



Michigan House Passes Legislation to Phase out Income Taxes

By Sarah Torrico, Policy Intern

In 2007 former Governor Jennifer Granholm and her administration increased the income tax rate to 4.35%, with plans to bring it back down to 3.9% in 2015. In 2011 however, it was frozen at 4.25%. On February 15th, State Representative Lee Chatfield, R-Levering, proposed a new tax code that would reduce the 2018 income tax from that 4.25% to 3.9%, bringing it down 0.1% annually until it would be fully phased out in the year 2057. Supporters of the bill argue that recent tax cuts have benefited business, and now it is time for cuts to be in favor of the taxpayers. Rep. Chatfield supported the cut during committee testimony where he was quoted as saying: "I believe there is no better time than now that we as legislators give our constituents across the state meaningful tax reform where they can experience a homegrown economic boost the same way our state has over the past six years,". The belief that this will stimulate Michigan's economy by saving taxpayers a cumulative \$680 million in 2018 is not a convincing argument for everybody. The non-partisan Michigan League for Public Policy has calculated the average income in Michigan to be \$51,000. For residents earning this amount, the cut would mean an extra \$82 a year. However, a resident earning \$1.5 million a year would see an extra \$4,000.

Skeptics are concerned that this taxpayer saving is not a worthwhile trade-off for the \$1.78 billion that would be taken from the state budget in these first two years followed by the annual \$400 million that would be removed over the next forty years. Some point to the tax cut by Kansas four years ago that was followed by below average job growth as well an unstable economy, and even the early end of the academic year for some public schools that could not afford to remain open.

Among the skeptics is Gov. Snyder who said after the 90 minute hearing that he had some “serious concerns” and would want more time with the bill before a full vote takes place. As he sends his 2018 budget proposal to the floor, many republicans are hoping that this cut will be a large component of the new budget that is set to be finalized in June. Snyder remains a critic, citing the budget pressure that is already resulting from the \$2.1 billion fee and tax cut that is set to be in place for the next three years. The other major concern is the lack of clarity concerning where the funds would be cut from. Treasurer Nick Khouri has commented that until a conversation takes place about where spending will be reduced, the proposal cannot be debated seriously. To this, Chatfield has commented only that the cut will stimulate the economy.

“We must be a state that allows our hardworking men and women to keep more of what they earn, and for the government to take less of what they make,” said Michigan Attorney General Bill Schuette on his Facebook. Some commentators, surprised that this came out of a one-day hearing only lasting only 90 minutes, are doubtful that it will pass as is on the floor. While the promise of tax cuts is naturally met with a positive response from constituents, this seemingly ill-fated move may more to the benefit those trying to win votes than the voters themselves.