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EDITORIAL

More support for a graduated income tax

Study finds Michigan taxes are regressive

There's a lot of talk in Michigan these days about taxes.

Whether they're too high or too low, whether they're structured properly for the economy we have, whether they are a hindrance to or a nonissue for economic development.

The Free Press editorial board outlined <http://www.freep.com/article/20091115/OPINION01/91114005/1069/opinion01/Why-Michigan-needs-to-change-its-taxes>">in an editorial Sunday how inadequately the current tax structure funds vital government services and suggested two changes -- a graduated income tax and a sales tax that does not exempt services -- that could help correct that problem.

Now the Michigan League for Human Services has added important support for part of that argument, in the form of a study by a Washington think tank on tax distribution in all 50 states. In short, <http://www.itepnet.org/whopays3.pdf>">the Institute on Taxation and Economic Policy concluded that Michigan's tax system is horribly regressive when you look at overall tax burden on families.

The study showed that middle-income earners in Michigan -- those who make between \$32,000 and \$54,000 a year -- pay the largest share of state and local taxes, almost 10% of their yearly take. The poorest Michiganders, those making less than \$32,000, pay 8.9%.

But those who earn the most -- between \$365,000 and \$1 million per year -- pay only 8% of their income in taxes. The distribution curve of the tax burden for Michigan earners starts dipping, in fact, after an earner clears \$86,000 a year.

There's nothing even remotely fair about the state's heaviest tax burden falling on its least wealthy earners. It's also horrible public policy, given the hard hit that middle and lower incomes are taking in the state's brutal economic shift. And it helps explain why the state is having trouble keeping up with funding needs for its most vital services.

Michigan has a lot of room for change before it "overtaxes" its wealthiest residents -- a fear raised those who oppose a graduated income tax..

The study provides important context for the debate about how to fix Michigan's finances and shows how far the state really has to go before any cries of "unfairness" to wealthy earners can be taken seriously.
