450,000	$6,900,000
1998	600 / 900		Authors Est	$15,000,000	4.40%	$15,000,000	23.00%	$3,450,000	$10,350,000
1999	600 / 900		Authors Est	$15,000,000	4.40%	$15,000,000	23.80%	$3,570,000	$13,920,000
2000	$1800 & indexed	PA 301 of 00	1/1/00	$62,000,000	4.25%	$62,000,000	23.80%	$14,756,000	$28,676,000
2001	$1,900			$64,000,000	4.20%	$64,000,000	24.10%	$15,424,000	$44,100,000
2002	2,000 est			$64,600,000	4.13%	$64,600,000	24.50%	$15,827,000	$59,927,000
2003			Authors Est	$65,200,000	4.03%	$65,200,000	25.10%	$16,365,200	$76,292,200
2004			Authors Est	$65,800,000	3.93%	$65,800,000	25.80%	$16,976,400	$93,268,600
2005			Authors Est	$66,400,000	3.90%	$66,400,000	25.90%	$17,197,600	$110,466,200

Table IX: Income Tax School Aid Fund Impacts of Dependent Exemptions

	Deduction	Public Act	Effective	Tax Savings Gross Amount	FY Tax Rate	Tot Tax Impact v 94 Tax Savings Amount	Earmarking Percentage	Annual SAF Impact V. FY 94	Cumulative SAF Impact V. FY 94
1994				$0	4.52%	$0	14.40%	$0	$0
1995				$0	4.40%	$0	14.40%	$0	$0
1996				$0	4.40%	$0	23.00%	$0	$0
1997				$0	4.40%	$0	23.00%	$0	$0
1998				$0	4.40%	$0	23.00%	$0	$0
1999				$0	4.40%	$0	23.80%	$0	$0
2000		PA 43 of 00		$0	4.25%	$0	23.80%	$0	$0
2001				$28,900,000	4.20%	$28,900,000	24.10%	$6,964,90	$6,964,900
2002				$28,800,000	4.13%	$28,800,000	24.50%	$7,056,000	$14,020,900
2003			Authors Est	$29,000,000	4.03%	$29,000,000	25.10%	$7,279,000	$21,299,900
2004			Authors Est	$30,000,000	3.93%	$30,000,000	25.80%	$7,740,000	$29,039,900
2005			Authors Est	$31,000,000	3.90%	$31,000,000	25.90%	$8,029,000	$37,068,900

Table X: Income Tax School Aid Fund Impacts of College Savings Deduction (Contributions to MESP Program)

	Deduction	Public Act	Effective	Tax Savings Gross Amount	FY Tax Rate	Tot Tax Impact v 94 Tax Savings Amount	Earmarking Percentage	Annual SAF Impact V. FY 94	Cumulative SAF Impact V. FY 94
1994				$0	4.52%	$0	14.40%	$0	$0
1995				$0	4.40%	$0	14.40%	$0	$0
1996				$0	4.40%	$0	23.00%	$0	$0
1997				$0	4.40%	$0	23.00%	$0	$0
1998				$0	4.40%	$0	23.00%	$0	$0
1999				$0	4.40%	$0	23.80%	$0	$0
2000	5,000 / 10,000	PA 162,163 of 00	Authors Est	$5,000,000	4.25%	$5,000,000	23.80%	$1,190,000	$1,190,000
2001				$7,700,000	4.20%	$7,700,000	24.10%	$1,855,700	$3,045,700
2002				$7,700,000	4.13%	$7,700,000	24.50%	$1,886,500	$4,932,200
2003			Authors Est	$8,000,000	4.03%	$8,000,000	25.10%	$2,008,000	$6,940,200
2004			Authors Est	$8,500,000	3.93%	$8,500,000	25.80%	$2,193,000	$9,133,200
2005			Authors Est	$9,000,000	3.90%	$9,000,000	25.90%	$2,331,000	$11,464,200

Table XI: Income Tax School Aid Fund Impacts of Renaissance Zone Deductions

FYINot included in totals below, state reimbursement to SAF All Income of Zone Resident

	Deduction	Public Act	Effective	Tax Savings Gross Amount	FY Tax Rate	Tot Tax Impact v 94 Tax Savings Amount	Earmarking Percentage	Annual SAF Impact V. FY 94	Cumulative SAF Impact V. FY 9
1994				$0	4.52%	$0	14.40%	$0	$0
1995				$0	4.40%	$0	14.40%	$0	$0
1996		PA 448 of 96	1/1/97	$0	4.40%	$0	23.00%	$0	$0
1997				$300,000	4.40%	$300,000	23.00%	$69,000	$69,000
1998				$300,000	4.40%	$300,000	23.00%	$69,000	$138,000
1999				$300,000	4.40%	$300,000	23.80%	$71,400	$209,400
2000				$300,000	4.25%	$300,000	23.80%	$71,400	$280,800
2001				$300,000	4.20%	$300,000	24.10%	$72,300	$353,100
2002				$300,000	4.13%	$300,000	24.50%	$73,500	$426,600
2003			Authors Est	$350,000	4.03%	$350,000	25.10%	$87,850	$514,450
2004			Authors Est	$400,000	3.93%	$400,000	25.80%	$103,200	$617,650
2005			Authors Est	$450,000	3.90%	$450,000	25.90%	$116,550	$734,200

Table XII: Income Tax School Aid Fund Impacts of Automatic Pass-Through of Federal IRA Changes

	Deduction	Public Act	Effective	Tax Savings Gross Amount	FY Tax Rate	Tot Tax Impact v 94 Tax Savings Amount	Earmarking Percentage	Annual SAF Impact V. FY 94	Cumulative SAF Impact V. FY 94
1994			Authors Est	$70,000,000	4.52%	$0	14.40%	$0	$0
1995			Authors Est	$70,000,000	4.40%	$0	14.40%	$0	$0
1996				$71,566,000	4.40%	$1,566,000	23.00%	$360,180	$360,180
1997				$91,000,000	4.40%	$21,000,000	23.00%	$4,830,000	$5,190,180
1998				$94,000,000	4.40%	$24,000,000	23.00%	$5,520,000	$10,710,180
1999				$102,000,000	4.40%	$32,000,000	23.80%	$7,616,000	$18,326,180
2000				$142,000,000	4.25%	$72,000,000	23.80%	$17,136,000	$35,462,180
2001				$183,383,000	4.20%	$113,383,000	24.10%	$27,325,303	$62,787,483
2002				$180,109,000	4.13%	$110,109,000	24.50%	$26,976,705	$89,764,188
2003			Authors Est	$181,000,000	4.03%	$111,000,000	25.10%	$27,861,000	$117,625,188
2004			Authors Est	$182,000,000	3.93%	$112,000,000	25.80%	$28,896,000	$146,521,188
2005			Authors Est	$183,000,000	3.90%	$113,000,000	25.90%	$29,267,000	$175,788,188

Table XIII: Income Tax School Aid Fund Impacts of Automatic Pass-Through of Federal Student Loan Deductions

	Deduction	Public Act	Effective	Tax Savings Gross Amount	FY Tax Rate	Tot Tax Impact v 94 Tax Savings Amount	Earmarking Percentage	Annual SAF Impact V. FY 94	Cumulative SAF Impact V. FY 94
1994				$0	4.52%	$0	14.40%	$0	$0
1995				$0	4.40%	$0	14.40%	$0	$0
1996				$0	4.40%	$0	23.00%	$0	$0
1997			1/1/98	$0	4.40%	$0	23.00%	$0	$0
1998	$1,000	TRA of 97	Authors Est	$1,500,000	4.40%	$1,500,000	23.00%	$345,000	$345,000
1999	$1,500	Phased in to	Authors Est	$2,000,000	4.40%	$2,000,000	23.80%	$476,000	$821,000
2000	$2,000	the $2500 amt	Authors Est	$2,500,000	4.25%	$2,500,000	23.80%	$595,000	$1,416,000
2001	$2,500			$2,932,000	4.20%	$2,932,000	24.10%	$706,612	$2,122,612
2002				$3,251,000	4.13%	$3,251,000	24.50%	$796,495	$2,919,107
2003			Authors Est	$3,500,000	4.03%	$3,500,000	25.10%	$878,500	$3,797,607
2004			Authors Est	$3,750,000	3.93%	$3,750,000	25.80%	$967,500	$4,765,107
2005			Authors Est	$4,000,000	3.90%	$4,000,000	25.90%	$1,036,000	$5,801,107

Table XIV: Summary of Data In Tables IV to XIII

	Regular Personal Exemption Increases	Private Pension Deductions	Div & Interest Deductions	Child Exemptions	Special Exemptions	Dependent Exemptions	College Savings Deductions	Renaissance Deductions	Federal Fed IRA Changes Fed AGI Start	Federal Student Loan Fed AGI Start	Annual Total	Cumulative Total
1994												
1995	$10,713,353	$6,912,000	$1,008,000	$0	$0	$0	$0	Not Included in	$0	$0	$18,633,353	$18,633,353
1996	$14,065,920	$11,270,000	$1,725,000	$0	$3,450,000	$0	$0	Total Due to	$360,180	$0	$30,871,100	$49,504,453
1997	$29,166,131	$11,730,000	$1,840,000	$0	$3,450,000	$0	$0	GFGP Reimb	$4,830,000	$0	$51,016,131	$100,520,584
1998	$49,384,778	$12,650,000	$4,025,000	$5,071,500	$3,450,000	$0	$0	to SAF	$5,520,000	$345,000	$80,446,278	$180,966,861
1999	$53,576,278	$13,804,000	$4,760,000	$6,997,200	$3,570,000	$0	$0	$0	$7,616,000	$476,000	$90,799,478	$271,766,339
2000	$59,107,003	$14,161,000	$4,998,000	$11,781,000	$14,756,000	$0	$1,190,000	$0	$17,136,000	$595,000	$123,724,003	$395,490,342
2001	$61,541,760	$14,701,000	$5,302,000	$13,544,200	$15,424,000	$6,964,900	$1,855,700	$0	$27,325,303	$706,612	$147,365,475	$542,855,817
2002	$67,648,711	$15,557,500	$5,635,000	$13,646,500	$15,827,000	$7,056,000	$1,886,500	$0	$26,976,705	$796,495	$155,030,411	$697,886,228
2003	$75,353,887	$15,938,500	$6,024,000	$14,231,700	$16,365,200	$7,279,000	$2,008,000	$0	$27,861,000	$878,500	$165,939,787	$863,826,014
2004	$83,277,804	$16,383,000	$6,450,000	$14,835,000	$16,976,400	$7,740,000	$2,193,000	$0	$28,896,000	$967,500	$177,718,704	$1,041,544,719
2005	$90,795,364	$16,446,500	$6,734,000	$15,022,000	$17,197,600	$8,029,000	$2,331,000	$0	$29,267,000	$1,036,000	$186,858,464	$1,228,403,182

Table XV: FYI***Impact on SAF Earmarking of Income Tax Rate Cut Accompanying Proposal A (PA 328 of 93, Rate cut from 4.6 to 4.4)

	CY Rate	CY Earmark	FY Rate	FY Earmark	Gross Annual Impact	SAF Annual Total	Cumulative SAF
1993	4.60%	0.00%	4.60%	0.00%			
1994	4.40%	0.00%	4.52%	0.00%			
1995	4.40%	14.40%	4.40%	14.40%	$102,500,000	$14,760,000	$14,760,000
1996	4.40%	14.40%	4.40%	14.40%	$262,500,000	$37,800,000	$52,560,000
1997	4.40%	23.00%	4.40%	23.00%	$271,000,000	$62,330,000	$114,890,000
1998	4.40%	23.00%	4.40%	23.00%	$293,200,000	$67,436,000	$182,326,000
1999	4.40%	23.00%	4.40%	23.00%	$345,400,000	$79,442,000	$261,768,000
2000	4.40%	23.00%	4.40%	23.00%	$363,200,000	$83,536,000	$345,304,000
2001	4.40%	23.00%	4.40%	23.00%	$369,000,000	$84,870,000	$430,174,000
2002	4.40%	23.00%	4.40%	23.00%	$370,800,000	$85,284,000	$515,458,000
2003	4.40%	23.00%	4.40%	23.00%			
2004	4.40%	23.00%	4.40%	23.00%			
2005	4.40%	23.00%	4.40%	23.00%			

As noted in the text of this analysis, since this was an integral part of Proposal A, it would be inappropriate to include it in any totals of changes since Proposal A, but it is shown here due to the significant impact on state GFGP and SAF revenues.

Appendix II Broad State Tax Policy: Sales and Use Taxes

Tax	Public Act	Summary Description & Fund Impacts	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	Cumulative Total
Sales	94 PA 49	Mobile Vendors Food Sale Exemption 5-1-94	$2,500,000	$6,200,000	$6,400,000	$6,600,000	$6,800,000	$7,000,000	$7,200,000	$7,500,000	$7,700,000	$57,900,000
		Sales Tax School Aid Fund	**$1,825,500**	**$4,527,240**	**$4,673,280**	**$4,819,320**	**$4,965,360**	**$5,111,400**	**$5,257,440**	**$5,476,500**	**$5,622,540**	**$42,278,580**
		Sales Tax Revenue Sharing & Misc Earmarking	$640,750	$1,589,060	$1,640,320	$1,691,580	$1,742,840	$1,794,100	$1,845,360	$1,922,250	$1,973,510	$14,839,770
		Sales Tax General Fund	$33,725	$83,638	$86,336	$89,034	$91,732	$94,430	$97,128	$101,175	$103,873	$781,071
Sales	94 PA 127	Auto Lemon Law Returns 8-1-94	$0	$200,000	$900,000	$900,000	$1,000,000	$1,000,000	$1,000,000	$1,100,000	$1,000,000	$7,100,000
		Sales Tax School Aid Fund	**$0**	**$146,040**	**$657,180**	**$657,180**	**$730,200**	**$730,200**	**$730,200**	**$803,220**	**$730,200**	**$5,184,420**
		Sales Tax Revenue Sharing & Misc Earmarking	$0	$51,260	$230,670	$230,670	$256,300	$256,300	$256,300	$281,930	$256,300	$1,819,730
		Sales Tax General Fund	$0	$2,698	$12,141	$12,141	$13,490	$13,490	$13,490	$14,839	$13,490	$95,779
Sales	94 PA 156	Non-Profits: Pers Prop + Sales < $5,000 1-1-94	$0	$1,500,000	$2,000,000	$2,100,000	$2,100,000	$2,200,000	$2,300,000	$2,300,000	$2,400,000	$16,900,000
Use	94 PA 157	Non-Profits: Pers Prop + Sales < $5,000 1-1-94	$0	$1,500,000	$2,100,000	$2,100,000	$2,100,000	$2,200,000	$2,300,000	$2,300,000	$2,400,000	$17,000,000
		Sales Tax School Aid Fund	**$0**	**$1,095,300**	**$1,460,400**	**$1,533,420**	**$1,533,420**	**$1,606,440**	**$1,679,460**	**$1,679,460**	**$1,752,480**	**$12,340,380**
		Sales Tax Revenue Sharing & Misc Earmarking	$0	$384,450	$512,600	$538,230	$538,230	$563,860	$589,490	$589,490	$615,120	$4,331,470
		Sales Tax General Fund	$0	$20,235	$26,980	$28,329	$28,329	$29,678	$31,027	$31,027	$32,376	$227,981
		Use Tax School Aid Fund	**$0**	**$499,950**	**$699,930**	**$699,930**	**$699,930**	**$733,260**	**$766,590**	**$766,590**	**$799,920**	**$5,666,100**
		Use Tax General Fund	$0	$1,000,050	$1,400,070	$1,400,070	$1,400,070	$1,466,740	$1,533,410	$1,533,410	$1,600,080	$11,333,900
	Note: PA 157 inadvertently repealed by 94 PA 214, reenacted by 94 PA 424, and modified by 95 PA 11											
Use	94 PA 34 & 424	Promo. Materials Resale; refunds>12-31-87	$1,500,000	$400,000	$400,000	$400,000	$400,000	$500,000	$500,000	$500,000	$500,000	$5,100,000
		Use Tax School Aid Fund	**$499,950**	**$133,320**	**$133,320**	**$133,320**	**$133,320**	**$166,650**	**$166,650**	**$166,650**	**$166,650**	**$1,699,830**
		Use Tax General Fund	$1,000,050	$266,680	$266,680	$266,680	$266,680	$333,350	$333,350	$333,350	$333,350	$3,400,170
Sales	95 PA 63	Vended Bakery Products	$0	$200,000	$500,000	$500,000	$500,000	$500,000	$600,000	$600,000	$600,000	$4,000,000
		Sales Tax School Aid Fund	**$0**	**$146,040**	**$365,100**	**$365,100**	**$365,100**	**$365,100**	**$438,120**	**$438,120**	**$438,120**	**$2,920,800**
		Sales Tax Revenue Sharing & Misc Earmarking	$0	$51,260	$128,150	$128,150	$128,150	$128,150	$153,780	$153,780	$153,780	$1,025,200
		Sales Tax General Fund	$0	$2,698	$6,745	$6,745	$6,745	$6,745	$8,094	$8,094	$8,094	$53,960
Use	95 PA 67	Expanded ex, for transfers between relatives	$0	$0	$500,000	$520,000	$540,800	$562,432	$584,929	$608,326	$632,660	$3,949,147
		Use Tax School Aid Fund	**$0**	**$0**	**$166,650**	**$173,316**	**$180,249**	**$187,459**	**$194,957**	**$202,755**	**$210,865**	**$1,316,251**
		Use Tax General Fund	$0	$0	$333,350	$346,684	$360,551	$374,973	$389,972	$405,571	$421,794	$2,632,896
Sales	95 PA 209	Commercial Advertising Elements	$0	$0	$2,900,000	$4,000,000	$4,100,000	$4,200,000	$4,400,000	$4,500,000	$4,600,000	$28,700,000
Use	95 PA 208	Commercial Advertising Elements	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		Sales Tax School Aid Fund	**$0**	**$0**	**$2,117,580**	**$2,920,800**	**$2,993,820**	**$3,066,840**	**$3,212,880**	**$3,285,900**	**$3,358,920**	**$20,956,740**
		Sales Tax Revenue Sharing & Misc Earmarking	$0	$0	$743,270	$1,025,200	$1,050,830	$1,076,460	$1,127,720	$1,153,350	$1,178,980	$7,355,810
		Sales Tax General Fund	$0	$0	$39,121	$53,960	$55,309	$56,658	$59,356	$60,705	$62,054	$387,163
		Use Tax School Aid Fund	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
		Use Tax General Fund	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Sales	96 PA 435	Exempt Telecomm Equipment-Expand 12-10-96	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Use	96 PA 436	Exempt Telecomm Equipment-Expand 12-10-96	$0	$0	$0	$3,900,000	$5,400,000	$5,600,000	$5,700,000	$5,900,000	$6,100,000	$32,600,000
		Sales Tax School Aid Fund	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
		Sales Tax Revenue Sharing & Misc Earmarking	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		Sales Tax General Fund	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		Use Tax School Aid Fund	**$0**	**$0**	**$0**	**$1,299,870**	**$1,799,820**	**$1,866,480**	**$1,899,810**	**$1,966,470**	**$2,033,130**	**$10,865,580**
		Use Tax General Fund	$0	$0	$0	$2,600,130	$3,600,180	$3,733,520	$3,800,190	$3,933,530	$4,066,870	$21,734,420
	See 99 PA 116, which further expanded the rolling stock exemption											
Use	96 PA 477	Elim. 12-31-96 sunset aircraft & rolling stock	$0	$0	$0	$20,000,000	$22,300,000	$23,000,000	$23,700,000	$24,400,000	$25,100,000	$138,500,000
		Use Tax School Aid Fund	**$0**	**$0**	**$0**	**$6,666,000**	**$7,432,590**	**$7,665,900**	**$7,899,210**	**$8,132,520**	**$8,365,830**	**$46,162,050**
		Use Tax General Fund	$0	$0	$0	$13,334,000	$14,867,410	$15,334,100	$15,800,790	$16,267,480	$16,734,170	$92,337,950
Sales	96 PA 576	Vended Juice Drinks > 1-16-97	$0	$0	$0	$1,700,000	$2,000,000	$2,500,000	$2,500,000	$2,600,000	$2,700,000	$14,000,000
		Sales Tax School Aid Fund	**$0**	**$0**	**$0**	**$1,241,340**	**$1,460,400**	**$1,825,500**	**$1,825,500**	**$1,898,520**	**$1,971,540**	**$10,222,800**
		Sales Tax Revenue Sharing & Misc Earmarking	$0	$0	$0	$435,710.0	$512,600.0	$640,750.0	$640,750.0	$666,380.0	$692,010.0	$3,588,200
		Sales Tax General Fund	$0	$0	$0	$22,933.0	$26,980.0	$33,725.0	$33,725.0	$35,074.0	$36,423.0	$188,860

Tax	Public Act	Summary Description & Fund Impacts	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	Cumulative Total
Sales	98 PA 265	Alters Sales / Use Prepay Reqmts-See note (1)below	$0	$0	$0	$0	-$1,200,000	-$1,500,000	-$1,560,000	-$1,622,400	-$1,687,296	-$7,569,696
Use	98 PA 266	Alters Sales / Use Prepayment Reqmts	$0	$0	$0	$0	$1,700,000	$1,700,000	$1,768,000	$1,838,720	$1,912,269	$8,918,989
	98 PA 267	**Sales Tax School Aid Fund (1)**	**$0**	**$0**	**$0**	**$0**	**-$876,240**	**-$1,095,300**	**-$1,139,112**	**-$1,184,676**	**-$1,232,064**	**-$5,527,392**
		Sales Tax Revenue Sharing & Misc Earmarking	$0	$0	$0	$0	-$307,560	-$384,450	-$399,828	-$415,821	-$432,454	-$1,940,113
		Sales Tax General Fund	$0	$0	$0	$0	-$16,188	-$20,235	-$21,044	-$21,886	-$22,762	-$102,115
		Use Tax School Aid Fund (1)	**$0**	**$0**	**$0**	**$0**	**$566,610**	**$566,610**	**$589,274**	**$612,845**	**$637,359**	**$2,972,699**
		Use Tax General Fund	$0	$0	$0	$0	$1,133,390	$1,133,390	$1,178,726	$1,225,875	$1,274,910	$5,946,290
Sales	98 PA 274	Exempts materials for certain church construction	$0	$0	$0	$0	$400,000	$2,240,000	$2,240,000	$2,320,000	$2,400,000	$9,600,000
Use	98 PA 275	Exempts materials for certain church construction	$0	$0	$0	$0	$100,000	$560,000	$560,000	$580,000	$600,000	$2,400,000
		Sales Tax School Aid Fund	**$0**	**$0**	**$0**	**$0**	**$292,080**	**$1,635,648**	**$1,635,648**	**$1,694,064**	**$1,752,480**	**$7,009,920**
		Sales Tax Revenue Sharing & Misc Earmarking	$0	$0	$0	$0	$102,520	$574,112	$574,112	$594,616	$615,120	$2,460,480
		Sales Tax General Fund	$0	$0	$0	$0	$5,396	$30,218	$30,218	$31,297	$32,376	$129,504
		Use Tax School Aid Fund	**$0**	**$0**	**$0**	**$0**	**$33,330**	**$186,648**	**$186,648**	**$193,314**	**$199,980**	**$799,920**
		Use Tax General Fund	$0	$0	$0	$0	$66,670	$373,352	$373,352	$386,686	$400,020	$1,600,080
Sales	98 PA 365	Exempts sales to industrial laundry-See note(2) below	$0	$0	$0	$0	$0	-$1,800,000.0	-$1,800,000.0	-$1,800,000.0	-$1,800,000.0	-$7,200,000
Use	98 PA 366	Exempts sales to industrial laundry	$0	$0	$0	$0	$0	$2,700,000.0	$2,700,000.0	$2,700,000.0	$2,700,000.0	$10,800,0003
		Sales Tax School Aid Fund	**$0**	**$0**	**$0**	**$0**	**$0**	**-$1,314,360**	**-$1,314,360**	**-$1,314,360**	**-$1,314,360**	**-$5,257,440**
		Sales Tax Revenue Sharing & Misc Earmarking	$0	$0	$0	$0	$0	-$461,340	-$461,340	-$461,340	-$461,340	-$1,845,360
		Sales Tax General Fund	$0	$0	$0	$0	$0	-$24,282	-$24,282	-$24,282	-$24,282	-$97,128
		Use Tax School Aid Fund	**$0**	**$0**	**$0**	**$0**	**$0**	**$899,910**	**$899,910”**	**$899,910**	**$899,910**	**$3,599,640**
		Use Tax General Fund	$0	$0	$0	$0	$0	$1,800,090	$1,800,090	$1,800,090	$1,800,090	$7,200,360
Sales	98 PA 451	Exempts certain hospital construction	$0	$0	$0	$0	$0	$400,000	$1,200,000	$1,200,000	$1,300,000	$4,100,000
Use	98 PA 452	Exempts certain hospital construction	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		Sales Tax School Aid Fund	**$0**	**$0**	**$0**	**$0**	**$0**	**$292,080**	**$876,240**	**$876,240**	**$949,260**	**$2,993,820**
		Sales Tax Revenue Sharing & Misc Earmarking	$0	$0	$0	$0	$0	$102,520	$307,560	$307,560	$333,190	$1,050,830
		Sales Tax General Fund	$0	$0	$0	$0	$0	$5,396	$16,188	$16,188	$17,537	$55,309
		Use Tax School Aid Fund	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
		Use Tax General Fund	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Sales	98 PA 453	Delayed pymt, construction materials on credit	$0	$0	$0	$0	$0	$2,700,000	$2,800,000	$3,000,000	$3,000,000	$11,500,000
		Sales Tax School Aid Fund	**$0**	**$0**	**$0**	**$0**	**$0**	**$1,971,540**	**$2,044,560**	**$2,190,600**	**$2,190,600**	**$8,397,300**
		Sales Tax Revenue Sharing & Misc Earmarking	$0	$0	$0	$0	$0	$692,010	$717,640	$768,900	$768,900	$2,947,450
		Sales Tax General Fund	$0	$0	$0	$0	$0	$36,423	$37,772	$40,470	$40,470	$155,135
Sales	98 PA 490	Exempt certain computers	$0	$0	$0	$0	$0	$0	$800,000	$800,000	$800,000	$2,400,000
Use	98 PA 491	Exempt certain computers	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		Sales Tax School Aid Fund	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$584,160**	**$584,160**	**$584,160**	**$1,752,480**
		Sales Tax Revenue Sharing & Misc Earmarking	$0	$0	$0	$0	$0	$0	$205,040	$205,040	$205,040	$615,120
		Sales Tax General Fund	$0	$0	$0	$0	$0	$0	$10,792	$10,792	$10,792	$32,376
Sales	99 PA 105	Exempt investment coins & gold bullion	$0	$0	$0	$0	$0	$100,000	$300,000	$300,000	$300,000	$1,000,000
		Sales Tax School Aid Fund	**$0**	**$0**	**$0**	**$0**	**$0**	**$73,020**	**$219,060**	**$219,060**	**$219,060**	**$730,200**
		Sales Tax Revenue Sharing & Misc Earmarking	$0	$0	$0	$0	$0	$25,630	$76,890	$76,890	$76,890	$256,300
		Sales Tax General Fund	$0	$0	$0	$0	$0	$1,349	$4,047	$4,047	$4,047	$13,490
Sales	99 PA 116	Apportionment..Industrial Processing	$0	$0	$0	$0	$0	$2,300,000	$4,600,000	$4,900,000	$5,200,000	$17,000,000
Use	99 PA 117	Apportionment..Industrial Processing	$0	$0	$0	$0	$0	$9,200,000	$18,400,000	$19,500,000	$20,700,000	$67,800,000
		Sales Tax School Aid Fund	**$0**	**$0**	**$0**	**$0**	**$0**	**$1,679,460**	**$3,358,920**	**$3,577,980**	**$3,797,040**	**$12,413,400**
		Sales Tax Revenue Sharing & Misc Earmarking	$0	$0	$0	$0	$0	$589,490	$1,178,980	$1,255,870	$1,332,760	$4,357,100
		Sales Tax General Fund	$0	$0	$0	$0	$0	$31,027	$62,054	$66,101	$70,148	$229,330
		Use Tax School Aid Fund	**$0**	**$0**	**$0**	**$0**	**$0**	**$3,066,360**	**$6,132,720**	**$6,499,350**	**$6,899,310**	**$22,597,740**
		Use Tax General Fund	$0	$0	$0	$0	$0	$6,133,640	$12,267,280	$13,000,650	$13,800,690	$45,202,260
		See also 96 PA 477										
Sales	99 PA 116	Elim sunset trucks & parts..Exp Rolling Stock	$0	$0	$0	$0	$0	$4,300,000	$10,900,000	$11,400,000	$12,000,000	$38,600,000
Use	99 PA 117	Elim sunset trucks & parts..Exp Rolling Stock	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		Sales Tax School Aid Fund	**$0**	**$0**	**$0**	**$0**	**$0**	**$3,139,860**	**$7,959,180**	**$8,324,280**	**$8,762,400**	**$28,185,720**
		Sales Tax Revenue Sharing & Misc Earmarking	$0	$0	$0	$0	$0	$1,102,090	$2,793,670	$2,921,820	$3,075,600	$9,893,180
		Sales Tax General Fund	$0	$0	$0	$0	$0	$58,007	$147,041	$153,786	$161,880	$520,714
Use	99 PA 117	Bad debt deductions / to sales tax	$0	$0	$0	$0	$27,600,000	$5,800,000	$5,800,000	$5,900,000	$6,000,000	$51,100,000
		Use Tax School Aid Fund	**$0**	**$0**	**$0**	**$0**	**$9,199,080**	**$1,933,140**	**$1,933,140**	**$1,966,470**	**$1,999,800**	**$17,031,630**
		Use Tax General Fund	$0	$0	$0	$0	$18,400,920	$3,866,860	$3,866,860	$3,933,530	$4,000,200	$34,068,370

Tax	Public Act	Summary Description & Fund Impacts	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	Cumulative Total
	2000 PA 141	Electrical Deregulation	$0	$0	$0	$0	$0	$0	$1,700,000	$5,000,000	$5,200,000	$11,900,000
	Note:	Res rate cut 5% elec dereg	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Remember, this	**Sales Tax School Aid Fund**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$1,020,000**	**$3,000,000**	**$3,120,000**	**$7,140,000**
	impact is on the	Sales Tax Revenue Sharing & Misc Earmarking	$0	$0	$0	$0	$0	$0	$645,862	$1,899,595	$1,975,579	$4,521,036
	first 4 cents of	Sales Tax General Fund	$0	$0	$0	$0	$0	$0	$645,862	$1,899,595	$1,975,579	$4,521,036
	the sales tax.	**Use Tax School Aid Fund**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
		Use Tax General Fund	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Sales	2000 PA 295	telcomm reform elim EULC use tax	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		tel comm 1st use positive	$0	$0	$0	$0	$0	$0	$0	$16,800,000	$17,700,000	$34,500,000
		Sales Tax School Aid Fund	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
		Sales Tax Revenue Sharing & Misc Earmarking	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		Sales Tax General Fund	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		Use Tax School Aid Fund	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$5,599,440**	**$5,899,410**	**$11,498,850**
		Use Tax General Fund	$0	$0	$0	$0	$0	$0	$0	$11,200,560	$11,800,590	$23,001,150
		FYI Only***2000 PA 200 requires the state treasurer to reimburse SAF for lost use tax from the General Fund…these numbers not included in total below.										
Sales	2000 PA 204	Domestic aircraft	$0	$0	$0	$0	$0	$0	$3,200,000	$2,400,000	$2,500,000	$8,100,000
Use	2000 PA 200	Domestic aircraft	$0	$0	$0	$0	$0	$0	$1,200,000	$1,300,000	$1,300,000	$3,800,000
		Sales Tax School Aid Fund	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$2,336,640**	**$1,752,480**	**$1,825,500**	**$5,914,620**
		Sales Tax Revenue Sharing & Misc Earmarking	$0	$0	$0	$0	$0	$0	$820,160	$615,120	$640,750	$2,076,030
		Sales Tax General Fund	$0	$0	$0	$0	$0	$0	$43,168	$32,376	$33,725	$109,269
		Use Tax School Aid Fund	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$399,960**	**$433,290**	**$433,290**	**$1,266,540**
		Use Tax General Fund	$0	$0	$0	$0	$0	$0	$800,040	$866,710	$866,710	$2,533,460
Sales	2000 PA 329	Exempt employee meals	$0	$0	$0	$0	$0	$0	$0	$0	$7,000,000	$7,000,000
Use	2000 PA 328	Exempt employee meals	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		Sales Tax School Aid Fund	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$5,111,400**	**$5,111,400**
		Sales Tax Revenue Sharing & Misc Earmarking	$0	$0	$0	$0	$0	$0	$0	$0	$1,794,100	$1,794,100
		Sales Tax General Fund	$0	$0	$0	$0	$0	$0	$0	$0	$94,430	$94,430
		Use Tax School Aid Fund	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
		Use Tax General Fund	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		Note: these numbers are included in the totals below, but the projected impact of this reform legislation may not have occurred yet due to delays in implementation.										
Sales	2000 PA 390	Tax direct/indirect elec trans & distribution…the	$0	$0	$0	$0	$0	$0	$0	$20,000,000	$20,000,000	$40,000,000
Use	2000 PA 391	changes necessary to avert larger loss ($130m)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Note:	**Sales Tax School Aid Fund**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$12,000,000**	**$12,000,000**	**$24,000,000**
	Remember, this	Sales Tax Revenue Sharing & Misc Earmarking	$0	$0	$0	$0	$0	$0	$0	$7,598,379	$7,598,379	$15,196,759
	impact is on the	Sales Tax General Fund	$0	$0	$0	$0	$0	$0	$0	$7,598,379	$7,598,379	$15,196,759
	first 4 cents of	Use Tax School Aid Fund	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	the sales tax.	**Use Tax General Fund**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Sales	2000 PA 417	Vended soft drinks	$0	$0	$0	$0	$0	$0	$0	$7,671,233	$10,684,932	$18,356,164
		Sales Tax School Aid Fund	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$5,601,534**	**$7,802,137**	**$13,403,671**
		Sales Tax Revenue Sharing & Misc Earmarking	$0	$0	$0	$0	$0	$0	$0	$1,966,137	$2,738,548	$4,704,685
		Sales Tax General Fund	$0	$0	$0	$0	$0	$0	$0	$103,485	$144,140	$247,625
	Totals From Above (Does not include 2000 PA 200,204)											
		Sales Tax Total	$2,500,000	$8,100,000	$12,700,000	$15,800,000	$15,700,000	$26,140,000	$39,180,000	$71,768,833	$83,397,636	$275,286,468
		Use Tax Total	$1,500,000	$1,900,000	$3,000,000	$26,920,000	$60,140,800	$51,822,432	$62,012,929	$81,027,046	$84,344,928	$372,668,136
		Sales Tax School Aid Fund	**$1,825,500**	**$5,914,620**	**$9,273,540**	**$11,537,160**	**$11,464,140**	**$17,115,888**	**$26,343,336**	**$46,960,002**	**$55,425,313**	**$185,859,499**
		Sales Tax Revenue Sharing & Misc Earmarking	$640,750	$2,076,030	$3,255,010	$4,049,540	$4,023,910	$6,007,672	$9,534,346	$20,715,926	$23,721,112	$74,024,296
		Sales Tax General Fund	$33,725	$109,269	$171,323	$213,142	$211,793	$316,206	$1,113,695	$10,088,416	$10,318,574	$22,576,143
		Use Tax School Aid Fund	**$499,950**	**$633,270**	**$999,900**	**$8,972,436**	**$20,044,929**	**$19,243,957**	**$22,713,469**	**$29,196,915**	**$30,302,765**	**$132,607,590**
		Use Tax General Fund	$1,000,050	$1,266,730	$2,000,100	$17,947,564	$40,095,871	$35,242,025	$42,861,700	$55,656,342	$57,868,374	$253,938,756
		Total Impact, School Aid Fund, Sales & Use	**$2,325,450**	**$6,547,890**	**$10,273,440**	**$20,509,596**	**$31,509,069**	**$36,359,845**	**$49,056,805**	**$76,156,916**	**$85,728,078**	**$318,467,089**
		Per Cent Change Over Prior Year		**181.58%**	**56.90%**	**99.64%**	**53.63%**	**15.39%**	**34.92%**	**55.24%**	**12.57%**	

***Fund splits are calculated by author.**
(1)These negative numbers actually reflect a positive increase in tax payments for purposes of this table, offsetting all of the negative changes shown as positive numbers.
(1)In addition, it has been estimated that GFGP revenues would lose an additional $2.7 million via higher interest costs due to worsened cash flow.
(2)These negative numbers actually reflect a positive increase in tax payments for purposes of this table, offsetting all of the negative changes shown as positive numbers.

Appendix III Broad State Tax Policy: State and Local Property Taxes

Part A: Broad State Tax Policy Actions

			FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	Cumulative Total
94 PA 140	Expanded Def of Ag Homestead	State 6	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Note, not an issue for 6 mills or	Local 18	$10,000,000	$21,000,000	$21,000,000	$22,000,000	$22,000,000	$23,000,000	$23,000,000	$24,000,000	$24,000,000	$190,000,000
	other rates--just the 18 basic	Hold Harmless	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	on nhs	Debt & Sinking	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		ISD Spec Ed	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		ISD Voc Ed	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		ISD Alloc.&Oth	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		Total	**$10,000,000**	**$21,000,000**	**$21,000,000**	**$22,000,000**	**$22,000,000**	**$23,000,000**	**$23,000,000**	**$24,000,000**	**$24,000,000**	**$190,000,000**
95 PA 582	Water softeners Exemption	State 6	$0	$0	$0	$0	$400,000	$800,000	$800,000	$800,000	$900,000	$3,700,000
	Note: not applicable to 18 NH mills.	Local 18	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Water softeners assumed to be	Hold Harmless	$0	$0	$0	$0	$62,667	$125,333	$125,333	$125,333	$141,000	$579,667
	in homesteads only.	Debt & Sinking	$0	$0	$0	$0	$267,333	$534,667	$534,667	$534,667	$601,500	$2,472,833
		ISD Spec Ed	$0	$0	$0	$0	$150,000	$300,000	$300,000	$300,000	$337,500	$1,387,500
		ISD Voc Ed	$0	$0	$0	$0	$33,333	$66,667	$66,667	$66,667	$75,000	$308,333
		ISD Alloc.&Oth	$0	$0	$0	$0	$13,333	$26,667	$26,667	$26,667	$30,000	$123,333
		Total	**$0**	**$0**	**$0**	**$0**	**$926,667**	**$1,853,333**	**$1,853,333**	**$1,853,333**	**$2,085,000**	**$8,571,667**
98 PA 280	Corr Tax Bills, New Construction	State 6	$0	$0	$0	$0	$600,000	$2,600,000	$2,500,000	$2,800,000	$2,900,000	$11,400,000
		Local 18	$0	$0	$0	$0	$747,000	$3,237,000	$3,112,500	$3,486,000	$3,610,500	$14,193,000
		Hold Harmless	$0	$0	$0	$0	$94,000	$407,333	$391,667	$438,667	$454,333	$1,786,000
		Debt & Sinking	$0	$0	$0	$0	$401,000	$1,737,667	$1,670,833	$1,871,333	$1,938,167	$7,619,000
		ISD Spec Ed	$0	$0	$0	$0	$225,000	$975,000	$937,500	$1,050,000	$1,087,500	$4,275,000
		ISD Voc Ed	$0	$0	$0	$0	$50,000	$216,667	$208,333	$233,333	$241,667	$950,000
		ISD Alloc.&Oth	$0	$0	$0	$0	$20,000	$86,667	$83,333	$93,333	$96,667	$380,000
		Total	**$0**	**$0**	**$0**	**$0**	**$2,137,000**	**$9,260,333**	**$8,904,167**	**$9,972,667**	**$10,328,833**	**$40,603,000**
00 PA 260	Agricultural Transfers	State 6	$0	$0	$0	$0	$0	$0	$0	$2,100,000	$6,700,000	$8,800,000
00 PA 261	Recapture on Sale/Chg of Use	Local 18	$0	$0	$0	$0	$0	$0	$0	$2,614,500	$8,341,500	$10,956,000
		Hold Harmless	$0	$0	$0	$0	$0	$0	$0	$329,000	$1,049,667	$1,378,667
		Debt & Sinking	$0	$0	$0	$0	$0	$0	$0	$1,403,500	$4,477,833	$5,881,333
		ISD Spec Ed	$0	$0	$0	$0	$0	$0	$0	$787,500	$2,512,500	$3,300,000
		ISD Voc Ed	$0	$0	$0	$0	$0	$0	$0	$175,000	$558,333	$733,333
		ISD Alloc.&Oth	$0	$0	$0	$0	$0	$0	$0	$70,000	$223,333	$293,333
		Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$7,479,500**	**$23,863,167**	**$31,342,667**
	Personal Property Tax Tables	State 6	$0	$0	$0	$0	$0	$23,400,000	$14,100,000	$11,900,000	$16,100,000	$65,500,000
		Local 18	$0	$0	$0	$0	$0	$69,498,000	$41,877,000	$35,343,000	$47,817,000	$194,535,000
		Hold Harmless	$0	$0	$0	$0	$0	$3,666,000	$2,209,000	$1,864,333	$2,522,333	$10,261,667
		Debt & Sinking	$0	$0	$0	$0	$0	$15,639,000	$9,423,500	$7,953,167	$10,760,167	$43,775,833
		ISD Spec Ed	$0	$0	$0	$0	$0	$8,775,000	$5,287,500	$4,462,500	$6,037,500	$24,562,500
		ISD Voc Ed	$0	$0	$0	$0	$0	$1,950,000	$1,175,000	$991,667	$1,341,667	$5,458,333
		ISD Alloc.&Oth	$0	$0	$0	$0	$0	$780,000	$470,000	$396,667	$536,667	$2,183,333
		Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$123,708,000**	**$74,542,000**	**$62,911,333**	**$85,115,333**	**$346,276,667**
	Total of All Changes Excl Assessment	State 6	$0	$0	$0	$0	$1,000,000	$26,800,000	$17,400,000	$17,600,000	$26,600,000	$89,400,000
	Freeze and Proposal A Assessment Cap	Local 18	$10,000,000	$21,000,000	$21,000,000	$22,000,000	$22,747,000	$95,735,000	$67,989,500	$65,443,500	$83,769,000	$409,684,000
		Hold Harmless	$0	$0	$0	$0	$156,667	$4,198,667	$2,726,000	$2,757,333	$4,167,333	$14,006,000
		Debt & Sinking	$0	$0	$0	$0	$668,333	$17,911,333	$11,629,000	$11,762,667	$17,777,667	$59,749,000
		ISD Spec Ed	$0	$0	$0	$0	$375,000	$10,050,000	$6,525,000	$6,600,000	$9,975,000	$33,525,000
		ISD Voc Ed	$0	$0	$0	$0	$83,333	$2,233,333	$1,450,000	$1,466,667	$2,216,667	$7,450,000
		ISD Alloc.&Oth	$0	$0	$0	$0	$33,333	$893,333	$580,000	$586,667	$886,667	$2,980,000
		Total	**$10,000,000**	**$21,000,000**	**$21,000,000**	**$22,000,000**	**$25,063,667**	**$157,821,667**	**$108,299,500**	**$106,216,833**	**$145,392,333**	**$616,794,000**

Part B: Broad State Tax Policy Actions--The Assessment Freeze and Proposal A Assessment Cap

		FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	Cumulative Total
Assessment Freeze											
The impact of the assessment	State 6	$33,753,815	$33,296,033	$34,852,492	$36,775,178	$38,987,792	$40,635,809	$43,184,130	$45,106,816	$46,937,945	$353,530,010
freeze is separated from other broad	Local 18	$42,023,499	$41,453,561	$43,391,353	$45,785,097	$48,539,802	$50,591,582	$53,764,242	$56,157,986	$58,437,742	$440,144,863
policy actions because it occurred	Hold Harmless	$5,288,098	$5,216,378	$5,460,224	$5,761,445	$6,108,087	$6,366,277	$6,765,514	$7,066,734	$7,353,611	$55,386,368
before Proposal A. Thus it doesn't	Debt & Sinking	$22,558,800	$22,252,848	$23,293,082	$24,578,077	$26,056,841	$27,158,266	$28,861,394	$30,146,389	$31,370,193	$236,275,890
meet the criteria of this analysis	ISD Spec Ed	$12,657,681	$12,486,012	$13,069,685	$13,790,692	$14,620,422	$15,238,428	$16,194,049	$16,915,056	$17,601,729	$132,573,754
of enactment since Proposal A.	ISD Voc Ed	$2,812,818	$2,774,669	$2,904,374	$3,064,598	$3,248,983	$3,386,317	$3,598,678	$3,758,901	$3,911,495	$29,460,834
The data is included however due	ISD Alloc.&Oth	$1,125,127	$1,109,868	$1,161,750	$1,225,839	$1,299,593	$1,354,527	$1,439,471	$1,503,561	$1,564,598	$11,784,334
to the significant dollars involved.	**Total**	**$120,219,837**	**$118,589,369**	**$124,132,960**	**$130,980,926**	**$138,861,521**	**$144,731,205**	**$153,807,477**	**$160,655,443**	**$167,177,314**	**$1,259,156,053**
The totals do not include this data.											
Assessment Cap											
The impact of the assessment	State 6	$0	$22,934,893	$51,958,291	$83,652,085	$132,878,942	$196,556,460	$262,263,479	$330,030,519	$350,966,429	$1,431,241,099
cap is separated from other broad	Local 18	$0	$28,553,942	$64,688,072	$104,146,846	$165,434,283	$244,712,792	$326,518,032	$410,887,996	$436,953,204	$1,781,895,168
policy actions because it was part	Hold Harmless	$0	$3,593,133	$8,140,132	$13,105,493	$20,817,701	$30,793,845	$41,087,945	$51,704,781	$54,984,741	$224,227,772
of Proposal A. As such it doesn't	Debt & Sinking	$0	$15,328,154	$34,725,458	$55,907,477	$88,807,426	$131,365,234	$175,279,425	$220,570,397	$234,562,564	$956,546,134
meet the criteria of this analysis	ISD Spec Ed	$0	$8,600,585	$19,484,359	$31,369,532	$49,829,603	$73,708,672	$98,348,805	$123,761,445	$131,612,411	$536,715,412
of enactment since Proposal A.	ISD Voc Ed	$0	$1,911,241	$4,329,858	$6,971,007	$11,073,245	$16,379,705	$21,855,290	$27,502,543	$29,247,202	$119,270,092
The data is included however due	ISD Alloc.&Oth	$0	$764,496	$1,731,943	$2,788,403	$4,429,298	$6,551,882	$8,742,116	$11,001,017	$11,698,881	$47,708,037
to the significant dollars involved.	**Total**	**$0**	**$81,686,445**	**$185,058,113**	**$297,940,844**	**$473,270,498**	**$700,068,591**	**$934,095,092**	**$1,175,458,698**	**$1,250,025,432**	**$5,097,603,713**
The totals do not include this data.											

Data on the impact of the assessment cap is not available on a school district basis. However, it is known that the impact varies widely around the state. The interested researcher / reader can look at "The Growing Difference Between State Equalized Value and Taxable Value In Michigan," Citizens Research Council of Michigan, March 2001, CRC Memorandum No. 1058, available on their website at www.crcmich.org.

Appendix IV Broad State Tax Policy: Miscellaneous Taxes

Real Estate Transfer Tax

		FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	Cumulative Total
00 PA 203	Ex certain church transfers	$0	$0	$0	$0	$0	$700,000	$700,000	$700,000	$700,000	$2,800,000

Appendix V State Economic Development Incentives: Public Act 198 of 1974

Table I: State Totals For Public Act 198 Exemptions In Effect In 2001

	Real Property	Personal Property	Total
State Education Tax 6 mills	$9,940,994	$39,053,409	$48,994,403
Local Non-Homestead (18 mills)	$31,268,694	$107,282,483	$138,551,177
Hold Harmless	$15,387	$260,872	$276,259
School District Debt Mills	$6,434,470	$23,818,689	$30,253,159
Sinking Fund Mills	$401,258	$1,711,239	$2,112,497
Recreation / Library Mills	$32,860	$219,497	$252,357
Vocational Education Mills	$1,065,068	$3,232,529	$4,297,597
Special Education Mills	$4,218,251	$14,318,124	$18,536,376
Allocated Mills (if any)	$204,739	$666,798	$871,537
	$53,581,721	$190,563,641	$244,145,363

Table 1 notes:

Table 1data is built from the State Tax Commission's database of Public Act 198 Exemptions. The projects are identified by school district code in that table. The 1993 and the 2000 calendar year millage rates for each school district have been added to the database. The estimates have been calculated by multiplying the individual school district millage rates times the original project values. Specifically, for a project dating from 1993 and earlier, the 1993 millage rates are used. For a project initiated in 1994 and after, the 2000 millage rates have been used. In each case, ½ the millage rates have been used for a new project times ½ the value, and for a rehab project, the full millage rate has been multiplied by half the value. Also, the project values have been reduced by 40% to approximate the average depreciation for all projects. This should give an accurate statewide total, but may distort some individual district totals if a larger percentage of projects are older or newer than the state average.

For the state 6 mill levy, which is normally not applicable to PA 198 projects, State Tax Commission data has been used to determine which projects have been granted a complete 6 mill exemption, which a 3 mill exemption, and which are paying the full 6 mill levy. (Only projects authorized since 1994 are impacted by the 6 mill issue.)

Table 2: Public Act 198 Projects Authorized Since Proposal A, By Year and By K-12 Tax Levy
Tables Display New Certificates Issued In Each Year Only, NOT All Certificates In Effect

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
State Education Tax 6 mills	NA	NA	NA	NA	$4,581,082	$12,700,878	$12,239,312	$10,395,316	$10,777,386	$9,320,569	$11,903,437	$9,767,230
Local Non-Homestead (18 mills, or previous)	$25,410,134	$12,808,664	$21,749,666	$22,362,726	$7,145,347	$20,163,878	$22,804,934	$22,134,291	$25,108,728	$19,423,121	$21,574,651	$17,555,738
Hold Harmless	NA	NA	NA	NA	$1,452	$1,191	$0	$20,200	$40,954	$3,145	$111,562	$10,657
School District Debt Mills	$2,116,765	$861,931	$1,654,894	$1,649,097	$1,873,641	$4,154,718	$4,406,689	$5,740,186	$4,999,267	$3,095,122	$5,847,861	$3,823,537
Sinking Fund Mills	NA	NA	NA	NA	$135,076	$295,978	$417,696	$161,042	$296,915	$296,446	$401,808	$186,877
Recreation/Library Mills	NA	NA	NA	NA	$5,025	$29,804	$2,598	$215,638	$13,820	$35,415	$48,910	$11,214
Vocational Education Mills	$247,091	$244,415	$267,630	$390,404	$279,193	$448,538	$733,192	$503,074	$639,169	$489,409	$808,974	$1,001,561
Special Education Mills	$1,614,237	$905,969	$1,428,708	$1,405,490	$1,049,002	$2,578,879	$3,093,295	$2,809,125	$3,230,503	$2,524,815	$2,966,389	$2,743,943
Allocated Mills	$111,992	$66,685	$99,168	$105,140	$68,287	$185,184	$216,534	$194,222	$212,000	$189,325	$200,583	$186,884
Total	$29,500,220	$14,887,663	$25,200,067	$25,912,856	$15,138,105	$40,559,048	$43,914,249	$42,173,094	$45,318,743	$35,377,367	$43,864,175	$35,287,642
Number of Certificates Issued	718	568	638	682	652	827	810	808	771	789	739	587 Incomplete Data

In contrast to the data in Table 1, the above data in Table 2 has NOT been adjusted for depreciation as they are provided to measure the volume and value of activity in each year

Appendix VI Miscellaneous State Economic Development Incentives

			FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	Cumulative Total
95 PA 469	Renaissance Zones Exemp.	State 6	$0	$0	$0	$2,500,000	$5,700,000	$8,600,000	$10,800,000	$13,200,000	$17,800,000	$58,600,000
	Reimbursements Netted Below	Local 18	$0	$0	$0	$3,112,500	$7,096,500	$10,707,000	$13,446,000	$16,434,000	$22,161,000	$72,957,000
		Hold Harmless	$0	$0	$0	$391,667	$893,000	$1,347,333	$1,692,000	$2,068,000	$2,788,667	$9,180,667
		Bldg&Site	$0	$0	$0	$1,670,833	$3,809,500	$5,747,667	$7,218,000	$8,822,000	$11,896,333	$39,164,333
		ISD Spec Ed	$0	$0	$0	$937,500	$2,137,500	$3,225,000	$4,050,000	$4,950,000	$6,675,000	$21,975,000
		ISD Voc Ed	$0	$0	$0	$208,333	$475,000	$716,667	$900,000	$1,100,000	$1,483,333	$4,883,333
		ISD Alloc.&Oth	$0	$0	$0	$83,333	$190,000	$286,667	$360,000	$440,000	$593,333	$1,953,333
		Total	**$0**	**$0**	**$0**	**$8,904,167**	**$20,301,500**	**$30,630,333**	**$38,466,000**	**$47,014,000**	**$63,397,667**	**$208,713,667**
98 PA 18	Ren Zone Pers Prop Ex.	State 6	$0	$0	$0	$0	$500,000	$500,000	$500,000	$500,000	$500,000	$2,500,000
98 PA 498	Expansion of PA 18	Local 18	$0	$0	$0	$0	$622,500	$622,500	$622,500	$622,500	$622,500	$3,112,500
	Reimbursements Netted Below	Hold Harmless	$0	$0	$0	$0	$78,333	$78,333	$78,333	$78,333	$78,333	$391,667
		Bldg&Site	$0	$0	$0	$0	$334,167	$334,167	$334,167	$334,167	$334,167	$1,670,833
		ISD Spec Ed	$0	$0	$0	$0	$187,500	$187,500	$187,500	$187,500	$187,500	$937,500
		ISD Voc Ed	$0	$0	$0	$0	$41,667	$41,667	$41,667	$41,667	$41,667	$208,333
		ISD Alloc.&Oth	$0	$0	$0	$0	$16,667	$16,667	$16,667	$16,667	$16,667	$83,333
		Total	**$0**	**$0**	**$0**	**$0**	**$1,780,833**	**$1,780,833**	**$1,780,833**	**$1,780,833**	**$1,780,833**	**$8,904,167**
98 PA 328	Pers Prop in Eligible Districts	State 6	$0	$0	$0	$0	$0	$200,000	$1,100,000	$2,400,000	$2,500,000	$6,200,000
99 PA 20	Expanded PA 328, by elim	Local 18	$0	$0	$0	$0	$0	$249,000	$1,369,500	$2,988,000	$3,112,500	$7,719,000
	distressed comm rqmt	Hold Harmless	$0	$0	$0	$0	$0	$31,333	$172,333	$376,000	$391,667	$971,333
		Bldg&Site	$0	$0	$0	$0	$0	$133,667	$735,167	“$1,604,000	$1,670,833	$4,143,667
		ISD Spec Ed	$0	$0	$0	$0	$0	$75,000	$412,500	$900,000	$937,500	$2,325,000
		ISD Voc Ed	$0	$0	$0	$0	$0	$16,667	$91,667	$200,000	$208,333	$516,667
		ISD Alloc.&Oth	$0	$0	$0	$0	$0	$6,667	$36,667	$80,000	$83,333	$206,667
		Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$712,333**	**$3,917,833**	**$8,548,000**	**$8,904,167**	**$22,082,333**
00 PA 143	SBT Credit, No School Impact	State 6	$0	$0	$0	$0	$0	$0	$0	$1,000,000	$3,800,000	$4,800,000
00 PA 144	MEGA	Local 18	$0	$0	$0	$0	$0	$0	$0	$1,245,000	$4,731,000	$5,976,000
00 PA 145	**Brownfields Exemptions**	Hold Harmless	$0	$0	$0	$0	$0	$0	$0	$156,667	$595,333	$752,000
00 PA 146	Obsolete Property, See Below	Bldg&Site	$0	$0	$0	$0	$0	$0	$0	$668,333	$2,539,667	$3,208,000
	PA 146 data below	ISD Spec Ed	$0	$0	$0	$0	$0	$0	$0	$375,000	$1,425,000	$1,800,000
		ISD Voc Ed	$0	$0	$0	$0	$0	$0	$0	$83,333	$316,667	$400,000
		ISD Alloc.&Oth	$0	$0	$0	$0	$0	$0	$0	$33,333	$126,667	$160,000
		Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$3,561,667**	**$13,534,333**	**$17,096,000**
00 PA 146	Obsolete Property, See Above	State 6	$0	$0	$0	$0	$0	$0	$0	$2,400,000	$8,000,000	$10,400,000
		Local 18	$0	$0	$0	$0	$0	$0	$0	$2,988,000	$9,960,000	$12,948,000s
		Hold Harmless	$0	$0	$0	$0	$0	$0	$0	$376,000	$1,253,333	$1,629,333
		Bldg&Site	$0	$0	$0	$0	$0	$0	$0	$1,604,000	$5,346,667	$6,950,667
		ISD Spec Ed	$0	$0	$0	$0	$0	$0	$0	$900,000	$3,000,000	$3,900,000
		ISD Voc Ed	$0	$0	$0	$0	$0	$0	$0	$200,000	$666,667	$866,667
		ISD Alloc.&Oth	$0	$0	$0	$0	$0	$0	$0	$80,000	$266,667	$346,667
		Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$8,548,000**	**$28,493,333**	**$37,041,333**
00 PA 247	Add High Tech to 198	State 6	$0	$0	$0	$0	$0	$0	$0	$4,400,000	$14,100,000	$18,500,000
		Local 18	$0	$0	$0	$0	$0	$0	$0	$5,478,000	$17,554,500	$23,032,500
		Hold Harmless	$0	$0	$0	$0	$0	$0	$0	$689,333	$2,209,000	$2,898,333
		Bldg&Site	$0	$0	$0	$0	$0	$0	$0	$2,940,667	$9,423,500	$12,364,167
		ISD Spec Ed	$0	$0	$0	$0	$0	$0	$0	$1,650,000	$5,287,500	$6,937,500
		ISD Voc Ed	$0	$0	$0	$0	$0	$0	$0	$366,667	$1,175,000	$1,541,667
		ISD Alloc.&Oth	$0	$0	$0	$0	$0	$0	$0	$146,667	$470,000	$616,667
		Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$15,671,333**	**$50,219,500**	**$65,890,833**

			FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	Cumulative Total
00 PA 248	LDFA & High Tech TIFA	State 6	$0	$0	$0	$0	$0	$0	$0	$400,000	$1,500,000	$1,900,000
		Local 18	$0	$0	$0	$0	$0	$0	$0	$498,000	$1,867,500	$2,365,500s
		Hold Harmless	$0	$0	$0	$0	$0	$0	$0	$62,667	$235,000	$297,667
		Bldg&Site	$0	$0	$0	$0	$0	$0	$0	$267,333	$1,002,500	$1,269,833
		ISD Spec Ed	$0	$0	$0	$0	$0	$0	$0	$150,000	$562,500	$712,500
		ISD Voc Ed	$0	$0	$0	$0	$0	$0	$0	$33,333	$125,000	$158,333
		ISD Alloc.&Oth	$0	$0	$0	$0	$0	$0	$0	$13,333	$50,000	$63,333
		Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$1,424,667**	**$5,342,500**	**$6,767,167**
Totals Misc Economic Development Incentives		State 6	$0	$0	$0	$2,500,000	$6,200,000	$9,300,000	$12,400,000	$24,300,000	$48,200,000	$102,900,000
		Local 18	$0	$0	$0	$3,112,500	$7,719,000	$11,578,500	$15,438,000	$30,253,500	$60,009,000	$128,110,500
		Hold Harmless	$0	$0	$0	$391,667	$971,333	$1,457,000	$1,942,667	$3,807,000	$7,551,333	$16,121,000
		Bldg&Site	$0	$0	$0	$1,670,833	$4,143,667	$6,215,500	$8,287,333	$16,240,500	$32,213,667	$68,771,500
		ISD Spec Ed	$0	$0	$0	$937,500	$2,325,000	$3,487,500	$4,650,000	$9,112,500	$18,075,000	$38,587,500
		ISD Voc Ed	$0	$0	$0	$208,333	$516,667	$775,000	$1,033,333	$2,025,000	$4,016,667	$8,575,000
		ISD Alloc.&Oth	$0	$0	$0	$83,333	$206,667	$310,000	$413,333	$810,000	$1,606,667	$3,430,000
		Total	**$0**	**$0**	**$0**	**$8,904,167**	**$22,082,333**	**$33,123,500**	**$44,164,667**	**$86,548,500**	**$171,672,333**	**$366,495,500**
			$0	$0	$0	$8,904,167	$22,082,333	$33,123,500	$44,164,667	$86,548,500	$171,672,333	$366,495,500
Less, Renaissance Zone Reimbursements Paid To Local K-12's, ISD's or the State School Aid Fund			$0	$0	$0	$0	$2,951,726	$4,348,664	$5,410,916	$6,614,375	$8,849,216	$28,174,897
Adjusted Totals, Miscellaneous Economic Development Incentives			**$0**	**$0**	**$0**	**$8,904,167**	**$19,130,607**	**$28,774,836**	**$38,753,751**	**$79,934,125**	**$162,823,117**	**$338,320,603**

This data could be added to total, but was inadvertently omitted:

			FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	Total
99 PA 140	Add Electric Generating Facility to definition of industrial facility for PA 198 of 1974. It is implicitly assumed in the data in Appendix V, but that is not summarized in the official totals of report. This change is a new policy change since 1994 and should be treated separately.	State 6	$0	$0	$0	$0	$0	$0	$750,000	$1,400,000	$3,750,000	$5,900,000
		Local 18	$0	$0	$0	$0	$0	$0	$933,750	$1,743,000	$4,668,750	$7,345,500
		Hold Harmless	$0	$0	$0	$0	$0	$0	$117,500	$219,333	$587,500	$924,333
		Bldg&Site	$0	$0	$0	$0	$0	$0	$501,250	$935,667	$2,506,250	$3,943,167
		ISD Spec Ed	$0	$0	$0	$0	$0	$0	$281,250	$525,000	$1,406,250	$2,212,500
		ISD Voc Ed	$0	$0	$0	$0	$0	$0	$62,500	$116,667	$312,500	$491,667
		ISD Alloc.&Oth	$0	$0	$0	$0	$0	$0	$25,000	$46,667	$125,000	$196,667
		Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$2,671,250**	**$4,986,333**	**$13,356,250**	**$21,013,833**

Appendix VII State Economic Development Incentives

Table I: Tax Increment Financing Authorities (TIFAs), Captured Value Relative To Assessed Value			
	Homestead Property	Non-Homestead Property	All Property
Total Assessed Value	$139,390,186,569	$100,565,533,885	$239,955,720,454
Captured Value	$231,848,296	$3,458,644,577	$3,690,492,873
% of Class	0.17%	3.44%	1.54%
State 6 Mills	Not Applicable	Not Applicable	Not Applicable
Local 18 Mills	Not Applicable	$61,633,046	$61,633,046
Hold Harmless	$361,683	$242,105	$603,788
Debt, Bldg, & Site	$969,126	$13,073,677	$14,042,802
ISD Special Education	$523,977	$7,712,777	$8,236,755
ISD Voc Education	$120,561	$1,660,149	$1,780,711
ISD Alloc & Other	$46,370	$691,729	$738,099
Total Estimated Impact	$2,021,717	$85,013,484	$87,035,201

Table II: TIFA Captures As Share of Total District Valuation

	D Code	District	Homestead Taxable Value	Tifa HS Taxable Value	Non-Homestead Taxable Value	Tifa NHS Taxable Value	Total Taxable Value	Total TIFA Value	Cumulative TIFA Homestead Value	Cumulative Tifa Non-Homestead Value	Cumulative Total Tifa	Tifa As % of HS	Tifa As % of NHS	Tifa As % Total
1	70040	ALLENDALE	$108,564,783	$35,477,871	$48,281,511	$23,155,319	$156,846,294	$58,633,190	$35,477,871	$23,155,319	$58,633,190	32.68%	47.96%	37.38%
2	13020	BATTLE CREEK	$235,459,675	$0	$522,927,925	$226,631,945	$758,387,600	$226,631,945	$35,477,871	$249,787,264	$285,265,135	0.00%	43.34%	29.88%
3	63030	PONTIAC	$570,328,747	$13,112,627	$2,091,041,564	$530,476,382	$2,661,370,311	$543,589,009	$48,590,498	$780,263,646	$828,854,144	2.30%	25.37%	20.43%
4	22010	IRON MOUNTAIN	$71,954,380	$1,064,212	$70,968,905	$23,639,656	$142,923,285	$24,703,868	$49,654,710	$803,903,302	$853,558,012	1.48%	33.31%	17.28%
5	31110	HOUGHTON-PORTAGE	$31,761,123	$1,787,797	$59,355,396	$12,534,707	$91,116,519	$14,322,504	$51,442,507	$816,438,009	$867,880,516	5.63%	21.12%	15.72%
6	82130	ROMULUS	$174,138,008	$1,874,489	$590,418,492	$92,579,804	$764,556,500	$94,454,293	$53,316,996	$909,017,813	$962,334,809	1.08%	15.68%	12.35%
7	82060	HAMTRAMCK	$55,601,512	$0	$120,110,803	$20,144,390	$175,712,315	$20,144,390	$53,316,996	$929,162,203	$982,479,199	0.00%	16.77%	11.46%
8	82150	TAYLOR	$621,329,778	$0	$690,525,042	$148,797,394	$1,311,854,820	$148,797,394	$53,316,996	$1,077,959,597	$1,131,276,593	0.00%	21.55%	11.34%
9	62070	NEWAYGO	$116,983,040	$5,345,632	$104,747,290	$18,973,573	$221,730,330	$24,319,205	$58,662,628	$1,096,933,170	$1,155,595,798	4.57%	18.11%	10.97%
10	66050	ONTONAGON	$27,935,217	$74,367	$46,331,691	$7,624,663	$74,266,908	$7,699,030	$58,736,995	$1,104,557,833	$1,163,294,828	0.27%	16.46%	10.37%
11	46090	MADISON	$30,190,710	$344,475	$90,724,329	$12,089,277	$120,915,039	$12,433,752	$59,081,470	$1,116,647,110	$1,175,728,580	1.14%	13.33%	10.28%
12	82170	WYANDOTTE	$343,417,394	$0	$182,453,122	$52,906,908	$525,870,516	$52,906,908	$59,081,470	$1,169,554,018	$1,228,635,488	0.00%	29.00%	10.06%
13	42030	GRANT TWP.	$3,289,833	$294,923	$16,249,726	$1,519,849	$19,539,559	$1,814,772	$59,376,393	$1,171,073,867	$1,230,450,260	8.96%	9.35%	9.29%
14	34360	IONIA TWP.	$6,378,302	$0	$4,624,882	$984,426	$11,003,184	$984,426	$59,376,393	$1,172,058,293	$1,231,434,686	0.00%	21.29%	8.95%
15	06020	AU GRES SIMS	$62,870,156	$2,327,284	$75,892,945	$9,959,327	$138,763,101	$12,286,611	$61,703,677	$1,182,017,620	$1,243,721,297	3.70%	13.12%	8.85%
16	33220	WEBBERVILLE	$54,779,915	$451,556	$14,411,974	$5,616,524	$69,191,889	$6,068,080	$62,155,233	$1,187,634,144	$1,249,789,377	0.82%	38.97%	8.77%
17	77010	MANISTIQUE	$66,116,300	$4,374,906	$106,842,212	$10,761,766	$172,958,512	$15,136,672	$66,530,139	$1,198,395,910	$1,264,926,049	6.62%	10.07%	8.75%
18	61240	WHITEHALL	$156,711,239	$0	$122,440,635	$22,366,817	$279,151,874	$22,366,817	$66,530,139	$1,220,762,727	$1,287,292,866	0.00%	18.27%	8.01%
19	07020	BARAGA TWP.	$19,549,282	$0	$25,582,667	$3,408,086	$45,131,949	$3,408,086	$66,530,139	$1,224,170,813	$1,290,700,952	0.00%	13.32%	7.55%
20	61060	MUSKEGON HEIGHTS	$32,057,405	$0	$78,761,890	$8,270,683	$110,819,295	$8,270,683	$66,530,139	$1,232,441,496	$1,298,971,635	0.00%	10.50%	7.46%
21	49010	ST.IGNACE CITY	$38,492,940	$161,207	$57,853,405	$6,731,488	$96,346,345	$6,892,695	$66,691,346	$1,239,172,984	$1,305,864,330	0.42%	11.64%	7.15%
22	73170	BIRCH RUN	$123,507,719	$34,776	$77,072,929	$14,273,338	$200,580,648	$14,308,114	$66,726,122	$1,253,446,322	$1,320,172,444	0.03%	18.52%	7.13%
23	50180	RICHMOND	$231,127,453	$13,299,284	$97,500,340	$10,130,669	$328,627,793	$23,429,953	$80,025,406	$1,263,576,991	$1,343,602,397	5.75%	10.39%	7.13%
24	33230	WILLIAMSTON	$210,048,291	$6,661,785	$59,661,059	$12,136,200	$269,709,350	$18,797,985	$86,687,191	$1,275,713,191	$1,362,400,382	3.17%	20.34%	6.97%
25	82010	DETROIT	$2,692,892,735	$0	$4,580,699,680	$501,684,513	$7,273,592,415	$501,684,513	$86,687,191	$1,777,397,704	$1,864,084,895	0.00%	10.95%	6.90%
26	81050	DEXTER	$452,240,395	$1,124,263	$170,604,812	$40,520,428	$622,845,207	$41,644,691	$87,811,454	$1,817,918,132	$1,905,729,586	0.25%	23.75%	6.69%
27	52180	ISHPEMING	$40,943,269	$494,786	$31,551,197	$4,231,263	$72,494,466	$4,726,049	$88,306,240	$1,822,149,395	$1,910,455,635	1.21%	13.41%	6.52%
28	58050	DUNDEE	$124,619,812	$352,940	$78,561,908	$12,681,683	$203,181,720	$13,034,623	$88,659,180	$1,834,831,078	$1,923,490,258	0.28%	16.14%	6.42%
29	67020	EVART	$72,348,219	$30,635	$83,893,547	$9,888,394	$156,241,766	$9,919,029	$88,689,815	$1,844,719,472	$1,933,409,287	0.04%	11.79%	6.35%
30	02070	MUNISING	$50,725,138	$1,051,848	$58,915,318	$5,637,181	$109,640,456	$6,689,029	$89,741,663	$1,850,356,653	$1,940,098,316	2.07%	9.57%	6.10%
31	37010	MOUNT PLEASANT	$269,650,585	$2,932,455	$283,858,291	$29,545,752	$553,508,876	$32,478,207	$92,674,118	$1,879,902,405	$1,972,576,523	1.09%	10.41%	5.87%
32	59070	GREENVILLE	$254,642,573	$82,723	$166,278,906	$24,524,181	$420,921,479	$24,606,904	$92,756,841	$1,904,426,586	$1,997,183,427	0.03%	14.75%	5.85%
33	62040	FREMONT	$170,770,632	$274,221	$101,873,209	$15,617,834	$272,643,841	$15,892,055	$93,031,062	$1,920,044,420	$2,013,075,482	0.16%	15.33%	5.83%
34	34010	IONIA	$163,800,072	$537,925	$83,477,292	$13,822,967	$247,277,364	$14,360,892	$93,568,987	$1,933,867,387	$2,027,436,374	0.33%	16.56%	5.81%
35	74010	PORT HURON	$809,507,986	$11,576,114	$591,960,755	$69,240,706	$1,401,468,741	$80,816,820	$105,145,101	$2,003,108,093	$2,108,253,194	1.43%	11.70%	5.77%
36	41010	GRAND RAPIDS	$1,652,754,311	$9,993,494	$1,504,954,066	$168,456,408	$3,157,708,377	$178,449,902	$115,138,595	$2,171,564,501	$2,286,703,096	0.60%	11.19%	5.65%
37	63290	WALLED LAKE	$2,148,754,923	$16,050,745	$1,165,070,144	$167,921,061	$3,313,825,067	$183,971,806	$131,189,340	$2,339,485,562	$2,470,674,902	0.75%	14.41%	5.55%
38	82430	VAN BUREN	$496,811,949	$30,023,338	$496,181,425	$24,938,566	$992,993,374	$54,961,904	$161,212,678	$2,364,424,128	$2,525,636,806	6.04%	5.03%	5.53%
39	38010	WESTERN	$137,404,009	$0	$74,283,129	$11,160,953	$211,687,138	$11,160,953	$161,212,678	$2,375,585,081	$2,536,797,759	0.00%	15.02%	5.27%
40	52170	MARQUETTE CITY	$293,417,498	$1,152,518	$313,967,189	$27,679,639	$607,384,687	$28,832,157	$162,365,196	$2,403,264,720	$2,565,629,916	0.39%	8.82%	4.75%
41	82240	WESTWOOD	$129,998,399	$3,042,798	$106,731,704	$7,828,165	$236,730,103	$10,870,963	$165,407,994	$2,411,092,885	$2,576,500,879	2.34%	7.33%	4.59%
42	33020	LANSING	$915,032,636	$66,786	$1,103,202,281	$91,017,037	$2,018,234,917	$91,083,823	$165,474,780	$2,502,109,922	$2,667,584,702	0.01%	8.25%	4.51%
43	22025	NORWAY VULCAN	$62,168,832	$1,368,891	$37,446,795	$2,785,070	$99,615,627	$4,153,961	$166,843,671	$2,504,894,992	$2,671,738,663	2.20%	7.44%	4.17%
44	61010	MUSKEGON PUBLIC	$189,438,185	$1,334,781	$289,090,641	$18,230,319	$478,528,826	$19,565,100	$168,178,452	$2,523,125,311	$2,691,303,763	0.70%	6.31%	4.09%
45	23090	POTTERVILLE	$43,975,811	$255,430	$22,968,519	$2,448,312	$66,944,330	$2,703,742	$168,433,882	$2,525,573,623	$2,694,007,505	0.58%	10.66%	4.04%
46	38090	EAST JACKSON	$79,467,552	$328,983	$66,741,776	$5,336,912	$146,209,328	$5,665,895	$168,762,865	$2,530,910,535	$2,699,673,400	0.41%	8.00%	3.88%
47	63070	AVONDALE	$539,427,557	$158,259	$491,589,951	$39,328,446	$1,031,017,508	$39,486,705	$168,921,124	$2,570,238,981	$2,739,160,105	0.03%	8.00%	3.83%
48	83010	CADILLAC	$223,839,671	$0	$224,311,809	$17,039,600	$448,151,480	$17,039,600	$168,921,124	$2,587,278,581	$2,756,199,705	0.00%	7.60%	3.80%
49	30040	LITCHFIELD	$40,015,528	$0	$28,739,058	$2,556,034	$68,754,586	$2,556,034	$168,921,124	$2,589,834,615	$2,758,755,739	0.00%	8.89%	3.72%
50	51070	MANISTEE	$131,103,156	$3,158,125	$182,668,134	$7,996,607	$313,771,290	$11,154,732	$172,079,249	$2,597,831,222	$2,769,910,471	2.41%	4.38%	3.56%
51	33040	DANSVILLE	$81,711,431	$2,634,685	$8,389,547	$564,160	$90,100,978	$3,198,845	$174,713,934	$2,598,395,382	$2,773,109,316	3.22%	6.72%	3.55%
52	34110	PORTLAND	$165,136,926	$306,845	$43,404,087	$7,092,447	$208,541,013	$7,399,292	$175,020,779	$2,605,487,829	$2,780,508,608	0.19%	16.34%	3.55%

Table II: TIFA Captures As Share of Total District Valuation

	D Code	District	Homestead Taxable Value	Tifa HS Taxable Value	Non-Homestead Taxable Value	Tifa NHS Taxable Value	Total Taxable Value	Total TIFA Value	Cumulative TIFA Homestead Value	Cumulative Tifa Non-Homstead Value	Cumulative Total Tifa	Tifa As % of HS	Tifa As % of NHS	Tifa As % Total
53	33100	LESLIE	$92,988,639	$251,115	$21,889,838	$3,811,244	$114,878,477	$4,062,359	$175,271,894	$2,609,299,073	$2,784,570,967	0.27%	17.41%	3.54%
54	39160	SCHOOLCRAFT	$97,206,309	$9,261	$28,297,009	$4,420,139	$125,503,318	$4,429,400	$175,281,155	$2,613,719,212	$2,789,000,367	0.01%	15.62%	3.53%
55	63130	HAZEL PARK	$186,253,309	$708,084	$142,325,937	$10,686,636	$328,579,246	$11,394,720	$175,989,239	$2,624,405,848	$2,800,395,087	0.38%	7.51%	3.47%
56	41050	CALEDONIA	$368,162,374	$0	$457,691,944	$28,506,626	$825,854,318	$28,506,626	$175,989,239	$2,652,912,474	$2,828,901,713	0.00%	6.23%	3.45%
57	81010	ANN ARBOR	$2,685,984,585	$8,201,828	$2,409,203,354	$167,484,806	$5,095,187,939	$175,686,634	$184,191,067	$2,820,397,280	$3,004,588,347	0.31%	6.95%	3.45%
58	63040	ROYAL OAK	$1,116,718,654	$16,925,802	$586,833,673	$40,714,398	$1,703,552,327	$57,640,200	$201,116,869	$2,861,111,678	$3,062,228,547	1.52%	6.94%	3.38%
59	70300	SPRING LAKE	$250,904,417	$1,448,365	$117,081,556	$10,809,615	$367,985,973	$12,257,980	$202,565,234	$2,871,921,293	$3,074,486,527	0.58%	9.23%	3.33%
60	17010	SAULT STE.MARIE	$170,482,191	$10,805	$176,702,360	$10,776,592	$347,184,551	$10,787,397	$202,576,039	$2,882,697,885	$3,085,273,924	0.01%	6.10%	3.11%
61	03010	PLAINWELL	$217,368,588	$145,821	$86,156,101	$8,986,350	$303,524,689	$9,132,171	$202,721,860	$2,891,684,235	$3,094,406,095	0.07%	10.43%	3.01%
62	39130	PARCHMENT	$113,672,896	$1,253,517	$44,551,177	$3,300,355	$158,224,073	$4,553,872	$203,975,377	$2,894,984,590	$3,098,959,967	1.10%	7.41%	2.88%
63	15050	CHARLEVOIX	$185,231,002	$422,652	$277,654,460	$12,689,749	$462,885,462	$13,112,401	$204,398,029	$2,907,674,339	$3,112,072,368	0.23%	4.57%	2.83%
64	13110	MARSHALL	$213,724,432	$0	$134,068,723	$9,498,656	$347,793,155	$9,498,656	$204,398,029	$2,917,172,995	$3,121,571,024	0.00%	7.08%	2.73%
65	21025	GLADSTONE	$100,021,134	$212,860	$35,588,813	$3,443,940	$135,609,947	$3,656,800	$204,610,889	$2,920,616,935	$3,125,227,824	0.21%	9.68%	2.70%
66	39010	KALAMAZOO	$832,953,253	$0	$1,019,865,916	$49,707,287	$1,852,819,169	$49,707,287	$204,610,889	$2,970,324,222	$3,174,935,111	0.00%	4.87%	2.68%
67	80010	SOUTH HAVEN	$175,216,356	$195,151	$196,753,689	$9,599,832	$371,970,045	$9,794,983	$204,806,040	$2,979,924,054	$3,184,730,094	0.11%	4.88%	2.63%
68	63280	LAMPHERE	$217,737,500	$0	$606,153,290	$20,570,870	$823,890,790	$20,570,870	$204,806,040	$3,000,494,924	$3,205,300,964	0.00%	3.39%	2.50%
69	73200	FREELAND	$155,357,220	$1,683,429	$46,977,936	$3,161,800	$202,335,156	$4,845,229	$206,489,469	$3,003,656,724	$3,210,146,193	1.08%	6.73%	2.39%
70	65045	WEST BRANCH ROSE CITY	$202,101,417	$747,538	$235,112,697	$9,476,592	$437,214,114	$10,224,130	$207,237,007	$3,013,133,316	$3,220,370,323	0.37%	4.03%	2.34%
71	22030	BREITUNG	$135,045,258	$223,636	$184,482,143	$7,194,264	$319,527,401	$7,417,900	$207,460,643	$3,020,327,580	$3,227,788,223	0.17%	3.90%	2.32%
72	07040	L'ANSE	$36,127,953	$37,230	$43,165,308	$1,756,315	$79,293,261	$1,793,545	$207,497,873	$3,022,083,895	$3,229,581,768	0.10%	4.07%	2.26%
73	41170	LOWELL	$324,949,992	$59,412	$125,220,914	$9,752,590	$450,170,906	$9,812,002	$207,557,285	$3,031,836,485	$3,239,393,770	0.02%	7.79%	2.18%
74	11330	COLOMA	$133,320,883	$1,142,987	$85,506,786	$3,572,045	$218,827,669	$4,715,032	$208,700,272	$3,035,408,530	$3,244,108,802	0.86%	4.18%	2.15%
75	81120	SALINE	$644,984,533	$0	$304,258,982	$19,778,951	$949,243,515	$19,778,951	$208,700,272	$3,055,187,481	$3,263,887,753	0.00%	6.50%	2.08%
76	33200	STOCKBRIDGE	$169,682,228	$625,993	$53,305,280	$3,991,271	$222,987,508	$4,617,264	$209,326,265	$3,059,178,752	$3,268,505,017	0.37%	7.49%	2.07%
77	38140	NORTHWEST	$252,111,676	$11,326	$140,259,836	$8,099,379	$392,371,512	$8,110,705	$209,337,591	$3,067,278,131	$3,276,615,722	0.00%	5.77%	2.07%
78	61190	ORCHARD VIEW	$102,055,705	$0	$120,756,266	$4,543,884	$222,811,971	$4,543,884	$209,337,591	$3,071,822,015	$3,281,159,606	0.00%	3.76%	2.04%
79	80020	BANGOR	$67,247,007	$113,446	$39,089,608	$2,029,555	$106,336,615	$2,143,001	$209,451,037	$3,073,851,570	$3,283,302,607	0.17%	5.19%	2.02%
80	50160	MOUNT CLEMENS	$199,569,578	$19,700	$194,530,153	$7,854,500	$394,099,731	$7,874,200	$209,470,737	$3,081,706,070	$3,291,176,807	0.01%	4.04%	2.00%
81	35030	TAWAS	$162,113,925	$3,250,440	$164,869,050	$3,147,766	$326,982,975	$6,398,206	$212,721,177	$3,084,853,836	$3,297,575,013	2.01%	1.91%	1.96%
82	19120	OVID ELSIE	$132,277,912	$205,255	$31,217,674	$2,969,114	$163,495,586	$3,174,369	$212,926,432	$3,087,822,950	$3,300,749,382	0.16%	9.51%	1.94%
83	73010	SAGINAW CITY	$329,305,940	$0	$478,766,748	$15,587,562	$808,072,688	$15,587,562	$212,926,432	$3,103,410,512	$3,316,336,944	0.00%	3.26%	1.93%
84	03040	WAYLAND UNION	$231,982,551	$726,223	$96,578,739	$5,263,306	$328,561,290	$5,989,529	$213,652,655	$3,108,673,818	$3,322,326,473	0.31%	5.45%	1.82%
85	82070	HIGHLAND PARK	$23,292,967	$0	$96,434,436	$2,111,531	$119,727,403	$2,111,531	$213,652,655	$3,110,785,349	$3,324,438,004	0.00%	2.19%	1.76%
86	59125	CENTRAL MONTCALM	$125,134,881	$273,896	$45,046,119	$2,624,805	$170,181,000	$2,898,701	$213,926,551	$3,113,410,154	$3,327,336,705	0.22%	5.83%	1.70%
87	34080	BELDING	$138,346,683	$283,865	$65,689,158	$3,188,609	$204,035,841	$3,472,474	$214,210,416	$3,116,598,763	$3,330,809,179	0.21%	4.85%	1.70%
88	78110	OWOSSO	$269,852,654	$161,012	$136,465,722	$6,704,202	$406,318,376	$6,865,214	$214,371,428	$3,123,302,965	$3,337,674,393	0.06%	4.91%	1.69%
89	70120	COOPERSVILLE	$198,314,448	$80,781	$68,175,182	$4,374,650	$266,489,630	$4,455,431	$214,452,209	$3,127,677,615	$3,342,129,824	0.04%	6.42%	1.67%
90	76140	MARLETTE	$96,355,850	$185,882	$35,012,579	$1,972,919	$131,368,429	$2,158,801	$214,638,091	$3,129,650,534	$3,344,288,625	0.19%	5.63%	1.64%
91	81040	CHELSEA	$369,349,253	$305,373	$171,639,261	$8,270,520	$540,988,514	$8,575,893	$214,943,464	$3,137,921,054	$3,352,864,518	0.08%	4.82%	1.59%
92	46080	HUDSON	$75,428,122	$104,319	$42,156,217	$1,711,111	$117,584,339	$1,815,430	$215,047,783	$3,139,632,165	$3,354,679,948	0.14%	4.06%	1.54%
93	50220	VAN DYKE	$142,089,597	$1,539,820	$315,742,785	$5,482,927	$457,832,382	$7,022,747	$216,587,603	$3,145,115,092	$3,361,702,695	1.08%	1.74%	1.53%
94	41130	GRANDVILLE	$544,078,813	$86,712	$403,523,682	$14,167,807	$947,602,495	$14,254,519	$216,674,315	$3,159,282,899	$3,375,957,214	0.02%	3.51%	1.50%
95	18010	CLARE	$79,211,053	$27,096	$56,433,350	$2,010,637	$135,644,403	$2,037,733	$216,701,411	$3,161,293,536	$3,377,994,947	0.03%	3.56%	1.50%
96	25100	FENTON	$378,896,636	$0	$176,565,275	$8,290,720	$555,461,911	$8,290,720	$216,701,411	$3,169,584,256	$3,386,285,667	0.00%	4.70%	1.49%
97	13090	LAKEVIEW	$315,706,705	$0	$197,672,641	$7,392,032	$513,379,346	$7,392,032	$216,701,411	$3,176,976,288	$3,393,677,699	0.00%	3.74%	1.44%
98	27010	BESSEMER CITY	$21,136,837	$17,792	$23,075,629	$615,030	$44,212,466	$632,822	$216,719,203	$3,177,591,318	$3,394,310,521	0.08%	2.67%	1.43%
99	46010	ADRIAN	$320,431,754	$73,010	$205,277,420	$7,097,158	$525,709,174	$7,170,168	$216,792,213	$3,184,688,476	$3,401,480,689	0.02%	3.46%	1.36%
100	09010	BAY CITY	$826,444,513	$0	$438,876,172	$17,124,144	$1,265,320,685	$17,124,144	$216,792,213	$3,201,812,620	$3,418,604,833	0.00%	3.90%	1.35%
101	23060	GRAND LEDGE	$526,045,007	$521,154	$283,197,763	$10,118,509	$809,242,770	$10,639,663	$217,313,367	$3,211,931,129	$3,429,244,496	0.10%	3.57%	1.31%
102	13120	PENNFIELD	$126,184,456	$0	$42,336,622	$2,196,737	$168,521,078	$2,196,737	$217,313,367	$3,214,127,866	$3,431,441,233	0.00%	5.19%	1.30%
103	76080	CROSWELL-LEXINGTON	$211,661,106	$46,852	$118,629,506	$4,173,192	$330,290,612	$4,220,044	$217,360,219	$3,218,301,058	$3,435,661,277	0.02%	3.52%	1.28%
104	44010	LAPEER	$722,892,056	$121,131	$260,675,987	$12,334,863	$983,568,043	$12,455,994	$217,481,350	$3,230,635,921	$3,448,117,271	0.02%	4.73%	1.27%
105	63260	ROCHESTER	$2,464,967,979	$847,008	$791,316,745	$39,294,277	$3,256,284,724	$40,141,285	$218,328,358	$3,269,930,198	$3,488,258,556	0.03%	4.97%	1.23%
106	60020	HILLMAN	$44,712,427	$0	$69,135,875	$1,384,562	$113,848,302	$1,384,562	$218,328,358	$3,271,314,760	$3,489,643,118	0.00%	2.00%	1.22%

Table II: TIFA Captures As Share of Total District Valuation

	D Code	District	Homestead Taxable Value	Tifa HS Taxable Value	Non-Homestead Taxable Value	Tifa NHS Taxable Value	Total Taxable Value	Total TIFA Value	Cumulative TIFA Homestead Value	Cumulative Tifa Non-Homstead Value	Cumulative Total Tifa	Tifa As % of HS	Tifa As % of NHS	Tifa As % Total
107	13010	ALBION	$81,544,362	$50,886	$71,601,614	$1,753,754	$153,145,976	$1,804,640	$218,379,244	$3,273,068,514	$3,491,447,758	0.06%	2.45%	1.18%
108	41040	BYRON CENTER	$299,893,151	$0	$195,718,851	$5,801,275	$495,612,002	$5,801,275	$218,379,244	$3,278,869,789	$3,497,249,033	0.00%	2.96%	1.17%
109	24070	PETOSKEY	$306,766,979	$2,050,500	$547,415,247	$7,707,640	$854,182,226	$9,758,140	$220,429,744	$3,286,577,429	$3,507,007,173	0.67%	1.41%	1.14%
110	46040	BLISSFIELD	$146,158,341	$310,158	$33,975,473	$1,722,155	$180,133,814	$2,032,313	$220,739,902	$3,288,299,584	$3,509,039,486	0.21%	5.07%	1.13%
111	73240	ST.CHARLES	$102,422,774	$184,711	$23,732,932	$1,197,854	$126,155,706	$1,382,565	$220,924,613	$3,289,497,438	$3,510,422,051	0.18%	5.05%	1.10%
112	05060	ELK RAPIDS	$260,731,192	$670,458	$241,178,101	$4,819,282	$501,909,293	$5,489,740	$221,595,071	$3,294,316,720	$3,515,911,791	0.26%	2.00%	1.09%
113	33130	MASON	$269,406,788	$158,340	$134,432,713	$4,091,853	$403,839,501	$4,250,193	$221,753,411	$3,298,408,573	$3,520,161,984	0.06%	3.04%	1.05%
114	50020	EAST DETROIT	$471,205,275	$69,938	$160,810,994	$6,566,320	$632,016,269	$6,636,258	$221,823,349	$3,304,974,893	$3,526,798,242	0.01%	4.08%	1.05%
115	44050	DRYDEN	$117,069,388	$774,623	$21,606,836	$668,341	$138,676,224	$1,442,964	$222,597,972	$3,305,643,234	$3,528,241,206	0.66%	3.09%	1.04%
116	57020	LAKE CITY	$89,078,607	$702,807	$89,059,211	$1,090,323	$178,137,818	$1,793,130	$223,300,779	$3,306,733,557	$3,530,034,336	0.79%	1.22%	1.01%
117	69020	GAYLORD	$266,424,813	$5,771	$409,987,841	$6,713,408	$676,412,654	$6,719,179	$223,306,550	$3,313,446,965	$3,536,753,515	0.00%	1.64%	0.99%
118	46140	TECUMSEH	$299,679,204	$287,742	$106,031,158	$3,638,764	$405,710,362	$3,926,506	$223,594,292	$3,317,085,729	$3,540,680,021	0.10%	3.43%	0.97%
119	46060	CLINTON	$113,897,393	$810,820	$43,448,950	$694,727	$157,346,343	$1,505,547	$224,405,112	$3,317,780,456	$3,542,185,568	0.71%	1.60%	0.96%
120	33070	HOLT	$365,045,834	$0	$139,618,839	$4,800,807	$504,664,673	$4,800,807	$224,405,112	$3,322,581,263	$3,546,986,375	0.00%	3.44%	0.95%
121	63060	SOUTHFIELD	$1,014,872,760	$0	$1,800,885,006	$26,761,340	$2,815,757,766	$26,761,340	$224,405,112	$3,349,342,603	$3,573,747,715	0.00%	1.49%	0.95%
122	82390	NORTHVILLE	$1,081,430,361	$50,987	$377,468,762	$13,375,541	$1,458,899,123	$13,426,528	$224,456,099	$3,362,718,144	$3,587,174,243	0.00%	3.54%	0.92%
123	26040	GLADWIN	$171,298,899	$903,463	$143,876,117	$1,940,526	$315,175,016	$2,843,989	$225,359,562	$3,364,658,670	$3,590,018,232	0.53%	1.35%	0.90%
124	23050	EATON RAPIDS	$236,623,954	$0	$75,440,278	$2,569,700	$312,064,232	$2,569,700	$225,359,562	$3,367,228,370	$3,592,587,932	0.00%	3.41%	0.82%
125	33010	EAST LANSING	$410,758,482	$0	$336,933,587	$6,047,920	$747,692,069	$6,047,920	$225,359,562	$3,373,276,290	$3,598,635,852	0.00%	1.79%	0.81%
126	73110	CHESANING	$169,684,816	$247,628	$42,064,044	$1,459,226	$211,748,860	$1,706,854	$225,607,190	$3,374,735,516	$3,600,342,706	0.15%	3.47%	0.81%
127	70190	HUDSONVILLE	$501,068,549	$201,267	$164,280,471	$4,480,658	$665,349,020	$4,681,925	$225,808,457	$3,379,216,174	$3,605,024,631	0.04%	2.73%	0.70%
128	14020	DOWAGIAC UNION	$174,854,792	$45,761	$166,268,394	$2,317,248	$341,123,186	$2,363,009	$225,854,218	$3,381,533,422	$3,607,387,640	0.03%	1.39%	0.69%
129	09090	PINCONNING	$161,986,854	$213,198	$49,670,945	$1,203,854	$211,657,799	$1,417,052	$226,067,416	$3,382,737,276	$3,608,804,692	0.13%	2.42%	0.67%
130	32010	BAD AXE	$90,542,226	$247,513	$61,962,518	$771,685	$152,504,744	$1,019,198	$226,314,929	$3,383,508,961	$3,609,823,890	0.27%	1.25%	0.67%
131	12010	COLDWATER	$237,921,495	$0	$262,382,254	$3,274,266	$500,303,749	$3,274,266	$226,314,929	$3,386,783,227	$3,613,098,156	0.00%	1.25%	0.65%
132	53040	LUDINGTON	$208,623,231	$0	$485,697,532	$3,698,685	$694,320,763	$3,698,685	$226,314,929	$3,390,481,912	$3,616,796,841	0.00%	0.76%	0.53%
133	55100	MENOMINEE	$106,128,834	$354,106	$88,351,319	$671,414	$194,480,153	$1,025,520	$226,669,035	$3,391,153,326	$3,617,822,361	0.33%	0.76%	0.53%
134	03070	HOPKINS	$117,236,956	$162,597	$19,439,965	$511,677	$136,676,921	$674,274	$226,831,632	$3,391,665,003	$3,618,496,635	0.14%	2.63%	0.49%
135	81020	YPSILANTI	$331,796,349	$124,855	$353,144,801	$3,212,541	$684,941,150	$3,337,396	$226,956,487	$3,394,877,544	$3,621,834,031	0.04%	0.91%	0.49%
136	63180	BRANDON	$367,032,212	$198,915	$65,935,378	$1,855,745	$432,967,590	$2,054,660	$227,155,402	$3,396,733,289	$3,623,888,691	0.05%	2.81%	0.47%
137	82290	GIBRALTAR	$278,804,980	$0	$264,963,419	$2,564,508	$543,768,399	$2,564,508	$227,155,402	$3,399,297,797	$3,626,453,199	0.00%	0.97%	0.47%
138	78100	CORUNNA	$132,468,126	$25,044	$59,494,391	$854,854	$191,962,517	$879,898	$227,180,446	$3,400,152,651	$3,627,333,097	0.02%	1.44%	0.46%
139	23030	CHARLOTTE	$243,805,355	$42,250	$94,403,490	$1,395,850	$338,208,845	$1,438,100	$227,222,696	$3,401,548,501	$3,628,771,197	0.02%	1.48%	0.43%
140	82100	PLYMOUTH-CANTON	$2,658,361,736	$211,617	$1,231,946,044	$14,427,742	$3,890,307,780	$14,639,359	$227,434,313	$3,415,976,243	$3,643,410,556	0.01%	1.17%	0.38%
141	74050	EAST CHINA TWP.	$592,077,623	$1,760,091	$847,874,392	$3,168,686	$1,439,952,015	$4,928,777	$229,194,404	$3,419,144,929	$3,648,339,333	0.30%	0.37%	0.34%
142	80150	MATTAWAN	$285,444,089	$119,823	$61,881,085	$1,049,717	$347,325,174	$1,169,540	$229,314,227	$3,420,194,646	$3,649,508,873	0.04%	1.70%	0.34%
143	53010	MASON COUNTY CENTRAL	$96,576,787	$15,506	$64,492,072	$512,496	$161,068,859	$528,002	$229,329,733	$3,420,707,142	$3,650,036,875	0.02%	0.79%	0.33%
144	11033	RIVER VALLEY	$165,816,094	$362,063	$175,852,666	$699,283	$341,668,760	$1,061,346	$229,691,796	$3,421,406,425	$3,651,098,221	0.22%	0.40%	0.31%
145	28010	TRAVERSE CITY	$1,275,340,092	$1,141,900	$1,089,803,642	$6,194,859	$2,365,143,734	$7,336,759	$230,833,696	$3,427,601,284	$3,658,434,980	0.09%	0.57%	0.31%
146	63200	FARMINGTON	$2,175,732,143	$762,870	$1,350,441,808	$10,086,200	$3,526,173,951	$10,849,070	$231,596,566	$3,437,687,484	$3,669,284,050	0.04%	0.75%	0.31%
147	78030	DURAND	$137,612,607	$0	$42,143,454	$513,990	$179,756,061	$513,990	$231,596,566	$3,438,201,474	$3,669,798,040	0.00%	1.22%	0.29%
148	63020	FERNDALE	$327,447,888	$29,010	$187,720,146	$1,218,165	$515,168,034	$1,247,175	$231,625,576	$3,439,419,639	$3,671,045,215	0.01%	0.65%	0.24%
149	56010	MIDLAND	$877,182,425	$0	$1,539,107,135	$5,327,778	$2,416,289,560	$5,327,778	$231,625,576	$3,444,747,417	$3,676,372,993	0.00%	0.35%	0.22%
150	82160	WAYNE-WESTLAND	$1,003,066,674	$0	$864,257,593	$3,992,895	$1,867,324,267	$3,992,895	$231,625,576	$3,448,740,312	$3,680,365,888	0.00%	0.46%	0.21%
151	82300	GROSSE ILE TWP.	$430,881,627	$0	$53,715,057	$966,650	$484,596,684	$966,650	$231,625,576	$3,449,706,962	$3,681,332,538	0.00%	1.80%	0.20%
152	63160	WEST BLOOMFIELD	$1,272,015,747	$165,619	$275,601,019	$2,766,951	$1,547,616,766	$2,932,570	$231,791,195	$3,452,473,913	$3,684,265,108	0.01%	1.00%	0.19%
153	46110	ONSTED	$187,990,390	$37,777	$66,066,452	$327,969	$254,056,842	$365,746	$231,828,972	$3,452,801,882	$3,684,630,854	0.02%	0.50%	0.14%
154	41145	KENOWA HILLS	$291,412,571	$19,324	$452,605,929	$1,044,231	$744,018,500	$1,063,555	$231,848,296	$3,453,846,113	$3,685,694,409	0.01%	0.23%	0.14%
155	82055	GROSSE POINTE	$1,605,655,219	$0	$292,518,434	$1,819,217	$1,898,173,653	$1,819,217	$231,848,296	$3,455,665,330	$3,687,513,626	0.00%	0.62%	0.10%
156	47070	HOWELL	$798,510,411	$0	$508,506,009	$1,210,372	$1,307,016,420	$1,210,372	$231,848,296	$3,456,875,702	$3,688,723,998	0.00%	0.24%	0.09%
157	82045	MELVINDALE	$177,920,470	$0	$357,277,952	$384,492	$535,198,422	$384,492	$231,848,296	$3,457,260,194	$3,689,108,490	0.00%	0.11%	0.07%
158	25010	FLINT	$514,885,615	$0	$908,344,123	$855,450	$1,423,229,738	$855,450	$231,848,296	$3,458,115,644	$3,689,963,940	0.00%	0.09%	0.06%
159	39140	PORTAGE	$832,152,366	$0	$703,577,724	$576,001	$1,535,730,090	$576,001	$231,848,296	$3,458,691,645	$3,690,539,941	0.00%	0.08%	0.04%

Appendix VIII: A Review and Analysis of Michigan Tax Policies Impacting K-12 Finances

What Is Good Tax Policy?

While there are philosophical and partisan differences on the relative importance or weight of some policy criteria, there is general agreement among academics and policymakers about what the main criteria should address.

One good source for a clear statement of those criteria is Tax Policy Handbook for State Legislators, by Scott Mackey and the National Conference of State Legislatures (NCSL), Denver, December 1997. Pages 7 and 8 are summarized below.

Reliability, with three components:

> **Stability:** "revenues are relatively constant over time and not subject to unpredictable fluctuations."
>
> **Certainty:** "the number and type of changes are kept to a minimum to allow businesses and individuals to plan for the future."
>
> **Sufficiency:** "requires that revenue sources provide the revenue growth necessary to finance the desired rate of growth of spending." Other sources refer to this concept as "Adequacy."

Equity

> **Horizontal Equity:** "means that taxpayers with similar economic circumstances have similar tax burdens."
>
> **Vertical Equity:** "refers to the distribution of tax burdens among taxpayers with different economic circumstances."
>
> **[“In a progressive tax system, the share of income paid in taxes increases as income rises. In a regressive tax system, the share of taxes paid is greatest for low-income taxpayers and falls as income rises.” (This statement would apply to the total tax system, not just a state income tax. Also, a “proportional tax system would be one in which tax burdens remain relatively equal across income levels.)]**

Compliance and Administration: the tax system should minimize compliance costs for taxpayers and should minimize the cost of collecting and administering the tax.

Responsiveness to Interstate and International Competition

Policymakers do need to recognize that individual states aren't isolated and should look to both the total burden on businesses and individuals in the state and the differentials with neighboring states.

Economic Neutrality

"A quality tax system tries to minimize the impact of the tax system on the allocation of resources in the economy. When lawmakers decide to use the tax system to make budget decisions or to influence behavior, these decisions should be explicit and subject to frequent evaluation and review. Taxes with broad bases and low rates, spread across a wide range of sources and economic activities, reduce the effect of taxation on economic decisions."

Accountability

"The essence of accountability is that tax burdens should be explicit, not hidden. This principle can be applied to state tax policy in two ways. First, credits and exemptions in the tax code should be minimized and reviewed frequently to determine their cost (in lost revenue) and to determine whether they are unfairly benefiting some taxpayers at the expense of others. Second, taxes that are designed to be "passed through" to consumers provide less accountability than taxes that are paid directly and openly by taxpayers."

In addition to the discussion summarized above, another good source is:

Mikesell, John L., *Fiscal Administration: Analysis and Applications for the Public Sector,* Fifth Edition, Harcourt Brace College Publishers, New York, 1999, pages 282-308. Mikesell's discussion begins with a bow to Adam Smith's classical principles as expressed in *The Wealth of Nations* (1776). Smith outlined four criteria: the subjects of a state should contribute in proportion to the benefits they enjoy; the taxes levied should be certain and not arbitrary; the taxes should be levied at the time and in a manner most convenient to be paid; and, taxes should be able to be efficiently administered. (See page 283 of Mikesell for more detail and a discussion of Adam Smith's contributions to tax theory.

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