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Tax Reform for Michigan

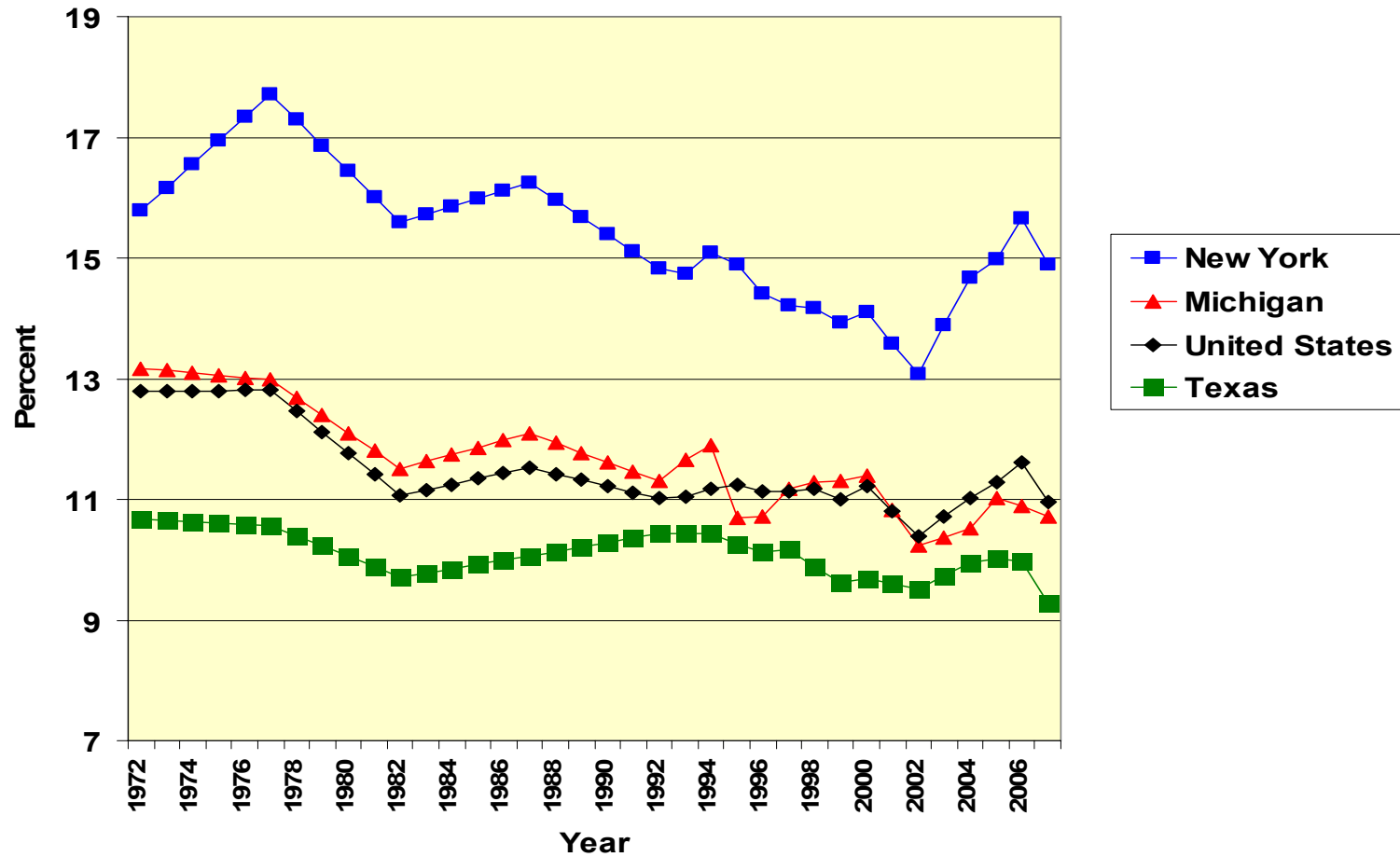
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Tax Effort Has Reduced Substantially

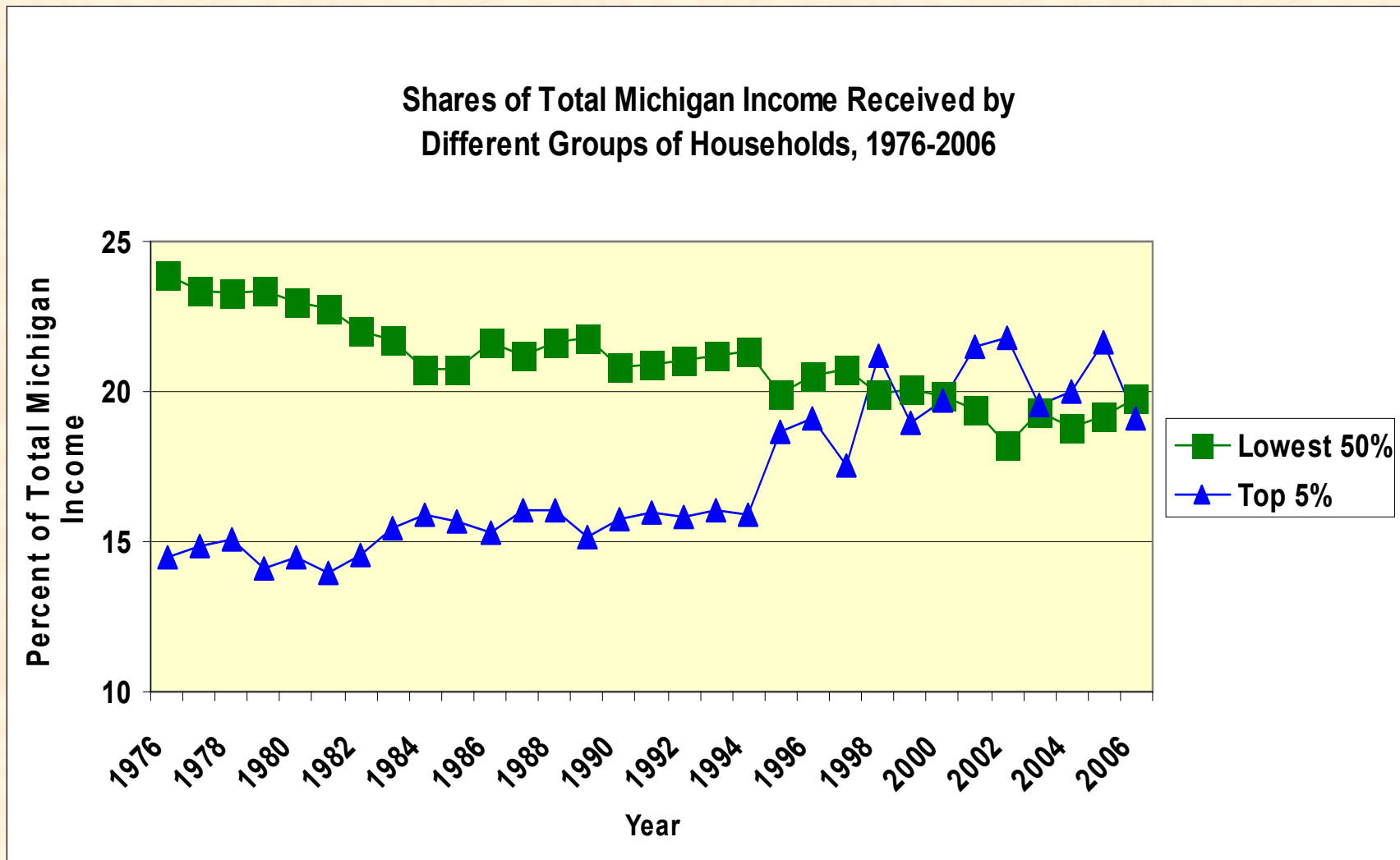
State and Local Taxes as Percent of Personal Income, 1972-2007



Reasons to Enact a Graduated Income Tax in Michigan

- 1. Increase in Income Inequality: Ability to Pay Taxes is Increasingly Concentrated**
- 2. Federal Deductibility: We Leave Money on the Table**
- 3. Revenue Responsiveness: A Flat Rate Contributes to the Structural Deficit**
- 4. Public Support**

Income Inequality Has Soared in Michigan, As in the Rest of the U.S.



Graduated Income Taxes in Three Rapidly Growing States

<u>State</u>	<u>Top Tax Rate</u>	<u>Income Tax Rank</u>	<u>Rank in Population Growth '00-'08</u>
Georgia	6.00%	23	4
North Carolina	7.75%	12	9
Virginia	5.75%	8	14

Sources: Income Tax Rank is tax per-capita, as computed by Office of Revenue and Tax Analysis, Michigan Department of Treasury. Population growth is from the U.S. Census Bureau.

Tax Collections If Michigan's Income Tax Looked Like:

- **Georgia – More than \$2.0 billion in additional revenue.**
- **North Carolina – More than \$4.0 billion in additional revenue.**
- **Utah – More than \$1.0 billion in additional revenue.**
- **Virginia – More than \$1.4 billion in additional revenue.**

Source: Income-tax simulation model, Michigan Department of Treasury.

A Tax-Reform Package for Michigan

- **Establish a Graduated Income Tax**
- **Extend the Sales Tax to Services**
- **Reduce or Eliminate the MBT (but only if we make up the revenue losses elsewhere)**
- **Reduce the Tax Preference for Retirement Income**
- **Return the Excise Taxes on Beer and Wine to Earlier Levels, and Convert Them to a Percentage Basis**