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April 14, 2021

Honorable Matt Hall, Chair
House Tax Policy Committee
997 House Office Building
Lansing, MI 48933

Greetings Rep. Hall and Members of the House Tax Policy Committee:

Re: Support for HB 4002 of 2021 on the House Tax Policy Committee Agenda for April 14, 2021

The Michigan State Employee Retirees Association is a non-profit organization devoted exclusively to issues and concerns of all current and future retirees of the State of Michigan. We have 22 chapters statewide with a paid membership of approximately 6,000 and far wider readership and participation in services and events we sponsor.

Three surprise tax changes passed in 2011 effective for Tax Year 2012 severely affected the income and peace of mind for Michigan seniors, most of whom are on relatively fixed or low-growth incomes from their Social Security, pensions and other retirement income:

1. the income tax exemption for pensions and other retirement investment income for those born after 1945 was eliminated or reduced, setting up a three-tiered age-based system;
2. the senior personal income tax exemption of $2,300 for those 65 or over was eliminated;
3. the Homestead Property Tax Credit was changed to reduce the number of seniors eligible for it because of the new income and home valuation limits.

As a result of these changes, seniors and pensioners were estimated by the Fiscal Agencies to have paid $528 million more in state taxes for Tax Year 2012 alone. Taxable pensioners and seniors were estimated to have contributed 36% of the increased taxes on individuals yet seniors are only 13% of Michigan's population. So from our perspective, retirees and seniors were inordinately targeted in the 2011 tax overhaul and deserve some relief.

We know that Michigan's taxation of pensions and retirement income is a big factor in retirees' decision whether to stay in Michigan or flee to a more tax-friendly state. Reducing or eliminating what is commonly called the "pension tax" would provide an incentive for retirees to stay here to support our economy with their Medicare and health care expenditures, Social Security payments, pensions, and private savings spending. According to the National Institute on Retirement Security fact sheet for Michigan, each dollar paid out in pension benefits supported $1.48 in total economic activity in Michigan. Further, expenditures stemming from state and local public pensions alone in 2018 supported 81,593 jobs that paid $4.2 billion in wages and salaries, $13.2 billion in total economic output, and $2.1 billion in federal, state, and local tax revenues.

So it is with some pleasure that the Michigan State Employee Retirees Association submits this testimony in **support of HB 4002 of 2021** that would effectively sunset the birth-year, age-tiered system for determining income tax liability. If the bill is enacted, after December 31, 2021, all taxpayers regardless of birth year would receive the income tax exemptions for retirement income currently permitted for those born prior to 1946.

Sincerely,

Bob Kopasz, Chair
Michigan State Employee Retirees Association Coordinating Council