

## DISTRIBUTION (EARMARKING) OF MICHIGAN'S MAJOR STATE TAXES

(% Distribution)

Tax	Type of Earmarking	Major State Funds									Total
		General Fund	School Aid Fund	Michigan Trans. Fund	Public Trans. (CTF) 1)	Revenue Sharing 8)	Health & Safety Fund	Healthy Michigan Fund	Medicaid Benefits Trust Fund	Other	
<b>Income Tax:</b>											
<b>Personal Income</b>											
Gross Collections	Statutory 2)	76.74%	23.26% 2)								100.0%
Refunds	Statutory	100.0%									100.0%
<b>Sales Tax:</b>											
4% rate:	Constitutional		60.0%			15.0%					75.0%
	Statutory	1.6%	0.0%		1.9% 3)	21.3%			0.2% 4)		25.0%
Subtotal 4% rate:		1.6%	60.0%		1.9%	36.3%			0.2%		100.0%
2% rate:	Constitutional	0.0%	100.0%		0.0%	0.0%			0.0%		100.0%
Total 6% Sales Tax rate:		1.0%	73.3%		1.3%	24.2%			0.1%		100.0%
<b>Use Tax:</b>											
4% rate:	Statutory	100.0%	0.0%								100.0%
2% rate:	Constitutional	0.0%	100.0%								100.0%
Total 6% Use Tax rate:		67.0%	33.0%								100.0%
<b>Alcohol &amp; Tobacco Taxes:</b>											
<b>Beer &amp; Wine</b>											
Liquor	Statutory	100.0%									100.0%
4% excise tax	Statutory		100.0%								100.0%
4% specific tax	Statutory	100.0%									100.0%
4% specific tax	Statutory								100.0% 5)		100.0%
1.85% specific tax	Statutory								100.0% 6)		100.0%
Cigarette	Statutory	19.8%	41.6%				2.4%	3.8%	31.9%	0.6% 7)	100.0%
Other Tobacco Products	Statutory	25.0%							75.0%		100.0%
<b>Business Privilege Taxes:</b>											
Single Business	Statutory	100.0%									100.0%
Insurance Retailatory	Statutory	100.0%									100.0%
Casino Gaming Tax 9)	Statutory	0.00%	100.00%							0.00%	100.0%
Oil & Gas Severance	Statutory	100.0%									100.0%
<b>Property Taxes:</b>											
State Education	Statutory		100.0%								100.0%
Property	Statutory		100.0%								100.0%
Real Estate Transfer	Statutory		100.0%								100.0%
Estate	Statutory	100.0%									100.0%
Utility Property	Statutory	100.0%									100.0%
<b>Transportation Taxes:</b>											
Gasoline	Constitutional			100.0%							100.0%
Diesel Fuel	Constitutional			100.0%							100.0%
Motor Carrier Fuel	Constitutional			100.0%							100.0%
Vehicle Weight/Value	Constitutional			100.0%							100.0%

1) Comprehensive Transportation Fund (CTF)

2) SAF receives 23.26% of gross income tax collections since October 2007 when the income tax rate was increased from 3.9% to 4.35%. Under current law, the percentage share of gross income tax revenue that goes to the SAF is equal to the percentage share 1.012 is of the current income tax rate. Presently the income tax rate is equal to 4.35% so the SAF share is equal to 1.012/4.35 or 23.26%. This method for calculating the share of the income tax revenue that goes to the SAF assures that the SAF income tax revenue is not affected by changes in the income tax rate. The 1.012 factor is equal to the portion of the income tax rate that was earmarked to the SAF after Proposal A was fully implemented, at which time the SAF received 23% of gross income tax revenue and 23% of the then income tax rate of 4.4% is 1.012. As the income tax rate was phased down from 4.4% to 3.9% from 2000 to 2004, the share of gross collections that went to the SAF increased from 23% to 25.95%.

3) The CTF is earmarked statutorily 27.9% of 25% of the sales tax collected at the 4% rate from motor vehicle related businesses, which equaled \$77.9 million in FY 2006-07 and \$87.1 million in FY 2007-08; however, in FY 2006-07, this statutory earmarking was reduced by \$5.3 million and in FY 2007-08 it was reduced \$5.0 million.

4) \$9 million of sales tax revenue is earmarked each year for health programs.

5) Convention Facility Development Fund.

6) Liquor Purchase Revolving Fund.

7) Wayne County receives 0.6% of cigarette tax revenue.

8) The sales tax statutory earmarking for revenue sharing does not occur automatically, but must be appropriated. In all but one year since the earmarking of 21.3% of the sales tax collected from 4.0 percentage points of the 6.0% tax rate took effect in FY 1998-99, the amount appropriated has been less than the 21.3% statutory earmarking amount. For example, in FY 2007-08, statutory revenue sharing comprised 8.3% of the sales tax collected at a 4% tax rate. The amount of the statutory earmarking that is not appropriated to revenue sharing automatically goes to the General Fund/General Purpose budget.

9) As of February 2009, all casino gaming revenue is earmarked to the SAF. Beginning in 2004, the State casino tax rate was temporarily increased from 8.1% to 12.1%. Of this four percentage point increase in the tax rate the revenue from 3.5 percentage points was earmarked to the General Fund and the revenue from 0.5 percentage point was earmarked to the Agriculture Equine Fund. These rates remained in affect for each casino until their new permanent casino was operational. As of February 2009, all three casinos are now in their permanent facility so the tax rate for all three casinos is back to 8.1% and 100% of this revenue is earmarked to the SAF.

Senate Fiscal Agency