



TO: Governor Gretchen Whitmer
FROM: Monique Stanton, President & CEO, Michigan League for Public Policy
SUBJECT: Request to Veto SB 768
DATE: March 8, 2022

As a 110-year-old organization focused on improving opportunity for all Michiganders, regardless of race, place or income, we understand the impact that policy change can have on the lives of Michigan residents. Past policy and budget decisions have created and exacerbated systemic barriers to opportunity, education, healthcare and more, especially for our residents of color, and the ongoing public health crisis has only deepened these disparities. The state has a historic opportunity to work toward dismantling these systemic barriers and invest in the future, and significant, inequitable and unsustainable broad-based tax cuts have no role in that plan. We urge you to swiftly veto SB 768, which targets tax cuts to the wealthiest Michigan residents while making it harder to invest in our people, communities, and businesses.

Broad tax cuts, such as reducing the personal income tax rate from 4.25% to 3.9%, are inequitable and funnel most of the benefits to the wealthiest Michigan residents. Based on data from the national Institute on Taxation and Economic Policy, reducing Michigan's income tax rate to 3.9% would mean an average tax cut of \$12 for the lowest 20% (less than \$23,000) of earners and \$92 for the middle 20% (\$41,000-\$70,000) of Michigan workers. However, the average tax cut for the top 1% (making \$539,000 or more) of Michigan earners would be \$4,901. The analysis also found that 69% of the tax cuts will go to the wealthiest 20%, and only 31% of the benefits flow to the bottom 80% of Michigan workers. What's more is that many Michiganders with low incomes would see no benefit from a tax rate cut, including over half of Michigan residents earning less than \$23,000.

Instead of these broad tax cuts, Michigan policymakers should increase the state Earned Income Tax Credit, which targets relief to Michigan workers and families most in need and boosts local economies.

Additionally, the tax cut bill would eliminate billions of dollars from the state budget immediately and have a permanent negative impact on our ability to invest in Michigan's future. In the immediate sense, these costs will require the state to either cut public services we all rely on or risk losing vital federal aid provided under the American Rescue Plan Act, dollars intended to help struggling workers, families and businesses recover from the economic impacts of the pandemic. Longterm, it would result in drastic budget cuts, meaning larger classroom sizes, increased barriers to healthcare access, and more potholes leading to higher car repair bills. Basing deep, permanent tax cuts on one-time surpluses and federal aid is unsustainable.

Policymakers should instead use the one-time surplus to make smart, equitable investments in our schools, affordable housing, infrastructure for clean drinking water and safe roads, and supports for kids, workers and families.

SB 768 is not a real plan. We urge a swift veto to allow the Legislature and Administration to work together on a budget that works for everyone.