



Institute for Public Policy and Social Research Monthly Issues Forum





Engagement. Service. Improvement

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Treasurer, State of Michigan

March 25, 2025

- Administering and collecting more than \$30 billion in taxes and fees
- Processing approximately 9.7 million tax returns per year
- State & local tax policy and Economic & revenue forecasting
- Overseeing a broadly diversified portfolio of State of Michigan investments that total nearly \$165 billion
- Local government and school financial health
- Managing the State's balance sheet and the State's relationship with Wall Street and the rating agencies
- Administers Michigan's 529 and savings plans (MET, MESP, MiABLE) and coordinates financial empowerment services for Michiganders
- Managing unclaimed property on behalf of Michigan's citizens, returning more than \$138 million last fiscal year



2025 Tax Filing Season Update

for 2024 Individual Income Taxes



Individual Income Tax Season for 2024 IIT opened January 27, 2025

Tax refunds are typically issued within four weeks from when the individual income tax return is received by the state of Michigan through eFiling.

91% of returns are filed electronically.

Allow up to eight weeks for paper filed returns.

Choosing electronic filing and direct deposit is convenient, safe and secure.

Issued more than 1,650,000 refunds at an average state individual income tax refund of \$926.

2025 Tax Filing Season Update

for 2024 Individual Income Taxes



**Due
April 15**

Earned Income Tax Credit (EITC) for Working Families (Working Families Tax Credit)

- Michigan's 2024 tax return, forms and instructions reflect the expansion of Michigan EITC for Working Families at 30%.
- For 2023 tax year, more than 653,000 recipients received the Michigan EITC, with an average credit at \$836.

“Retirement Tax” Rollback Continues

- Taxpayers have more options so they can choose the best taxing situation for retirement benefits for the 2024 tax year.
- Over a four-year phase-in, which began last tax year, state law restores the pre-2012 retirement and pension subtraction for most taxpayers in Michigan beginning in 2026.
- The change benefits retirees in Michigan while ensuring taxpayers in unique circumstances are not harmed.

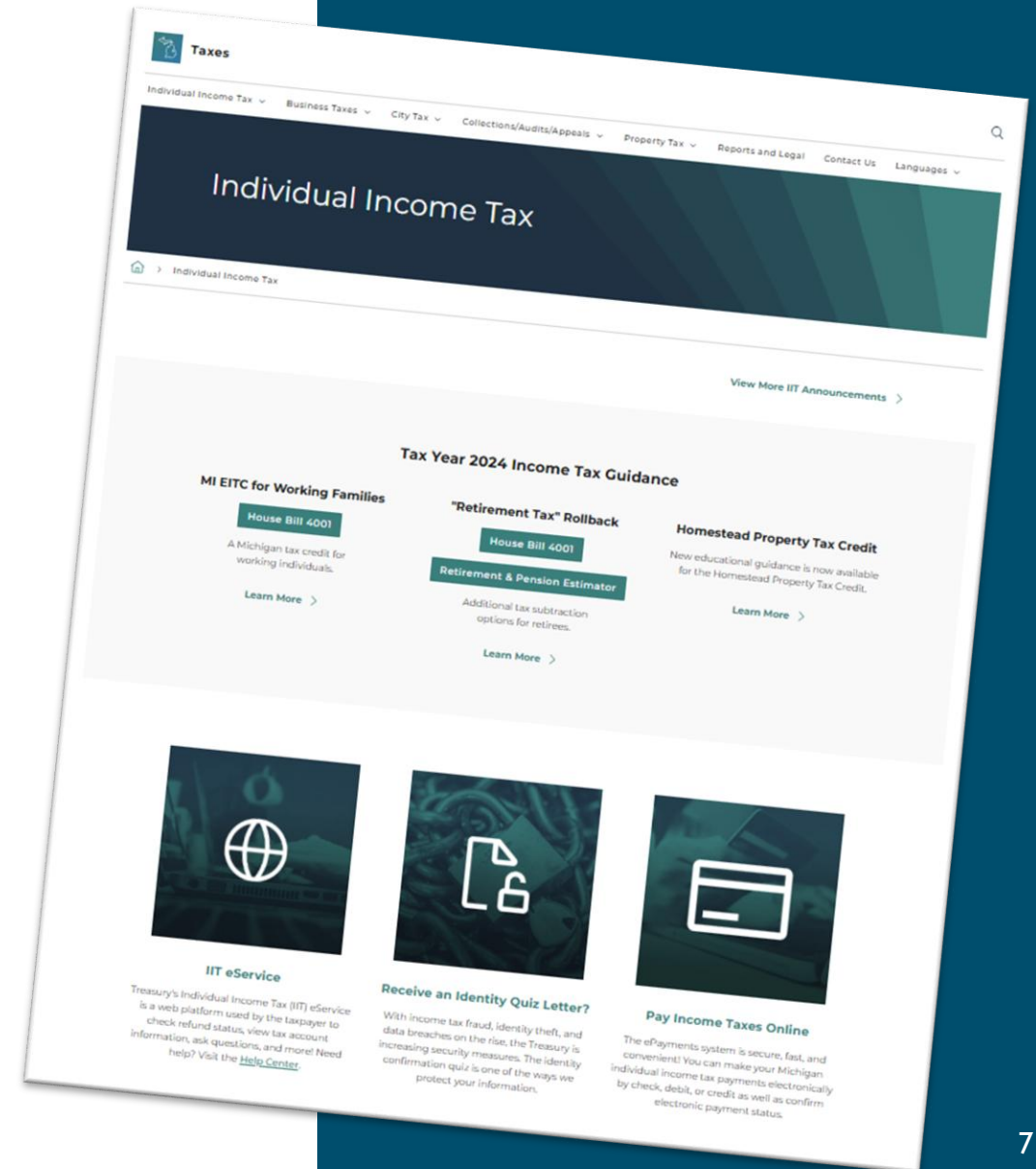
Individual Income Taxes: [Michigan.gov/taxes/iit](https://www.michigan.gov/taxes/iit)

eFiling: www.mifastfile.org.

Individuals with low- and moderate-income, disabilities or are 60 years of age or older may qualify for free tax preparation help from IRS-certified volunteers.

Free tax help:

- irs.treasury.gov/freetaxprep
- www.michiganfreetaxhelp.org
- Dial 2-1-1

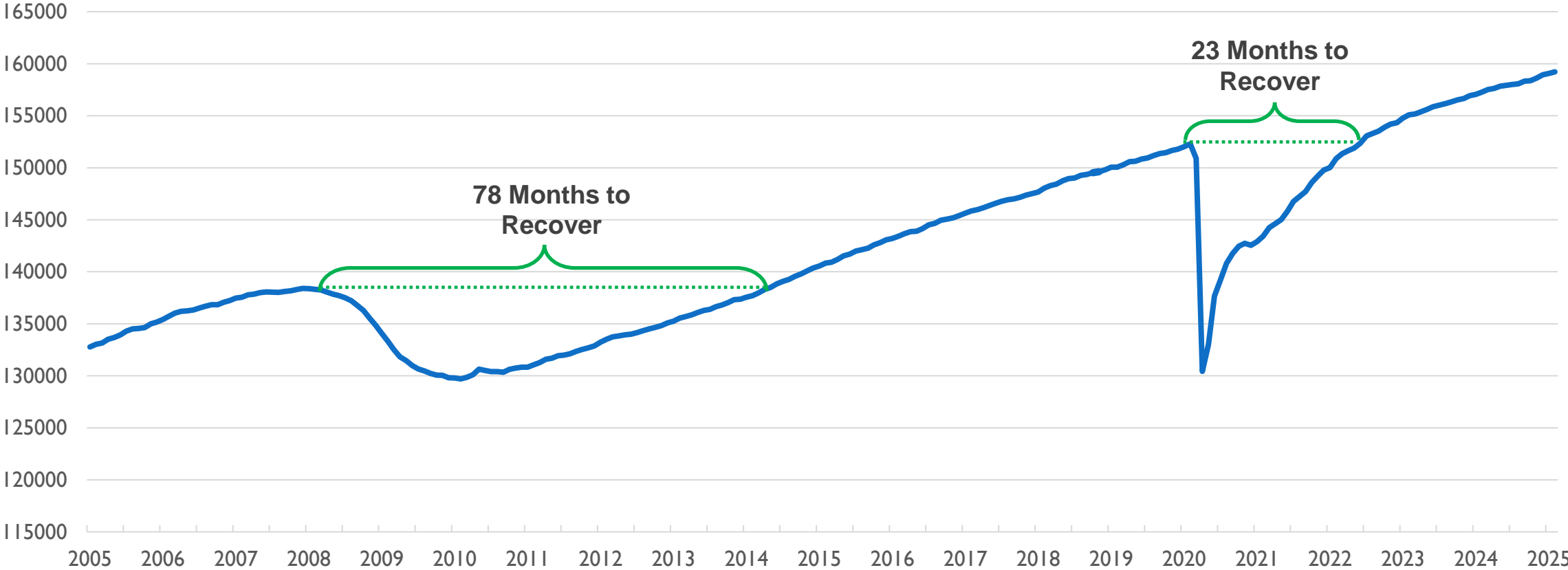


U.S. Economic Overview



Historically Strong Economic Recovery

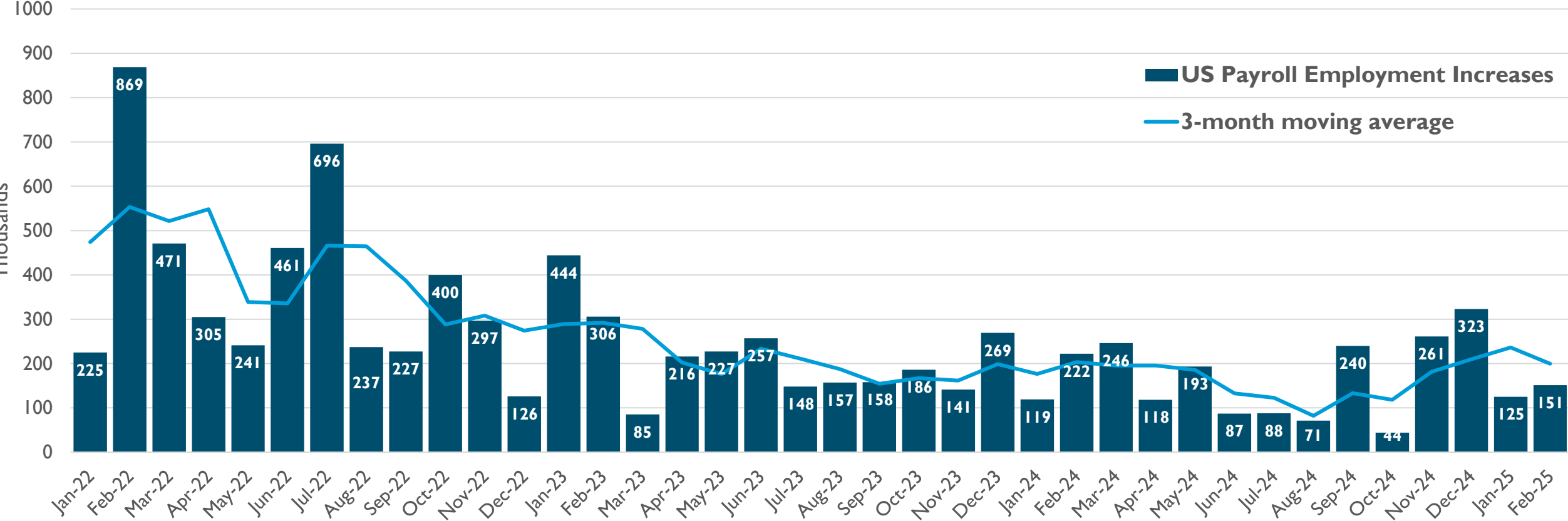
Total Employment
Thousand of Jobs



Source: U.S. Bureau of Labor Statistics, 03/07/2025.

Payroll Employment Starting to Slow

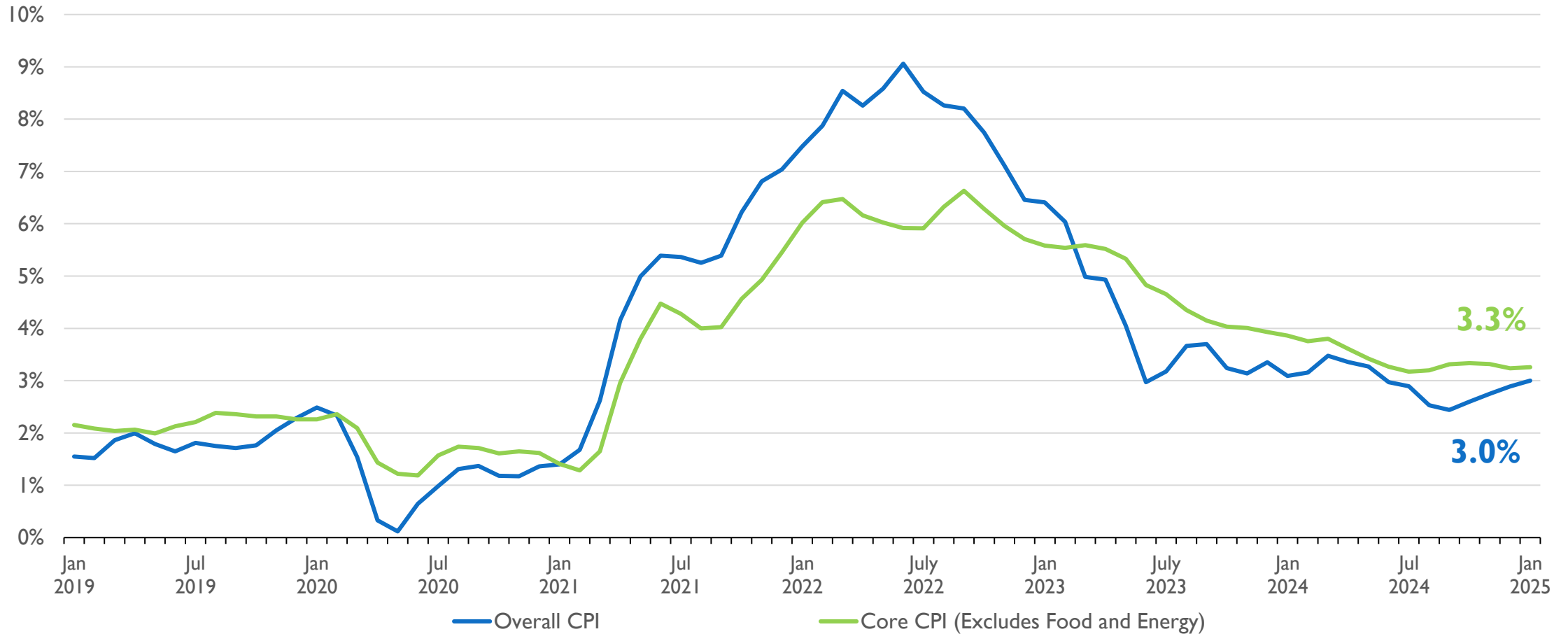
U.S. Monthly Payroll Employment Increases



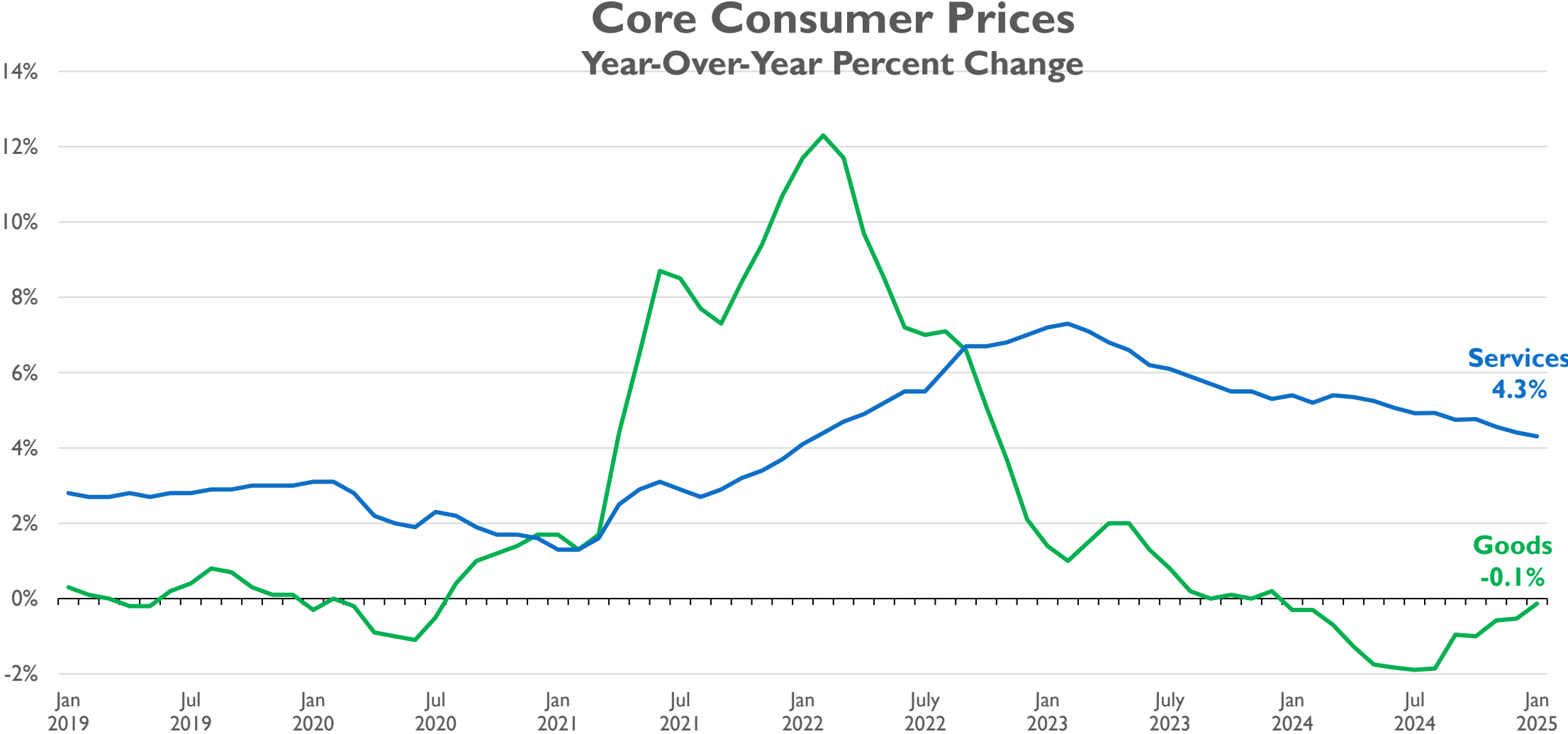
Source: U.S. Bureau of Labor Statistics, 3/7/2025.

Inflation Growth Slowing – But Not Very Quickly

U.S. Consumer Price Index Year-Over-Year Percent Change



Service Inflation Slowing; Goods Inflation On the Decline

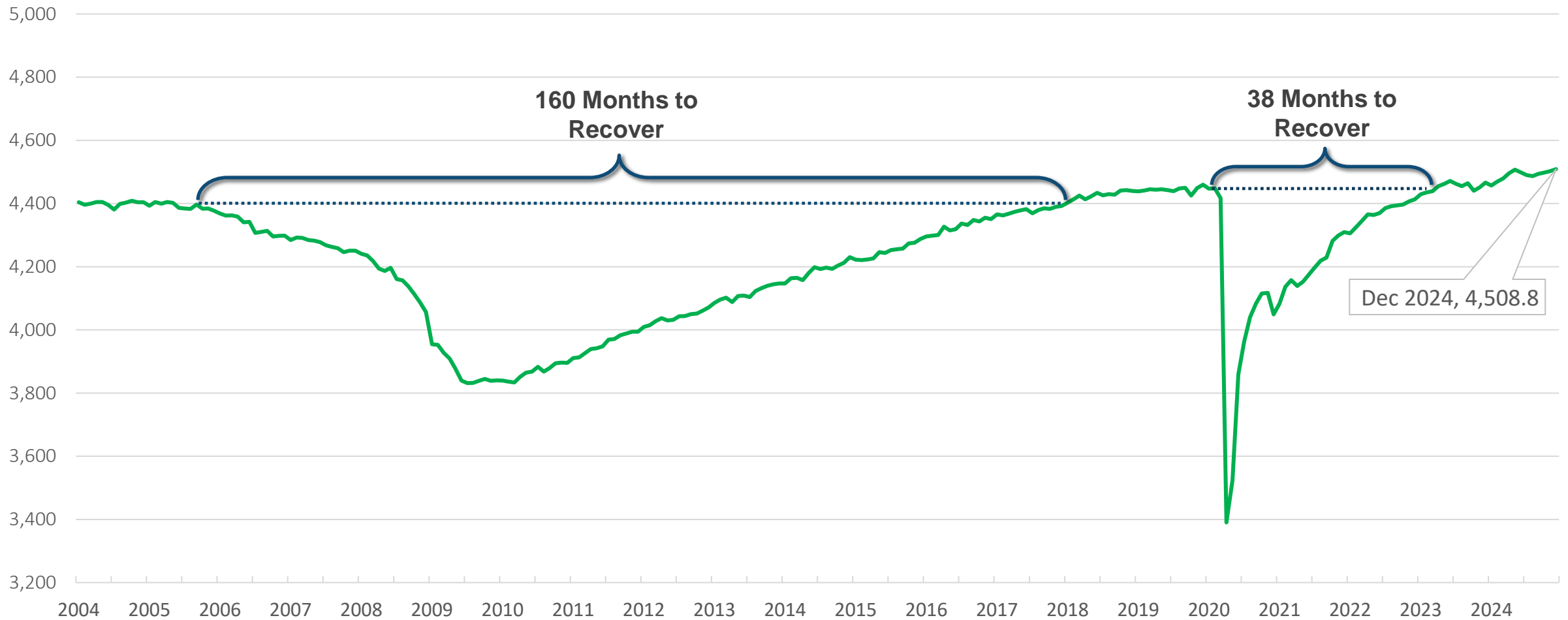


Source: U.S. Bureau of Labor Statistics, 03/06/2025.

Michigan Economic Overview

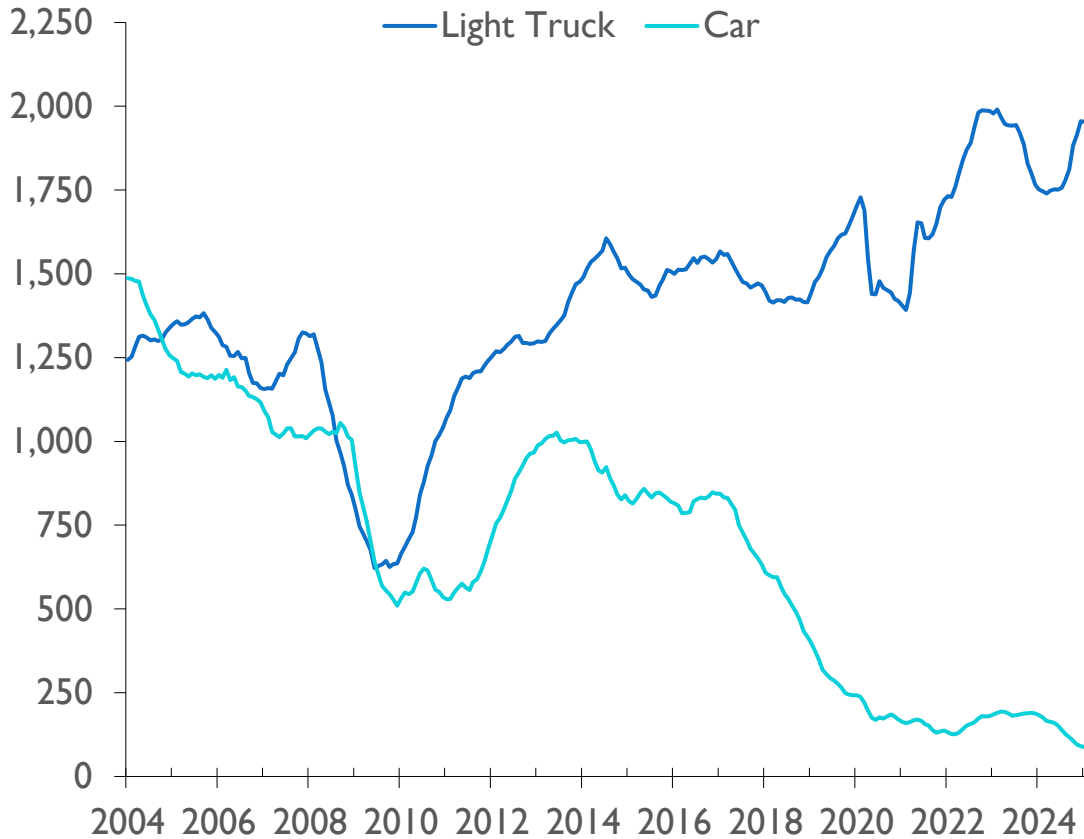


Michigan Employment Recovers From Pre-Pandemic Level

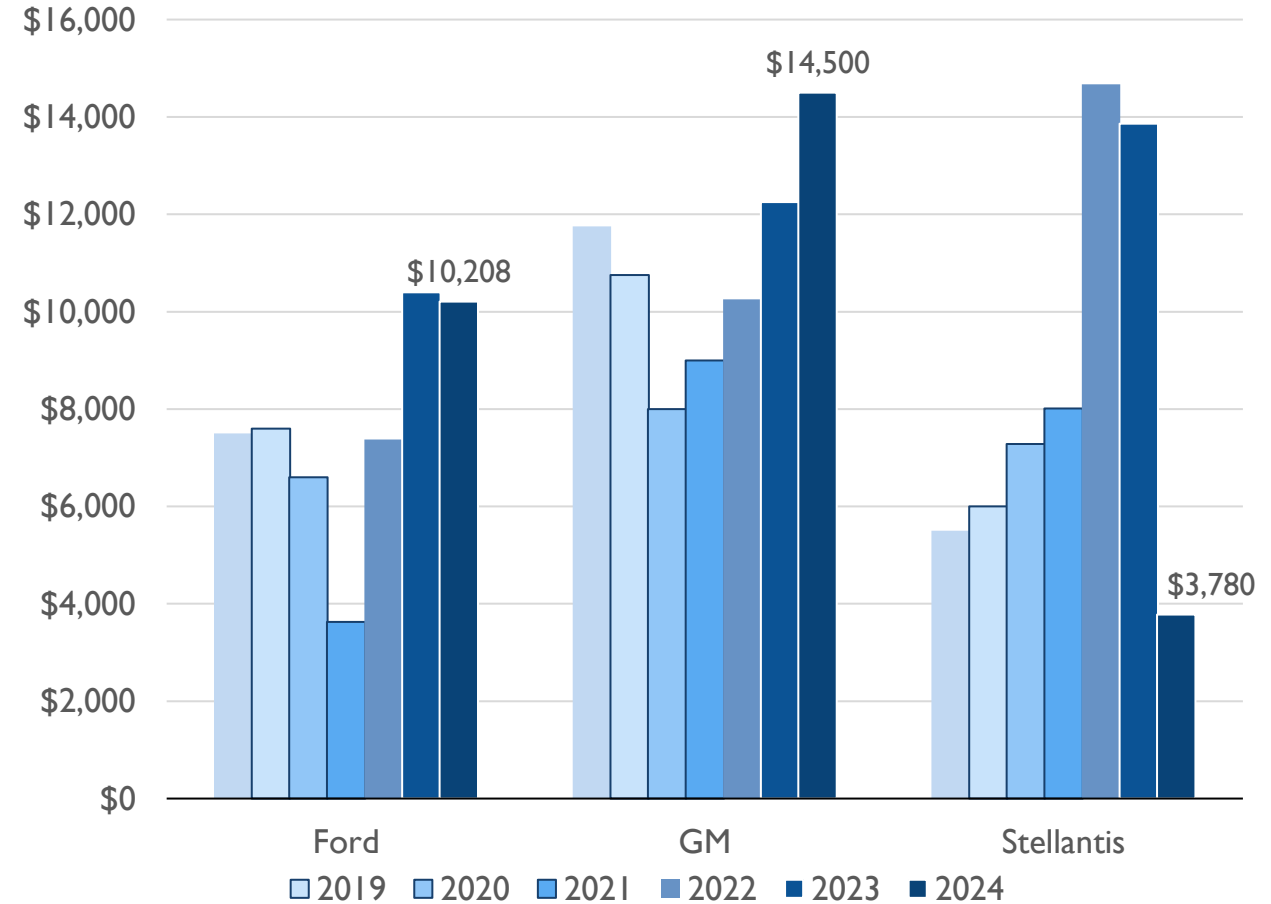


Strong Auto Sector Production and Profits in Michigan

**Michigan Motor Vehicle Production
12-month Rolling Period
(in thousands)**

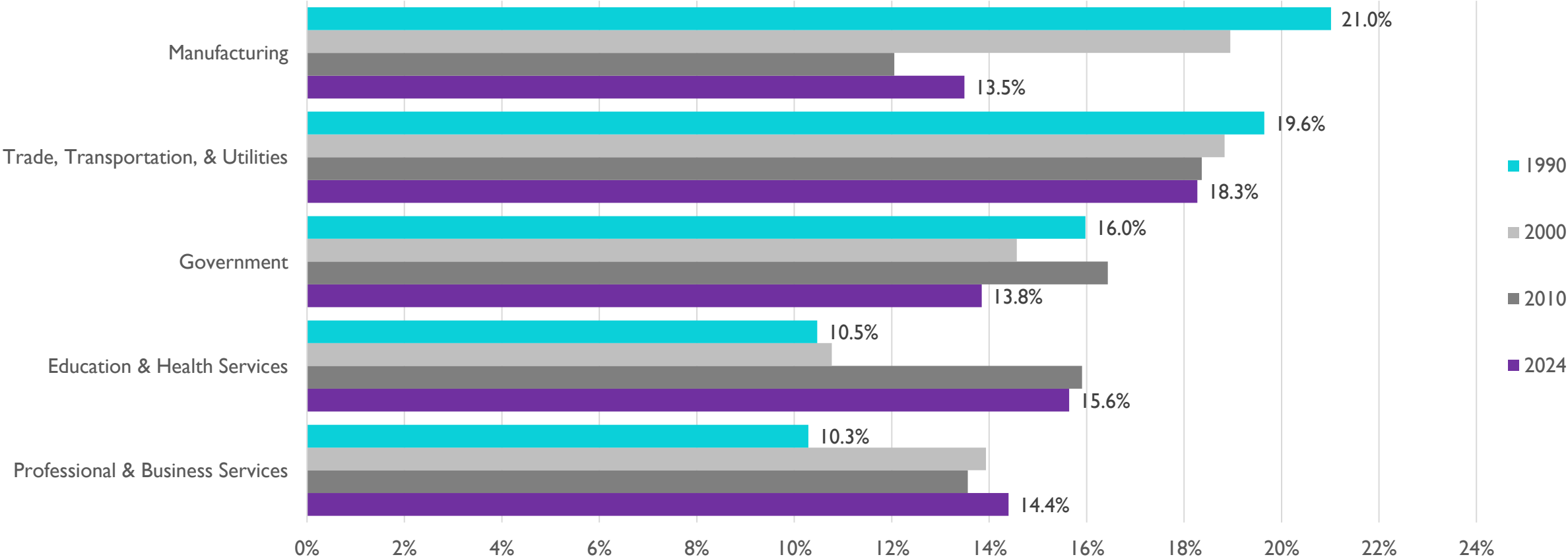


**UAW Profit Sharing
Amounts Per Employee**



Michigan's Largest Employment Sectors

Share of Total Employment



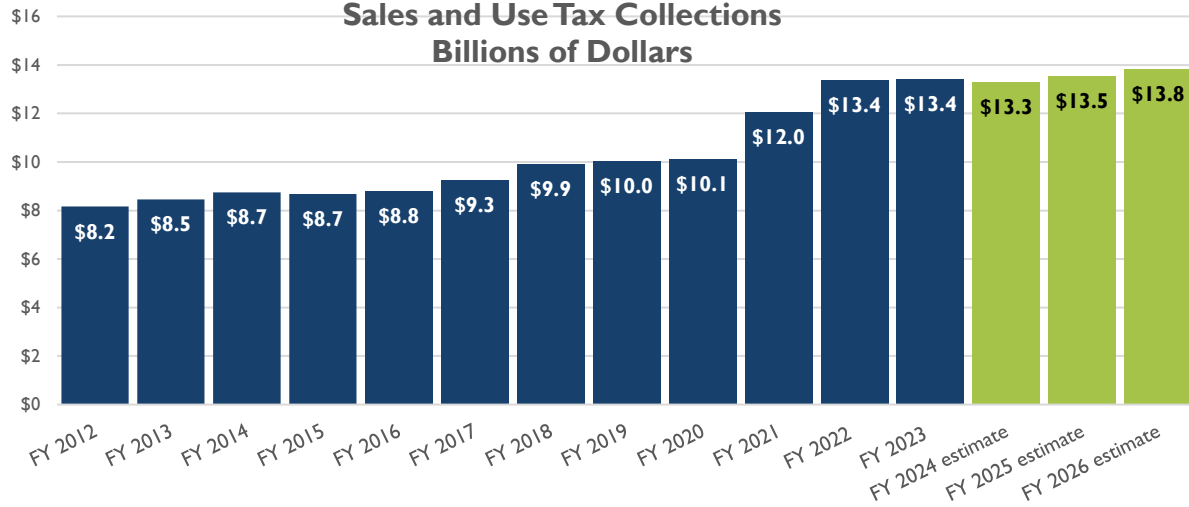
Source: Bureau of Labor Statistics and Michigan Department of Treasury, 03/06/2025.

Revenue and Budget Outlook

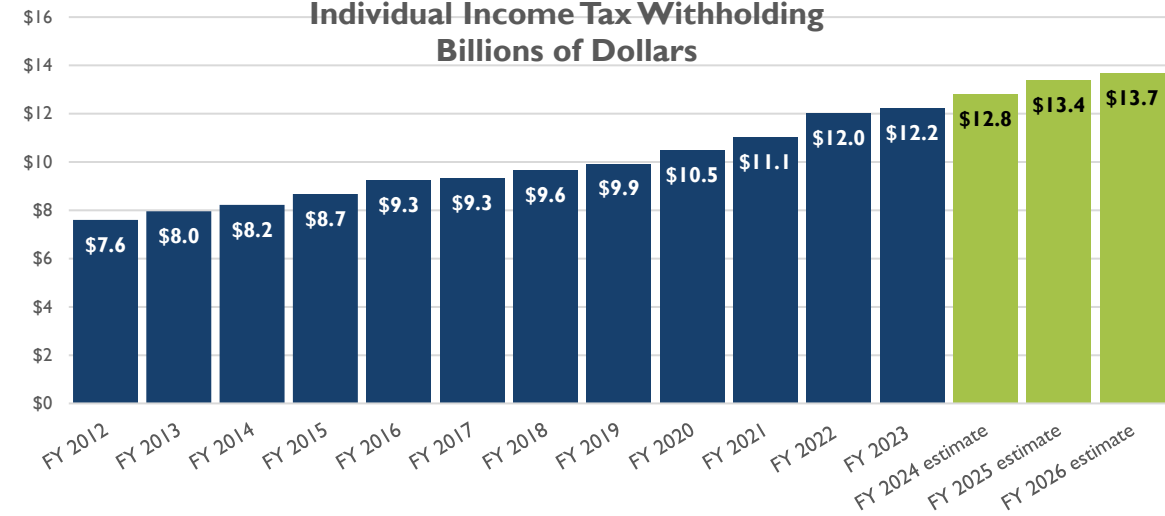


Collections Jump in FY 2021 and FY 2022, Remain Strong

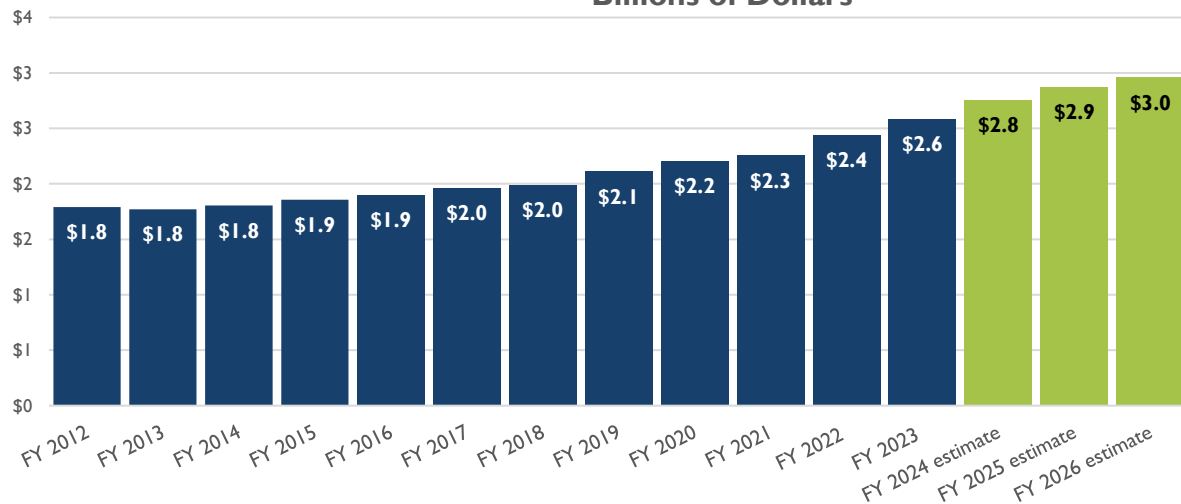
Sales and Use Tax Collections
Billions of Dollars



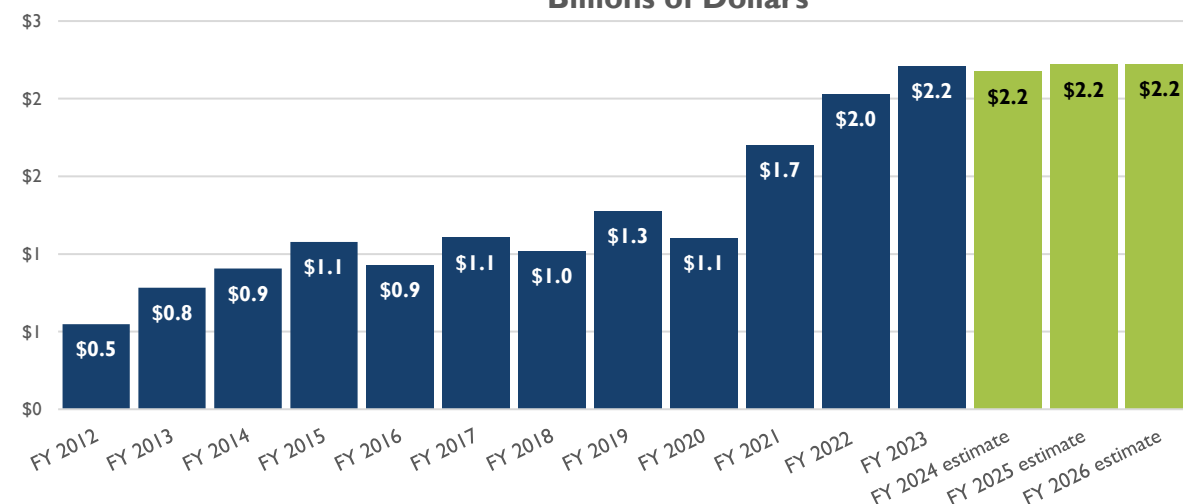
Individual Income Tax Withholding
Billions of Dollars



State Education Property Tax (SET) Collections
Billions of Dollars



Corporate Income Tax (CIT) Collections
Billions of Dollars

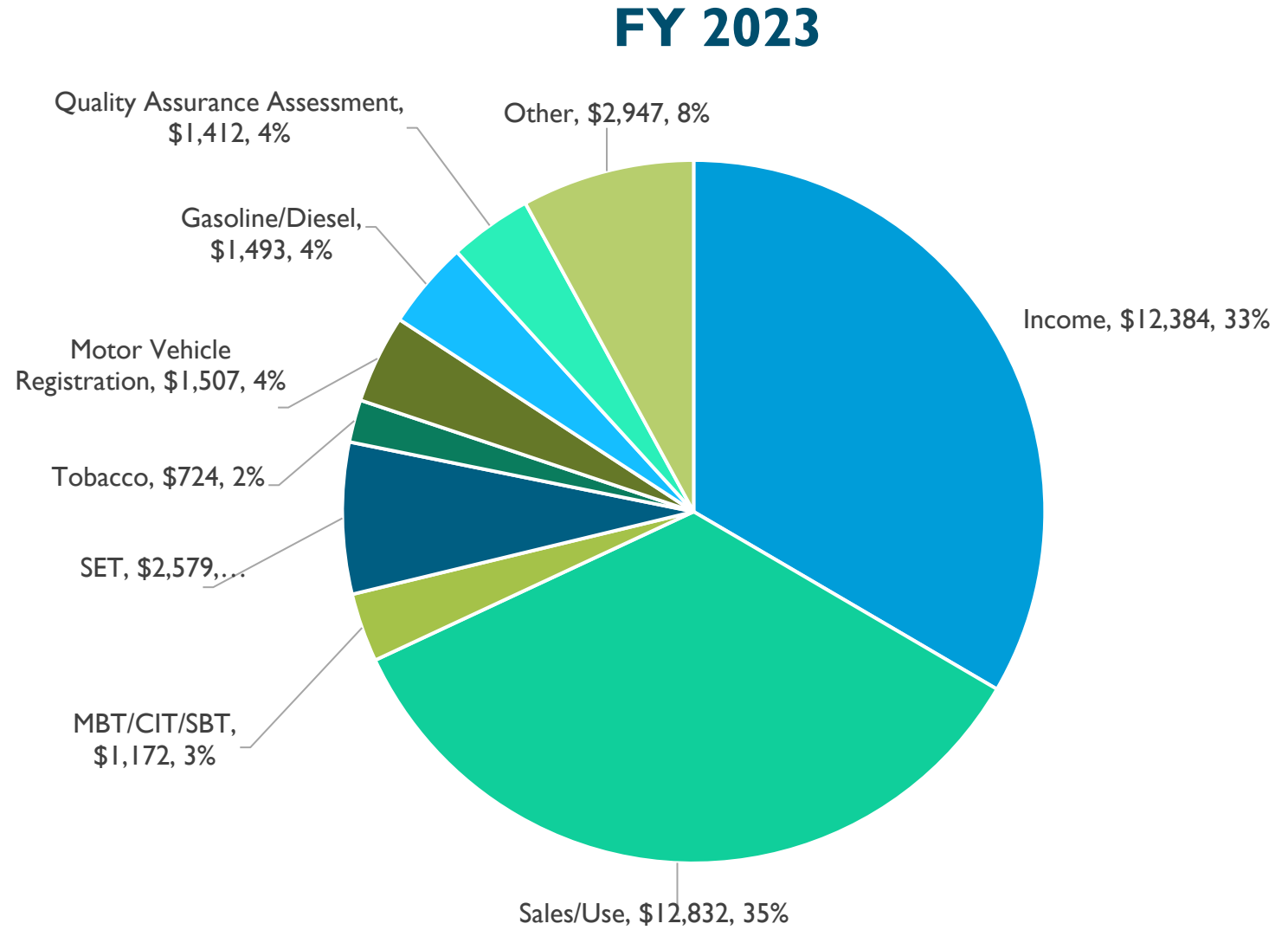


Source: Department of Treasury, FY 2012 – 2023 Actuals; CREC Forecast FY 2024 – 2026.
Data points shown in green are from the January 2025 Consensus Revenue Estimating Conference (CREC) Forecast

Sustainable Tax Changes

	FY 2023	FY 2024	FY 2025	FY 2026
Individual Income Tax Rate Trigger	(\$428.2)	(\$218.7)	\$0	\$0
PA 4: Corporate Income Tax Earmarks	(\$600.0)	(\$600.0)	(\$600.0)	(\$50.0)
PA 4: Earned Income Tax Credit	(\$396.0)	(\$400.0)	(\$404.0)	(\$408.0)
PA 4: Retirement Taxation Changes	\$0	(\$281.0)	(\$350.0)	(\$453.0)
PA 20, 21, 29: Delivery & Installation Exemption	(\$18.0)	(\$62.9)	(\$63.8)	(\$64.9)
Total Tax Policy Impacts on Revenue	(\$1,442.2)	(\$1,562.6)	(\$1,417.8)	(\$975.9)

Taxes Paid to State Government (in millions)



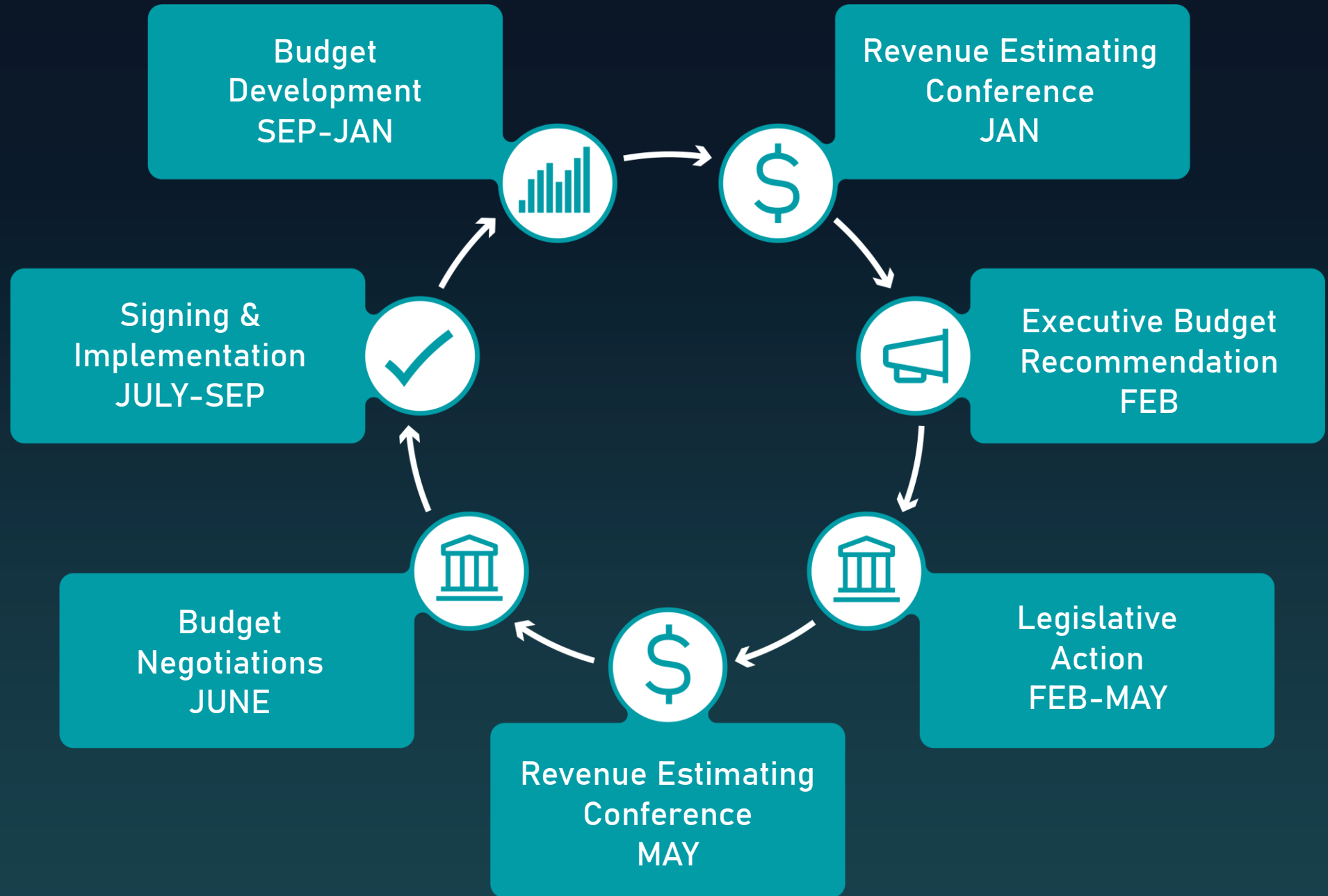


FY26 Executive Budget

Jen Flood, State Budget Director

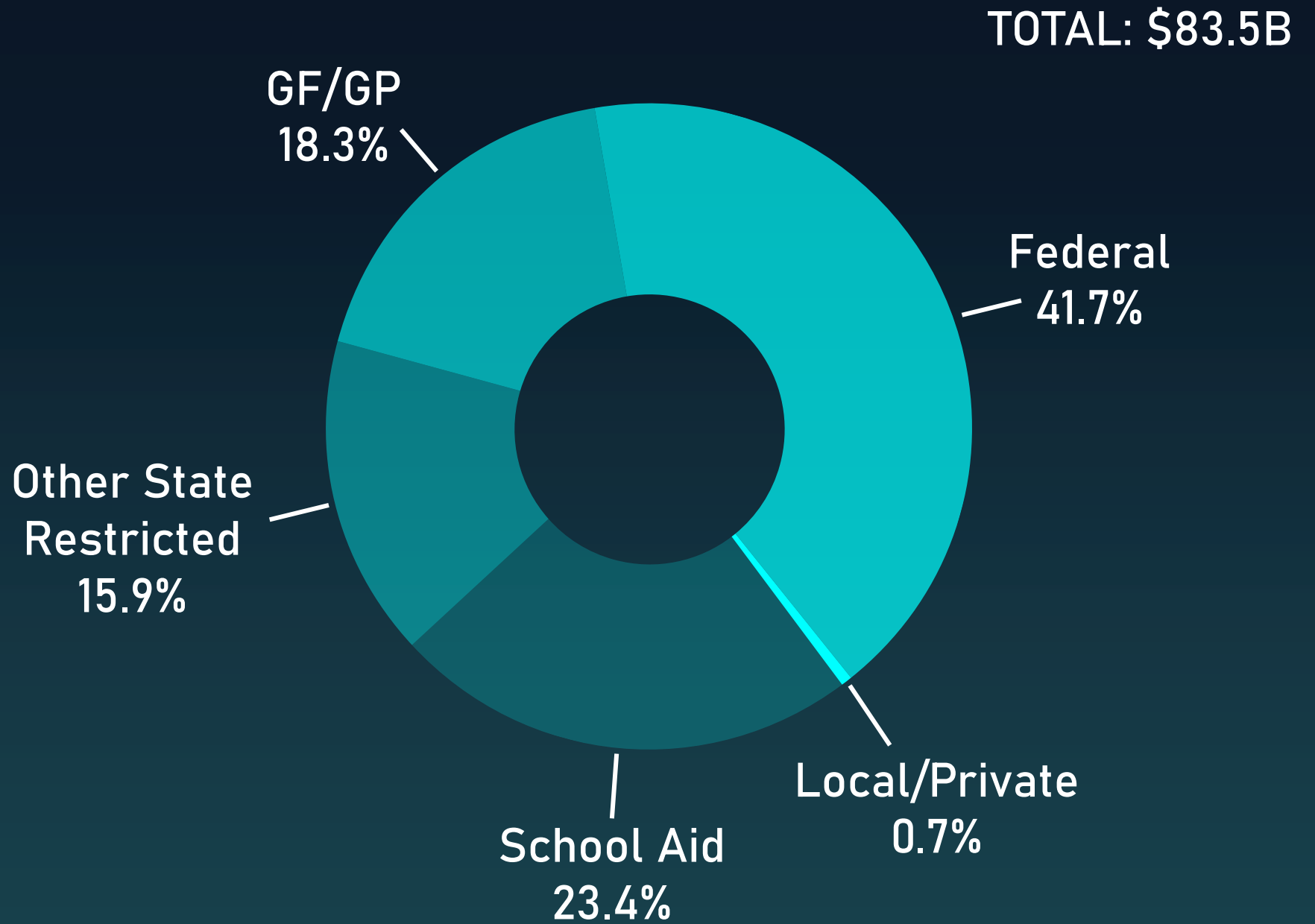


Michigan's Budget Cycle



Balancing the Budget

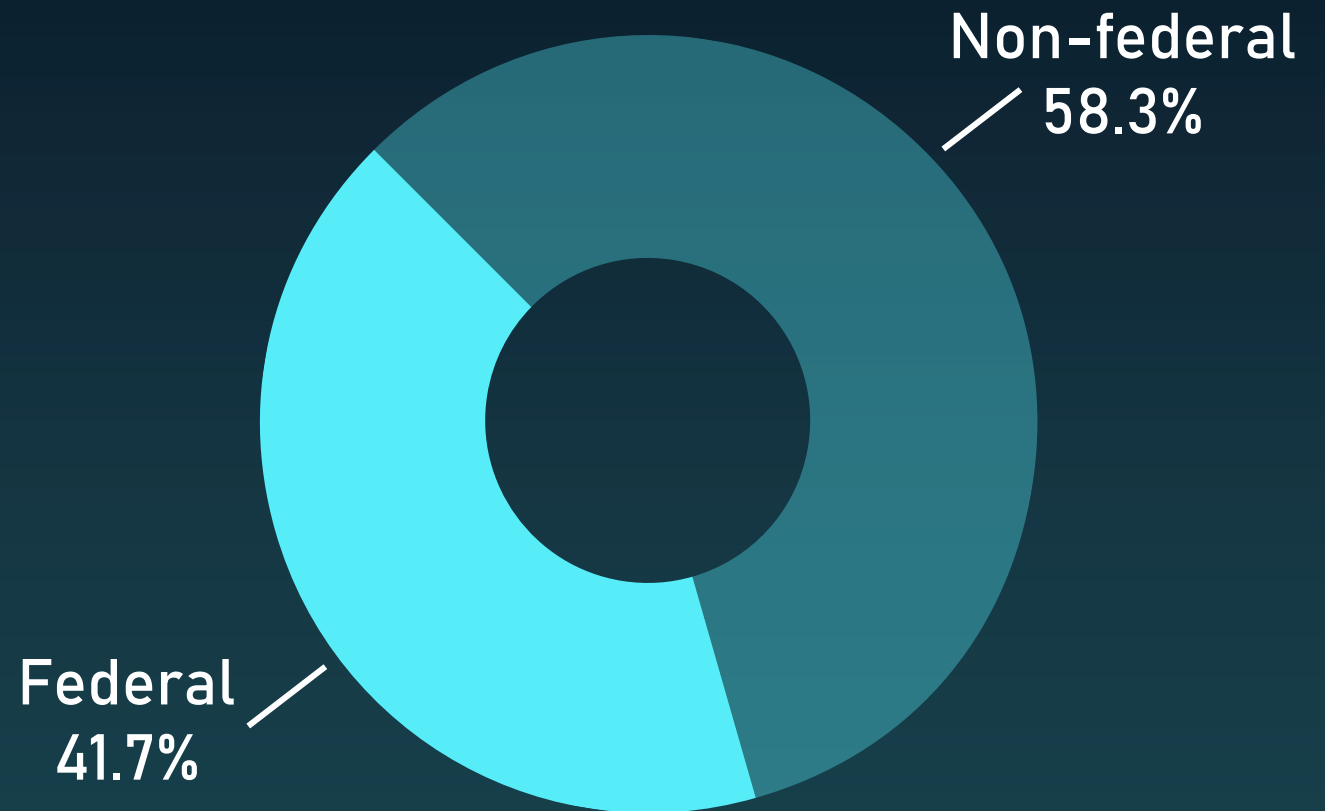
*Total Budget
by Source*



Federal Funding

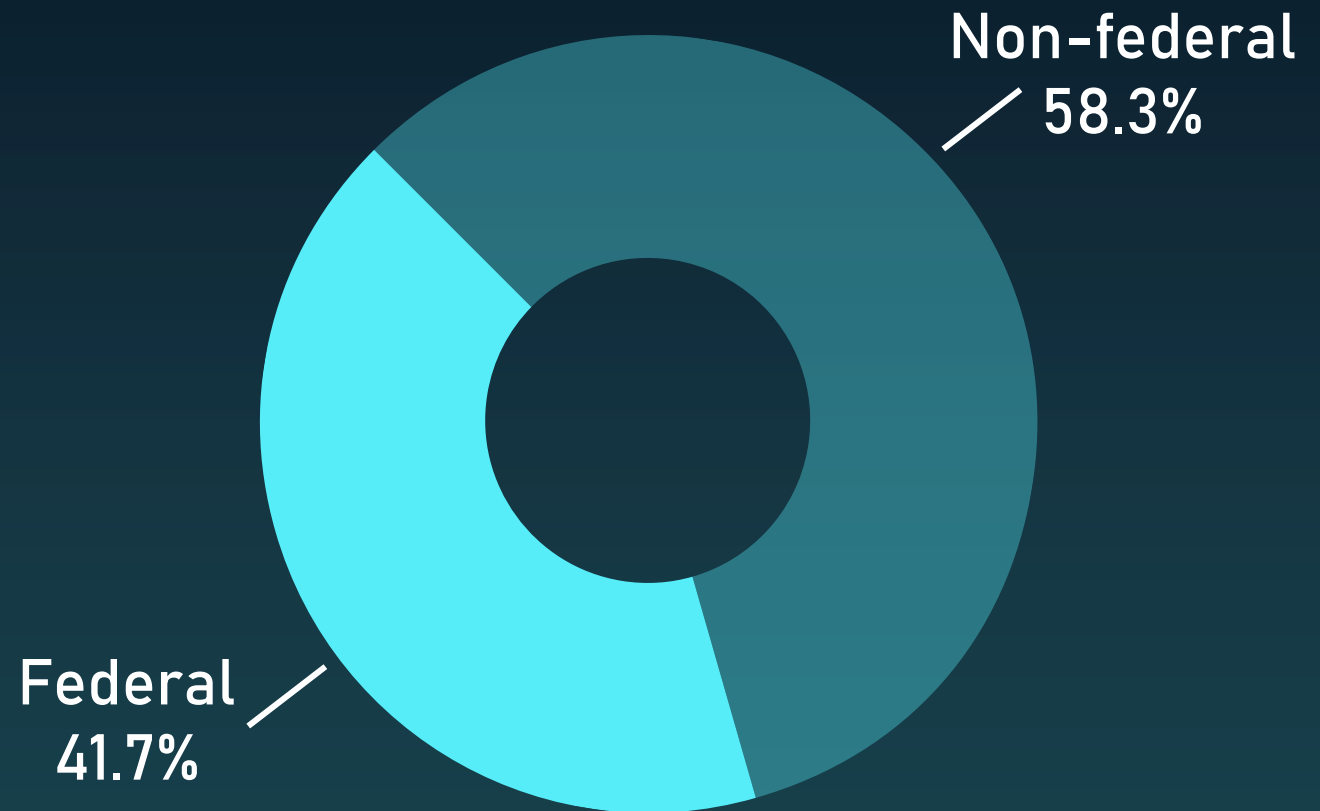
Federal funding is critical to protecting the health and safety of all Michiganders. It supports items such as:

- Clean drinking water
- Food safety
- Food assistance and meals for seniors
- Rural hospitals
- Child care
- Ensuring people can stay in their homes
- Keeping people's power on
- Homeland security
- Emergency response
- Roads and infrastructure



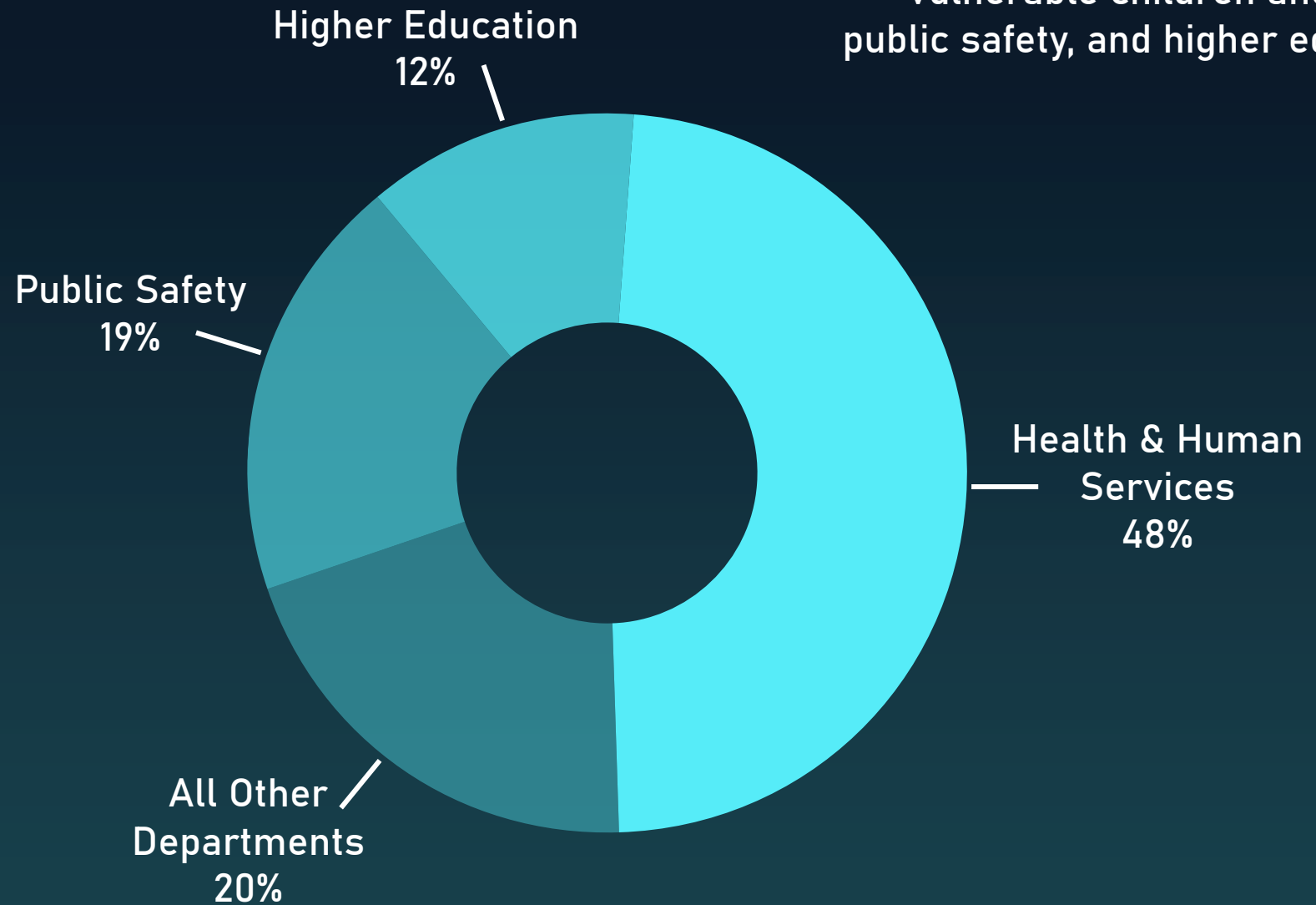
Federal Funding

- The FY26 Executive Budget Recommendation reflects current law and nearly \$34.8 billion of Michigan's budget is built on federal dollars – which equates to 41.7% of the total for FY26
- Between the Budget Stabilization Fund and rainy day fund for schools, the total reserve is more than \$2.8B
- We are currently working across state government to assess the impact of potential federal spending cuts on vital programs



Total General Fund

By Category

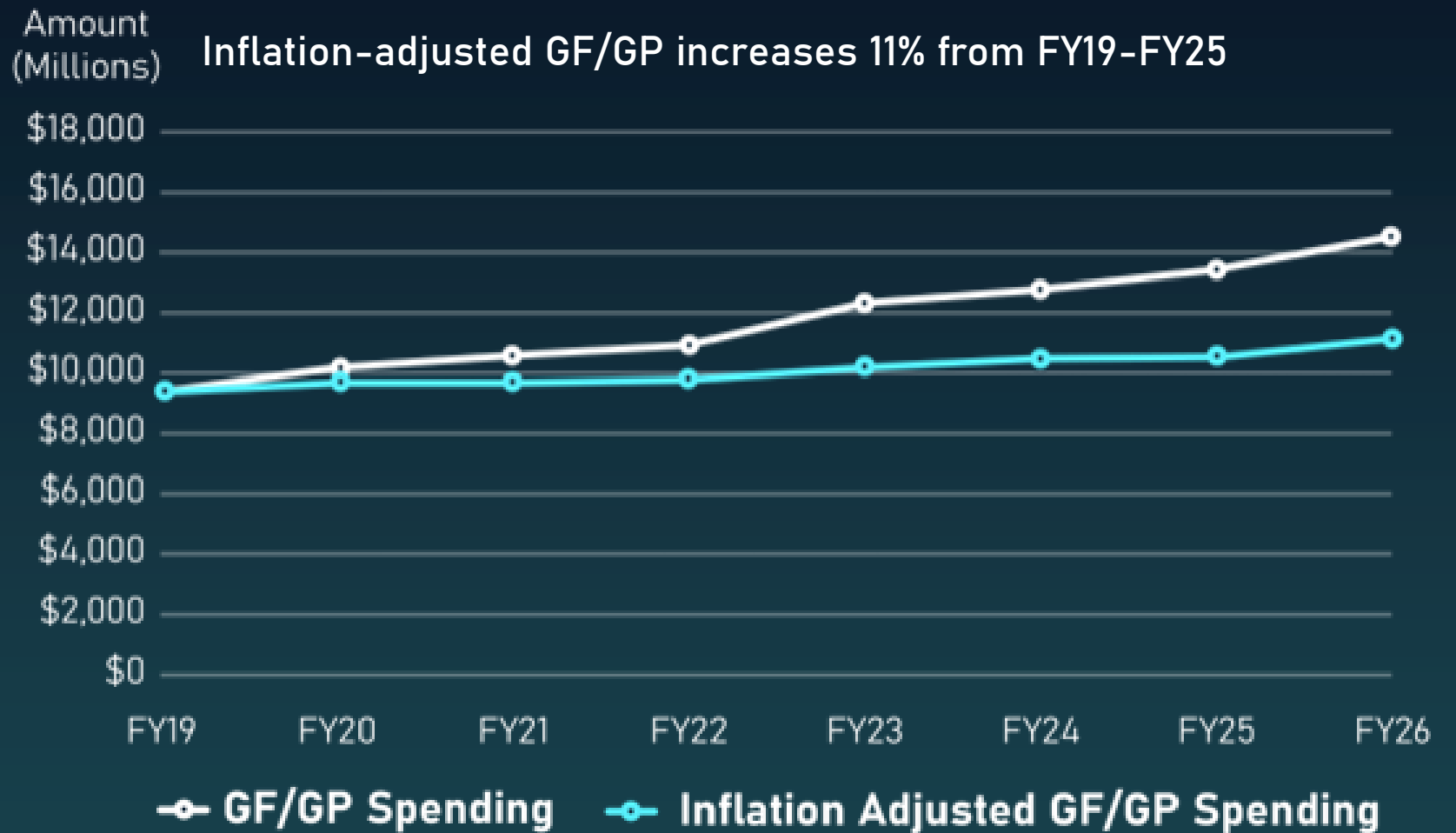


80% of GF/GP appropriations fund health care, the protection of vulnerable children and adults, public safety, and higher education

The FY26 Executive Budget Recommendation continues to reflect a return to normal after previous budget cycles were heavily focused on investing pandemic resources.

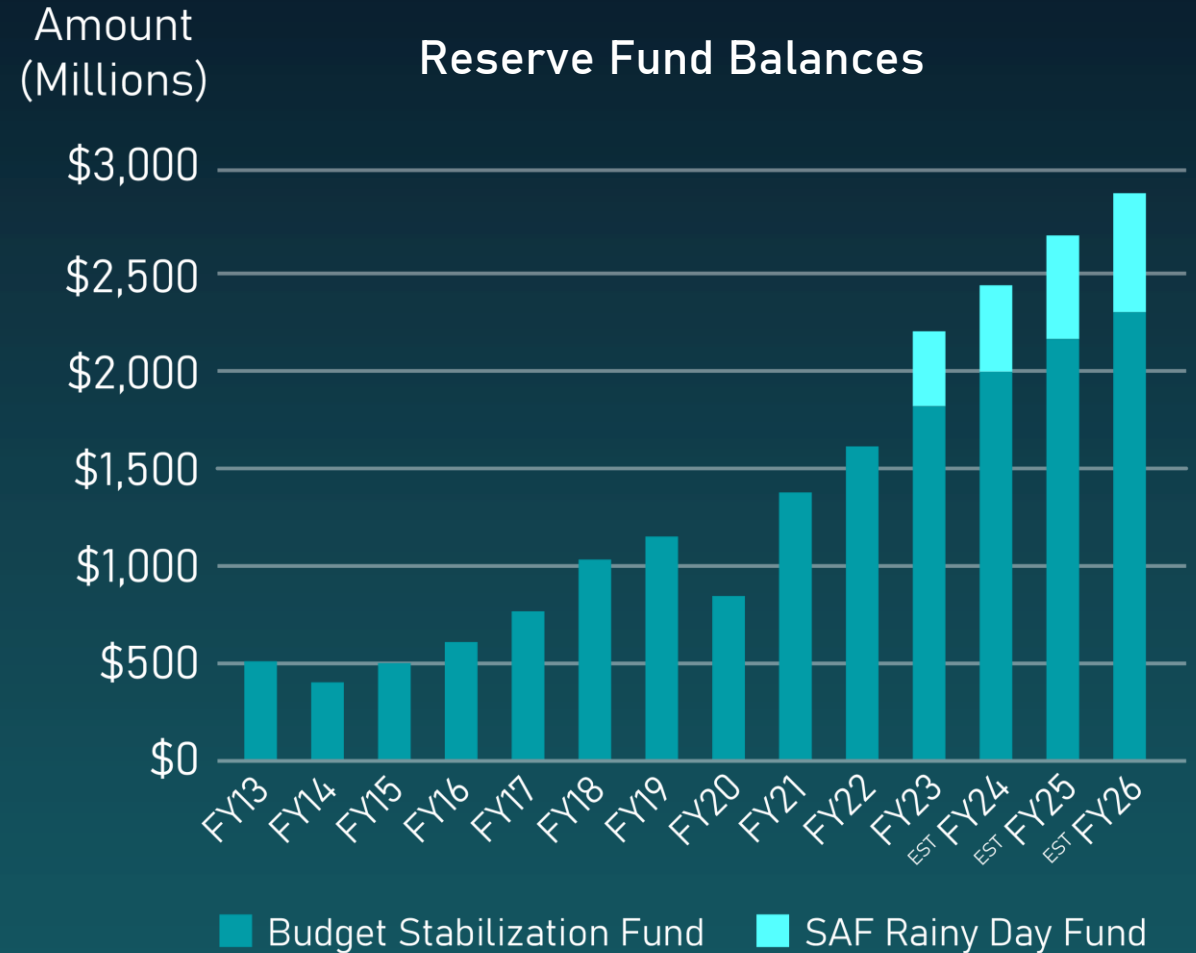
General Fund Over Time

Adjusted for Inflation



Fiscal Responsibility

- Six balanced, bipartisan budgets, on time.
- From the Governor's first budget through her FY26 recommendation, the state will have paid down more than \$25.3B in debt.
- Upgrade to the State's credit rating.
- \$50M Budget Stabilization Fund deposit, for a total balance of \$2.3B.
- \$50M deposit into the rainy day fund for schools, for a balance of \$550M.



National State Budget Outlooks

POLITICS > POLITICS

Facebook X Email

Colorado lawmakers face daunting \$1 billion budget shortfall as new legislative session begins

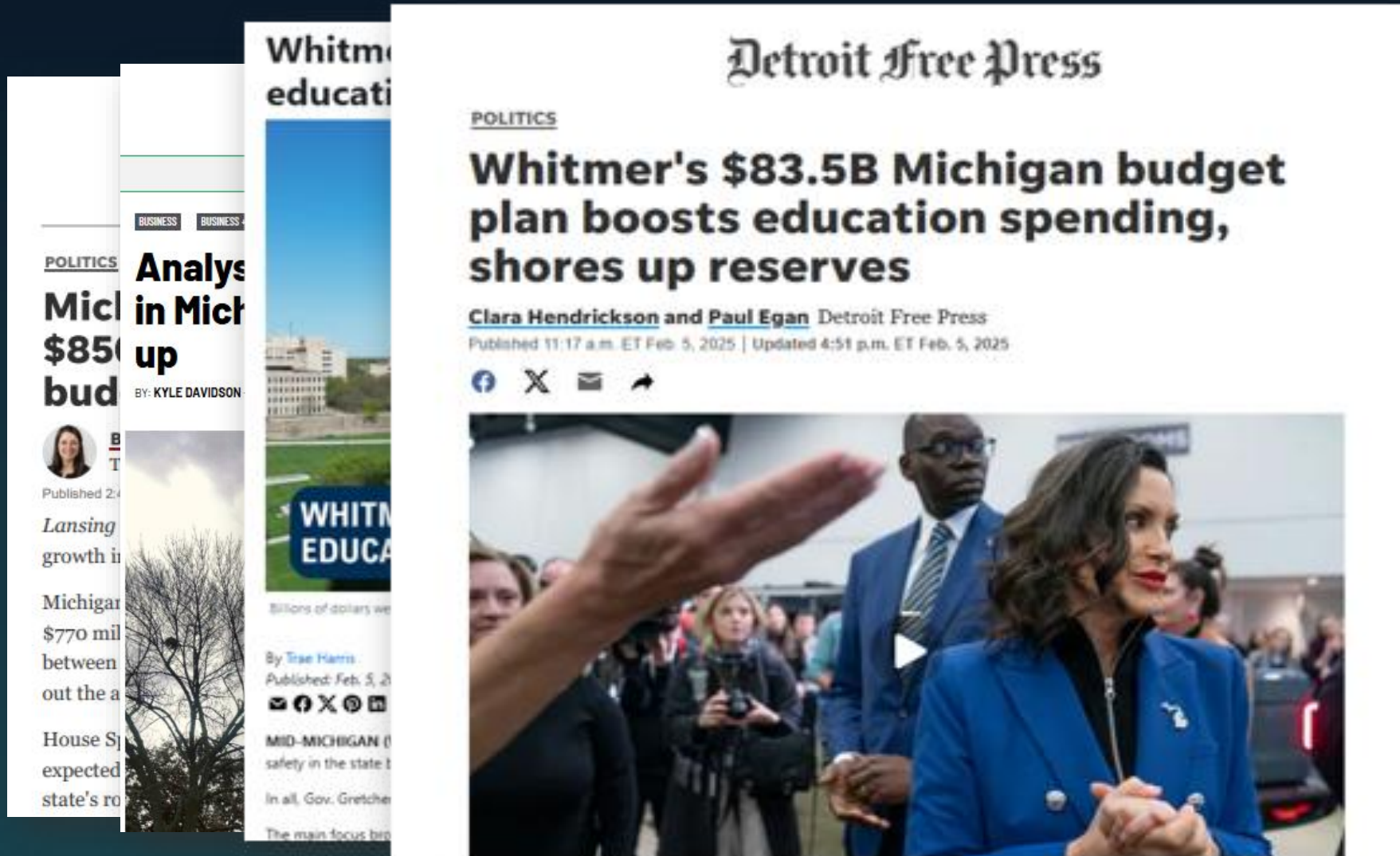
The massive budget shortfall will force lawmakers to cut spending. That's got education advocates worried.



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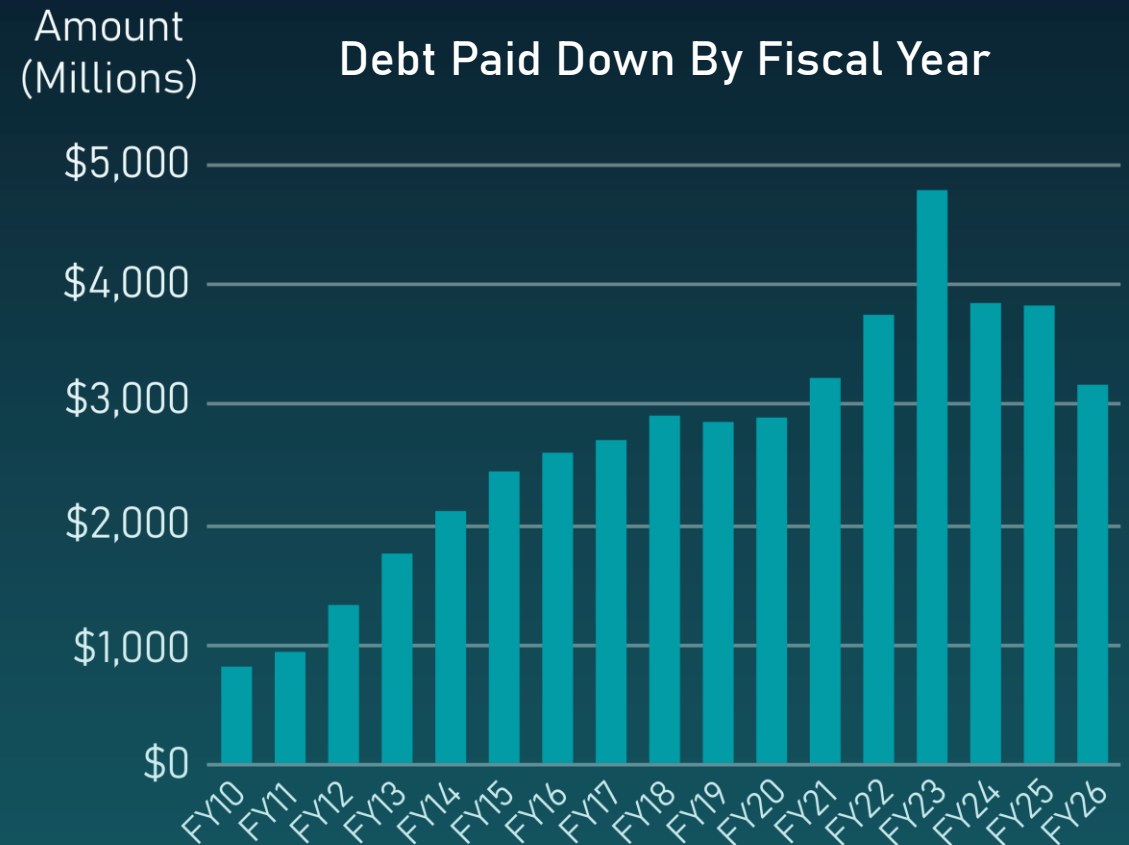
As Colorado's 2025 legislative session began Wednesday, lawmakers say massive cuts will be necessary to balance

Michigan's Performance & Outlook



Michigan's Performance & Outlook

- The Investment Board and State of Michigan Retirement System ensure long-term financial security for state employees, teachers, and other public workers.
- The State of Michigan Retirement System consistently outperforms the market and other state plans.
 - The 10-year annualized rate of return as of fiscal year end was 9.1% while peer returns were 8%.
 - The higher rate of return equates to an estimated \$2B in resources available.



Building a Brighter Future

The FY 2026 Executive Budget Recommendation focuses on:



Lowering costs



Supporting our seniors



Creating jobs



Protecting and
defending Michiganders



Getting SMART on
education



Making government
work better

Lowering Costs

Lowering Costs

- Continuing the Working Families Tax Credit
- Building affordable housing, \$25M
- AP test fee caps for low-income students, \$1M
- New water affordability program, \$7M
- Postsecondary Scholarship Fund, \$50M
- Supporting families with young children, \$1.2M

Making Health Care More Accessible

- Expanding Medicaid access to support those with significant need, \$96M
- Prioritizing opioid recovery, \$46.8M
- Investing in skilled paramedics, \$3.1M
- Exploring expanded coverage for children, \$400,000

Creating Jobs

Growing the Economy

- Comprehensive resources for small businesses, \$10M
- Small business support with business accelerators and incubators, \$15.7M
- Streamlined environmental permitting, \$39M
- Rural prosperity grants, \$3M

Skilled Talent

- Going Pro job training grants to businesses, \$54.8M
- Partnering with employers to attract talent, \$10M
- Expanded apprenticeship programs, \$19M
- Increased support for CTE programs, \$125M
- Removing barriers to work, \$7.5M

Getting SMART on Education

Pre-K – Grade 12

- \$10,000 per pupil support, \$515M
- Additional support for students in need, \$94M
- More literacy coaches and instructional time, \$23M
- Free, healthy school meals, \$200M
- Student mental health, \$258M

Higher Education

- 4% operations increase, \$84.4M
- College Success Fund, \$15M

Student Metrics And Results with Transparency

- Offers extra support to schools in need
- Provides resources for high-impact tutoring, evidence-based curriculum, and proven strategies
- Extends incentives for improvement in literacy and math
- Helps schools engage with parents about their designation, spending, and progress
- Offers funding for technical support to meet new requirements
- Establishes a centralized hub to coordinate efforts, monitor district progress, and determine best practices

Protecting Kids and Seniors

Supporting Our Seniors

- Fully phased-in retirement tax rollback
- Enhancing oversight at Michigan's 348 state-licensed homes for the aged, \$700,000
- Protecting seniors, \$2.7M
- Dementia supports, \$2M
- 54 new slots at PACE sites, \$2.9M

Keeping Kids Safe

- Keeping children connected to family, \$24M
- Improving safety, placement, and permanency, \$13.3M
- Improving adoption support, \$17.5M
- Supporting young adults exiting the child welfare system, \$3.5M

Leveling the Playing Field

Leveling the Playing Field

- Juvenile justice services, \$10.6M
- Tribal legal assistance, \$600,000
- Expanding MiABLE eligibility, \$5M
- Improving financial literacy, \$3M

Reducing Recidivism

- Providing Medicaid to support reentry, \$40M
- Improving supports for problem solving courts, \$1.6M
- Expanding education opportunities, \$750,000
- Peer recovery coaches, \$6.6M
- Developing transitional housing, \$2M
- Expanding success services, \$1.5M

Infrastructure and the Environment

Investing in Infrastructure

- Fixing roads and securing federal match, \$112.2M
- Exploring new road funding options, \$7.8M
- Installing electric vehicle charging stations, \$10M
- Ensuring clean drinking water, \$80M

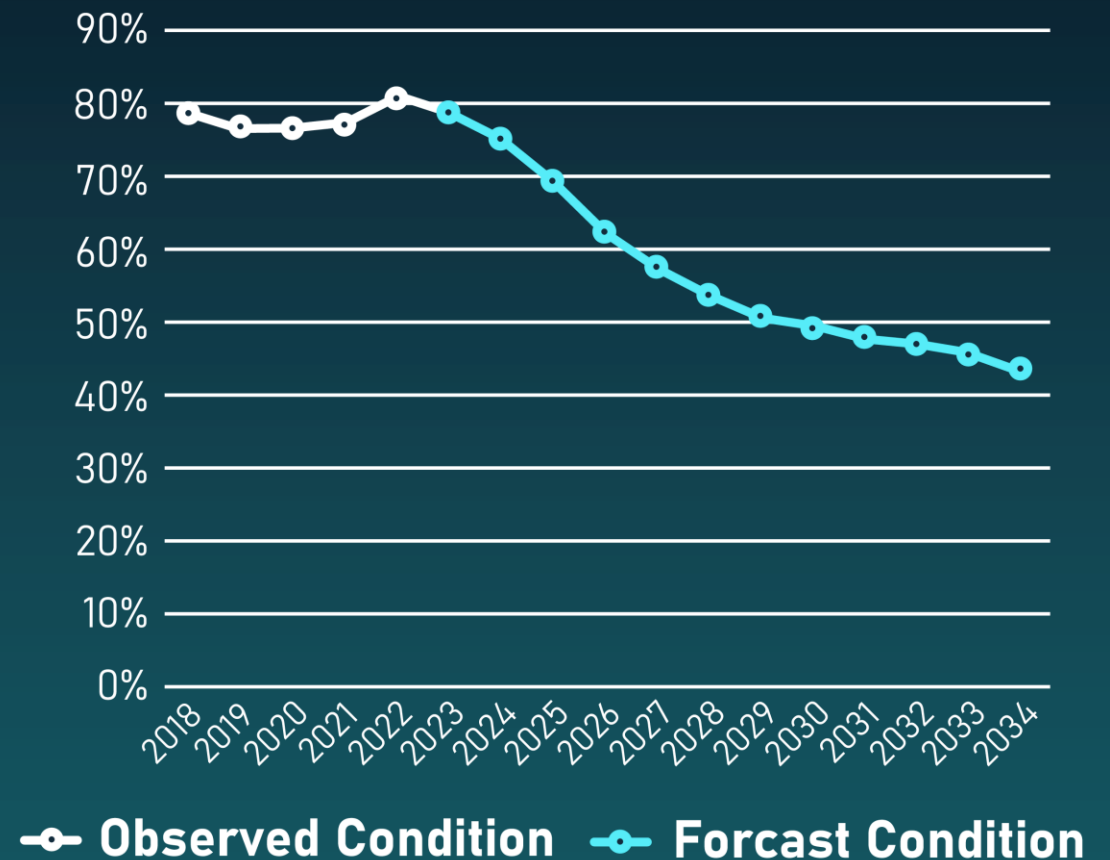
Protecting Air, Land, & Water

- Reinvesting in state parks, \$46M
- Protecting Michigan from out-of-state waste, \$80M
- Restoring Michigan's waterways and removing dams, \$15M
- Plant, soil, and pest diagnostics, \$1.6M

The Need for Sustainable, Long-term Road Funding

- Since 2022, \$16.7B in federal funding has been provided to improve roads and infrastructure in Michigan through federal initiatives like the Infrastructure Investment and Jobs Act and the Inflation Reduction Act.
- \$28.6B total has been invested in roads since 2019.
- The \$3.5B Rebuilding Michigan Bond Initiative and the Infrastructure Investment and Jobs Act have improved Michigan's overall road conditions, but these fund sources will end in 2026.

Projected Condition of State-Owned Roads Without New Funding



MI Road Ahead

Securing new funding

- Current taxes on gas will be redirected to support roads, generating \$1.2B
- Increasing the amount big tech and wealthy corporations contribute to allocate another \$1.6B for roads and infrastructure
- Cutting costs in government will free up \$500M for roads
- Closing the loophole that has exempted the marijuana industry from the wholesale tax will add \$470M in new revenue for roads

Fixing state and local roads

- This plan totals \$3B and improves roads while protecting commuters
- It invests \$1B in new revenue for local communities to fix neighborhood roads
- \$250M will invest in every local bus service and build new transit projects across the state

Protecting & Defending Michiganders

Public Safety

- 4% increase in revenue sharing
- Public Safety Trust Fund, \$75M
- Victim support services, \$21.3M
- Protecting Michigan's food supply, \$5.5M

Protect & Serve

- Upgrading infrastructure at Selfridge, \$26M
- Veteran's Cemetery in Crawford County, \$5M
- Mental health resources for public safety staff and officers, \$2.5M
- Supporting first responders with cancer, \$2.5M

Making Government Work Better

Making Government Work Better

- Modernizing legacy IT systems, \$46.2M
- Maintaining for state-owned spaces, \$25M
- Self-insuring DTMB facilities, \$10M
- A unified court case management system, \$7.2M
- Migrating to the new state psychiatric hospital, \$15.2M



CONTACT

[Michigan.gov/Budget](https://michigan.gov/Budget)

(517) 335-3420

Contact-SBO@michigan.gov