

Appendix A – Tax Structure Michigan

Following is a description of the applicable tax categories that will be calculated for the Goodwill Michigan model:

- Sales Tax

The State of Michigan charges a sales tax on retail goods and services as well as on lease sales; sales to consumers of electricity, gas, and steam; and sales to persons in real estate construction and improvement business. The sales tax rate for the State is 6.0%.

Taxable sales result from the spending of direct, indirect and induced employees supported by the company. Based on data from the latest U.S. Consumer Expenditure Survey, the projected level of retail spending and resulting sales tax receipts is calculated.

State sales taxes will also be collected from other sources.

- Local supplies and purchases.** A direct sales tax can be determined if the user inputs local supplies and purchases that are taxable and purchased within the state.
- Direct sales.** Direct taxable sales (if any) can also be input to provide the sales tax collections at the State level on the Fiscal Impact of Operations table.

- State Income Tax

The State of Michigan collects taxes on personal income. The personal income tax rate is 4.25% and is applied to the wages and earnings of direct, indirect and induced employment resulting from the operation of the company.

- State Unemployment Insurance Tax

Unemployment insurance tax for employees is currently 2.7% on the first \$9,000 of earned income in the initial year of the employer operations. Rates in subsequent years are based on employers own history of benefit charges and taxable payroll. This factor is applied to the projected wages and earnings of direct, indirect and induced employees.

- State Education Tax

Property owners are levied a State Education Tax that is deposited to the School Aid Fund for distribution to Michigan public K-12 schools and makes up about 15% of the School Aid Fund. The State Education Tax is assessed at 6 mills on the taxable value. The taxable value is calculated as 50% of the State Equalized Value (set by assessor at time of purchase).

- Cigarette Tax

The State of Michigan charges a cigarette tax in the amount of \$2.00 per package of 20 cigarettes or \$0.10 per cigarette. This tax is applied to the projected employee count in the model based on statistics from the Center of Disease Control that 22.1% of Michigan residents are smokers and smoke an average of 0.58 packs per day.



- Motor Fuel Tax

The State collects a motor vehicle fuel tax of \$0.19 per gallon of gasoline. The tax revenue is calculated based on the average vehicle traveling 15,000 miles per year at 20 miles per gallon. These factors are applied to the projected direct and indirect employee count supported by the company.

