“Where are We Now? Budget and Tax Cut Talks Get Serious”
Lunch & Learn, May 25, 2022

Key Program Take-Aways

- At the recent revenue estimating conference in May, it was projected that the state has an additional record-setting $5 billion that our government can budget for right now. This is possibly due to a $2.8 billion surplus in General Funds and $2.3 Billion surplus in School Aid funds. However the surplus will drop to $1.8 billion in two years, and this is why child and family advocates say we must carefully examine any permanent tax cuts.

- The Legislature is currently proposing a tax plan that would have a permanent income tax cut from 4.25% to 4%. In this proposal, the wealthiest Michiganders would get thousands of dollars in tax relief while the lowest-earning taxpayers would receive almost nothing. This proposal also would create a loophole for retirement taxes giving higher-earning taxpayers a $500 tax credit per dependent that would not be available to lower-income taxpayers, and would increase the personal exemption.

- A growing coalition of advocates, including Michigan’s Children and the Michigan League for Public Policy, say tax relief must come through increasing the Earned Income Tax Credit (EITC), as it reduces poverty in communities across the state, with equal take-up in urban and rural counties. Roughly 16% of taxpayers benefit from the EITC. We also know that the EITC has positive, long-lasting benefits for children, including better health, higher test scores, and increased earning in adulthood. Coalition advocates, made up of 80 business, religious, service and policy groups around the state, support boosting the EITC to 30% of the federal EITC to help families who need it the most. In contrast, the Legislature's current proposal at 20% only helps the wealthiest in our state. Proposing difficult to reverse tax cuts should not be how we provide broad-tax relief; tax cuts should be one-time, such as a rebate, considering this surplus is a rare opportunity and is projected to decrease drastically in the next two years.