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Derek,

Attached is an opinion piece for the Journal. I didn't include any documentation, but a longer article called "Seniors Enjoy a Huge Income Tax Break" can be found on my website: steveharryforstaterep.org. That article includes more detail as well as links to source documents.

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It was Leona Helmsley that said “Only the little people pay taxes”. With Michigan’s personal income tax, it is only the young people. Over the years, our state legislature has sought to protect people over 65 from any income tax obligation, and as a result, the tax rate is about 7 tenths of a percent more than it needs to be. If seniors paid their share, the rate could be reduced from 4.35% to 3.6%.

The state income tax calculation starts with the adjusted gross income (AGI) from your federal tax return, but then there are "additions" and "subtractions" that are reported on MI-1040 Schedule 1. Among the subtractions are retirement and pension benefits; dividends, interest, and capital gains received by senior citizens; and Social Security benefits.

In addition to the income subtractions, seniors get a homestead property tax equal to the amount by which property taxes exceed 3.5% of household income. If you are under 65, you only get 60% of that amount. (No one with household income over $82,650 gets the credit.)

Finally, each person over 65 gets a $2200 "special exemption" in addition to the regular $3400 personal exemption.

There is no reason for seniors (like me) to get a break on their state income tax. They are no worse off financially than other age groups. Forty-nine percent of Michigan income tax returns that reported Social Security benefits in 2005 had AGI over $50,000. Seniors are also more likely to have medical insurance, either with their pensions or with Medicare. Anyway, an income tax by definition considers ability to pay: seniors with low incomes would pay little or no tax, just like anyone else with low income.

Income tax breaks for seniors are not unique to Michigan. Most states to some extent exempt pensions and social security from their income taxes, but some don't. California taxes pensions, but doesn't tax social security. Minnesota, Nebraska, Rhode Island and Vermont tax pensions and Social Security benefits to the same extent the federal government does.

Tax breaks for seniors don’t end at the state level. Michigan law also dictates how cities like Lansing apply city income taxes. Annuities, pensions, retirement benefits and Social Security benefits cannot be taxed and people over 65 may be granted a $600 exemption in addition to the regular $600 for each person.

When one group does not pay its share, the burden is greater for other taxpayers. Ending tax breaks for seniors would allow taxes to be decreased for everyone else.