Gerald Faverman, Ph.D. • *Chairman of the Board*
Robert J. Kleine • *Editor*
October 1, 1987

Public Sector Reports

PUBLIC POLICY ADVISOR

STATE TAX ISSUES

by Robert Kleine

The major concern of the legislature for the next two years will be balancing the state budget. Considerable attention will also be given to several tax issues, particularly to reducing the income tax rate or increasing the personal exemption, property tax relief, and school finance reform. The state's fiscal problems will slow down these efforts, but enactment of some type of tax reform package is likely.

Following is a capsule overview of some of the tax issues the legislature will or should deal with in the next two years.

Personal Income Tax

The major tax issue facing the legislature this fall is what to do with the "windfall" revenue from federal income tax reform--an estimated $150-170 million in FY 1987-88. The Senate has passed legislation to return this money to the taxpayers by rolling back the income tax rate from 4.6 percent to 4.4 percent. The House has passed legislation that would increase the personal income tax exemption to $1,800 in tax year 1987, $1,950 in 1988, and $2,000 in 1989. An additional exemption of $1,200 in tax year 1987, $1,050 in 1988, and $1,000 in 1989 and future years would be allowed for the blind, handicapped, unemployed, disabled, and elderly.[1]

In view of looming budget problems there will likely be some consideration given to using the windfall revenues to balance the state budget, reducing the need for budget cuts in addition to those already recommended by the governor. Given the condition of the budget, this would be the most prudent course of action. However, being prudent is not always good politics. The likely outcome is an increase in the personal income tax exemption, which would be more progressive than reducing the rate. As indicated in Exhibit 1, for a family of four, the higher exemption is more beneficial at incomes below about $50,000 and the higher rate is more beneficial at incomes above that level.

There is a major stumbling block to using the federal tax reform windfall revenue to balance the Michigan state budget. The Michigan income tax is currently tied to the Internal Revenue Service (IRS) code that went into effect on November 15, 1984. In order for the state to receive the windfall revenue, the legislature must amend the state income tax law to reference the 1986 IRS code. Those legislators favoring income tax relief will probably block such legislation if the windfall revenues are not to be returned to the

---

[1]Not cutting the tax rate or raising the exemption would, in effect, result in an income tax increase.

Public Sector Consultants, Inc.
Knapp's Centre • 300 S. Washington Square
Suite 401 • Lansing, MI 48933 • (517) 484-4954

EXHIBIT 1

TAX SAVINGS FROM A 0.2 PERCENT INCOME TAX REDUCTION
COMPARED WITH A $500 INCREASE IN PERSONAL EXEMPTION

	Family Size									
	1		2		3		4		5	
Income	$500 Exemption	0.2% Reduction	$500 Exemption	0.2% Reduction	$500 Exemption	0.2% Reduction	$500 Exemption	0.2% Reduction	$500 Exemption	0.2% Reduction
$ 5,000	$23[a]	$ 7	$46	$ 4	$69	$ 1	$ 0	$ 0	$ 0	$ 0
10,000	23	17	46	14	69	11	92	8	115	5
15,000	23	27	46	24	69	21	92	18	115	15
20,000	23	37	46	34	69	31	92	28	115	25
25,000	23	47	46	44	69	41	92	38	115	35
35,000	23	67	46	64	69	61	92	58	115	55
50,000	23	97	46	94	69	91	92	88	115	85
100,000	23	197	46	194	69	191	92	188	115	195

SOURCE: Calculated by Public Sector Consultants, Inc.

[a]This figure is calculated by multiplying $500 x 4.6, the current state income tax rate.

taxpayer. The legislature may, however, accept the governor's recommendation to delay the income tax rollback until October 1, 1987, which would allow the State to retain about $100-110 million in revenues. Also, the effect on the budget of a higher personal exemption could be reduced by phasing in the exemption increase over a longer period. (A $100 increase in the exemption reduces revenues by about $35 million.)

Actions in Other States

A review of actions in other states reveals that of the thirty-one states that have determined how to deal with windfall revenue, fifteen are returning their increase, totaling $4.6 billion; two states are returning part of the increase; and fourteen states are retaining the revenue, totaling $1.1 billion, for state programs.[2] Therefore, about 81 percent of total nationwide windfall revenue will be returned to taxpayers. (See Exhibit 2.)

Exhibit 3 shows how the states have returned the money to taxpayers. To date, sixteen states have raised personal exemptions and seventeen have increased standard deductions, effectively taking many lower-income taxpayers off state tax rolls. Eleven states have lowered tax rates and most of these states have also reduced the number of tax brackets. The most dramatic reductions were in New York, where the top rate was reduced from 13.5 percent to 7 percent, and in Minnesota, where the top rate was reduced from 14 percent to 8 percent. New York and Minnesota also cut the number of tax brackets from thirteen to two and from sixteen to two, respectively.

---

[2]Seventeen states are not affected by windfall revenues, and two--Kentucky and Michigan--have not yet acted upon the question.

EXHIBIT 2

STATE RESPONSE TO PERSONAL INCOME TAX "WINDFALL"
DUE TO FEDERAL TAX REFORM, FISCAL 1988

Return Windfall	Keep Windfall	Keep Portion of Windfall	Pending	Not Applicable
Arizona	Alabama	Colorado	Michigan	Alaska
California	Idaho	Maryland		Arkansas
Connecticut	Illinois			Florida
Delaware*	Indiana			Nebraska
Georgia	Kansas			Nevada
Hawaii	Louisiana			New Hampshire
Iowa	Massachusetts			New Jersey
Maine	Mississippi			North Dakota
Minnesota	Missouri			Pennsylvania
New York	Montana			Rhode Island
Ohio	New Mexico			South Carolina
Oregon	North Carolina			South Dakota
Virginia	Oklahoma			Tennessee
West Virginia	Utah			Taxas
Wisconsin				Vermont
				Washington
				Wyoming

*Delaware will give all revenue back for tax year 1988, but kept a portion of the revenue in 1987.

Kentucky did not meet in regular legislative session in 1987.

Taxpayer Scorecard

Amount of windfall revenue to be returned to taxpayers:	$4,596 million
Amount of windfall revenue to be kept by state:	$1,054 million
Amount not yet determined:	$ 286 million

Total Fiscal 1988 revenue windfall: $5,936 million

States returning 81 percent of windfall

SOURCE: National Association of State Budget Officers.

EXHIBIT 3

SUMMARY OF STATE TAX REFORM, 1987

State and Region	Increased Personal Exemption	Increased Standard Deduction	Changed Number of Tax Brackets[a]	Lowered Tax Rates	Other
New England					
Connecticut					
Maine[b]					Credit
Massachusetts					
New Hampshire					
Rhode Island	X	X			
Vermont	X	X			
Mideast					
Delaware	X	X	X	X	
District of Columbia	X	X	X	X	
Maryland[b]	X	X			Credit
New Jersey					
New York	X	X	X	X	
Pennsylvania					
Great Lakes					
Illinois					
Indiana					
Michigan[b]					
Ohio				X	
Wisconsin		X	X	X	
Plains					
Iowa					
Kansas					
Minnesota	X	X	X	X	
Missouri		X			
Nebraska			X	X	
North Dakota	X	X			
South Dakota					
Southeast					
Alabama					
Arkansas	X				
Florida					
Georgia	X				
Kentucky					
Louisiana					
Mississippi					
North Carolina					
South Carolina	X	X	X		
Tennessee					
Virginia	X	X			
West Virginia	X		X	X	
Southwest					
Arizona[b]					Deduction
New Mexico					
Oklahoma					
Texas					
Rocky Mountain					
Colorado	X	X	X	X	
Idaho	X	X	X		
Montana					
Utah	X	X			
Wyoming					
Far West					
California	X	X	X	X	
Nevada					
Oregon		X	X	X	
Washington					
Alaska					
Hawaii		X	X	X	
TOTAL STATES	16	17	12	11	3

SOURCE: National Association of State Budget Officers.

[a]Ten states reduced the number of brackets and Idaho and Nebraska increased the number of brackets.

[b]Arizona created a new general deduction for one year so the state would not realize "windfall" gains. Maine created a new general credit so the state would not realize windfall gains. Maryland created a new low-income credit. Action is pending in Michigan.

Property Tax Relief

Compared with other states, Michigan has relatively heavy property taxes, particularly on residential property, which has borne an increasing share of the total property tax load in recent years. This is due, in part, to property tax abatement programs for businesses and to smaller assessment increases on commercial and industrial property than on residential property. Michigan's property taxes per capita were $619 for each of its 9.2 million residents in FY 1985, ninth highest among the states and 42.2 percent above the national average. Michigan ranked even higher when property taxes were measured against personal income. In FY 1985, Michigan property taxes were 4.9 percent of total Michigan personal income, compared with a U.S. average of 3.4 percent. This ranks Michigan sixth among all states and highest among the Great Lakes states. In terms of residential property taxes as a percentage of personal income, Michigan ranks seventh highest and is 42.9 percent above the U.S. average (1984 data). It is important to understand, however, that none of the above figures reflect property-tax relief programs financed by state and local governments.[3]

As a result of the heavy burden, the issue of property tax relief is likely to receive some attention in the legislature, but major reforms should not be expected. The governor has proposed providing property owners with a tax credit equal to 10 mills of the school property tax on the first $10,000 of state equalized value (SEV)--about $100 each for 2,000,000 households. Republicans oppose the plan because they believe it provides insufficient relief.

Property tax relief plans are always floating around the legislature, but no plans other than the governor's is currently receiving much attention. Any property tax relief is likely to be tied to school finance reform.

School Finance Reform

The issue likely to receive the most attention this fall is school finance reform. Several task forces have been formed to study this issue--three have made recommendations. The three reports are detailed below.

House Republican Task Force on Property Tax and School Finance Reform

The key findings of the task force were (1) the property tax is obsolete and unfair as the major source of funds for operating the public school system in this state, and (2) the vast differences in property values among local school districts produce intolerable inequities in the financial resources available to pupils. According to the task force, state aid formulas have not been able to correct these inequities.

The task force recommended that in the November 1988 election the voters be presented with an amendment to the state constitution that would include the following provisions:

---

[3] In FY 1987, Michigan residential property taxes after credits of $603 million were 2.6 percent of personal income compared to a U.S. average of 1.9 percent; Michigan ranked twelfth among the fifty states and the District of Columbia.

- All school operating millage would be terminated and replaced with up to 8 mills to be collected and retained locally and a fixed 8 mills collected locally and sent to a trust fund (to be called SAFE, State Account for Education), which would replace the school aid fund. Local voters could approve up to 4 additional mills or a personal income tax of up to .5 percent (collected by the state).

- The sales tax would be increased from 4 percent to 6 percent and the revenues used to fund K-12 education.

- There would be a basic grant of $2,750 per pupil in the first year, except where this would produce very high or low increases, and the grant would be indexed to gross national product (GNP) growth. Districts that receive no more money than they do currently would receive an enhancement of $150 per pupil for the first year. Fifty high-income districts would be allowed to levy additional millage, and no district would receive an increase of more than $300 per pupil.

<u>Citizens Property Tax Commission</u>

The commission, made up of members appointed by Senate resolution, found that Michigan's current system of funding primary and secondary education is in need of a major change. Despite increased state spending in recent years, state government's share of funding for K-12 education declined from 45.8 percent to 33.8 percent in the last decade. Large differences in educational opportunity, as measured either by property values per pupil or by expenditures per pupil, exist throughout the state. Also, Michigan's property tax system has become one of the most onerous in the country.

The commission made the following recommendations.

- The State should provide a per-pupil expenditure for K-12 education, to replace the current school aid formula, sufficient to guarantee a level of education that will "allow students to function adequately in the state's future"--a specific amount was not given, but the report gave $3,000 per pupil as the state average.

- Revenue to fund this grant could be raised by increasing the sales and use tax by two cents and by eliminating tax expenditures, such as the exemption of most services from the sales tax.

<u>Michigan School Finance Commission</u>

This commission was appointed by the State Board of Education and included representatives from government, labor, business, and education. The commission made a number of recommendations concerning the quality of education, but only those recommendations concerning school finance will be discussed in this report.

The commission made the following recommendations for reforming the method of financing schools:

1. Establish an "Educational Trust Fund" with an initial contribution of $200 million to be used to improve the quality of education. The money would come from (a) 0.1 percent of the income tax (50 percent of federal tax reform windfall revenue), (b) prudent reductions in the state and school employee pension funds, (c) elimination of

nonmandated categoricals and social security payments for out-of-formula districts, and (d) if needed, an increase in the cigarette tax.

2. Set a minimum general fund-general purpose (GF-GP) transfer to the school aid fund equal to the current ratio of GF-GP school aid to the total GF-GP budget.

3. Share industrial and commercial property taxes among all school districts, phased in over a ten-year period. This tax-pooling proposal would take effect only if an amendment to the state constitution to change the method of financing schools is not adopted.

4. Submit an amendment to the state constitution that would (a) increase the state sales and use tax from 4 percent to 6 percent, (b) levy 23 mills statewide on all commercial, industrial, utility, and developmental property, (c) allow school districts to levy up to 18 mills without voter approval on residential, agricultural, and timber cutover property--with the millage rate not to exceed 25 mills, (d) exempt residential energy payments from sales taxation.

5. Retain the current power equalizing formula, but eliminate the flat grant portion and fold categorical grants for social security and transportation into the membership formula. No school district would receive an increase of more than 15 percent (at 18 mills) in the first year or suffer a decrease of more than 5 percent. The power equalizing formula would guarantee $131 per mill per pupil.

Senators DeGrow and Sederburg also introduced a resolution (SJR E) for school finance reform. The resolution calls for an amendment to the Michigan constitution that would limit school district millage to 17 mills, with up to 4 additional mills subject to voter approval, and increase the state sales tax from 4 percent to 6 percent.

Problems and Prospects of Reforms

Public officials, educators, economists, and others have been looking for the "magic" school finance reform plan for two decades, without success. There have been three ballot proposals since 1972 and all have been soundly defeated. The last, in 1980, received only 21 percent of the vote--although the issue was confused by the presence of two other property tax reduction proposals on the ballot.

Although the public expresses a strong dislike for the property tax and agrees that a better method of financing schools is needed, they have been unwilling to vote for a shift to another tax, most likely because of a distrust of government. A poll commissioned by the House Republican Task Force on Property Tax and School Finance Reform found that the public still opposes a tax shift from the property tax to other taxes. A uniform statewide property tax was the most popular, but opposition exceeded support by 2 percentage points. The most unpopular revenue source was the local sales tax, which was opposed by 68 percent of those polled and supported by only 26 percent. A state sales tax, a local income tax, a sales tax on services, and a state income tax increase were all opposed by large margins. The poll results and recent experience cast considerable doubt on the feasibility of the proposals advanced to date--all of which include an increase in the sales tax rate requiring statewide voter approval.

There are two basic problems with replacing property taxes with sales taxes. First, the property tax is deductible for federal tax purposes while the sales tax is no longer deductible; the importance of this has been reduced, however, because less than 20 percent of taxpayers will itemize deductions under the new federal tax system. Second, reduced property taxes will result in reduced homestead property tax credits. Senior citizens will lose one dollar of property tax credit for a one dollar reduction in the property tax and other taxpayers will lose 60 cents of property tax credit for a one dollar reduction; everyone will pay higher sales taxes.

Our view is that any proposal involving a tax shift and requiring voter approval will fail. This leaves two basic options: (1) a shift to a tax not requiring voter approval, such as the state income tax, the single business tax, a statewide property tax, or a sales tax on services, or (2) a longer term approach that reduces school millage rates over a 10-15 year period and funds the reduction by controlling spending or with small increases in current revenue sources.

One problem facing any tax shift proposal is the Headlee tax limitation amendment to the state constitution, which limits state revenues to 10 percent of Michigan personal income. A substantial shift from local to state taxes could push state revenues above the limit, requiring a refund to taxpayers. A constitutional amendment would be required to accommodate a local-state tax shift within the limit.

Tobacco Taxation

Because of the health issue, tobacco taxation continues to receive attention. HB 4826 (Brown and others), currently under consideration in the House, would levy a 33 percent tax on the wholesale price of tobacco products other than cigarettes.

Public Sector Consultants issued a Public Policy Advisor on this issue on November 29, 1985 ("Taxing All Tobacco Products: A Proposal"). The paper included the following recommendations:

> Although taxes on cigarettes and tobacco products have several disadvantages as revenue sources, we see no justification for taxing cigarettes and not taxing all other tobacco products. We also believe that the argument that a tax on other tobacco products is very difficult to administer is exaggerated.
>
> For these reasons, and health policy reasons, we therefore recommend that the state impose a tax of 30 to 35 percent on the wholesale value of these products. The proceeds could go into the State's general fund or could be designated for some purpose that would benefit the public in a direct way, such as health promotion programs, disease research, education, or economic, development seed money. Although earmarking is not usually a good idea, in this case it appears appropriate. The small amount of revenue generated by this tax would be relatively

insignificant to the general fund, but it could have a major impact if earmarked for a specific purpose.

We also recommend that the state give consideration to converting the flat 21 cents per pack cigarette tax into an ad valorem tax (one based on value). The only state that now levies an ad valorem tax on cigarettes is Hawaii. An ad valorem tax would significantly increase the growth potential of the cigarette tax and sharply reduce the need for periodic tax increases. For example, from 1971 to 1981 (during which time the cigarette tax rate was 11 cents per pack), revenues increased by about $18 million to $140 million. If instead, a 45 percent ad valorem tax (equivalent to 11 cents per pack) had been imposed in 1971, revenues would have increased about $$105 million to $225 million by 1981. (A 45 percent rate on the wholesale price would have been equal to about 17.5 cents per pack in 1981 and about 29 cents per pack in 1985.) The higher price on cigarettes over this period, had the ad valorem tax been imposed, would have dampened consumption somewhat, but the effect would likely have been less than the shock effect of the 10 cent increase imposed in 1982.

Tobacco taxation is not likely to be a high priority with the legislature in the fall and winter session, but we urge the legislature to give this issue some attention.

Property Tax Abatements

The issue of property tax abatements is likely to receive considerable legislative attention in the near future. The effectiveness of abatements in promoting economic development and their fairness is being openly questioned by many public officials and businesspersons.

A study done for the state Senate (Michigan Property Tax Exemptions and Their Effect, July 1986), by Public Sector Consultants (PSC) could find no evidence that abatements, which cost state and local governments an estimated $262 million in 1986, have stimulated economic growth. PSC recommended that commercial and industrial property tax abatements be repealed and that the personal property tax on machinery and equipment be phased out over a five-year period, as an overall reduction in business taxation is fairer and likely to be more effective in promoting economic development than selective tax abatements.

Representative Strand has introduced two bills (HBs 4849 and 4850) that would prohibit the granting of commercial and industrial property tax abatements after the effective date of the bills.

Single Business Tax

Major amendments to the single business tax are unlikely in this legislative session. The major issues are (1) the elimination of worker's compensation and unemployment insurance from the base of the tax and (2) adding a credit for research and development expenditures.

Some businesspersons do not like the tax, but it is in its twelfth year and has been largely accepted by the business community. The tax has added stability to the Michigan tax system and will generate about $1.5 billion in revenue in FY 1986-87.

Insurance Premiums Tax

The Michigan Court of Appeals has ruled the insurance premiums tax unconstitutional because it discriminates against insurance companies located in other states that do business in Michigan. The tax is expected to generate $152 million in GF-GP revenue in the current fiscal year. The court did not order a refund of taxes paid in earlier years and the final outcome is unclear. The decision could be appealed to the Michigan Supreme Court, but the attorney general has indicated that the State will not appeal the ruling, as the supreme court could order the refund of taxes paid in previous years. It is possible that a large portion of any revenue loss due to the ruling could be made up under the insurance retaliatory tax (a tax on out-of-state insurers operating in Michigan whose home states tax Michigan insurers), although the constitutionality of this tax could also be in question.

The legislature could pass legislation levying the premiums tax on domestic insurers, thereby removing its discriminatory nature. Earlier, the governor recommended such a tax to raise money to help finance property tax relief. HB 4609 (Emerson and others) would impose the premiums tax on domestic insurers and HB 4607 (Emerson and others) would exempt domestic insurers from the single business tax. The bills have passed the House and are in the Senate Finance Committee. Both bills are tie-barred to the governor's property tax relief bill (HB 4613), which is also in the Senate Finance Committee.

Liquor Taxation

The legislature is not likely to address the issue of liquor taxation in the current session. However, down the road there may be efforts to increase liquor, beer, and wine taxes to fund substance abuse prevention and treatment programs. The Michigan Chemical Dependency Policy Study Group released a report earlier this year recommending that the legislature raise excise taxes on beer and wine to the level of taxes on distilled spirits and index excise taxes on all alcohol products to inflation. (Michigan has not raised its beer tax since 1966 or its wine tax since 1937.)

Another issue that should be given attention in the future is liquor deregulation. Michigan is a control state, as are seventeen other states, meaning that state government completely controls the distribution of liquor and sets the price. The remaining states are private license states, in which the state government does not wholesale liquor to retailers but rather licenses retailers to distribute liquor. Thus, private enterprise prevails, although, in some cases, liquor sales are still tightly controlled. Deregulation could be complete or, as in Wyoming and Mississippi, the state wholesale monopoly could be retained and retailers allowed to advertise and set their own prices. Any deregulation proposal is likely to draw a strong response from numerous interest groups. Public Sector Consultants will be issuing a Public Policy Advisor on this subject in a few months.

Inheritance Tax

Some lawmakers have for years expressed concern that the Michigan inheritance tax drives capital out of the state. Representative Bryant has introduced legislation (HB 4015) to change the present inheritance tax to levy an estate tax equal to the state tax credit allowed against the federal estate tax. The federal estate tax applies to gross estates that exceed $200,000 and the state credit applies to amounts above $240,000. The bill would eliminate any state tax on an estate less than that amount. On larger estates, this new method of taxation would result in a lower tax than is paid under the present Michigan inheritance tax. This change would reduce state revenue by about $30-40 million annually, but would not become effective until January 1, 1989. The revenue loss would therefore not occur until fiscal year 1989-90.

HB 4015 would make the Michigan tax much the same as the death duties in many southern states, such as Florida, presumably eliminating the inheritance tax as a reason for changing domicile. The bill has not moved out of the House Taxation Committee.

Transportation Taxes

Transportation funding will be a major issue in the upcoming legislative session. A recent study by Coopers and Lybrand projected that over the next twelve years, revenues will fall short of spending needs by about $17.7 billion. The issue is how to eliminate this gap. One way is to increase transportation taxes. A series of bills to do this and to change the distribution of funds have been introduced in the legislature and have been reported by the Senate Committee on Finance and referred to the Committee on State Affairs, Tourism, and Transportation.

SB 152 would increase registration fees for trucks, double the fee for drivers licenses, and increase several other administrative fees. SB 154 would raise the motor carrier license fee for out-of-state commercial vehicles. SB 156 would allocate an additional $110 million of the sales tax on motor vehicle related sales for transportation purposes. SB 157 would authorize counties to impose a fee of up to $10 on a motor vehicle registration and $3 on an operator's or chauffeur's license for road improvements or operations. SB 262 would reduce the state gas tax from 15 cents to 13 cents beginning January 1, 1988, and eliminate the formula for calculating the gas tax rate. SBs 150, 151, 155, 158, and 159 are also part of the transportation package, but do not impose new taxes. SB 158 is important as it would reduce the state share of transportation revenue and increase the share allocated to local governments.

Because of the reduction in the gas tax rate, this package of bills actually reduces transportation revenues--the only increase would result from the proposed transfer of additional funds from the sales tax, which would reduce GF-GP revenues.

Transportation funding is a complex and controversial issue and the legislature is unlikely to agree on a package in the current session. Particularly controversial are the transfer of money from the general fund, the reduction in the gas tax rate, and the change in the distribution of revenues to favor local governments.

Reducing the gas tax rate runs counter to the trend in many states. Ten states raised the gas tax rate in 1986 and several other states have raised the rate in 1987. If Michigan reduces its gas tax rate to 13 cents, only 14 states will have a lower rate (see Exhibit 4). A good case can be made for increasing the gas tax or converting it to a true ad valorem tax to provide growth during periods of inflation.

EXHIBIT 4

STATE GAS TAX RATES, AS OF JANUARY 1987

State	Rate	State	Rate	State	Rate
Nebraska	18.20	Texas	15.00	Oregon	12.00
Colorado	18.00	Idaho	14.50	Pennsylvania	12.00
Washington	18.00	Indiana	14.00	Hawaii	11.00
Virginia	17.50	Maine	14.00	Kansas	11.00
Wisconsin	17.50	New Hampshire	14.00	Massachusetts	11.00
Connecticut	17.00	Utah	14.00[b]	New Mexico	11.00[e]
Minnesota	17.00	Arkansas	13.50	Oklahoma	10.00[f]
Montana	17.00[a]	Maryland	13.50[c]	Florida	9.70
Tennessee	17.00	Alabama	13.00	California	9.00
Arizona	16.00	Delaware	13.00	Mississippi	9.00[g]
Iowa	16.00	Illinois	13.00	Alaska	8.00
Louisiana	16.00	Nevada	13.00	New Jersey	8.00
North Carolina	15.75	North Dakota	13.00[d]	New York	8.00
West Virginia	15.35	South Carolina	13.00	Wyoming	8.00
Kentucky	15.00	South Dakota	13.00	Georgia	7.50
MICHIGAN	15.00	Vermont	13.00	Missouri	7.00[h]
Rhode Island	15.00	Ohio	12.00		

SOURCE: State Policy Reports (Alexandria, Va.: January 1987).

[a]Rate is now 20 cents.

[b]Rate is 19 cents as of April 1, 1987.

[c]Rate is 19.5 cents as of June 1, 1987.

[d]Rate is 17 cents as of July 1, 1987.

[e]Rate is 14 cents as of July 1, 1987.

[f]Rate is now 16 cents.

[g]Will be phased up to 18 cents as of January 1, 1989.

[h]Rate is 11 cents as of June 1, 1987.