

# \$9.2 billion break

## State tax expenditures higher than tax bills

By Tim Richard  
staff writer

On paper, it looks as if Michigan state and local governments collect \$15 billion in taxes.

But when all the exemptions are figured in, only 40 percent of that is paid to state and local treasurers. People, businesses and non-profit groups get \$9.2 billion back in so-called "tax expenditures."

"This tax report is not advocating either the elimination or the expansion of tax expenditures," said state treasurer Robert Bowman. "The report simply details the magnitude of the tax-reducing features we have built into our system."

"The information is important to

policymakers who must monitor and review the structure of our tax program."

**THE REPORT** has the lofty title of Tax Expenditure Appendix to the 1987-88 fiscal year Executive Budget. Running 70 pages, it was published by Bowman and budget director Shelby Solomon.

In 1987-88, state laws granted \$9.2 billion in tax expenditures, up from \$8.9 billion in the previous fiscal year.

Another way of looking at it: Tax expenditures are actually larger than the \$6 billion state general fund budget.

To some, tax expenditures are

"loopholes." But the Legislature doesn't see it that way.

Don Drake, who heads tax analysis in the governor's budget office, said tax expenditures can be defined as: "a preference granted to a group within the tax structure," often to encourage the group to do something it might not otherwise do.

**MOST PEOPLE** benefit from some tax expenditure, even if it's a simple matter of going to the dry cleaner or barber. Services aren't subject to the Michigan sales tax.

Michigan voters exempted groceries and prescription drugs from the sales tax through a constitutional amendment.

In dollar terms, here are the state's and local units' major tax expenditures:

- \$2.6 billion for local property taxes — abatements for new industries; exemptions for public buildings such as schools and courthouses, churches and some charitable institutions; business exemptions for air

and water pollution control equipment.

- \$2.8 billion for individual income taxes — best known is the personal exemption. A major component is the homestead property tax exemption ("circuit breaker") granted to those whose property taxes exceed 3.5 percent of household income. Also exempt are employer contributions to health and life insurance; contributions to pension plans and Social Security taxes; and contributions to colleges and community foundations.

- \$2 billion for sales and use taxes — besides groceries, prescription drugs and services, this exemption also applies to labor on auto repairs, medical and accounting services.

- \$1 billion for the single business tax — capital acquisition deduction, credits for low-profit firms and college contributions.

- \$500 million for the intangibles tax — deposits in banks and thrift institutions; interest on Michigan municipal and U.S. treasury bonds.

## Weight loss program introduced to area women

Area women are invited to try a new program to help them lose weight through a new method using videotapes at home.

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A fun-filled evening with county leaders is the Oakland County Chamber of Commerce's annual membership dinner on Thursday, Jan. 26.

The public may attend the evening in the Northfield Hilton, Troy. It includes a prime rib dinner, presentation of the first annual Athena Award, introduction of the 1989

chamber officers and directors, humor and political commentary by a mystery guest.

Dinner is at 7 p.m. and cocktails at 6 p.m. (cash bar). Cost per person is \$35 for chamber members and \$45 for non-members. Make reservations by Jan. 20 by calling the chamber at 663-4747 or 644-1229.



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