

**DISTRIBUTION AND 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)	71.92% 12)	23.88% 2)	3.8% 12)						0.4% 12)	100.0%
Refunds	Statutory	100.0%									100.0%
<b>Sales Tax:</b>											
4% rate:	Constitutional		60.0%			15.0%					75.0%
	Statutory	1.7% 10)	0.0%	10)	1.7% 3)	21.3%				0.3% 4)	25.0%
Subtotal 4% rate:		1.7%	60.0%		1.7%	36.3%				0.3%	100.0%
2% rate:	Constitutional	0.0%	100.0%		0.0%	0.0%				0.0%	100.0%
Total 6% Sales Tax rate:		1.1%	73.3%		1.1%	24.2%				0.2%	100.0%
<b>Use Tax:</b>											
4% rate: 11)	Statutory	100.0% 11)	0.0%							11)	100.0%
2% rate:	Constitutional	0.0%	100.0%								100.0%
Total 6% Use Tax rate:		66.7%	33.3%								100.0%
<b>Alcohol &amp; Tobacco Taxes:</b>											
<b>Beer &amp; Wine</b>	Statutory	100.0%									100.0%
<b>Liquor</b>											
4% excise tax	Statutory		100.0%								100.0%
4% specific tax	Statutory	80.7%								19.3% 14)	100.0%
4% specific tax	Statutory									100.0% 5)	100.0%
1.85% specific tax	Statutory									100.0% 6)	100.0%
<b>Cigarette</b>	Statutory	19.2%	41.4%				2.4%	3.8%	31.7%	1.6% 7)	100.0%
<b>Other Tobacco</b>											
<b>Products</b>	Statutory	25.0%							75.0%		100.0%
<b>Business Privilege Taxes:</b>											
<b>Single Business</b>	Statutory	100.0%									100.0%
<b>Michigan Business Tax</b>	Statutory	100.0%									100.0%
<b>Corporate Income Tax</b>	Statutory	73.0% 13)								27% 13)	100.0%
<b>Insurance Retaliatory</b>	Statutory	100.0%									100.0%
<b>Casino Gaming Tax 9)</b>	Statutory	0.00%	100.00%							0.00%	100.0%
<b>Oil &amp; Gas Severance</b>	Statutory	100.0%									100.0%
<b>Property Taxes:</b>											
<b>State Education Property</b>	Statutory		100.0%								100.0%
<b>Real Estate Transfer</b>	Statutory		100.0%								100.0%
<b>Estate</b>	Statutory	100.0%									100.0%
<b>Utility Property</b>	Statutory	100.0%									100.0%
<b>Transportation Taxes:</b>											
<b>Gasoline</b>	Constitutional			100.0%							100.0%
<b>Diesel Fuel</b>	Constitutional			100.0%							100.0%
<b>Motor Carrier Fuel</b>	Constitutional			100.0%							100.0%
<b>Vehicle Weight/Value</b>	Constitutional			100.0%							100.0%

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1) Comprehensive Transportation Fund (CTF)

- 2) From January 1, 2000 through November 30, 2018, the percentage share of gross income tax revenue that went to the SAF was equal to 1.012 divided by the current income tax rate. Effective December 1, 2018, PA 588 of 2018 changed the calculation to 0.954 divided by the tax rate, or 22.45%. However, P.A. 75 of 2020, reversed the earmark change in PA 588 and restored the earmark to the previous level, or 23.81%, effective October 1, 2019.  
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 was 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 23.8% of gross income tax revenue and 23.8% of the income tax rate of 4.4% at that time equalled 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 directed to the SAF increased from 23% to 25.95%. P.A. 588 changed the share earmarked in anticipation of additional sales tax revenue to the General Fund and School Aid Fund as a result of the U.S. Supreme Court's South Dakota v. Wayfair decision. See also Note 12.  
Public Act 4 of 2023 phased-in an increase in the 1.012 numerator to 1.040 over the FY 2023-24 through FY 2026-27 period to hold the SAF harmless for changes in PA 4 of 2023 that lowered individual income tax revenue from certain retirees and from selected pension income.
- 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.  
The earmark in FY 2013-14 totalled \$102.0 million and is estimated to total \$96.5 million in FY 2014-15.
- 4) \$9 million of sales tax revenue is earmarked each year for health programs.
- 5) Convention Facility Development Fund.
- 6) Liquor Purchase Revolving Fund. Repealed October 1, 2012 by PA 166 of 2011.
- 7) Wayne County receives 0.6% of cigarette tax revenue. The State Police receive \$8 million before distributions are made to other funds. Approximately \$3.0 million (in FY 2014-15, adjusted for inflation in later years) is directed from the General Fund portion to the Capitol Fund for preservation of the State Capitol building.
- 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 is automatically directed to General Fund/General Purpose revenue. The statutory earmark for revenue sharing payments to local units remains in statute.
- 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. Does not include other gaming related taxes such as sports betting, online gaming, and fantasy contest gaming.
- 10) In FY 2012-13 an additional \$100.0 million in sales tax revenue was earmarked to the MTF by PA 255 of 2012, and \$10.0 million in sales tax revenue earmarked to the Aeronautics Fund by PA 226 of 2012. These reductions were taken from the tax levied at a 4% rate and reduced revenue available to the General Fund.
- 11) Revenue directed by PA 80 of 2014 to the Local Community Stabilization Authority to reimburse local units for losses associated with personal property exemptions effectively alters the State tax rate. P.A. 80 does not identify a specific tax rate, but the effective tax rate is determined by the relationship between total collections at a 4% rate and the amounts statutorily directed to the Authority. Those amounts total \$96.1 million in FY 2015-16, \$380.6 million in FY 2016-17 and increase roughly \$30.0 million per year until reaching \$572.6 million in FY 2027-28. After FY 2027-28 the revenue directed to the Authority increases based on a growth rate defined in statute. All revenue directed to the Authority reduces revenue directed to the General Fund.
- 12) As part of the road funding package enacted in 2015, P.A. 179 of 2015 provided that beginning with Fiscal Year 2018-19, after the earmark of revenue to the School Aid Fund, a specified amount of individual income tax revenue would be transferred to the Michigan Transportation Fund (MTF). In FY 2018-19, the MTF earmark is \$150.0 million. In FY 2019-20, the earmark is \$325.0 million, and is \$600.0 million for FY 2020-21 and subsequent fiscal years. P.A. 588 of 2018 increased these amounts in FY 2018-19, to \$264.0 million, and FY 2019-20, to \$468.0 million; as well as added an additional earmark of \$69.0 million per year to the Renew Michigan Fund. As a result, the actual percentage of gross collections deposited in the General Fund, for fiscal years after FY 2017-18, will be less than 76.85%.
- 13) Public Act 4 of 2023 earmarked \$500.0 million per year for FY 2022-23 through FY 2024-25 to the Strategic Outreach and Attraction Reserve Fund, and earmarked, beginning in FY 2022-23, \$50.0 million per year to the Michigan Housing and Community Development Fund and \$50.0 million per year to the Revitalization and Placemaking Fund.
- 14) Starting FY 2022-23, Public Act 190 of 2022 redirected \$15.0 million, adjusted each year for inflation, of liquor tax revenue from the General Fund to the Secondary Road Patrol Fund.

Senate Fiscal Agency

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