

— LEGISLATIVE —
TESTIMONY

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Michigan Should Cut the Personal Income Tax Rate

Michigan House Finance Committee

Support of House Bill 4170

Chair Tisdale and Members of the Committee.

Thank you for allowing me to testify today on House Bill 4170 and in favor of a personal income tax cut.

To be blunt, lawmakers owe this to the people of Michigan. In 2007 and again in 2015, state leaders told us tax relief was coming but then we were largely denied that tax relief. These promises, and lawmakers' failure to honor them, are a core test of whether the people of Michigan can trust state government.

Personal Income Tax cuts will help us stay competitive with other states. At the start of this year, nine states, including Indiana, welcomed new personal income tax cuts. In 2024, 14 states cut their personal income taxes. Our neighbor Ohio trimmed its PIT rate from nearly 4% to 3.5%.

Taxes matter to economic and population growth, and Michigan is losing out on both while other states prosper. A John Locke Foundation report examined more than 600 academic studies on public policy and economic growth. Of the 83 studies that focused on personal income taxes, 67% found a negative link between those taxes and economic growth. Economic growth begets opportunity, which begets population growth and more representation in Congress.

A 2010 study conducted for the Mackinac Center by Ball State University economist Michael Hicks found that in any given year, each 10% per-capita tax differential between Michigan and other states means 4,700 Michigan citizens move out. If other states lower their tax burdens while Michigan does not — which has happened — we lose even more.

A 2006 study titled “The Determinants of Net Interstate Migration, 2000–2004” found as individual income tax burdens rise, inbound migration from other states falls.

People vote with their feet, and they are not voting for Michigan. Internal Revenue Service data show they often vote for Florida and Texas, which will likely gain four congressional seats each after the next census. When Uhaul moved American families last year, three of its top five destination states had no income tax.

Michigan should cut its personal income tax rate. Start by dispensing with the 2015 mechanism for delivering tax relief. A more elegant alternative would be to set a series of automatic reductions, phased in over time — the quicker, the better.

Thank you for your consideration.

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