



## New report shows Michigan tax system unfair, but reactions continue along partisan lines

By Jeff Cranson | The Grand Rapids Press

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AP File Photo

Governor Jennifer Granholm and Senate Majority Leader Mike Bishop can't agree on Michigan taxes.

Without exception, every business advocacy organization, special interest group and partisan of any stripe screams these days for some sort of change in Michigan's governmental structure.

Now comes another **report** telling us what anyone paying attention has known for years: the state's tax system is dysfunctional and rife with inequity.

Our state has an unfair and regressive tax system, says Matthew Gardner, executive director of the Institute on Taxation and Economic Policy.



Taxpayers in income categories rated middle or below pay much more in state and local taxes, as a percentage of income, than the wealthy. The institute's study offered those conclusions based on analysis of taxes in all 50 states.

The institute is non-partisan, but no matter. Reactions broke along partisan lines today.

"The governor supports both a graduated income tax and an expansion of the sales tax to services, which would both make the tax system more progressive," Megan Brown, a spokesperson for Gov. Jennifer Granholm, told the Lansing news agency, MIRS, today.

A spokesperson for the state's top Republican, Senate Majority Leader Mike Bishop, said Bishop opposes anything that would mean higher taxes for anyone.

Bishop is seeking the attorney general seat in 2010 and has already lost support from big donors like Peter Secchia who won't forgive him for going along with the Michigan Business Tax in 2007 to take the state out of shutdown mode because of a budget impasse.

Any wonder he cannot or will not support anything that can be construed by opponents as a tax hike?

Even as the report was released today, Doug Rothwell, president and CEO of the group formerly known as Detroit Renaissance, now **Business Leaders for Michigan**, was in Grand Rapids talking about the need to lower the state's 6-percent sales tax and at the same time **extend it to many more services**.

To be fair to our state, the rest of the nation has seen a gradual but substantive shift in the tax burden since World War II.

This table from the **Tax Policy Center** illustrates something else of interest. Our nation's top marginal tax rate was 94 percent in 1944. That rate stands at 35 percent today.

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**Historical Highest Marginal Income Tax Rates**

Year	Top Marginal Rate	Year	Top Marginal Rate	Year	Top Marginal Rate
1913	7.0%	1946	86.45%	1979	70.00%
1914	7.0%	1947	86.45%	1980	70.00%
1915	7.0%	1948	82.13%	1981	69.13%
1916	15.0%	1949	82.13%	1982	50.00%
1917	67.0%	1950	91.00%	1983	50.00%
1918	77.0%	1951	91.00%	1984	50.00%
1919	73.0%	1952	92.00%	1985	50.00%
1920	73.0%	1953	92.00%	1986	50.00%
1921	73.0%	1954	91.00%	1987	38.50%
1922	56.0%	1955	91.00%	1988	28.00%
1923	56.0%	1956	91.00%	1989	28.00%
1924	46.0%	1957	91.00%	1990	31.00%
1925	25.0%	1958	91.00%	1991	31.00%
1926	25.0%	1959	91.00%	1992	31.00%
1927	25.0%	1960	91.00%	1993	39.60%
1928	25.0%	1961	91.00%	1994	39.60%
1929	24.0%	1962	91.00%	1995	39.60%
1930	25.0%	1963	91.00%	1996	39.60%
1931	25.0%	1964	77.00%	1997	39.60%
1932	63.0%	1965	70.00%	1998	39.60%
1933	63.0%	1966	70.00%	1999	39.60%
1934	63.0%	1967	70.00%	2000	39.60%
1935	63.0%	1968	75.25%	2001	38.60%
1936	79.0%	1969	77.00%	2002	38.60%
1937	79.0%	1970	71.75%	2003	35.00%
1938	79.0%	1971	70.00%	2004	35.00%
1939	79.0%	1972	70.00%	2005	35.00%
1940	81.10%	1973	70.00%	2006	35.00%
1941	81.00%	1974	70.00%	2007	35.00%
1942	88.00%	1975	70.00%	2008	35.00%
1943	88.00%	1976	70.00%	2009	35.00%
1944	94.00%	1977	70.00%	2010	35.00%
1945	94.00%	1978	70.00%		

Note: This table contains a number of simplifications and ignores a number of factors, such as a maximum tax on earned income of 50 percent when the top rate was 70 percent and the current increase in rates due to income-related reductions in value of itemized deductions. Perhaps most importantly, it ignores the large increase in percentage of returns that were subject to this top rate.

Sources: Eugene Steuerle, The Urban Institute; Joseph Pechman, Federal Tax Policy; Joint Committee on Taxation, Summary of Conference Agreement on the Jobs and Growth Tax Relief Reconciliation Act of 2003, JCX-54-03, May 22, 2003; IRS Revised Tax Rate Schedules

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