

# Study: Snyder tax plan hurts poor

Published: Thursday, March 10, 2011

By Jerry Wolffe  
For the Daily Tribune

*Low-income families would see 10 times greater impact than the wealthy*

An analysis of Gov. Rick Snyder's proposed tax plan shows low-income families will see 10 times greater impact from income tax increases than wealthy families, according to the analysis released by the Institute on Taxation and Economic Policy.

A spokeswoman for Snyder disagreed.

"Unemployment and underemployment are such a big problem and barrier in our state now," Snyder spokeswoman Sara Wurfel said in a written response to questions on the spending plan Wednesday.

"More and better jobs are at the heart of the governor's plan to improve and strengthen our economy so all can prosper and benefit. Not to mention that Michigan's families are among the poorest in the nation with per capita income.

"The governor's overall plan aims to help address and reverse that trend."

The poorest 20 percent of Michigan residents would pay out an additional 1.1 percent of their income in tax each year, while the state's wealthiest taxpayers would see their bills rise by just one-tenth of 1 percent, relative to their annual income, according to the institute's analysis.

Michigan's jobless rate is the second highest in the nation and the Michigan Business Tax has been cited by companies that leave the state.

The institute said those 20 percent of households earning the lowest incomes in Michigan — \$17,000 or less — will see their taxes climb as a percentage of their income by more than 10 times that of those in the top 1 percent of households earning \$335,000 or more.

Wurfel said the governor's plan "does protect low and middle income individuals by maintaining the personal exemption (phasing out for those earning \$75,000 for single filers and at \$150,000 for couples), including the inflationary increase.

His proposal also "sets the homestead property tax credit at 80 percent for anyone earning less than \$61,000," Wurfel added.

"And for seniors, not one penny of Social Security is counted toward taxable income,"

she said.

The institute said the biggest impact on low-income families would come from the proposed elimination of the Michigan Earned Income Tax Credit.

“Gov. Snyder has discussed shared sacrifice as we struggle to make Michigan a competitive state again,” said Gilda Z. Jacobs, president and CEO of the Michigan League for Human Services.

A recent League analysis found that Snyder’s plan will cut business taxes by 86 percent while increasing income taxes to individuals 31 percent.

Snyder’s plan makes sure to “preserve essential core services that low-income individuals rely on, things like protecting Medicaid access and services,” Wurfel said.

It’s been estimated that only 41,000 of the 136,000 business that now pay business taxes would pay taxes under the governor’s proposals. The shift will increase taxes on seniors and working poor families with children, some argue.

“Many people may not realize that we’re talking about a large tax increase on working families and seniors to pay for business tax cuts,” said Karen Holcomb-Merrill, director of the Michigan League for Human Services state fiscal policy project.

The Republican governor’s proposed budget still makes \$1.5 billion in cuts, slashing per-pupil funding, revenue sharing and support to the state’s colleges and universities, she said.

<http://www.dailytribune.com/articles/2011/03/10/news/doc4d79a52d14472322089222.txt?viewmode=fullstory>