

STATE
OF
MICHIGAN



REVENUE

SOURCE

and

DISTRIBUTION

HOUSE
FISCAL
AGENCY

Mitchell E. Bean, Director

June 2005

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HOUSE OF REPRESENTATIVES



HOUSE FISCAL AGENCY

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June 2005

TO: Members of the House of Representatives

This report provides information on the source and distribution of revenues for the State of Michigan and comparisons of projected FY 2004-05 revenue with estimated FY 2005-06 revenue. Estimates in this report are based upon those agreed to at the Consensus Revenue Estimating Conference on May 19, 2005.

This publication includes FY 2004-05 estimates for taxes, by type of tax, and provides information for each tax with regard to the tax base, rate, and disposition. It also includes state revenue dedication information including tax type, dedicated amount, and recipient of dedicated funds.

This report was prepared by Rebecca Ross, Senior Economist, and produced for publication by Jeanne Dee, Administrative Assistant.

Please do not hesitate to contact me if you have questions regarding the information in this report.

A handwritten signature in black ink that reads "Mitchell E. Bean".

Mitchell E. Bean
Director

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|| REVENUE SOURCES



**Total
State
Revenue
by
Source**

**FY 2004-05
and
FY 2005-06**

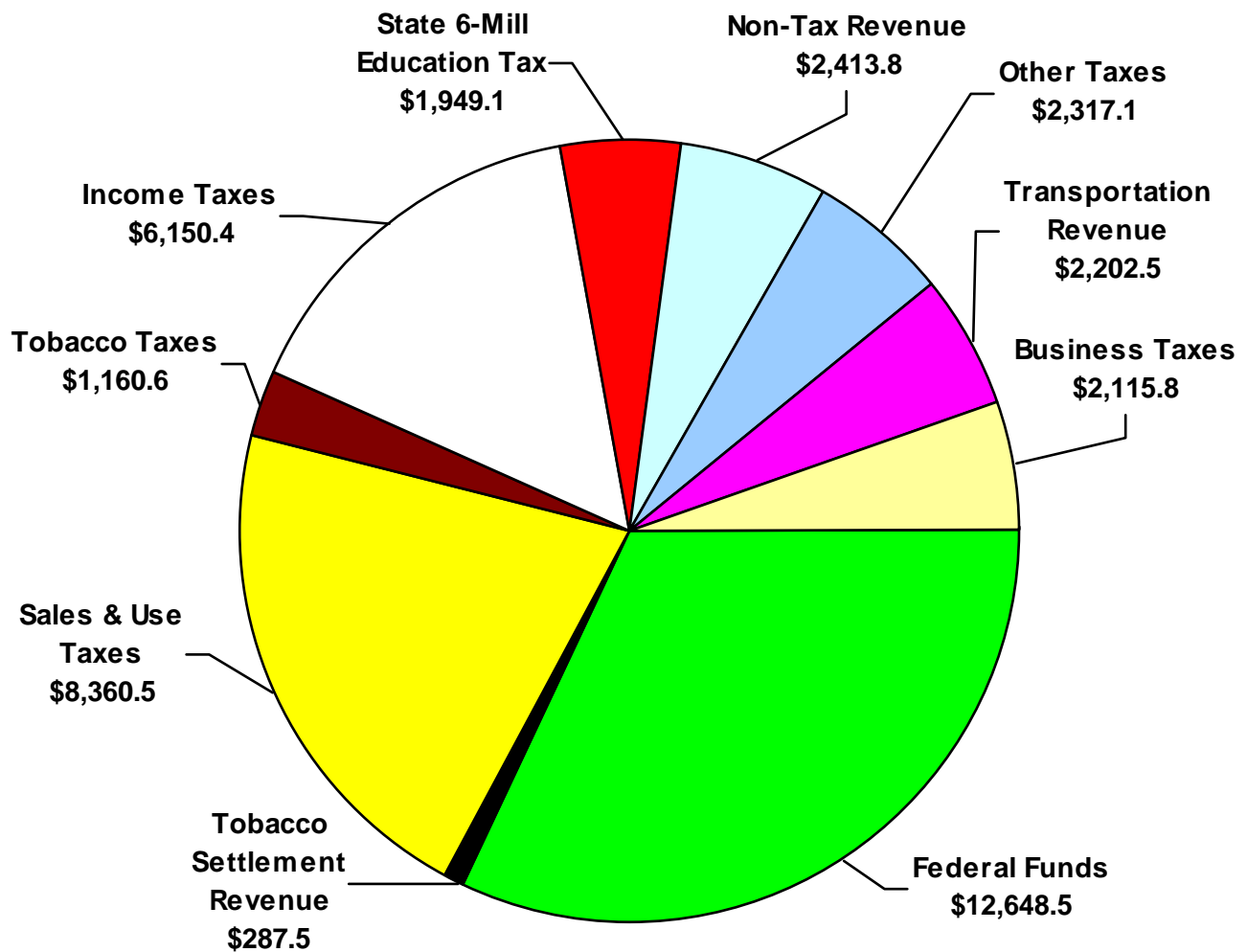
TOTAL STATE REVENUE BY SOURCE		FY 2004-05	% OF TOTAL	FY 2005-06	% OF TOTAL
FY 2004-05 and FY 2005-06 (MILLIONS OF DOLLARS)	Federal Funds	\$12,398.5	32.3%	\$12,648.5	31.9%
	Sales & Use Taxes	8,022.4	20.9%	8,360.5	21.1%
	Income Taxes	5,969.7	15.6%	6,150.4	15.5%
	Non-Tax Revenue	2,613.8	6.8%	2,413.8	6.1%
	Other Taxes	1,837.2	4.8%	2,317.1	5.9%
	Transportation Revenue	2,142.1	5.6%	2,202.5	5.6%
	Business Taxes	2,075.0	5.4%	2,115.8	5.3%
	State 6-Mill Education Tax	1,851.6	4.8%	1,949.1	4.9%
	Tobacco Taxes	1,179.2	3.1%	1,160.6	2.9%
	Tobacco Settlement Revenue	<u>287.7</u>	0.7%	<u>287.5</u>	0.7%
		TOTAL	\$38,377.2		\$39,605.8

DEFINITIONS AND OTHER NOTES

<u>Federal Funds</u>	Total federal funds used in the state budget.
<u>Sales & Use Taxes</u>	Use tax is a specific excise tax on the use, storage, or consumption of tangible personal property not subject to the sales tax. Tax rate is currently 6% for both sales and use taxes.
<u>Income Taxes</u>	Includes withholding, annual, and quarterly collections less refunds. Tax rate is currently 3.9%.
<u>Non-Tax Revenue</u>	Includes revenue from local agencies, state-provided services, licenses, permits not related to transportation, and lottery transfers to the School Aid Fund.
<u>Other Taxes</u>	Includes liquor, beer, wine, gas and oil severance, and estate taxes.
<u>Transportation Revenue</u>	Includes gas, diesel fuel, and aviation fuel taxes; fees; and other transportation revenue. Excludes federal aid and sales tax transportation revenue.
<u>Business Taxes</u>	Includes single business tax and insurance company tax. At the end of FY 2001-02, the Budget Stabilization Fund balance fell below \$250 million, which paused the single business tax 0.1% reduction. In calendar years 2004 and 2005, the single business tax rate is 1.9% of adjusted tax base for most firms.
<u>State 6-Mill Education Tax</u>	Levied on all property; 100% dedicated to the School Aid Fund.
<u>Tobacco Taxes</u>	The cigarette tax is \$2.00 per pack and the tax on other tobacco products is 32%.
<u>Tobacco Settlement Revenue</u>	Revenue to the state resulting from settlement with the tobacco companies.

**STATE OF MICHIGAN
TOTAL STATE REVENUE
BY SOURCE
FY 2005-06**

TOTAL RESOURCES: \$39,605.8 MILLION
(Chart dollars in millions)





**General
Fund/
General
Purpose
Revenue
by
Source**

**FY 2004-05
and
FY 2005-06**

GENERAL FUND/ GENERAL PURPOSE REVENUE BY SOURCE		FY 2004-05	% OF TOTAL	FY 2005-06	% OF TOTAL
	Income Taxes	\$3,987.6	50.4%	\$4,102.1	50.4%
	Single Business Tax	1,845.7	23.3%	1,883.8	23.2%
	Sales & Use Taxes	1,037.7	13.1%	1,078.4	13.3%
	Other Sources	567.4	7.2%	478.1	5.9%
	Insurance Company Tax	229.3	2.9%	232.0	2.9%
	Tobacco Taxes	119.0	1.5%	231.1	2.8%
	Liquor, Beer, & Wine Taxes	85.5	1.1%	86.5	1.1%
	Casino Wagering Tax	<u>42.5</u>	0.5%	<u>43.1</u>	0.5%
	TOTAL	\$7,914.7		\$8,135.1	
FY 2004-05 and FY 2005-06					
(MILLIONS OF DOLLARS)					

DEFINITIONS AND OTHER NOTES

Income Taxes

General Fund/General Purpose receives income tax revenue not allocated to the School Aid Fund. Tax rate is currently 3.9%.

Single Business Tax

General Fund/General Purpose receives 100% of single business tax revenue. At the end of FY 2001-02, the Budget Stabilization Fund balance fell below \$25 million, which paused the single business tax 0.1% reduction. In calendar years 2004 and 2005, the rate is 1.9% of adjusted tax base for most firms.

Sales Tax

General Fund/General Purpose receives sales tax revenue not allocated to local units of government for revenue sharing, the Comprehensive Transportation Fund, the School Aid Fund, or public health programs. Tax rate is currently 6%.

Use Tax

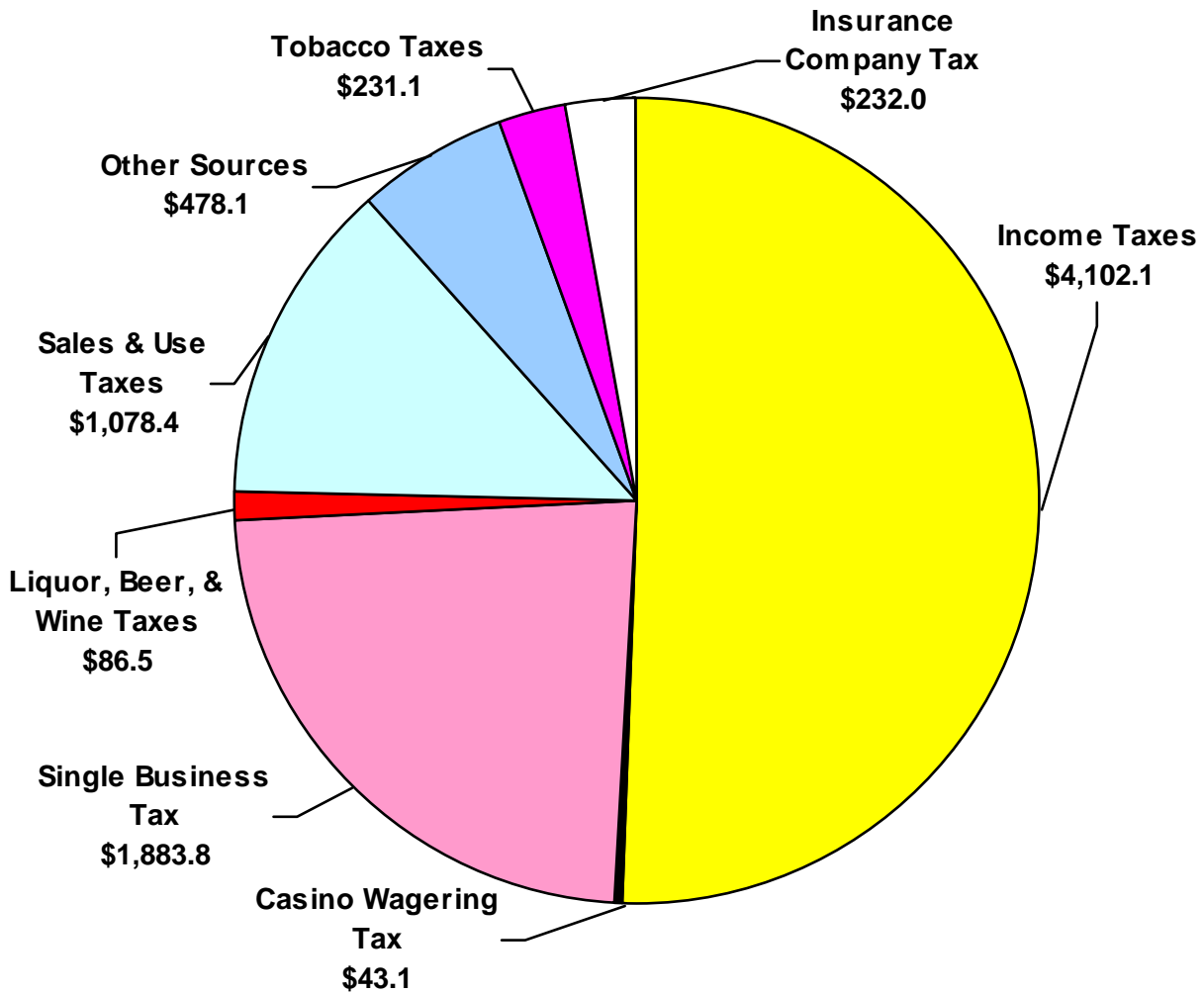
A specific excise tax on the use, storage, or consumption of tangible personal property not subject to the sales tax. General Fund/General Purpose receives 66.7% of total and the School Aid Fund receives 33.3% of total. Tax rate is currently 6%.

Other Sources

Includes taxes on gas and oil severance, utility property, corporate income, and horse race wagering; certain penalty and interest payments; federal funds.

**STATE OF MICHIGAN
GENERAL FUND/GENERAL PURPOSE REVENUE
BY SOURCE
FY 2005-06**

**TOTAL RESOURCES: \$8,135.1 MILLION
(Chart dollars in millions)**





**School
Aid
Fund
Revenue
by
Source**

**FY 2004-05
and
FY 2005-06**

**SCHOOL
AID
FUND
REVENUE
BY
SOURCE**

**FY 2004-05
and
FY 2005-06**

(MILLIONS
OF
DOLLARS)

	<u>FY 2004-05</u>	<u>% OF TOTAL</u>	<u>FY 2005-06</u>	<u>% OF TOTAL</u>
Sales Tax	\$4,833.4	39.6%	\$5,036.0	39.9%
Income Tax Earmarking	1,980.6	16.2%	2,046.8	16.2%
State 6-Mill Education Tax	1,851.6	15.2%	1,949.1	15.4%
Federal Funds	1,353.5	11.1%	1,374.1	10.9%
Lottery Transfer	638.0	5.2%	651.3	5.2%
Use Tax	461.9	3.8%	481.9	3.8%
Tobacco Taxes	477.0	3.9%	469.4	3.7%
Real Estate Transfer Tax	320.0	2.6%	320.0	2.5%
Specific Taxes	156.2	1.3%	155.8	1.2%
Casino Wagering Tax	98.4	0.8%	99.7	0.8%
Liquor Excise Tax	<u>33.5</u>	0.3%	<u>34.0</u>	0.3%
TOTAL	\$12,204.1		\$12,618.1	

DEFINITIONS AND OTHER NOTES

Sales Tax

School Aid Fund receives 73.3% of gross sales tax revenue. Tax rate is currently 6%.

Income Tax Earmarking

School Aid Fund receives 23% of gross income tax revenue with adjustments for rate changes.

State 6-Mill Education Tax

Levied on all property; 100% dedicated to the School Aid Fund.

Lottery Transfer

School Aid Fund receives the net revenue from lottery sales.

Use Tax

School Aid Fund receives 33.3% of gross use tax revenue. Tax rate is currently 6%.

Tobacco Taxes

School Aid Fund receives 41.6% of cigarette tax revenue.

Real Estate Transfer Tax

School Aid Fund receives 100% of the real estate transfer tax. Tax rate is 0.75% of the sale price of real estate.

Specific Taxes

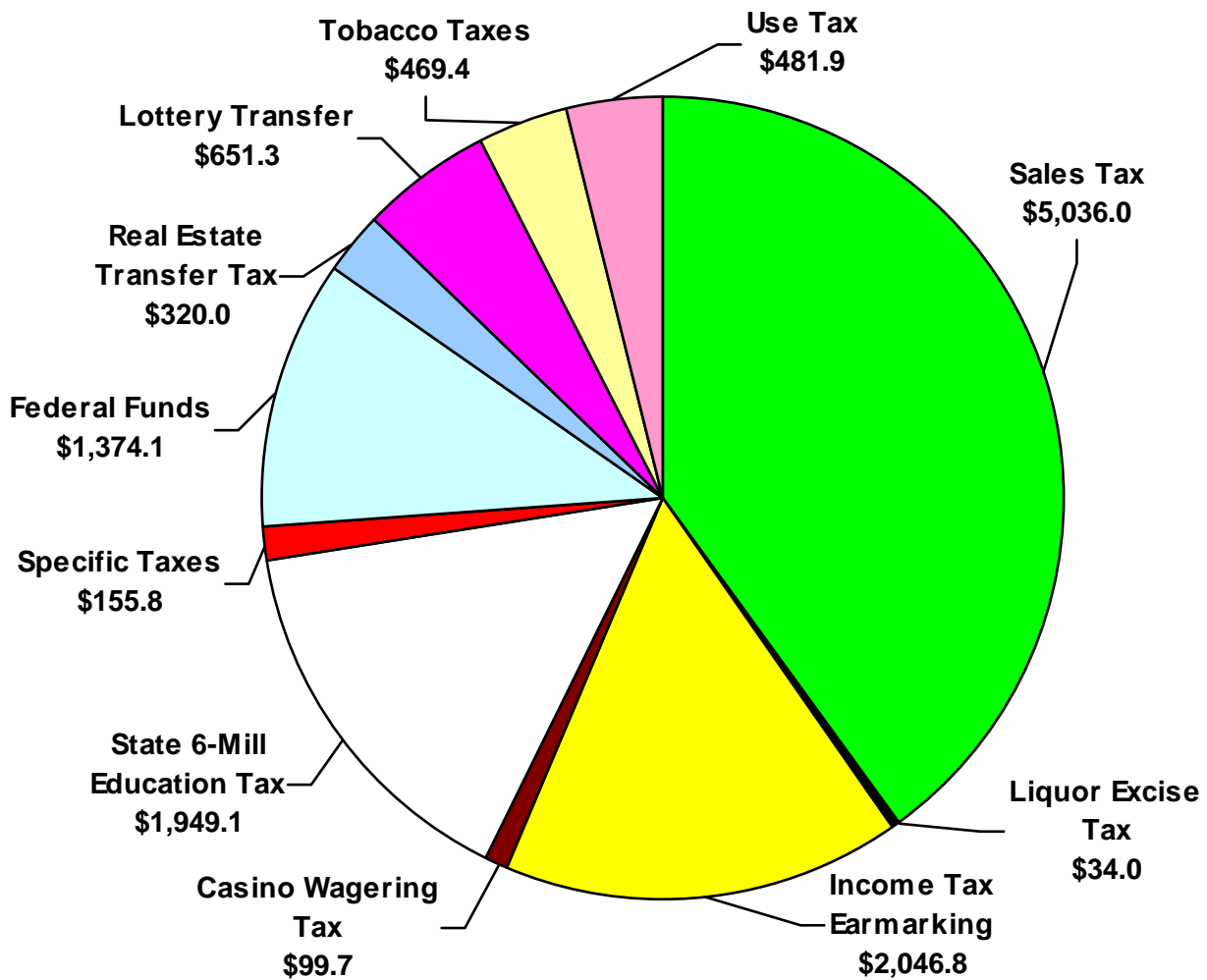
Includes industrial and commercial facilities tax and commercial forest tax.

Casino Wagering Tax

School Aid Fund receives 66.7% of the state casino wagering tax.

**STATE OF MICHIGAN
SCHOOL AID FUND REVENUE
BY SOURCE
FY 2005-06**

TOTAL RESOURCES: \$12,618.1 MILLION
(Chart dollars in millions)





Transportation Revenue by Source

**FY 2004-05
and
FY 2005-06**

**TRANSPORTATION
REVENUE
BY
SOURCE**

**FY 2004-05
and
FY 2005-06**

(MILLIONS
OF
DOLLARS)

	<u>FY 2004-05</u>	<u>% OF TOTAL</u>	<u>FY 2005-06</u>	<u>% OF TOTAL</u>
Federal Funds	\$1,292.7	36.9%	\$1,332.6	36.9%
Licenses, Permits, Misc.	1,055.1	30.1%	1,096.2	30.3%
State Gasoline Tax	935.0	26.7%	948.1	26.2%
State Diesel/Motor Carrier Fuel Tax	145.0	4.1%	151.1	4.2%
Sales Tax	65.3	1.9%	77.0	2.1%
State Aviation Fuel Tax	<u>7.0</u>	0.2%	<u>7.1</u>	0.2%
TOTAL	\$3,500.1		\$3,612.1	

DEFINITIONS AND OTHER NOTES

Licenses, Permits, Misc.

Vehicle license fees, various registration fees, permits, interest earnings, and other miscellaneous income dedicated for transportation purposes.

State Gasoline Tax

Levied at \$0.19 per gallon.

State Diesel/Motor Carrier
Fuel Tax

Levied at \$0.15 per gallon.

Sales Tax

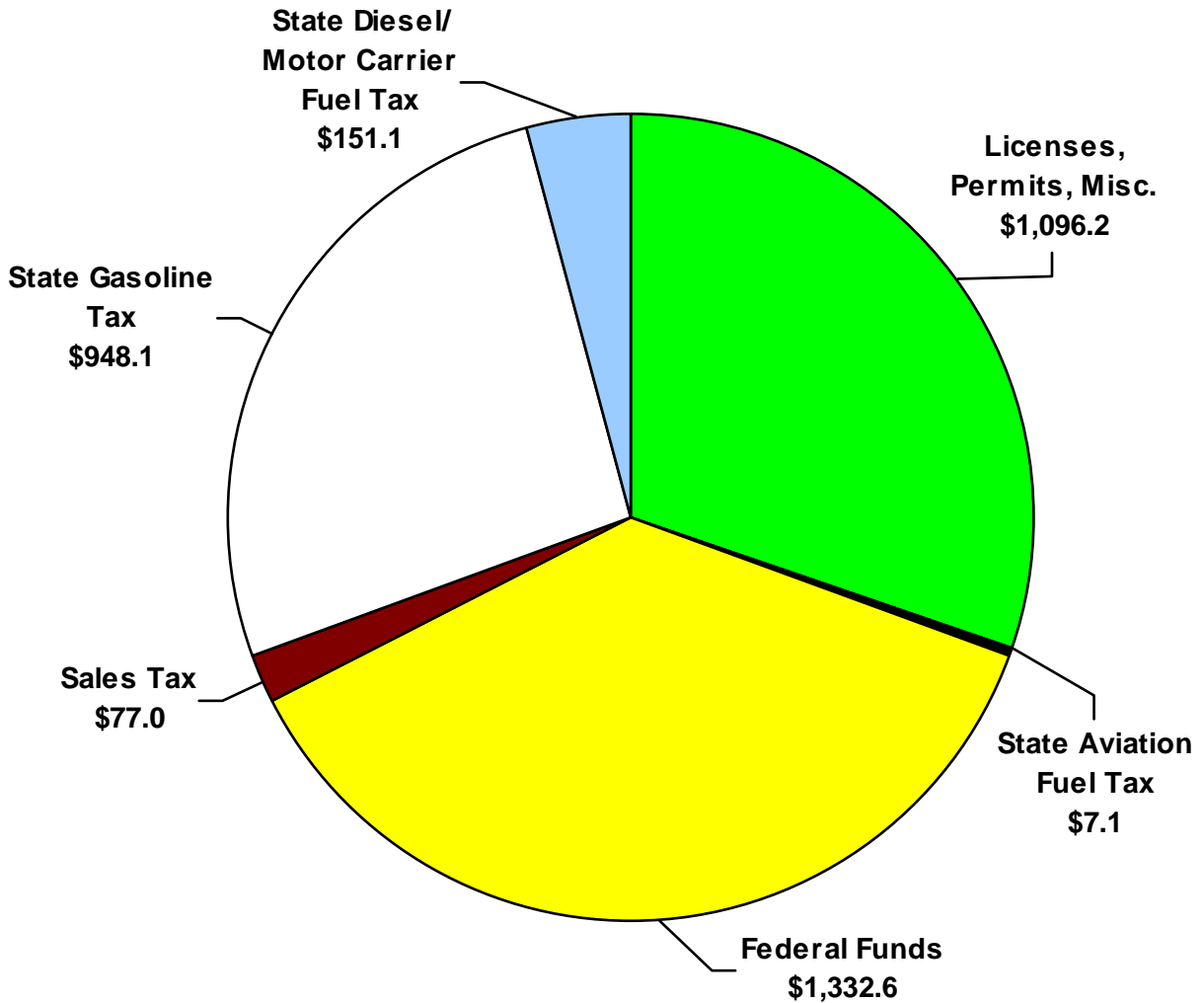
Approximately 1.0% of gross sales tax revenue is dedicated to the Comprehensive Transportation Fund.

State Aviation Fuel Tax

Levied at \$0.03 per gallon with a \$0.015 rebate to interstate scheduled operations.

**STATE OF MICHIGAN
TRANSPORTATION REVENUE
BY SOURCE
FY 2005-06**

**TOTAL RESOURCES: \$3,612.1 MILLION
(Chart dollars in millions)**





|| REVENUE || DISTRIBUTION



Casino Wagering Tax Revenue Distribution

FY 2004-05
and
FY 2005-06

**CASINO
WAGERING
TAX
REVENUE
DISTRIBUTION**

**FY 2004-05
and
FY 2005-06**

**(MILLIONS
OF
DOLLARS)**

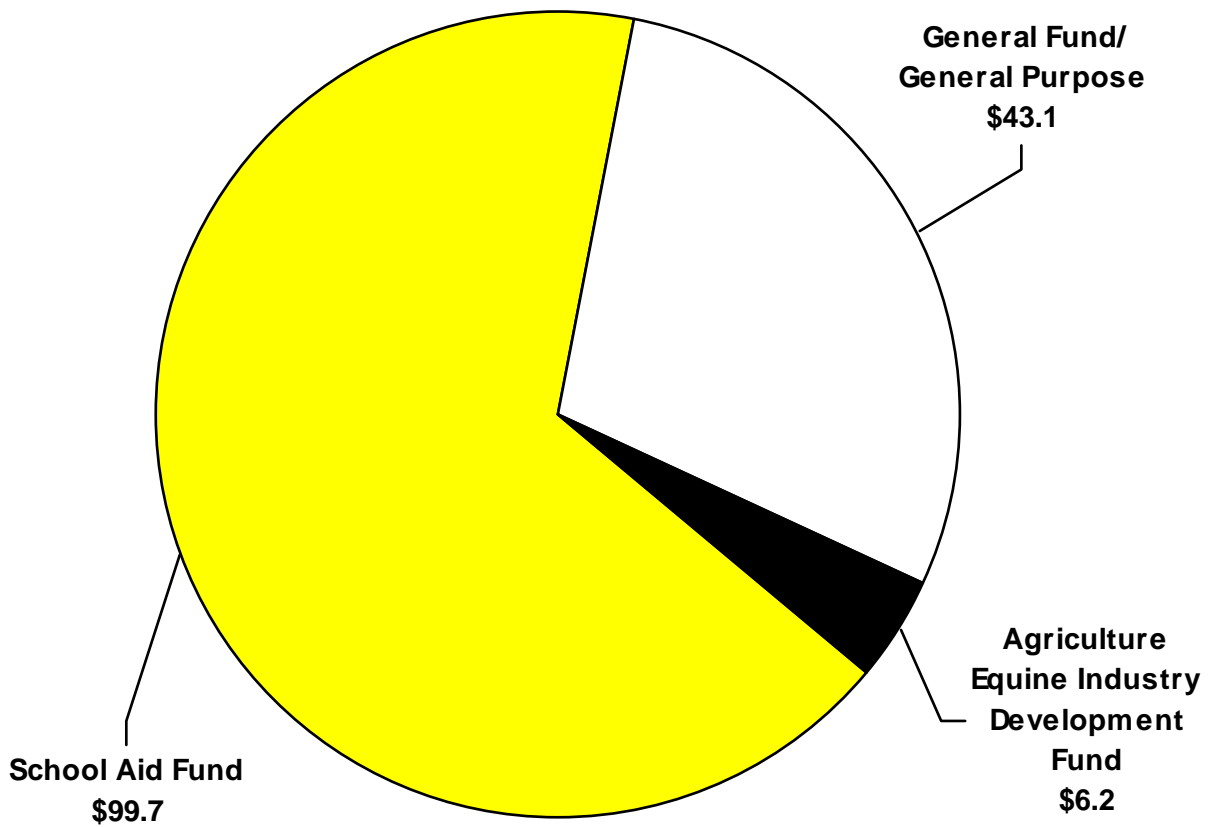
	<u>FY 2004-05</u>	<u>% OF TOTAL</u>	<u>FY 2005-06</u>	<u>% OF TOTAL</u>
School Aid Fund	\$98.4	66.9%	\$99.7	66.9%
General Fund/General Purpose	42.5	28.9%	43.1	28.9%
Agriculture Equine Industry Development Fund	<u>6.1</u>	4.1%	<u>6.2</u>	4.2%
TOTAL	\$147.0		\$149.0	
City of Detroit	\$144.6		\$146.5	

DEFINITIONS AND OTHER NOTES

<u>School Aid Fund</u>	Receives approximately 66.7% of state portion of the casino wagering tax.
<u>General Fund/General Purpose</u>	Receives approximately 29.2% of state portion of the casino wagering tax.
<u>Agriculture Equine Industry Development Fund</u>	Receives approximately 4.1% of the state portion of the casino wagering tax.
<u>City of Detroit</u>	Receives 11.9% of adjusted gross receipts generated from the casinos.

**STATE OF MICHIGAN
CASINO WAGERING TAX REVENUE
DISTRIBUTION
FY 2005-06**

**TOTAL RESOURCES: \$149.0 MILLION
(Chart dollars in millions)**





Federal Revenue Distribution

**FY 2004-05
and
FY 2005-06**

**FEDERAL
REVENUE
DISTRIBUTION**

**FY 2004-05
and
FY 2005-06**

**(MILLIONS
OF
DOLLARS)**

	<u>FY 2004-05</u>	<u>% OF TOTAL</u>	<u>FY 2005-06</u>	<u>% OF TOTAL</u>
General Fund/Special Purpose	\$9,717.3	78.4%	\$9,906.8	78.3%
School Aid Fund	1,353.5	10.9%	1,374.1	10.9%
Transportation	1,292.7	10.4%	1,332.6	10.5%
General Fund/General Purpose	<u>35.0</u>	0.3%	<u>35.0</u>	0.3%
TOTAL	\$12,398.5		\$12,648.5	

GENERAL FUND/SPECIAL PURPOSE: ESTIMATED FEDERAL REVENUE

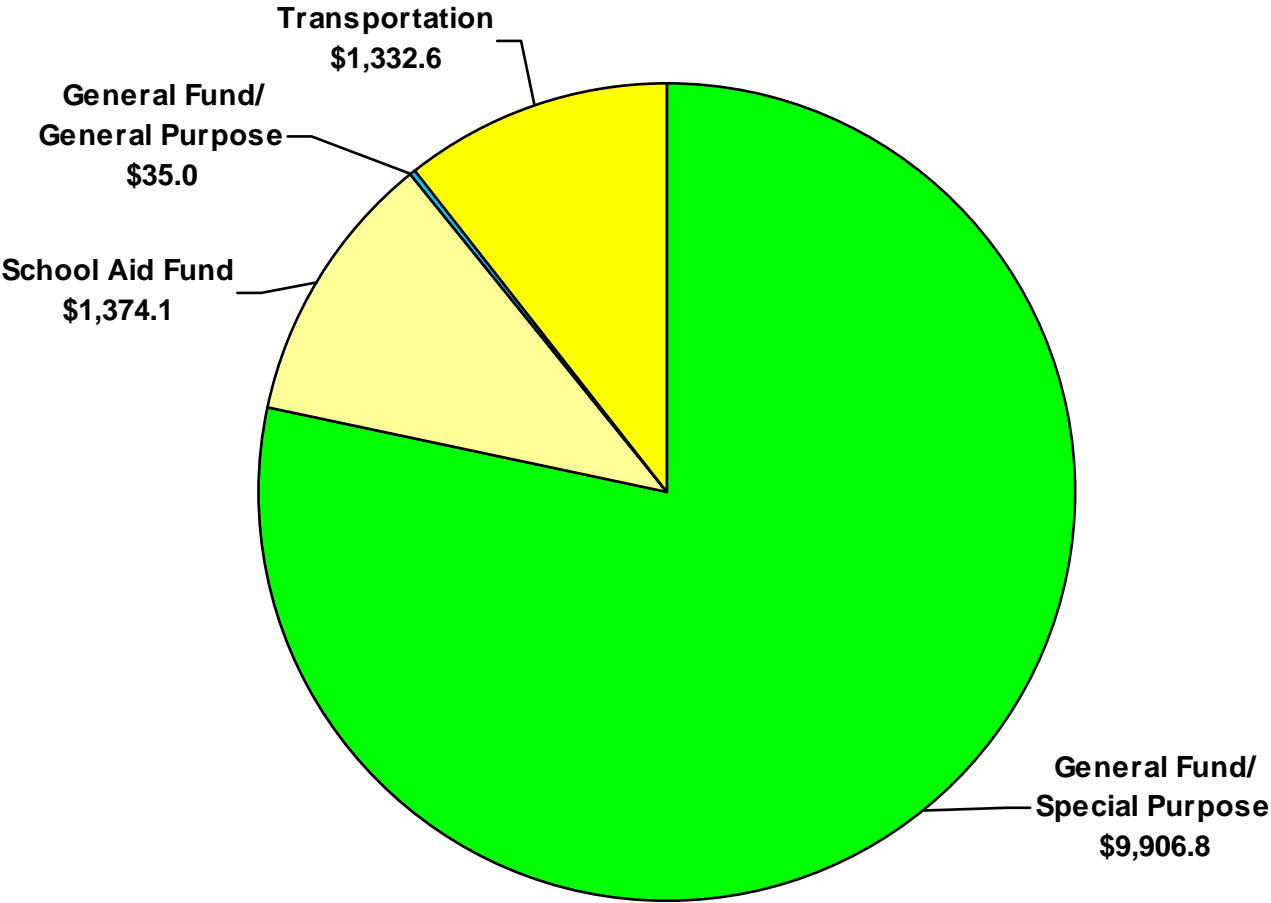
(Millions of Dollars)

	<u>ESTIMATED FY 2004-05</u>	<u>% OF TOTAL</u>	<u>EXECUTIVE RECOMMEND* FY 2005-06</u>	<u>% OF TOTAL</u>
Agriculture	\$33.5	0.34%	\$32.6	0.33%
Attorney General	8.3	0.09%	8.8	0.09%
Capital Outlay (Excluding Transportation)	67.4	0.69%	30.1	0.30%
Civil Rights	0.9	0.01%	1.1	0.01%
Civil Service	4.8	0.05%	4.8	0.05%
Community Health	5,502.5	56.63%	5,467.5	55.19%
Corrections	9.2	0.09%	10.3	0.10%
Education	60.8	0.63%	67.5	0.68%
Environmental Quality	133.8	1.38%	143.0	1.44%
Human Services	3,028.1	31.16%	3,190.5	32.21%
Higher Education	2.8	0.03%	3.5	0.04%
History, Arts, and Libraries	8.1	0.08%	8.2	0.08%
Judiciary	4.0	0.04%	3.9	0.04%
Labor and Economic Growth	661.1	6.80%	671.8	6.78%
Management and Budget	0.4	0.00%	0.0	0.00%
Military and Veterans Affairs	45.4	0.47%	49.5	0.50%
Natural Resources	37.2	0.38%	38.8	0.39%
State	1.4	0.01%	2.3	0.02%
State Police	106.3	1.09%	170.6	1.72%
Treasury	<u>1.3</u>	0.01%	<u>2.0</u>	0.02%
TOTAL GENERAL FUND/SPECIAL PURPOSE	\$9,717.3		\$9,906.8	

**As shown in February 2005 Executive Recommendation*

**STATE OF MICHIGAN
FEDERAL REVENUE
DISTRIBUTION
FY 2005-06**

TOTAL RESOURCES: \$12,648.5 MILLION
(Chart dollars in millions)





Income Tax Revenue Distribution

**FY 2004-05
and
FY 2005-06**

**INCOME
TAX
REVENUE
DISTRIBUTION**

**FY 2004-05
and
FY 2005-06**

**(MILLIONS
OF
DOLLARS)**

	<u>FY 2004-05</u>	<u>% OF TOTAL</u>	<u>FY 2005-06</u>	<u>% OF TOTAL</u>
Gross Collection	\$7,630.4		\$7,885.4	
Refunds	<u>1,660.7</u>		<u>1,735.0</u>	
Net Collections	\$5,969.7		\$6,150.4	
General Fund/General Purpose	\$3,987.6	66.8%	\$4,102.1	66.7%
School Aid Fund	1,980.6	33.2%	2,046.8	33.3%
State Campaign Fund	<u>1.5</u>	0.0%	<u>1.5</u>	0.0%
TOTAL	\$5,969.7		\$6,150.4	

DEFINITIONS AND OTHER NOTES

General Fund/General Purpose

Receives income tax revenue not dedicated for other purposes.

School Aid Fund

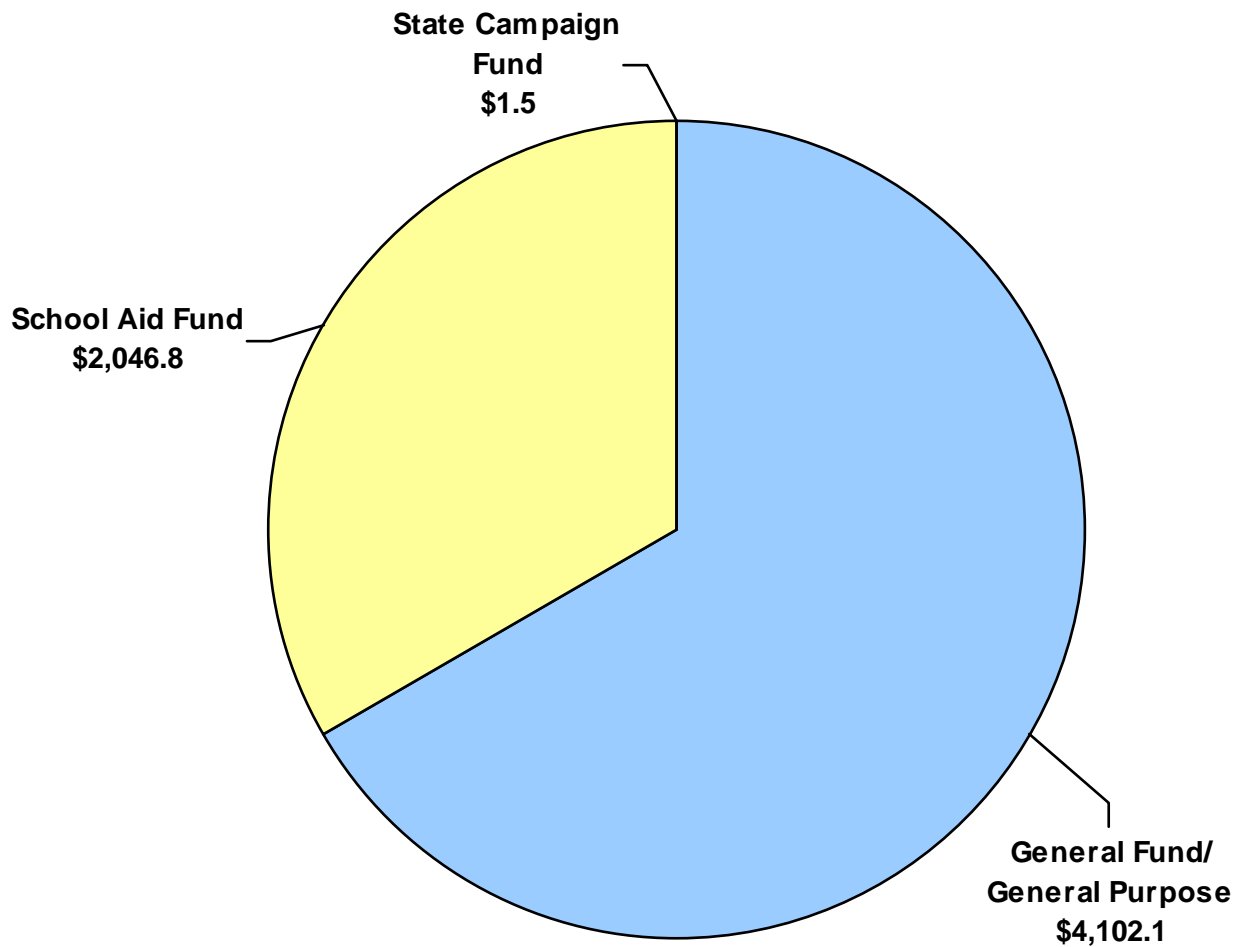
Receives 23% of gross collections with hold harmless adjustments for rate reductions.

State Campaign Fund

Taxpayers can choose to dedicate \$3.00 of income tax paid to this fund. Funds are distributed to all candidates for Governor who meet certain requirements.

**STATE OF MICHIGAN
INCOME TAX REVENUE
DISTRIBUTION
FY 2005-06**

TOTAL RESOURCES: \$6,150.4 MILLION
(Chart dollars in millions)





Sales Tax Revenue Distribution

**FY 2004-05
and
FY 2005-06**

**SALES
TAX
REVENUE
DISTRIBUTION**

**FY 2004-05
and
FY 2005-06**

**(MILLIONS
OF
DOLLARS)**

	<u>FY 2004-05</u>	<u>% OF TOTAL</u>	<u>FY 2005-06</u>	<u>% OF TOTAL</u>
School Aid Fund	\$4,833.4	72.8%	\$5,036.0	72.8%
Local Revenue Sharing	1,615.1	24.3%	1,678.2	24.3%
General Fund/General Purpose	114.0	1.7%	114.8	1.7%
Comprehensive Transportation Fund	65.3	1.0%	77.0	1.1%
Health Initiative	<u>9.0</u>	0.1%	<u>9.0</u>	0.1%
TOTAL	\$6,636.8		\$6,915.0	

DEFINITIONS AND OTHER NOTES

School Aid Fund

Receives 60% of the gross sales tax collections levied at a rate of 4% and 100% of gross sales tax collections levied at a rate of 2%.

Local Revenue Sharing

The State Constitution provides that 15% of gross collections from the 4% sales tax be distributed to local government units through revenue sharing payments. Statute provides that an amount equal to 21.3% of sales tax collections at the 4% rate is to be allotted for revenue sharing. The total amount is subject to appropriation.

General Fund/General Purpose

Receives sales tax revenue not dedicated for other purposes.

Comprehensive Transportation Fund

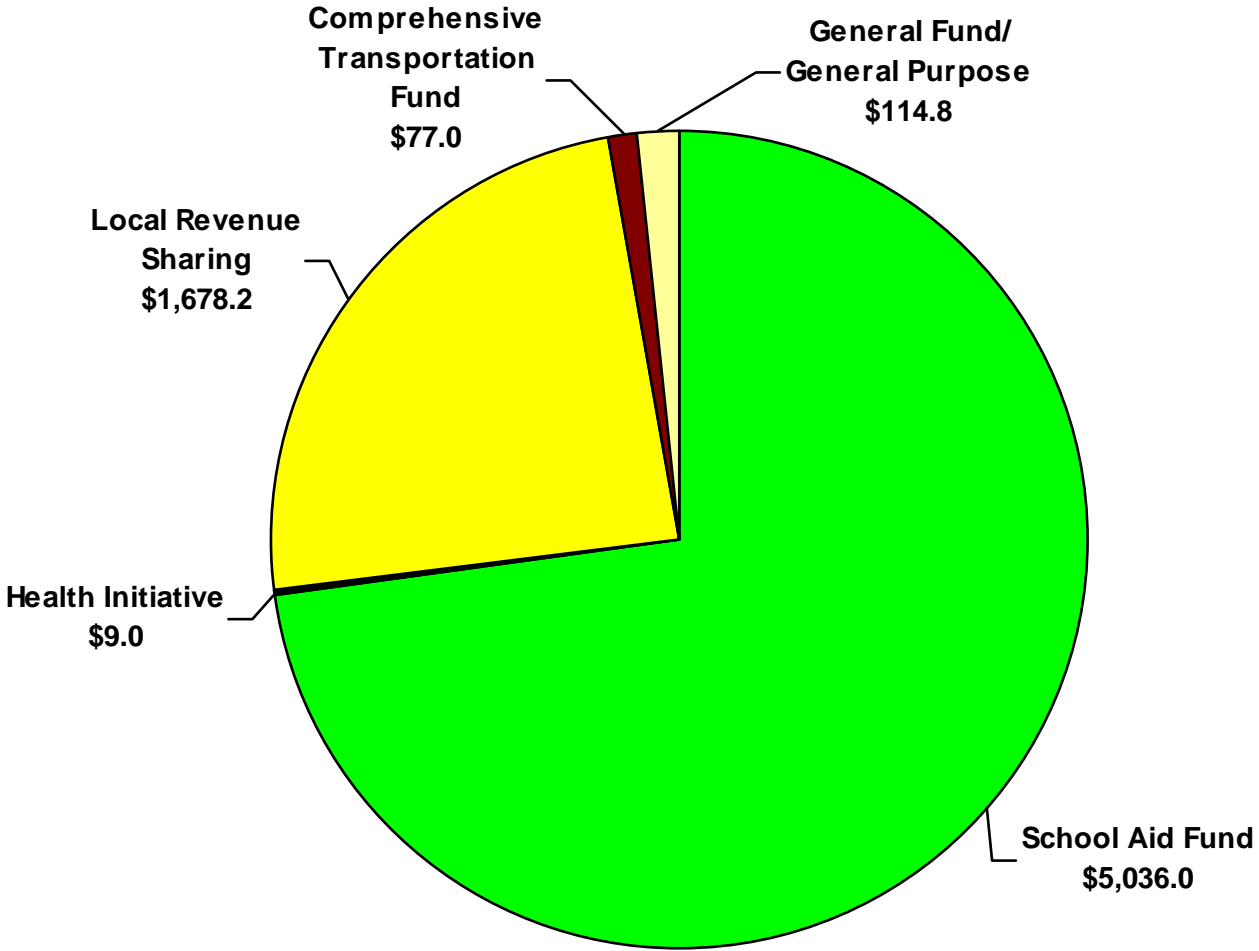
Receives approximately 1.0% of gross sales tax revenue. Revenue is used to plan and develop public transportation systems and finance bus and rail services.

Health Initiative

Annual appropriation for AIDS and workplace health programs.

**STATE OF MICHIGAN
SALES TAX REVENUE
DISTRIBUTION
FY 2005-06**

TOTAL RESOURCES: \$6,915.0 MILLION
(Chart dollars in millions)





Single Business Tax Revenue Distribution

**FY 2004-05
and
FY 2005-06**

**SINGLE
BUSINESS
TAX
REVENUE
DISTRIBUTION**

**FY 2004-05
and
FY 2005-06**

**(MILLIONS
OF
DOLLARS)**

	<u>FY 2004-05</u>	<u>% OF TOTAL</u>	<u>FY 2005-06</u>	<u>% OF TOTAL</u>
General Fund/General Purpose	<u>\$1,845.7</u>		<u>\$1,883.8</u>	
TOTAL	\$1,845.7		\$1,883.8	

DEFINITIONS AND OTHER NOTES

Single Business Tax

General Fund/General Purpose receives 100% of single business tax revenue. At the end of FY 2001-02, the Budget Stabilization Fund balance fell below \$250 million, which paused the single business tax 0.1% reduction. In calendar years 2004 and 2005, the rate will be 1.9% of adjusted tax base for most firms.

**STATE OF MICHIGAN
SINGLE BUSINESS TAX REVENUE
DISTRIBUTION
FY 2005-06**

TOTAL RESOURCES: \$1,883.8 MILLION

**ALL
GENERAL FUND/GENERAL PURPOSE**



Tobacco Tax Revenue Distribution

**FY 2004-05
and
FY 2005-06**

**TOBACCO
TAX
REVENUE
DISTRIBUTION**

**FY 2004-05
and
FY 2005-06**

**(MILLIONS
OF
DOLLARS)**

	<u>FY 2004-05</u>	<u>% OF TOTAL</u>	<u>FY 2005-06</u>	<u>% OF TOTAL</u>
School Aid Fund	\$477.0	40.5%	\$469.4	40.4%
Medicaid Trust Fund	505.9	42.9%	384.0	33.1%
General Fund/General Purpose	119.0	10.1%	231.1	19.9%
Healthy Michigan Fund	43.0	3.6%	42.3	3.6%
Health and Safety Fund	27.9	2.4%	27.5	2.4%
Wayne County	<u>6.4</u>	0.5%	<u>6.3</u>	0.5%
TOTAL	\$1,179.2		\$1,160.6	

DEFINITIONS AND OTHER NOTES

School Aid Fund

Receives 41.6% of cigarette tax proceeds.

Medicaid Trust Fund

Receives 31.9% of the cigarette tax revenue and 75.0% of the other tobacco products tax revenue beginning in FY 2005-06.

General Fund/General Purpose

Receives 19.8% of the cigarette tax revenue and 25.0% of the other tobacco products tax revenue beginning in FY 2005-06.

Healthy Michigan Fund

Administered by the state for various health prevention programs. Receives 3.8% of the cigarette tax revenue.

Health and Safety Fund

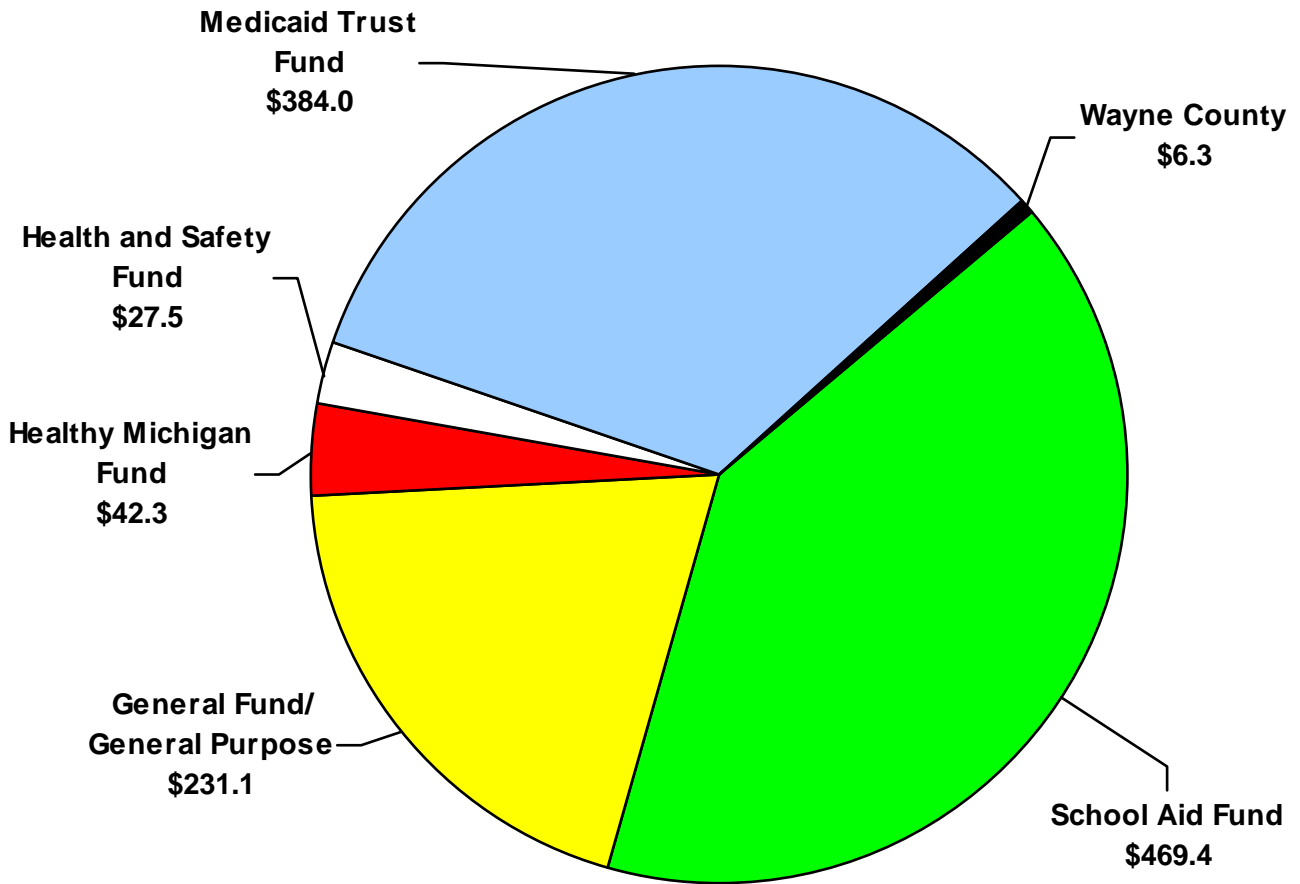
Provides support for Medicaid indigent payments to Detroit hospitals, certain debt obligations for Wayne County, and local public health and criminal justice at the county level. Receives 2.4% of the cigarette tax.

Wayne County

Receives 0.6% of the cigarette tax revenue to be used for indigent health care.

**STATE OF MICHIGAN
TOBACCO TAX REVENUE
DISTRIBUTION
FY 2005-06**

TOTAL RESOURCES: \$1,160.6 MILLION
(Chart dollars in millions)





Transportation Revenue Distribution

**FY 2004-05
and
FY 2005-06**

**TRANSPORTATION
REVENUE
DISTRIBUTION**

**FY 2004-05
and
FY 2005-06**

**(MILLIONS
OF
DOLLARS)**

	<u>FY 2004-05</u>	<u>% OF TOTAL</u>	<u>FY 2005-06</u>	<u>% OF TOTAL</u>
Michigan Transportation Fund	\$1,995.8	57.0%	\$2,051.1	56.8%
State Trunkline Fund	1,165.3	33.3%	1,240.3	34.3%
State Aeronautics Fund	197.6	5.6%	157.3	4.4%
Comprehensive Transportation Fund	126.8	3.6%	148.3	4.1%
Blue Water Bridge Fund	<u>14.6</u>	0.4%	<u>15.1</u>	0.4%
TOTAL	\$3,500.1		\$3,612.1	

DEFINITIONS AND OTHER NOTES

Michigan Transportation Fund

Administered by Michigan Department of Transportation. Expenditures made for highways and include grants to county road commissions, cities, and villages for highway purposes, and other departments for collection and enforcement costs.

State Trunkline Fund

Administered by Michigan Department of Transportation. Funds used for highway maintenance and construction, debt service, bridge construction, and administration costs.

State Aeronautics Fund

Funds for expenditures and transfers for administration and improvement of local airports.

Comprehensive Transportation Fund

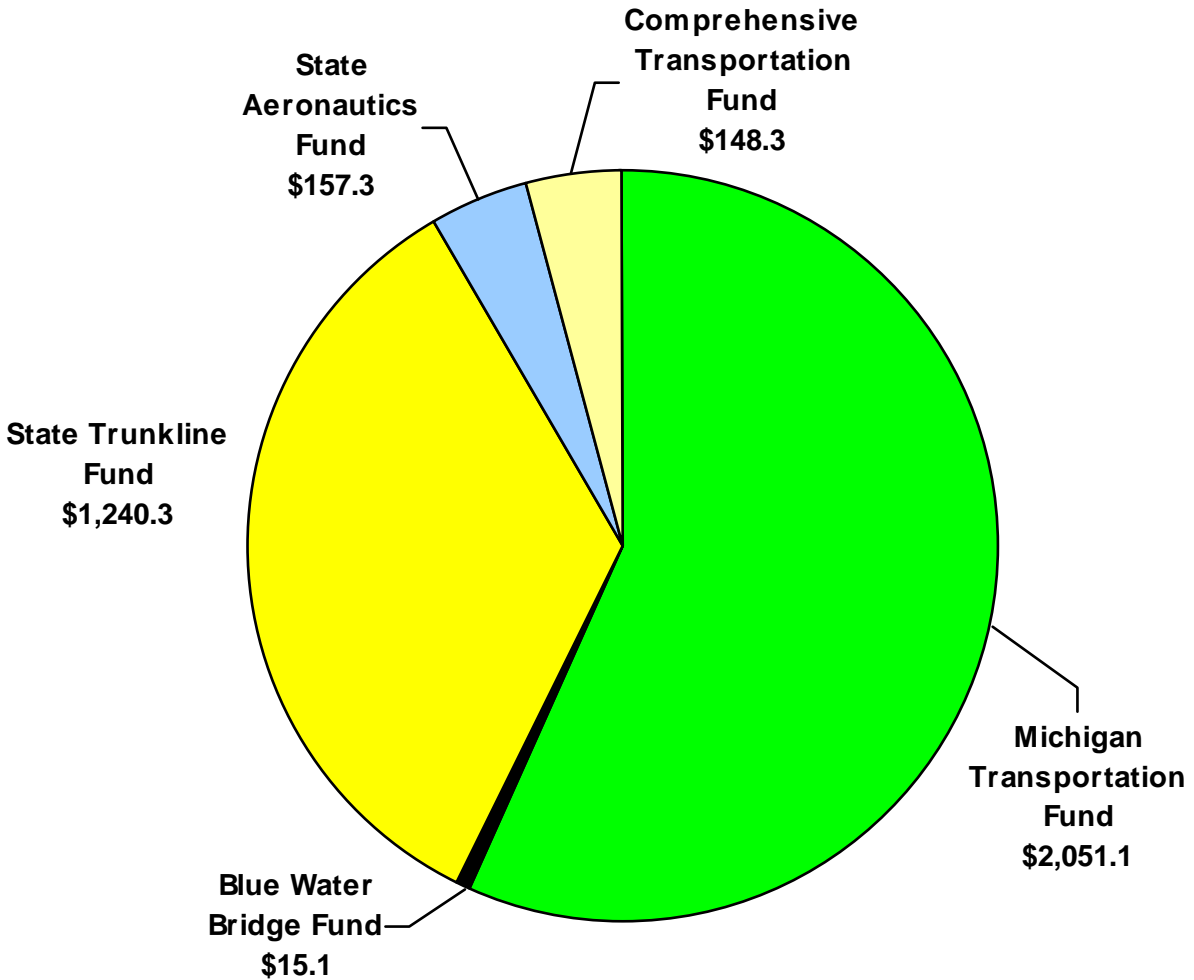
Created to fund planning and development of public transportation systems. Provides funds for direct expenditures and financing for bus and rail services.

Blue Water Bridge Fund

Subsidiary fund of State Trunkline Fund used by Michigan Department of Transportation for accounting purposes to identify funding used for debt service, loan repayments, and operating funds for the Blue Water Bridge.

**STATE OF MICHIGAN
TRANSPORTATION REVENUE
DISTRIBUTION
FY 2005-06**

**TOTAL RESOURCES: \$3,612.1 MILLION
(Chart dollars in millions)**





Use Tax Revenue Distribution

**FY 2004-05
and
FY 2005-06**

**USE
TAX
REVENUE
DISTRIBUTION**

**FY 2004-05
and
FY 2005-06**

**(MILLIONS
OF
DOLLARS)**

	<u>FY 2004-05</u>	<u>% OF TOTAL</u>	<u>FY 2005-06</u>	<u>% OF TOTAL</u>
General Fund/General Purpose	\$923.7	66.7%	\$963.6	66.7%
School Aid Fund	<u>461.9</u>	33.3%	<u>481.9</u>	33.3%
TOTAL	\$1,385.6		\$1,445.5	

DEFINITIONS AND OTHER NOTES

General Fund/ General Purpose

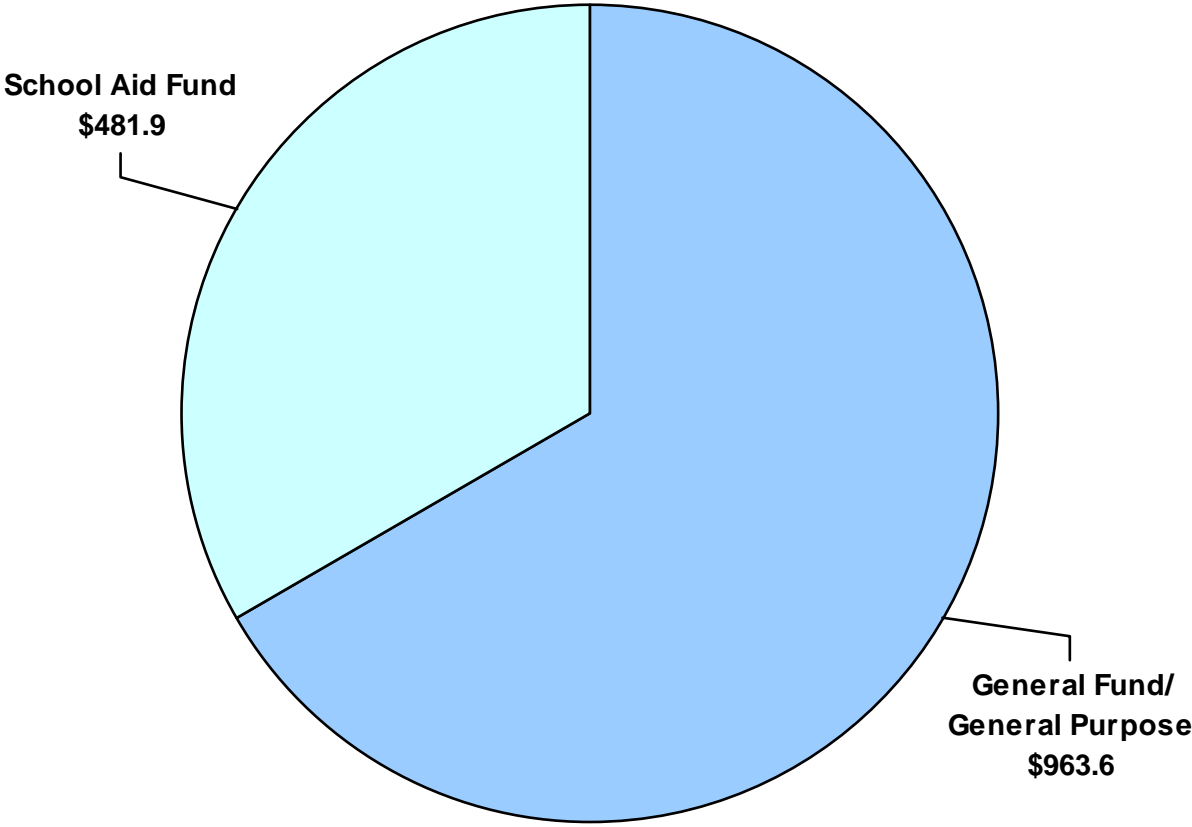
Receives use tax revenue not dedicated for other purposes.

School Aid Fund

Receives 33.3% of use tax revenue.

**STATE OF MICHIGAN
USE TAX REVENUE
DISTRIBUTION
FY 2005-06**

TOTAL RESOURCES: \$1,445.5 MILLION
(Chart dollars in millions)





**STATE
AND LOCAL
TAX
INFORMATION**

Business Privilege Taxes

Accommodations (Hotel/Motel)

ENACTED: PA 263 of 1974, PA 106 of 1985

BASE: Amount charged transient guests for lodging in any hotel/motel; in counties with population over 600,000, amount charged transient guests for lodging in a hotel/motel with over 80 rooms

RATE: Variable; up to 6% of amount transient guests pay for lodging

DISPOSITION: General Fund Restricted; Convention Facilities Development Fund

\$49,000,000

Airport Parking Excise

ENACTED: PA 248 of 1987

BASE: Amount charged for parking

RATE: 27% of amount charged for parking

DISPOSITION: Airport Parking Fund

\$15,000,000

Casino Wagering

ENACTED: Voter-initiated law of 1996

BASE: Adjusted gross receipts received by gaming licensee

RATE: 24%; State portion is 50.5% of 24% (12.1% of adjusted gross receipts), City of Detroit portion is 49.5% of 24% (11.9% of adjusted gross receipts)

DISPOSITION: State portion: 66.7% School Aid Fund, 29.2% General Fund/General Purpose, 4.1% Agriculture Equine Industry Development Fund; City of Detroit: 11.9% of adjusted gross receipts from casinos

\$147,000,000
state portion

NOTE: In addition to the casino wagering tax, each casino annually pays \$8.33 million (indexed to inflation) to the State Services Fee Fund. The City of Detroit also levies a municipal services fee, which is the greater of 1.25% of adjusted gross receipts or \$4.0 million per casino.

Corporate Organization

ENACTED: PA 284 of 1972

BASE: Domestic: authorized capital stock; Foreign: capital stock attributable to Michigan

RATE: Domestic: \$50 for first 60,000 shares, plus \$30 for each additional 20,000 shares; Foreign: \$50 for shares attributable to Michigan, plus \$30 for each additional 20,000 shares

DISPOSITION: General Fund; Restricted

\$14,500,000

FY 2004-05 STATE OF MICHIGAN—STATE AND LOCAL TAX INFORMATION

FY 2004-05 Estimated Collections

Foreign Insurance Company Retaliatory

ENACTED: PA 218 of 1956

BASE: Gross premiums of out-of-state insurance companies

RATE: Unauthorized insurance at 2%; foreign insurance at single business tax equivalent or amount equal to foreign imposed costs – whichever is higher

DISPOSITION: General Fund/General Purpose

\$229,300,000

Oil and Gas Severance

ENACTED: PA 48 of 1929

BASE: Gross cash market value of oil and gas severed

RATE: Oil at 6.6%; gas at 5%; stripper wells and/or marginal properties at 4%

DISPOSITION: General Fund/General Purpose

\$63,000,000

Simulcast Wagering

ENACTED: PA 279 of 1995

BASE: Amounts wagered on interstate and inter-track simulcast races

RATE: 3.5%

DISPOSITION: Agriculture Equine Industry Development Fund

\$16,269,000

Single Business

ENACTED: PA 228 of 1975

BASE: Federal adjusted gross income plus compensation, interest paid, and depreciation; with deductions for new capital investment and labor intensity

RATE: 1.9%

DISPOSITION: General Fund/General Purpose

\$1,845,700,000

Unemployment Compensation

ENACTED: PA 1 of 1936 (Extra Session)

BASE: Wages paid per covered employee up to limit of \$9,000, or wages equal to federal unemployment tax base – whichever is higher

RATE: Variable

DISPOSITION: Bureau of Worker's and Unemployment Compensation

\$1,200,000,000

Consumption Taxes

Beer

ENACTED: PA 58 of 1998

BASE: Beer manufactured or sold in Michigan

RATE: \$6.30 per barrel; \$2 per barrel credit for small brewers

DISPOSITION: General Fund/General Purpose

\$44,600,000

Liquor

ENACTED: PA 58 of 1998

BASE: Retail selling of spirits

RATE: On-premise consumption: 12%; Off-premise consumption: 13.85%

DISPOSITION: 4% Specific: all to General Fund/General Purpose;
4% Excise: all to School Aid Fund; 4% Specific: all to Convention Facility
Development Fund; 1.85% Specific: all to Liquor Purchase Revolving Fund

\$115,000,000

Sales

ENACTED: PA 167 of 1933

BASE: Gross proceeds from retail sale of tangible personal property for use or consumption

RATE: 6% (4% for electricity, natural gas, and home heating fuel)

DISPOSITION: 24.2% to local revenue sharing (subject to appropriation),
73.3% to School Aid Fund, 1.0% Comprehensive Transportation Fund,
remainder to General Fund/General Purpose

\$6,636,800,000

Tobacco Products

ENACTED: PA 327 of 1993

BASE: Tobacco products sold in Michigan

RATE: Cigarettes at \$2.00 per pack; other at 32% of wholesale price

DISPOSITION: From cigarettes: School Aid Fund at 41.6%; General
Fund/General Purpose at 10.4%; Healthy Michigan Fund at 3.8%; Health &
Safety Fund at 2.4%; Medicaid Trust Fund at 41.2%; Wayne County at 0.6%.
From other: Medicaid Trust Fund at 100%

\$1,179,200,000

Uniform City Utility Users

ENACTED: PA 100 of 1990

BASE: Privilege of consuming public telephone, electric, steam, or gas service in Detroit

RATE: Between ¼ of 1% and 5%

DISPOSITION: To hire police officers

\$55,000,000

FY 2004-05 STATE OF MICHIGAN—STATE AND LOCAL TAX INFORMATION

FY 2004-05 Estimated Collections

Use

ENACTED: PA 94 of 1937

BASE: Purchase price of tangible personal property and certain services

RATE: 6% (4% for electricity, natural gas, and home heating fuel)

DISPOSITION: General Fund/General Purpose at 66.7%; School Aid Fund at 33.3%

\$1,385,600,000

Wine

ENACTED: PA 58 of 1998

BASE: Wine sold in Michigan

RATE: \$0.135 per liter if 16% alcohol or less, \$0.20 per liter if over 16% alcohol; mixed spirit drinks \$0.48 per liter

DISPOSITION: General Fund/General Purpose

\$7,400,000

Income Taxes

Personal Income

ENACTED: PA 281 of 1967

BASE: Federal adjusted gross income of individuals, estates, and trusts, with adjustments

RATE: 3.9%

DISPOSITION: General Fund/General Purpose; 23% of gross revenues to schools adjusted for rate reductions

\$7,630,400,000
gross
\$5,969,700,000
net of refunds

Uniform City Income

ENACTED: PA 284 of 1964

BASE: Income of city residents and income earned in city

RATE: Maximum 1% of income for residents and corporations; maximum 0.5% income for non-residents (2.4% resident, 1.2% non-resident in Detroit; 1.4% on corporations; Highland Park, Grand Rapids, and Saginaw may levy 2.0% resident, 1.0% non-resident)

DISPOSITION: General Fund of city

\$525,000,000

FY 2004-05 STATE OF MICHIGAN—STATE AND LOCAL TAX INFORMATION

FY 2004-05 Estimated Collections

Property Taxes

Commercial Forest

ENACTED: PA 57 of 1995

BASE: Lands placed in commercial forest reserve and cash value of timber thereon

RATE: Specific: \$1.10 per acre (\$1.20 per acre to local units); withdrawal: \$1.00 per acre fee plus per acre penalty based on ad valorem taxes (varies)

DISPOSITION: To local units in same proportion as general property tax, except school portion to School Aid Fund

\$2,800,000

County Real Estate Transfer

ENACTED: PA 134 of 1966

BASE: Fair market value of property transferred

RATE: \$0.55 per \$500 (0.11%); Wayne County may impose a higher rate with voter approval

DISPOSITION: General Fund of county in which tax is collected

\$46,900,000

Estate

ENACTED: PA 188 of 1899, PA 54 of 1993

BASE: Fair market value of gross estate, pursuant to Federal Tax Code

RATE: Maximum allowable federal credit for state inheritance taxes paid

DISPOSITION: General Fund/General Purpose

\$36,000,000

General Property

ENACTED: PA 206 of 1893

BASE: Real and personal property not otherwise exempted

RATE: Varies by local unit; requires voter approval

DISPOSITION: As locally determined

\$10,200,000,000

Industrial Facilities

ENACTED: PA 198 of 1974

BASE: Restored/replacement facility: taxable value, excluding land and inventory in year prior to exemption; new facility: current taxable value, excluding land and inventory

RATE: Restored facility: same as local property tax; new or replacement facility: 50% of all taxes other than the state 6-mill education tax plus 100% of the state 6-mill education tax

DISPOSITION: To local units in same proportion as general property tax, except school portion to School Aid Fund

\$141,500,000

FY 2004-05 STATE OF MICHIGAN—STATE AND LOCAL TAX INFORMATION

FY 2004-05 Estimated Collections

Low Grade Iron Ore Specific

ENACTED: PA 77 of 1951

BASE: Rated annual capacity of production and treatment plant, and gross ton value of ore

RATE: 1.1% at full production

DISPOSITION: To local units in same proportion as general property tax, except school portion to School Aid Fund

\$5,900,000

Mobile Home Trailer Coach

ENACTED: PA 243 of 1959

BASE: Occupied trailer coaches in licensed trailer coach parks

RATE: \$3 per month per coach

DISPOSITION: School Aid Fund: \$2 per coach; counties and municipalities: \$0.50 per coach

\$6,000,000

Neighborhood Enterprise Zone Facilities

ENACTED: PA 147 of 1992

BASE: Rehabilitated facility: state equalized value in prior year of exemption, excluding land; new facility: state equalized value, excluding land

RATE: Homesteads: 50% of average rate of other homestead or qualified agricultural property; non-homesteads: 50% of average rate of other commercial, industrial, and utility property

DISPOSITION: To local units in same proportion as general property tax, except school portion to School Aid Fund

Included in industrial facilities

Private Forest

ENACTED: PA 57 of 1995

BASE: Lands placed in private forest reserve and cash value of timber thereon (40 acre maximum)

RATE: Specific: \$1.00 per acre; stumpage: 5% of value of timber cut; withdrawal: 5% of value of timber on the stump

DISPOSITION: To local units in same proportion as general property tax, except school portion to School Aid Fund

\$200,000

State 6-Mill Education

ENACTED: PA 331 of 1993

BASE: Taxable value of all real and personal property; increase capped at the lesser of 5% or inflation

RATE: 6 mills

DISPOSITION: School Aid Fund

\$1,851,600,000

FY 2004-05 STATE OF MICHIGAN—STATE AND LOCAL TAX INFORMATION

FY 2004-05 Estimated Collections

State Real Estate Transfer

ENACTED: PA 330 of 1993

BASE: Fair market value of property transferred

RATE: \$3.75 per \$500 (0.75%) or fraction thereof of total value

DISPOSITION: School Aid Fund

\$320,000,000

Technology Park Facilities

ENACTED: PA 385 of 1984

BASE: SEV of facility, excluding land

RATE: New facility: 50% of 1993 school operating taxes, plus 50% of other property taxes except state 6-mill education tax

DISPOSITION: To local units in same proportion as general property tax, except school portion to School Aid Fund

Included in industrial facilities

Utility Property

ENACTED: PA 282 of 1905

BASE: Taxable value of all property of telephone, telegraph, railroad, car loaning, sleeping car, and express car companies; certain exemptions for railroads

RATE: Average statewide general property tax paid by other business property in preceding calendar year

DISPOSITION: General Fund/General Purpose

\$95,300,000

Transportation Taxes

<u>Aircraft Weight</u>	ENACTED: PA 327 of 1945	
	BASE: The greater of maximum gross weight or maximum takeoff weight	
	RATE: \$0.01 per pound	
	DISPOSITION: Aeronautics Fund	
		\$300,000
<u>Aviation Gasoline</u>	ENACTED: PA 327 of 1945	
	BASE: Fuel sold or used for propelling aircraft	
	RATE: \$0.03 per gallon; \$0.015 per gallon refund to interstate airline operators	
	DISPOSITION: Aeronautics Fund	
		\$8,000,000
<u>Diesel Fuel</u>	ENACTED: PA 54 of 1951	
	BASE: Diesel fuel sold or used in vehicles operated on public highways; certain exemptions apply	
	RATE: \$0.15 per gallon	
	DISPOSITION: Michigan Transportation Fund	
		\$118,300,000
<u>Gasoline</u>	ENACTED: PA 150 of 1927	
	BASE: Gasoline sold or used in operating vehicles on public highways	
	RATE: \$0.19 per gallon	
	DISPOSITION: Michigan Transportation Fund	
		\$935,000,000
<u>Liquefied Petroleum Gas</u>	ENACTED: PA 147 of 1953	
	BASE: Liquefied petroleum gas sold or used in operating vehicles on public highways	
	RATE: \$0.15 per gallon	
	DISPOSITION: Michigan Transportation Fund	
		\$610,000
<u>Marine Vessel Fuel</u>	ENACTED: PA 320 of 1947	
	BASE: Gas and diesel fuel sold for propelling watercraft, off-road vehicles, and snowmobiles	
	RATE: \$0.19 per gallon with refund for certain vessels	
	DISPOSITION: Recreation Improvement Fund	
		\$400,000

FY 2004-05 STATE OF MICHIGAN—STATE AND LOCAL TAX INFORMATION

FY 2004-05 Estimated Collections

Motor Carrier Fuel

ENACTED: PA 119 of 1980

BASE: Motor fuel consumed in commercial motor vehicle while operating on public highways

RATE: \$0.15 per gallon for fuel consumed in Michigan

DISPOSITION: Michigan Transportation Fund

\$26,700,000

Motor Vehicle Registration

ENACTED: PA 300 of 1949

BASE: Weight of vehicle, or type or price of vehicle; maximum loaded weight for large trucks

RATE: Varies

DISPOSITION: Michigan Transportation Fund and Scrap Tire Regulation Fund

\$857,000,000

Watercraft Registration

ENACTED: PA 58 of 1995

BASE: Length of boat (certain exemptions apply)

RATE: \$14 to \$448, depending on length of boat; three-year registration period

DISPOSITION: State Waterways Fund: 17.5%; Harbor Development Fund: 33.5%; Marine Safety Fund: 49%

\$10,000,000



**STATE
REVENUE
DEDICATION**

FY 2005-06 STATE REVENUE DEDICATION

<u>Tax</u>	<u>Dedicated Amount</u>	<u>To/For</u>	<u>Constitutional or Statutory</u>
<u>Business Privilege Taxes</u>			
Airport parking excise	100%	Airport Parking Fund	Statutory
Casino wagering tax, state portion; 50.5% of 24%	66.7% 29.2% 4.1%	School Aid Fund General Fund/General Purpose Agriculture Equine Industry Development Fund	Statutory
Simulcast wagering	100%	Agriculture Equine Industry Development Fund	Statutory
<u>Consumption Taxes</u>			
Liquor excise at the 4% rate	100%	School Aid Fund	Statutory
Liquor specific at the 1.85% rate	100%	Liquor Purchase Revolving Fund	Statutory
Liquor specific at the 4% rate	100%	Convention Facility Development Fund	Statutory
General sales imposed directly or indirectly on: fuels sold to propel motor vehicles on highways, sale of motor vehicles, and sale of the parts and accessories of motor vehicles	Not more than 25%	Transportation purposes	Constitutional
Sales at the 2% rate	100%	School Aid Fund	Constitutional
Sales at the 4% rate	15%	Revenue sharing to cities, villages, and townships on a population basis	Constitutional
Amount equal to sales at the 4% rate	21.3%	Revenue sharing to counties, cities, villages, and townships	Statutory
Sales at the 4% rate	60%	School Aid Fund	Constitutional
Tobacco products: cigarette	41.6% 31.8% 19.8% 3.8% 2.4% 0.6%	School Aid Fund Medicaid Trust Fund General Fund/General Purpose Healthy Michigan Fund Health and Safety Fund Wayne County	Constitutional and Statutory
Tobacco products: other than cigarette	75% 25%	Medicaid Trust Fund General Fund/General Purpose	Constitutional and Statutory
Use at the 2% rate	100%	School Aid Fund	Constitutional
<u>Income Taxes</u>			
Gross income tax collections	23% with hold harmless adjustments for rate reductions	School Aid Fund	Statutory

FY 2005-06 STATE REVENUE DEDICATION

<u>Tax</u>	<u>Dedicated Amount</u>	<u>To/For</u>	<u>Constitutional or Statutory</u>
<u>Lottery Proceeds</u>			
Lottery proceeds (net)	100%	School Aid Fund	Statutory
<u>Property Taxes</u>			
Commercial forest	School district share	School Aid Fund	Statutory
Industrial facilities	School district share	School Aid Fund	Statutory
Low grade iron ore specific	School district share	School Aid Fund	Statutory
Mobile home trailer coach	67%	School Aid Fund	Statutory
Neighborhood enterprise zone facilities	School district share	School Aid Fund	Statutory
Private forest	School district share	School Aid Fund	Statutory
State 6-mill education	100%	School Aid Fund	Statutory
State real estate transfer	100%	School Aid Fund	Statutory
Technology park facilities	School district share	School Aid Fund	Statutory
<u>Transportation Taxes</u>			
Aircraft weight	100%	Aeronautics Fund	Statutory
Aviation gasoline	100%	Aeronautics Fund	Statutory
Diesel fuel	100%	Michigan Transportation Fund	Statutory
Gasoline	100%	Michigan Transportation Fund	Statutory
Liquified petroleum gas	100%	Michigan Transportation Fund	Statutory
Marine vessel fuel	100%	Recreation Improvement Fund	Statutory
Motor fuel (specific)	100%	Transportation purposes	Constitutional
Motor carrier fuel	100%	Michigan Transportation Fund	Statutory
Motor vehicle registration	100%	Michigan Transportation Fund ; certain fees to Scrap Tire Regulation Fund	Statutory
Watercraft registration	17.5%	State Waterways Fund	Statutory
Watercraft registration	33.5%	Harbor Development Fund	Statutory
Watercraft registration	49%	Marine Safety Fund	Statutory

NOTE: Revenues not constitutionally or statutorily earmarked (dedicated) are General Fund/General Purpose.

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