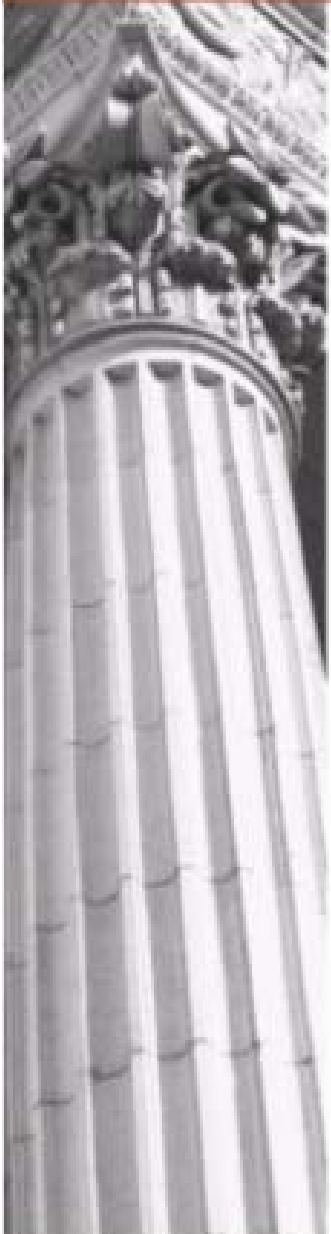




# **State and Local Tax Revenue: Historical and Comparative Perspectives**

**Presented to  
Michigan Farm Bureau  
Policy Development Committee**

**Craig Thiel  
October 8, 2009**





# Citizens Research Council of Michigan

- Founded in 1916
- Statewide
- Non-partisan
- Private not-for-profit
- Promotes sound policy for state and local governments through factual research – accurate, independent and objective
- Relies on charitable contributions of Michigan foundations, businesses, and individuals
- *[www.crcmich.org](http://www.crcmich.org)*



## Michigan Taxes

- 52 taxes (34-state and 18-local), see CRC *Tax Outline* for descriptions, categorization, and history
- Discussion of taxation must be comprehensive and avoid myopic perspective
- State **AND** local taxes taken together
- All taxing authority, regardless of level of gov't, comes from State of Michigan
  - Constitutional
  - Statutory
- Lets not forget that taxes fund public services



## Previously Above the U.S. Ave, Not the Case Any Longer

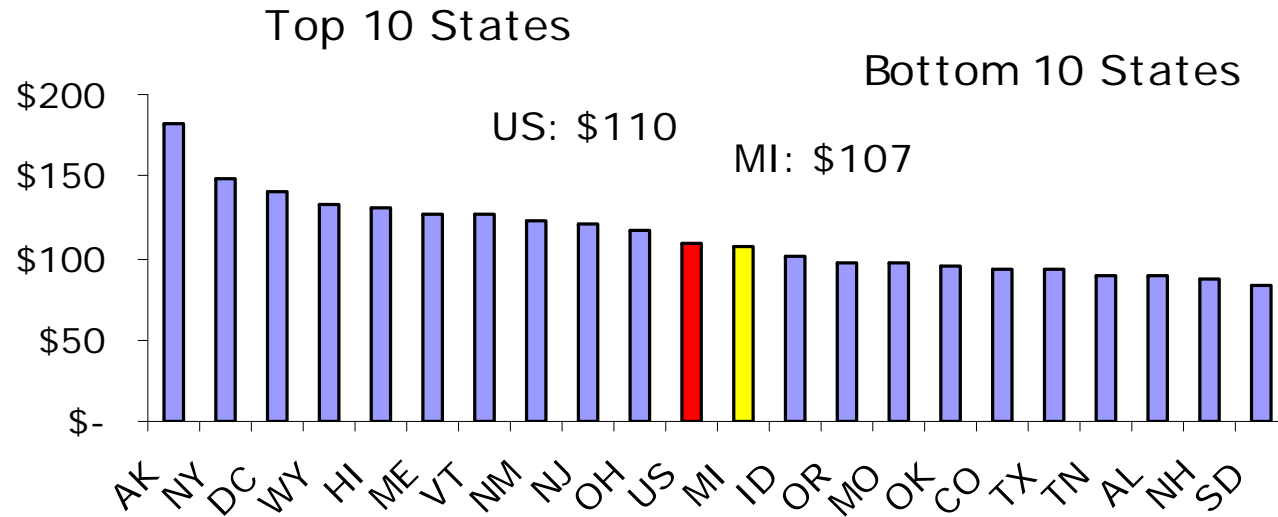
### Total Tax Collections Michigan as Percent of U.S. Average

	Per <u>Capita</u>	<u>Rank</u>	Per \$1,000 <u>Pers. Inc.</u>	<u>Rank</u>
1979	112.4	12	108.0	13
1989	105.1	14	106.1	13
1999	101.3	16	102.8	15
2007	87.2	30	97.8	25



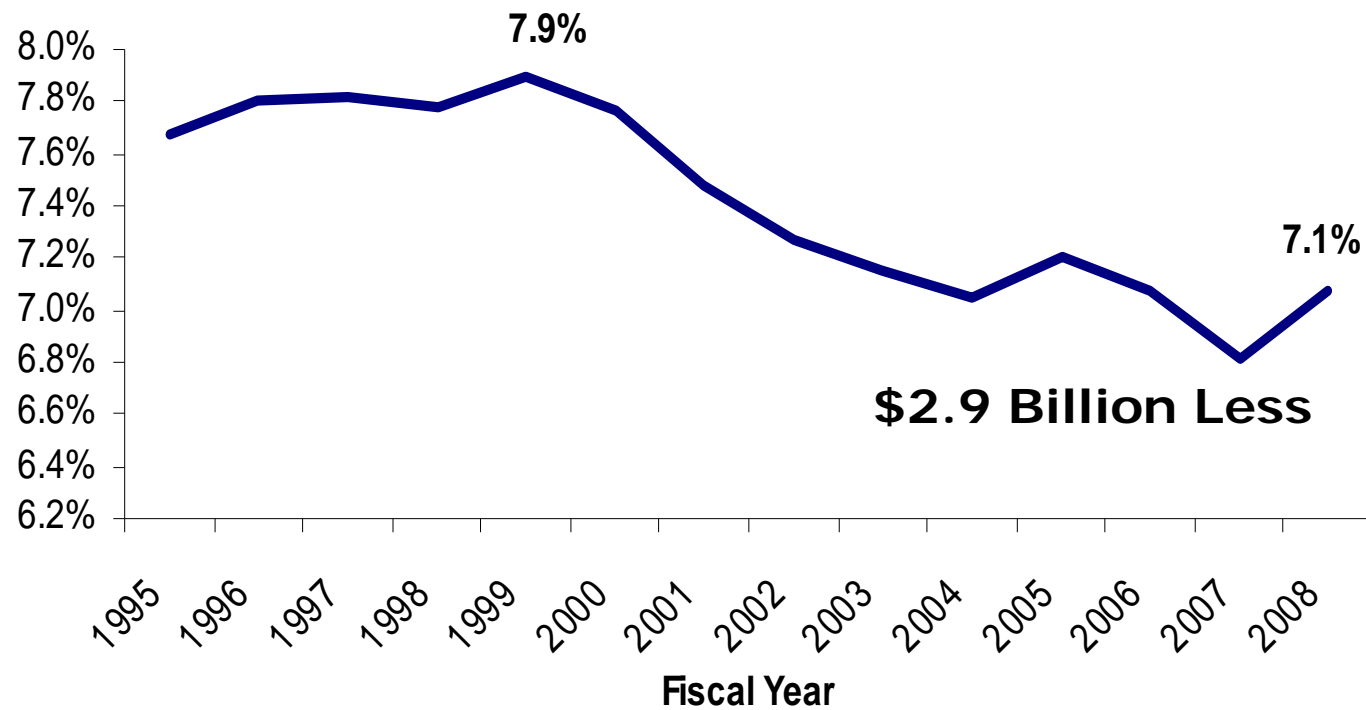
## Mid Atlantic and New England at Top Southern and Western States at Bottom

State and Local Taxes Per \$1,000 Income  
Top and Bottom 10 States, MI, and US Ave.





## State Taxes as a Percent of Michigan Personal Income



Source: Michigan Annual Financial Report



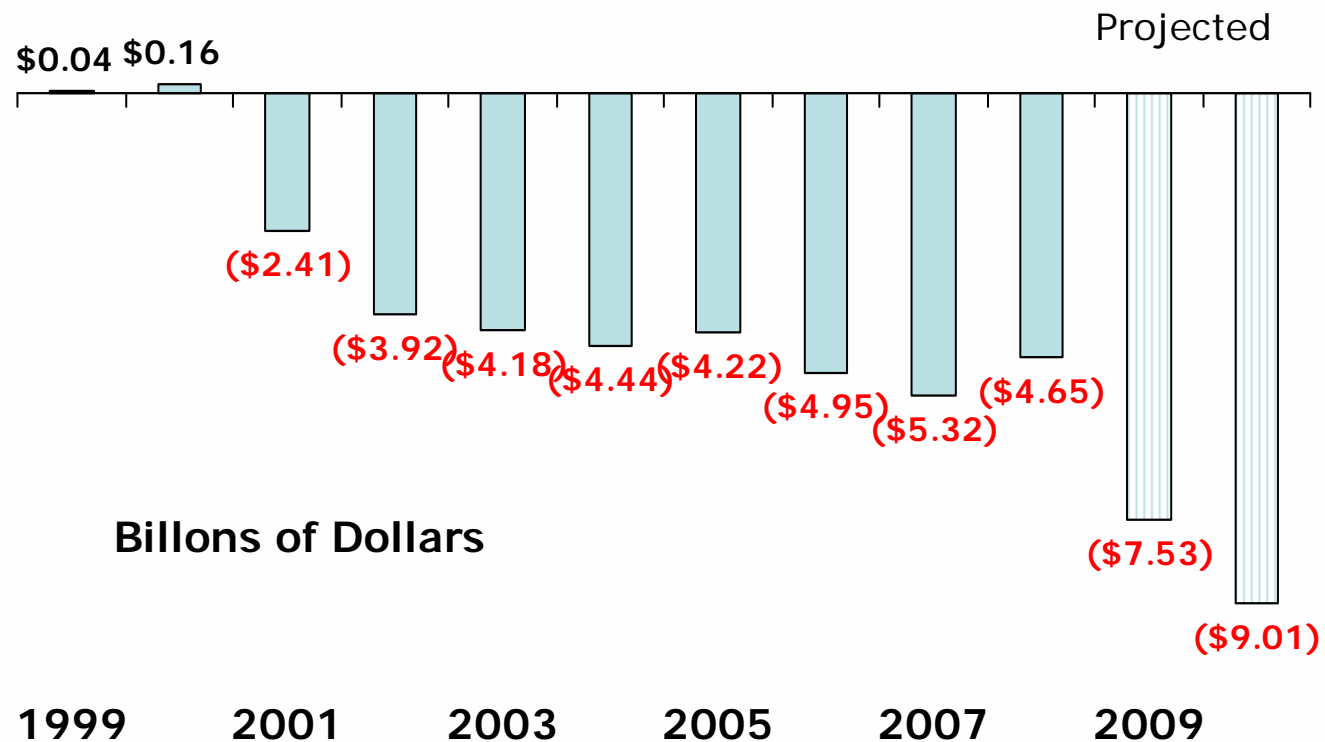
## Recession Results in Much Lower State Tax Revenues

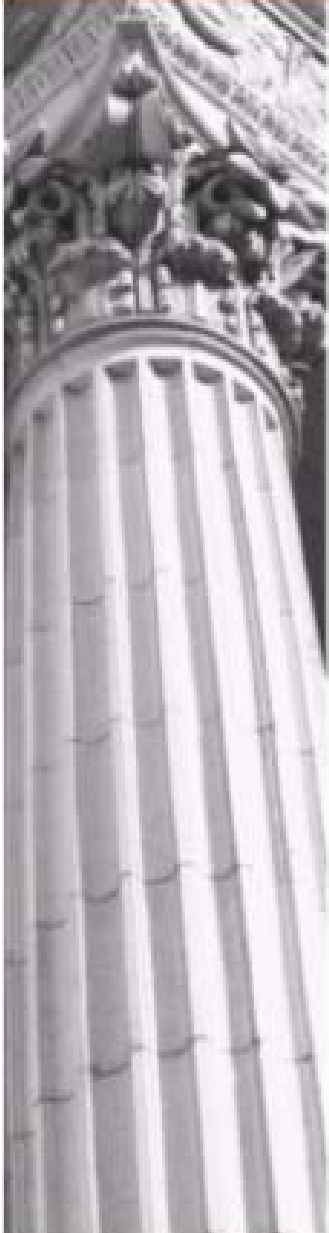
	2009				2010			
	<u>Jan</u>	<u>May</u>	<u>Diff</u>	<u>Diff</u>	<u>Jan</u>	<u>May</u>	<u>Diff</u>	<u>Diff</u>
Income	\$ 6,501	\$ 6,058	\$ (443)	-7%	\$ 6,027	\$ 5,354	\$ (673)	-11%
Sales	\$ 6,492	\$ 6,212	\$ (280)	-4%	\$ 6,507	\$ 6,067	\$ (440)	-7%
Use	\$ 1,268	\$ 1,153	\$ (115)	-9%	\$ 1,332	\$ 1,194	\$ (138)	-10%
Business	\$ 2,587	\$ 2,318	\$ (269)	-10%	\$ 2,537	\$ 2,234	\$ (303)	-12%
GF/GP net	\$ 8,306	\$ 7,435	\$ (871)	-10%	\$ 7,935	\$ 6,950	\$ (985)	-12%
SAF net	\$ 11,369	\$ 10,944	\$ (425)	-4%	\$ 11,296	\$ 10,563	\$ (733)	-6%



## Michigan Constitutional Revenue Limit

*Recession affects tax collections*





## Déjà Vu – Rankings Similar to 1979

### Property Tax Revenues

Year	U.S. Average			Per Capita as % of U.S. Avg.	Michigan			
	Per Capita	Per \$1,000 Pers. Inc.	Amount		Rank	Per \$1,000 Personal Income as % of	U.S. Avg.	Rank
1979	310	\$ 31.72	\$ 376	121%	12	\$ 38.81	122%	17
1989	566	32.1	766	135%	9	42.57	133%	10
1999	881	32.52	893	101%	20	33.47	103%	23
2007	1,272	32.93	1,447	114%	15	42.02	128%	9

### General Sales Tax Revenues

Year	U.S. Average			Per Capita as % of U.S. Avg.	Michigan			
	Per Capita	Per \$1,000 Pers. Inc.	Amount		Rank	Per \$1,000 Personal Income as % of	U.S. Avg.	Rank
1979	\$ 195	\$ 22.47	\$ 184	94%	25	\$ 19.09	85%	35
1989	415	24.59	388	93%	41	18.79	76%	41
1999	736	27.17	733	100%	22	27.47	101%	25
2007	993	25.72	794	80%	34	23.08	90%	31



## Tax Cuts and Poor Economy Affect Tax Receipts and Rankings

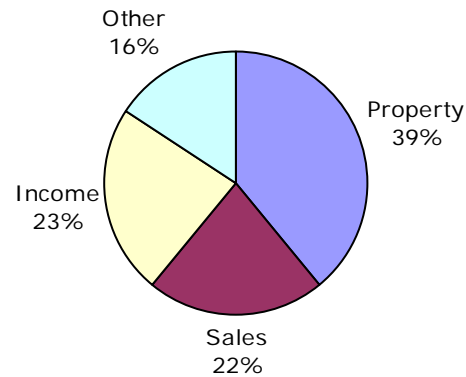
### Corporate and Individual Tax Revenues U.S. Average

<u>Year</u>	U.S. Average		<u>Amount</u>	Per Capita as % of <u>U.S. Avg.</u>	Michigan			
	<u>Per Capita</u>	<u>Per \$1,000 Pers. Inc.</u>			<u>Rank</u>	<u>Per \$1,000 Personal Income</u> as % of <u>U.S. Avg.</u>	<u>Rank</u>	
1979	\$ 208	\$ 22.96	\$ 341	164%	10	\$ 35.39	154%	10
1989	495	25.80	654	132%	11	36.36	141%	12
1999	819	30.23	1003	122%	11	37.57	124%	13
2007	1,161	30.07	865	75%	37	25.14	84%	38

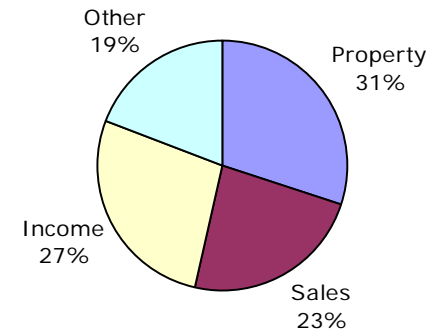


# Property Taxes Play a Larger Role – Then and Now

Michigan State and Local Taxes



US Ave. State and Local Taxes



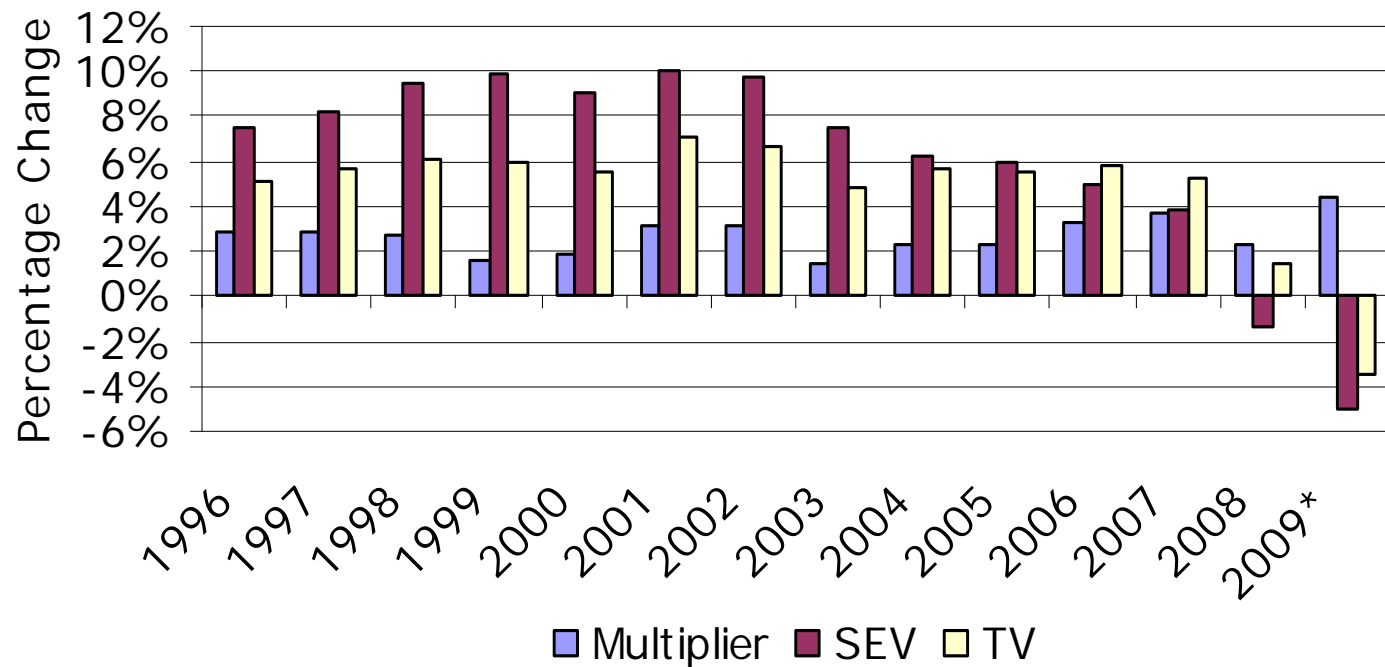
Percentage Shares of Total State and Local Tax Revenue

	Property	Sales	Income	Other
1979	35%	18%	33%	14%
1989	38%	17%	33%	12%
1999	29%	24%	34%	13%
2007	39%	22%	23%	16%



# Property Values Stagnating

## Annual Changes in TV, SEV, and Multiplier



Source: Michigan State Tax Comm.



## What Does This Mean?

- Taxable Value (TV) in 2007 up 5.2%, but home values up only 3.8% statewide
  - Multiplier up slightly less than 3.8%
- 2008 TV continuation of same
  - up only 1.4%
  - shrinking reservoir between TV and SEV
  - Multiplier up 2.3%
- TV declines 3.5% in 2009
  - Some communities more than others
  - Multiplier up 4.4% in 2009
- The “bad” side of Proposal A
  - Financing local government services
  - Taxpayer discontent – “values falling, taxes rising”



## Recap: State and Local Taxes

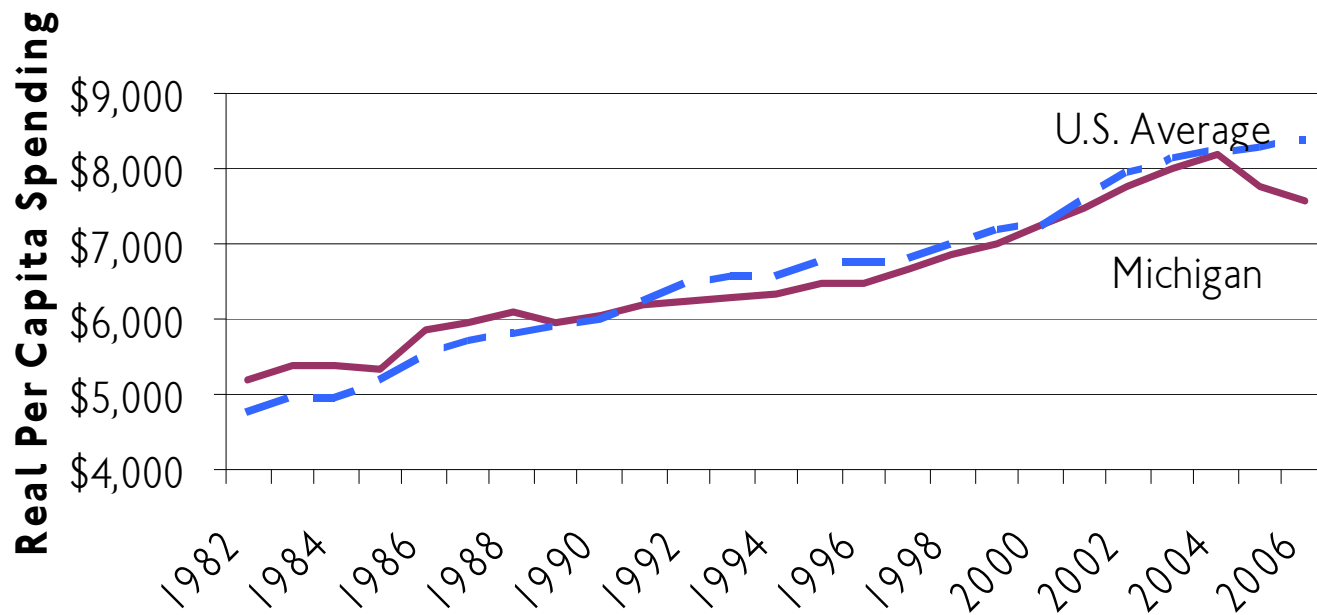
- Michigan was a high tax state relative to others, but NOT today
- Michigan's economic performance and tax policy since 2000 have affected rankings
- Michigan's mix of taxes has evolved, but continues to rely more on property taxes and less on income and sales taxes
- Does Michigan want to mirror U.S. average in terms of tax burden? Tax reliance?
- Balanced budget requirements have resulted in state and local government spending to decline



## Michigan Public Spending

*Below US Average Since Early 1990s*

**Total State and Local Government Spending**  
**Real (2006\$) Per Capita, 1982 - 2006**

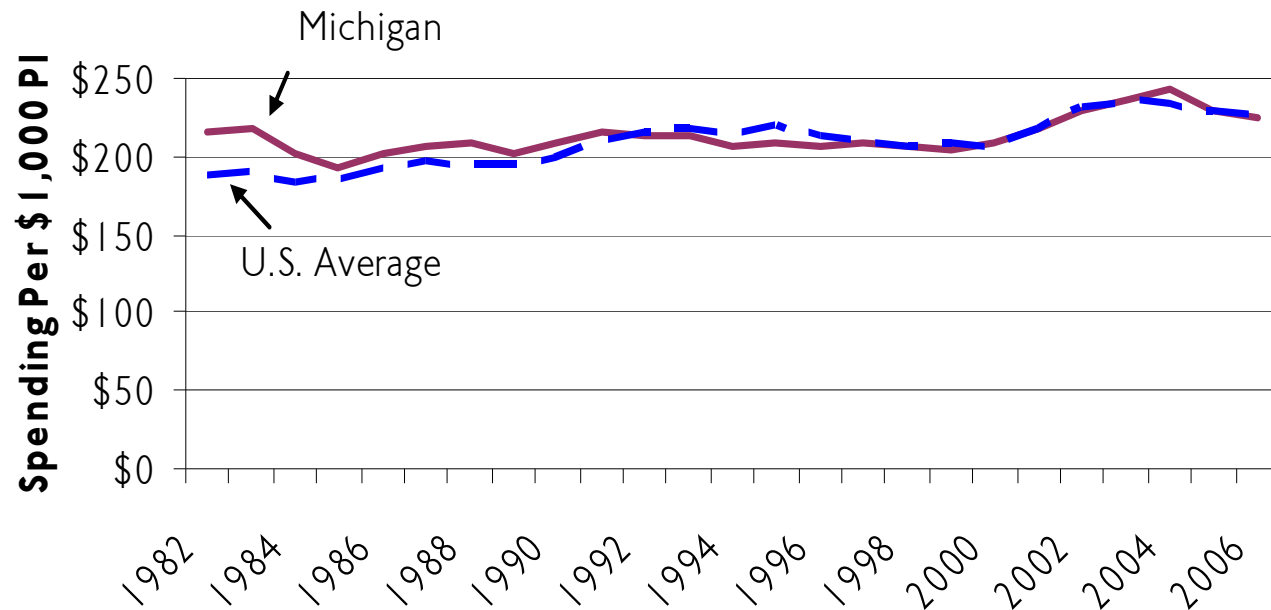




## Public Sector Share of Economy

*Fairly Constant Over 25 Yrs*

**Total State and Local Government Spending  
Per \$1,000 Personal Income, 1982 - 2006**





## Questions?

CRC Publications available at  
[www.crcmich.org](http://www.crcmich.org)

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