

The Revenue Impact of Corporate Tax Incentives

The Governmental Accounting Standards Board (GASB) is the professional organization that establishes standards of accounting and financial reporting for state and local governments. In 2015, GASB added "[Statement No. 77 on Tax Abatement Disclosures](#)" to its Generally Accepted Accounting Principles (GAAP). GASB 77 requires most state and local governments (including school districts) to report tax abatement programs (if they have such a program/s) in their annual comprehensive financial reports (ACFRs), specifying the **amount of revenue reduced or foregone** as a result of such tax abatement programs. This new rule, GASB 77, allows the public to see how much money for public services is lost to tax breaks given to corporations. This fact sheet summarizes that foregone revenue for the five most populous cities, counties, and school districts (where available) and the state itself in Michigan.

Between fiscal years 2017 and 2021, Michigan's five largest cities, counties, and school districts **lost nearly \$3.9 billion** due to economic development tax breaks — far more than the State of Michigan spent on public safety in 2021 alone (\$2.2 billion). The tables below represent **only** the five most populous cities, counties, and school districts. The actual statewide total is presumably much higher.

Foregone Tax Revenue, Five Most Populous School Districts in Michigan

	2017	2018	2019	2020	2021
Detroit Public Schools Community District	\$28,635,612	\$25,600,000	\$19,300,000	\$24,600,000	\$24,700,000
Utica Community Schools	\$216,000	\$209,000	\$222,000	\$266,000	\$283,020
Dearborn City School District	\$937,549	\$344,652	\$344,652	(\$780,859)	\$689,443
Ann Arbor Public Schools	\$100,000	\$151,600	\$33,000	\$47,000	\$64,000
Plymouth-Canton Community Schools	\$210,000	\$200,000	\$125,000	\$1,292,000	\$1,282,000
Annual Total	\$30,099,161	\$26,505,252	\$20,024,652	\$25,424,141	\$27,018,463

Selected School Districts Five-Year Total: \$129,071,669

Source: Annual Comprehensive Financial Reports for the reported jurisdictions.

Foregone Tax Revenue, Five Most Populous Cities and Counties in Michigan					
	2017	2018	2019	2020	2021
City of Detroit	\$35,966,327	\$38,744,282	\$20,589,824	\$39,145,955	\$38,794,809
City of Grand Rapids	\$2,251,014	\$2,469,500	\$2,766,607	\$3,307,056	\$3,624,492
City of Warren	\$4,195,431	\$3,295,502	\$3,295,502	\$2,570,276	\$2,519,472
City of Sterling Heights	\$1,521,782	\$1,386,118	\$813,377	\$752,983	\$730,955
City of Ann Arbor	\$518,558	\$309,238	\$571,152	\$1,034,971	\$1,448,142
Wayne County	\$28,600,000	\$31,400,000	\$18,500,000	\$17,900,000	\$21,000,000
Oakland County	\$2,312,182	\$2,223,872	\$2,187,884	\$2,334,067	\$2,703,582
Macomb County	\$803,259	\$800,087	\$851,173	\$901,519	\$979,792
Kent County	\$991,114	\$895,902	\$1,868,590	\$2,599,799	\$3,711,099
Genesee County	\$475,680	\$561,265	\$667,766	\$786,427	\$913,194
State of Michigan	\$752,792,098	\$813,600,000	\$646,900,000	\$652,900,000	\$518,800,000
Annual Total	\$830,427,445	\$895,685,766	\$699,011,875	\$724,233,053	\$595,225,537
Selected Cities, Counties, and State Five-Year Total: \$3,744,583,676					
Selected School Districts, Cities, Counties, and State 5-Year Total Forgone Revenue: \$3,873,655,345					

Source: Annual Comprehensive Financial Reports for the reported jurisdictions.

Many of these losses are due to state economic development programs. Specifically, the Brownfield Tax Increment Financing program, which rebates state and local property taxes to developers; the Industrial Facilities Tax Exemption (IFT) program, which abates property taxes for industrial and high technology developments, expansions, and rehabilitation efforts; and the Payment in Lieu of Taxes (PILOT) program which also lower companies' property tax obligations.

While local governments in Michigan have excellent GASB 77 reporting, many of the state's major subsidies are structured as grants or refunds. That is, they may not technically be tax expenditures and thus not captured by GASB 77: Michigan Economic Growth Authority (MEGA) tax credits among them. Though the state reimburses school districts for some lost revenue, many districts still report net foregone revenue.

Key findings:

- **From 2017 to 2021, the Plymouth-Canton Community School District's revenue losses grew proportionately the most, ballooning 510%** — from \$210,000 to \$1,282,000. All of these losses were passive losses – industrial facilities tax exemptions and brownfield redevelopment agreements entered into by cities, villages, and townships.
- **Revenue losses for Kent County increased by 274%** due to PILOTs, brownfield redevelopment, and IFT agreements.
- **From 2017 to 2021, the City of Ann Arbor lost over \$108 million** (with a five-year increase of 179%), largely due to brownfield redevelopment agreements and some IFT agreements.

- During this period **more than half of the State of Michigan's losses (\$2.6 billion) came from the (now expired) MEGA Employment Credit Program** which provided refundable tax credits to businesses in the state. Though the program ended in 2011, the state continues to lose an average of \$522 million a year due to this program.

Again: these findings are only from 15 Michigan cities, counties, school districts, and the state. The state has 275 municipalities, 83 counties, and 539 school districts.

For more information about these abatements, see taxbreaktracker.goodjobsfirst.org.

For company-specific information, see subsidytracker.goodjobsfirst.org.