

## Michigan's Revenue Sources

The total state budget for FY 2016 is \$53.7 billion. Federal monies make up 42 percent of the total, with most of the money in restricted grants such as

Medicaid. In addition to federal funds, the major sources of STATE revenue for Michigan's total budget are listed below:

STATE Revenue Source	Percent of Total Revenue	Rate and Description	Distribution
Sales and Use Taxes	18%	6% tax on sale of goods--a 4% rate and a 2% rate approved by voters in 1994. Food and prescription drugs exempt from sales tax. Tax rate can only be increased through a constitutional amendment and voter approval	60% of 4% rate and 100% of 2% rate go to school aid fund. 15% of the gross revenue of the 4% sales tax is constitutionally earmarked for revenue sharing; additional amount allocated for statutory revenue sharing.
Income Tax	16%	4.25% tax on federal adjusted gross income—with adjustments. Rate can be changed by legislature. Constitution does not allow a graduated income tax.	24% of gross collections go to school aid fund; remainder to general fund
Transportation Revenues	6%	Taxes on gas, diesel fuel, aviation fuel etc. Beginning January 2017, rates for gasoline and diesel fuel will increase to 26.3 cents/gallon, a 20% increase in registration fees for cars and large trucks and a new registration surcharge for electric cars.	Proceeds primarily to the Michigan Transportation Fund
Business Taxes	1%	Corporate Income Tax (CIT): a direct tax on business income; direct tax on premiums written in Michigan; and, a franchise tax	100% of (CIT) goes to general fund
State Education Tax	3%	6 mills of property tax levied locally on all property and distributed statewide as part of the school aid fund	100% to school aid fund
Other Taxes	4%	\$2.00/pack cigarette tax; 32% tax on other tobacco products; liquor, beer and wine taxes; oil and gas severance, etc.	41% of cigarette tax to school aid fund; beer and wine taxes primarily to general fund
Non-tax revenues	9%	Revenue from state-provided services; licenses; permits; lottery proceeds; tobacco settlement monies	100% of lottery proceeds go to school aid fund

Sources: House Fiscal Agency, *Revenue Source and Distribution*; Citizens Research Council, *Outline of Michigan Taxes, 2016*

