

County Revenue Options

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Counties in Michigan have very limited revenue options other than the property tax. The options that are available such as hotel and motel taxes and the stadium and convention facility tax are largely restricted to specific uses. This is not the case in many other states. There are only 7 other states that provide counties with almost no other revenue options than the property tax. Interestingly, all but one of these states is in New England.

As shown in Exhibit 1, Michigan counties receive 19.8% of their revenue from the property tax compared with a national average of 27.9%, and 53.5% from intergovernmental aid, principally from the state.

Exhibit 1				
County Revenue Sources, 2012				
(millions)				
Source	U.S.	% of Total	Michigan	% of Total
Intergovernmental	\$134,200	36.1%	\$5,705	53.49%
State	\$111,300	29.9%	\$4,247	39.82%
Property	\$103,800	27.9%	\$2,108	19.77%
General Sales	\$22,600	6.1%	\$0	0.00%
Selective Sales	\$6,400	1.7%	\$0	0.00%
Motor Fuel	\$932	0.3%	\$0	0.00%
Alcohol	\$180	0.05%	\$0	0.00%
Tobacco	\$178	0.05%	\$0	0.00%
Public Utilities	\$2,100	0.6%	\$6	0.06%
Other	\$3,100	0.8%	\$25	0.23%
Individual Income	\$5,200	1.4%	\$0	0.00%
Other Revenue	\$92,939	25.0%	\$2,754	25.82%
Total	\$371,735	100.0%	\$10,665	100.00%

The various revenue options available to counties in other states are discussed below. These are summarized in Exhibit 2.

Exhibit 2: Various Revenue Options

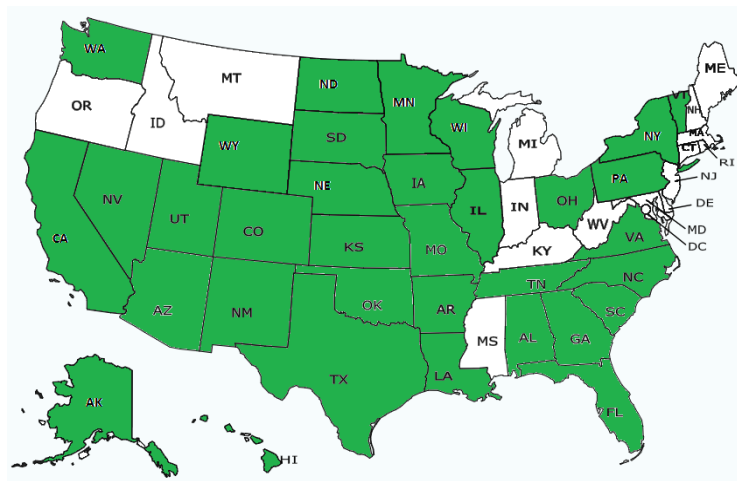
	Income Tax	General Sales Tax	Motor Fuel	Alcohol	Tobacco	Public Utilities	Selective Sales
Alabama, AL		X	X	X	X		X
Alaska, AK		X		X	X		X
Arizona, AZ		X				X	X
Arkansas, AR		X				X	X
California, CA		X				X	X
Colorado, CO		X			X	X	X
Connecticut, CT							
Delaware, DE						X	X
Florida, FL		X	X			X	X
Georgia, GA		X		X		X	X
Hawaii, HI						X	
Idaho, ID						X	X
Illinois, IL		X	X	X	X	X	X
Indiana, IN	X					X	X
Iowa, IA		X				X	X
Kansas, KS		X				X	X
Kentucky, KY						X	X
Louisiana, LA		X		X		X	X
Maine, ME							
Maryland, MD	X					X	X
Massachusetts, MA							X
Michigan, MI							X
Minnesota, MN		X				X	X
Mississippi, MS			X			X	X
Missouri, MO		X			X	X	X
Montana, MT							
Nebraska, NE		X					X
Nevada, NV		X	X			X	X
New Hampshire, NH							
New Jersey, NJ						X	
New Mexico, NM		X		X		X	X
New York, NY		X					X
North Carolina, NC		X		X			X
North Dakota, ND		X				X	X
Ohio, OH		X		X	X		X
Oklahoma, OK		X					X
Oregon, OR		X	X			X	X
Pennsylvania, PA		X		X			X

	Income Tax	General Sales Tax	Motor Fuel	Alcohol	Tobacco	Public Utilities	Selective Sales
Rhode Island, RI							X
South Carolina, SC		X		X		X	X
South Dakota, SD						X	X
Tennessee, TN		X		X		X	X
Texas, TX		X					X
Utah, UT		X					X
Vermont, VT							
Virginia, VA		X	X		X	X	X
Washington, WA		X				X	X
West Virginia, WV				X		X	X
Wisconsin, WI		X					X
Wyoming, WY		X				X	X
Numbers	2	32	7	12	7	31	43

General Sales Tax

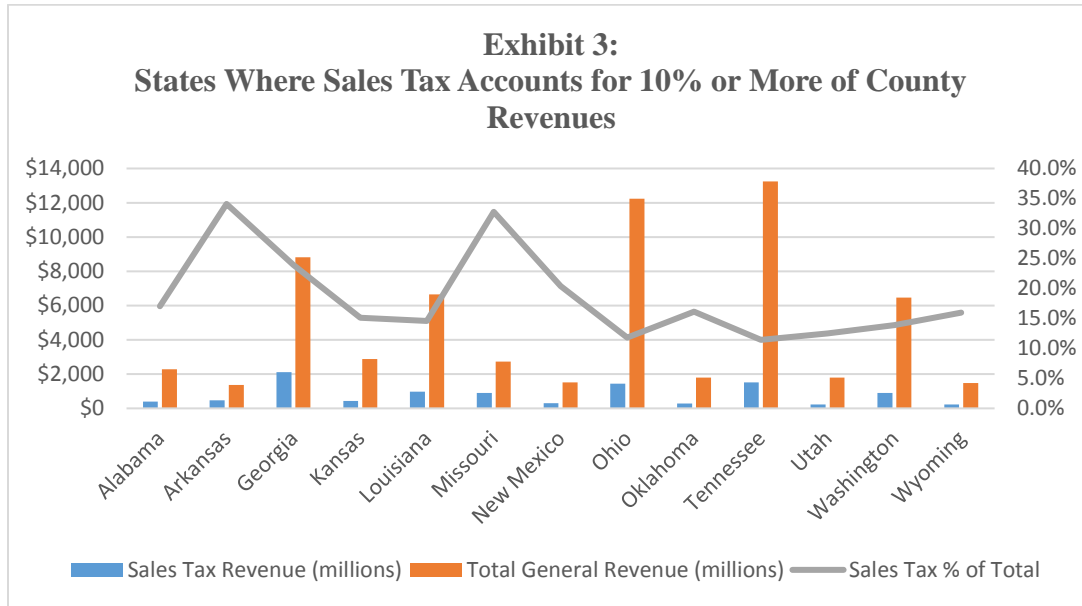
This is the most widely available revenue source for counties in other states. This option is available to local governments in 34 states and in 32 states it is used by counties. Nationwide, the general sales tax accounts for 6.1% of total county revenue. It is most widely used in Southern states where property taxes are generally low. In three states, Arkansas, Missouri, and New York, the sales tax raises more revenue for counties than does the property tax. In the Great Lakes region, the sales tax is widely used in Illinois, Ohio, and Wisconsin.

Authorization to Levy Local-Option General Sales Taxes¹



Source: U.S. Census Bureau, 2013 State and Local Government Finance

Exhibit 3 lists those 13 states where the sales tax accounts for 10% or more of county revenue. In Arkansas and Missouri, the tax accounts for more than 30% of general revenue.



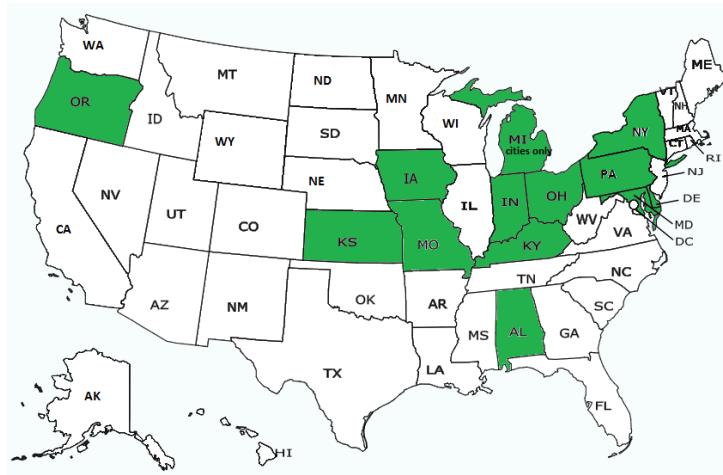
Income Tax

The income tax is available to local units in 13 states but to counties in only two states, Maryland and Indiana. The income tax is available to cities in Michigan, but is used by only 22 cities. The last city income tax was adopted in 1993.

Maryland, which has countywide government, allows counties to piggy back on the state income tax up to 50% of the state rate. The tax raises \$4.1 billion (2012), and accounts for 18.6% of county revenue. In Indiana the income tax accounts for 13.2% of county revenue.

In our view, Maryland has the best system of local government financing. The income tax is fairer and has more growth potential than most other taxes. Also state collection and distribution significantly reduces administration costs.

Authorization to Levy Local-Option Income Taxes¹



Source: U.S. Census Bureau, 2013 State and Local Government Finance

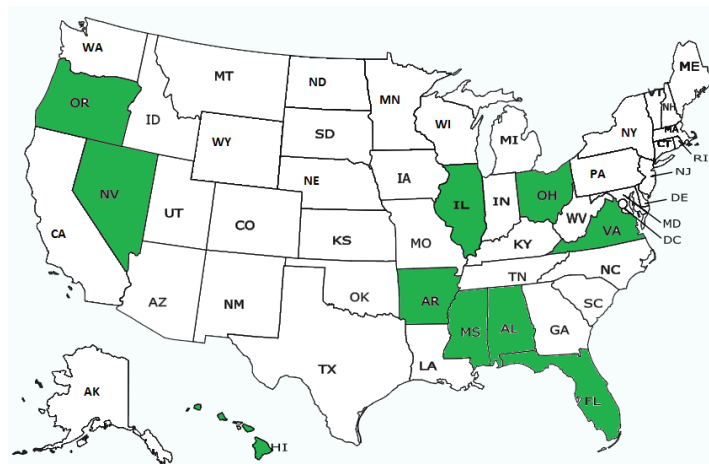
Motor Fuel Tax

This tax is available to local governments in 9 states, and to counties in seven of these states. The motor fuel tax accounts for only 0.3% of county revenue nationwide.

The only state in the Great Lakes region that uses the tax is Illinois.

The only state that raises significant amount of revenue from the tax is Florida, 2.4% of county general revenue.

Authorization to Levy Local-Option Motor Fuel Taxes¹



Source: U.S. Census Bureau, 2013 State and Local Government Finance

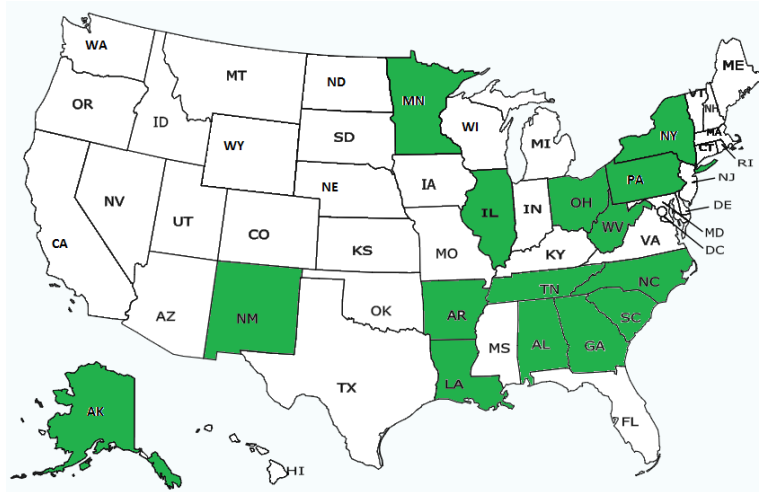
Alcohol Taxes

Local option alcoholic beverage sales taxes are allowed in 15 states, and are used by counties in 12 states. These taxes account for less than 1% of county revenue.

In the Great Lakes region, only Illinois allows this option for counties.

There is no state where counties raise a significant amount of revenue from this tax.

Authorization to Levy Local-Option Alcoholic Beverages Sales Taxes¹



Source: U.S. Census Bureau, 2013 State and Local Government Finance

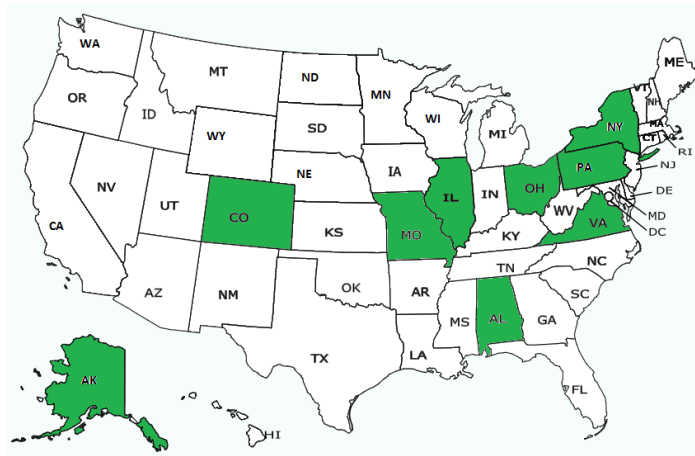
Tobacco Taxes

This tax is available to local governments in nine states, and is used by counties in seven states. These taxes account for less than 1% of county revenue.

In this region, the tax is used in Illinois and Ohio.

There is no state where counties raise a significant amount of revenue from this tax.

Authorization to Levy Local-Option Tobacco Sales Taxes¹



Source: U.S. Census Bureau, 2013 State and Local Government Finance

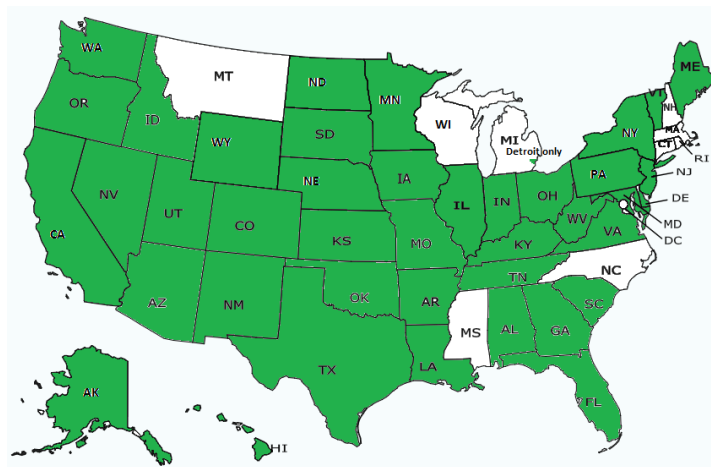
Public Utilities

The option of levying a sales tax on public utilities is available in 42 states, and is used by counties in 31 states. In Michigan, Detroit is allowed to levy a 5% sales tax on public utilities (Michigan is not included in the 42 states). These taxes account for 0.6% of county revenue.

In this region, this option is not available or is not used in Wisconsin and Ohio as well as Michigan.

The only state where counties raise a significant amount of revenue from this tax (more than 2%) are Hawaii (5%) and Florida (2.2%).

Authorization to Levy Local-Option Public Utility Sales Taxes¹



Source: U.S. Census Bureau, 2013 State and Local Government Finance

