



M = Rank for mature firms  
N = Rank for new firms

Michigan ranks 25th overall for both mature and newly established operations. Specifically:

- Michigan ranks fourth for new labor-intensive manufacturing, with a total effective tax rate (TETR) of 6.4 percent. This operation has one of the lowest income tax burdens of this firm type, largely because of the state's single-sales factor apportionment formula combined with a generous withholding tax rebate and investment tax credit. The state's low sales tax rate of 6 percent is also a contributing factor.
- Michigan ranks eighth for new call centers and ninth for mature call centers. While both firm types benefit from the generously low apportionment factor and sales taxes, the state's ranking for the new firm is further buoyed by generous incentives. The state's withholding tax rebate is the fifth-highest in the country, which makes it the ninth-most generous state in the "incentives" subcategory.
- The state ranks 44th for the mature corporate office operation, which has a TETR of 20.3 percent, or 30 percent higher than the national average. This firm is particularly burdened by high property taxes and sourcing rules that subject 100 percent of its profits to Michigan taxes.
- Michigan also ranks 42nd for both new and mature distribution centers. The new operation has a tax burden 38 percent above the national average. Though the state has above-average burdens for income taxes, unemployment insurance taxes, and sales taxes for both new and mature retail firms, these rankings are driven down by the fifth-highest property tax burden among the states. Property taxes play an even bigger role in the low ranking for distribution centers, which own more property.
- These results do not reflect the corporate income tax reforms scheduled to take effect in 2012 and beyond.

# Michigan

## Corporate income tax

Main tax rate	6.039%
Applies to income over	–
Specific adjustments:	
- Michigan Business Tax	
- s.199 deduction disallowed	

Apportionment	Property	Payroll	Sales
Standard factors	–	–	100.0%
Optional alternative	n/a	n/a	n/a
Throwback applies to tangible property sales			No
Interstate services income apportionment			Benefits

## Sales and property tax

Metro areas examined		Sales tax	Property tax			
		Main rate <sup>a</sup>	Land	Buildings	Equipment	Inventory
Tier 1	Detroit	6.000%	3.207%	3.207%	2.607%	–
Tier 2	Saginaw	6.000%	2.584%	2.584%	1.984%	–
a. Manufacturing machinery is exempt from sales tax						

## Other taxes

Unemployment insurance		State capital tax		Gross receipts tax			Local income tax
Rate	Max. pay			Mfg.	Services	Retail	
2.70%	\$9,000	n/a	Tier 1	0.976%	0.976%	0.976%	0.330%
			Tier 2	0.976%	0.976%	0.976%	0.500%

## Incentives for newly established operations

Type	Incentive value	MC	ML	CC	DC	CO	RD	RT
Investment	2.9% of eligible capital investment	✓	✓	✓	✓	✓	✓	✓
Job creation	0.37% of all in-state compensation	✓	✓	✓	✓	✓	✓	✓
Withholdings	3.48% of new payroll x 7 years	✓	✓	✓	✓	✓	✓	
R&D	1.9% of in-state actual R&D expenses						✓	
Property tax	50% abatement x 12 years	✓	✓					

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store

## Results

	Newly established operations								Mature operations									
	Tier 2 operations				Tier 1 operations				AVG	Tier 2 operations				Tier 1 operations				AVG
	MC	ML	CC	DC	CO	RD	RT	MC		ML	CC	DC	CO	RD	RT			
TETR	9.5%	6.4%	13.4%	49.8%	19.3%	14.4%	42.2%		9.2%	7.7%	16.4%	37.8%	20.3%	12.7%	20.9%			
Index	83.8	54.8	53.9	137.6	119.2	97.4	129.4	<b>96.6</b>	72.6	65.9	78.3	123.2	129.5	98.6	123.5	<b>98.8</b>		
Rank	24	4	8	42	36	21	44	<b>25</b>	12	7	9	42	44	23	43	<b>25</b>		

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