

# Michigan Overall Effective Tax Rates

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## Effective Tax Rate

- The overall effective tax rate is revenue from all taxes – total taxes (income, sales, property, corporate income, motor fuels, tobacco, ...) from all Michigan governments (state and local) as a fraction of personal income in the state.
- This measure is the average share of income that residents pay in state and local taxes in Michigan.

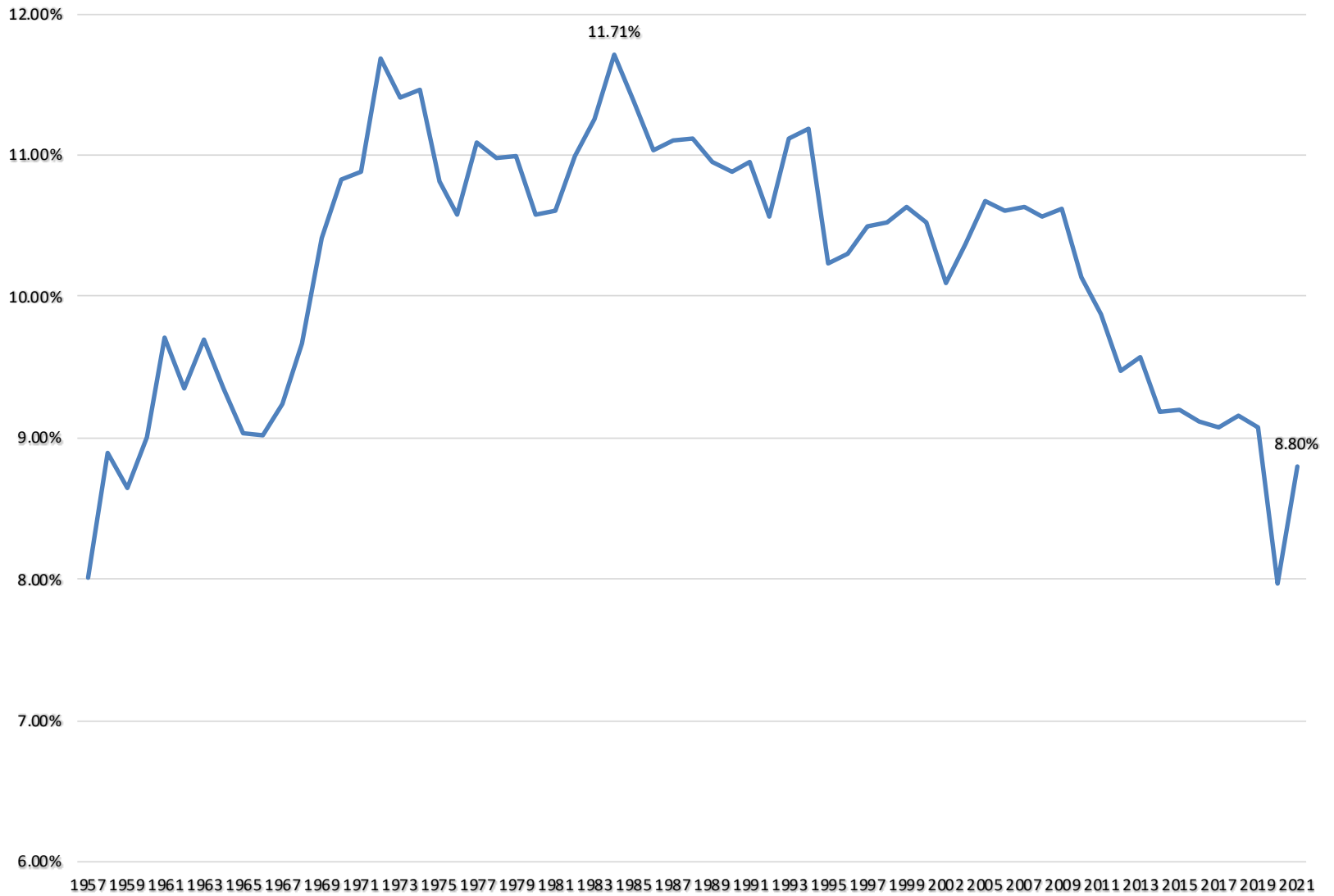


## Effective Tax Rate Over Time

- The chart shows the effective rate since 1957
- It increased in the 1960s as a result of adoption of income taxes
- It reached its highest level of 11.7 percent in 1984
- Since 1984, the effective rate has generally been decreasing
- 8.8% in 2021
- Lowest it has been in more than 60 years



Michigan State & Local Taxes as a Percentage of Personal Income

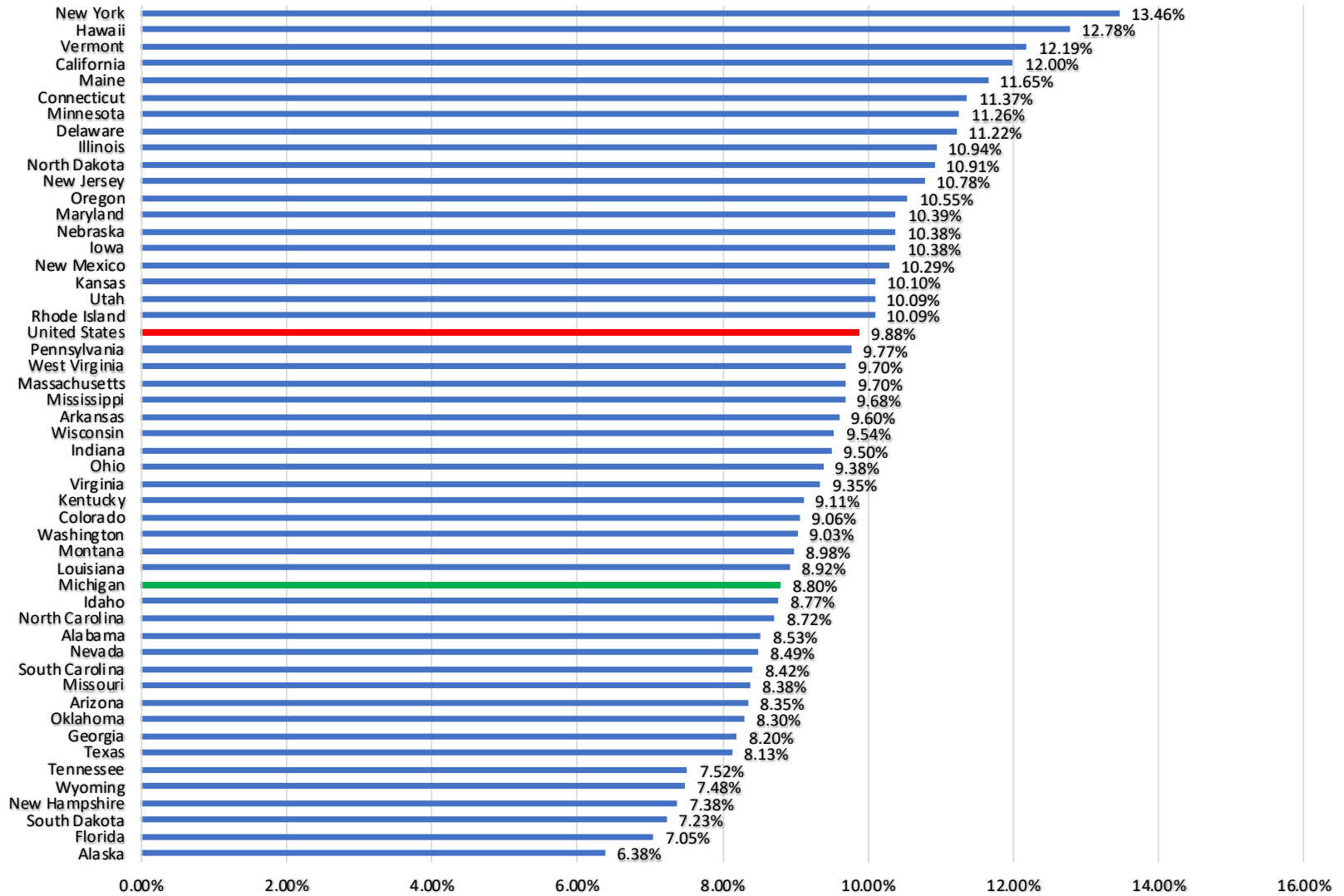


## Effective Tax Rate Compared to Other States

- The effective tax rate in Michigan (8.8%) is well below the national average (9.9%)
- Our rate ranks 34<sup>th</sup> lowest among all the states
- The effective rate in Michigan is lower than all the neighboring Great Lakes states
- The closest is Indiana at 9.5 percent



### State & Local Government Effective Tax Rate, by State, 2021



## Implications

- Taxes in Michigan are low compared to other states and low compared to past years
- So what?
- Does not necessarily mean Michigan should increase taxes
- However, does suggest there may be room to use higher taxes to finance proposals the Council thinks valuable

