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“A confiscatory tax will scare a lot of business owners out of the state, and cause more hesitation about moving here.”

‘Tax the Rich’ would hurt the rest of us

Why the Mackinac Center cares about a possible constitutional amendment to hike taxes on high earners

By James M. Hohman | October 2025

Activists are collecting signatures for a proposal, possibly for a November 2026 vote, that would amend the state constitution to add a new rate in the state income tax. This would give Michigan the seventh-highest rate in the country; fourth-highest if you include Detroit’s city income tax.

It would also do serious damage to Michigan’s already frail economy by hurting businesses and punishing job creators. But there are more than just practical reasons to oppose a select tax hike. The proposal would violate basic constitutional principles that ought to matter to all of us.

The proposal would raise the state’s income tax rate from 4.25% to 9.25% for single taxpayers who earn more than \$500,000 and for joint filers who earn more than \$1 million. It’s a small number of people, around 18,300 households, according to the latest figures

from the Internal Revenue Service. That’s only around 0.3% of all tax filers in Michigan.

These taxpayers would pay 48.65% of what they earn, split among federal, state and local governments. It’s downright un-American to tax half of what someone earns.

This small number of taxpayers has a large effect on the state economy. The bulk of high earners in Michigan are not movie stars or athletes. They’re business owners. High-earning households claim 90% of the flow-through credits available when business owners pay taxes through Limited Liability Companies, S-corporations and other partnerships. And they pay 33% of the self-employment taxes. They wouldn’t pay \$1.5 billion in income taxes on their businesses — equivalent to 15% of the total income taxes — if they didn’t employ a lot of other people in Michigan.

[Continued on back](#)

A confiscatory tax will scare a lot of business owners out of the state, and cause more hesitation about moving here. That ought to be enough to get people to realize that the proposal is bad policy. Still, there are broader reasons why they should oppose select tax hikes. It's just not how taxes should work in a government run for the public's benefit.

The government is supposed to do only things that people think serve the public. That includes right now a number of charitable activities — helping people who need it afford food and medical care — and also everything else the state does. The state government ensures education for all children in the state, it enforces state law and incarcerates criminals, it keeps and maintains a system of public rights-of-way and more. This costs money. Taxes are supposed to be the acceptable way to pay for services that elected officials have decided will benefit the public.

That's not to say that everything the state does justifiably serves public purposes. The state's ineffective business subsidies are a waste of money and serve private purposes rather than the public interest. Pork projects go to serve local and private purposes rather than the people of Michigan, a point we're arguing in court.

Taxes levied on the public for the public good have to be levied in fair ways, and that means they have natural limits. "There are certain limitations upon this power," Michigan Justice Thomas Cooley noted, "not prescribed in express terms by any constitutional provision, but inherent in the subject itself." That is, the taxes levied by governments are subject to rules beyond those in the state and federal constitutions.

One of those rules is that taxes must be apportioned fairly, and not, as Cooley wrote, "arbitrarily or by caprice, so that the burden may be made to fall with something like impartiality upon the persons or property upon which it justly and equitably should rest."

The tax hike proposal unjustly picks out a segment of the population and levies punishing taxes on them. "Fund Schools. Tax the Rich. Protect the Democracy," its advocates proclaim. This view suggests that a small segment of the population harms the state and must be punished with taxes.

(Schools in Michigan already get an average of \$23,700 per student from federal, state and local funding, by the way.)

Tax policy should be about fairly and equitably raising money for government services. It should not punish a small number of people for their success. The proposal would harm the state's economy, but it also violates basic principles of fairness and should rub all Michigan earners the wrong way.

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