



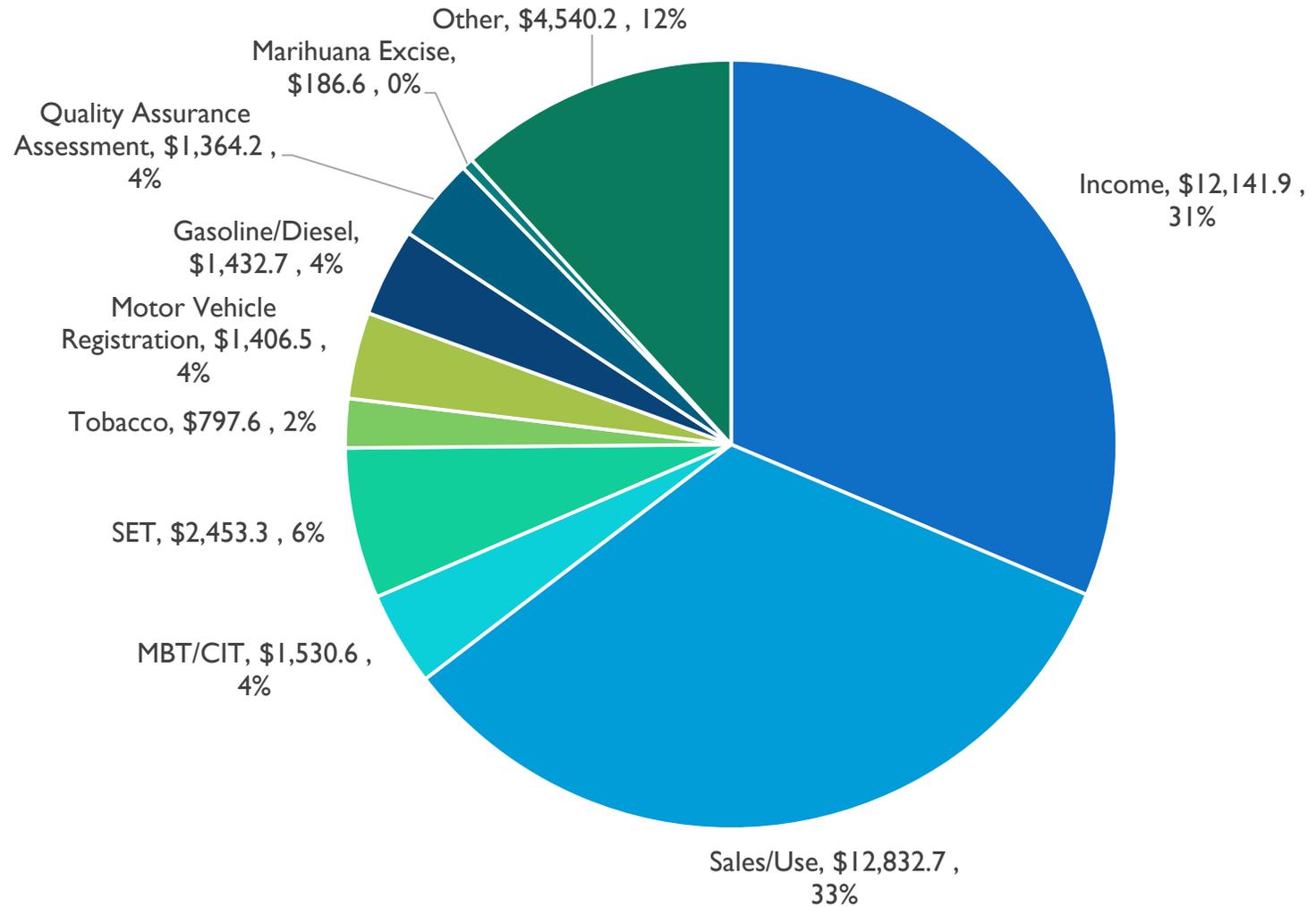
House Appropriations Subcommittee on General Government

March 5, 2024

- Administering and collecting more than \$30 billion in taxes and fees.
- Processing approximately 9.7 million tax returns per year.
- State and local tax policy.
- Economic and revenue forecasting.
- Overseeing a broadly diversified portfolio of State of Michigan investments that total nearly \$155 billion.
- Local government and school financial health.
- Higher education student financial assistance and savings plans.
- Managing the State's balance sheet.
- Managing the State's relationship with Wall Street and the rating agencies.
- Managing unclaimed property on behalf of Michigan's Citizens, returning more than \$138 million last year.



Taxes Paid to State Government (in millions)



OUR VISION

Exceptional financial services for a better Michigan.

OUR MISSION

The Department of Treasury provides fair and efficient financial services on behalf of taxpayers, governments, students, and all Michiganders for the long-term fiscal health and stability of our state.

OUR VALUES

Integrity, Inclusion & Diversity, Innovation, Public Service

EMPLOYEE ENGAGEMENT

Commitment to an inclusive environment that values diverse perspectives and cultivates employee recruitment, retention, development, and leadership.

CULTURE OF SERVICE

Provide complete, accurate, and timely services to all internal and external customers in a professional manner.

CONTINUOUS IMPROVEMENT

Commitment to proactive and innovative employee-driven solutions in our daily operations and in strategic financial leadership.

Continuous Improvement Our Success

TAX ADMINISTRATION SERVICES

Individual Income Tax (IIT) Returns Backlog	IIT Correspondence (within 60 days)	IIT Call Center Wait Times (minutes)	Sales, Use and Withholding (SUW) Returns Backlog	SUW Correspondence (within 60 days)	SUW Call Center Wait Times (minutes)
0 Down from 350 in 2019	84% Up from 81% in 2022	3.19 Up from 2:34 minutes in 2022	0 Down from 110,000 in 2018	92% Up from 91% in 2022	3.49 Down from 4.08 minutes in 2022

TAX COMPLIANCE

Processing Inventory < 90 days	Audits in Progress (days)	Voluntary Disclosure (days to close)
97% Up from 86% in 2022	148 Down from 157 days in 2022	234 Down from 312 days in 2022

TAX POLICY/HEARINGS

Informal Tax Hearings (average months per hearing)	Revenue Administrative Bulletins (RABs) (total per fiscal year)
3.7 Down from 4.9 months in 2022	10 Same as 2022

UNCLAIMED PROPERTY

Paying Rightful Owners (in millions)
\$138.5 Up from \$136.9 in 2022

COLLECTIONS

One Call Resolution	Customer Satisfaction (on a 5.0 scale)	Number of Taxpayers Served by Call Centers and Field Staff
98% Up from 90% in 2022	4.8 On customer satisfaction surveys.	233,183 Down from 340,492 in 2022

INVESTMENTS

Total Assets Under Management (in billions)
\$155.6 Up from \$143.9 billion in December 2022

POSTSECONDARY FINANCIAL SERVICES

Students, borrowers, & families served	Aversion Assistance provided (borrowers)
650,034	39,385 resulting in \$133 million in student loans moved to good standing.

LOCAL GOVERNMENT

Attendance at Outreach Events for Local Governments and Schools
11,907 Down from 14,454 in 2022.

@MiTreasury
CONNECTED
social media impressions/reach


6,846,816
Treasury and MET


3,445,748
and **577,722** on Instagram
MET/MESPI/Fostering Futures


103,432

Continuous Improvement

2023

Accomplishments

- Enhanced customer service for Sales, Use, and Withholding taxpayers, reducing service requests by 75% and reducing the volume of taxpayer letters by improving and better documenting processes across staff and enhancing training efforts to standardize when to initiate and how to execute and note service requests
- Continued our commitment to recruiting, developing, engaging, and retaining an inclusive and diverse workforce with intensified efforts this year.
- Provided \$140 million in low-cost state aid notes to benefit students in the state.
- Developed a Vscan process that allows Treasury staff to electronically send taxpayer work to be imaged. This supports the Treasury Paperless Initiative and will reduce paper storage, paper travel, manual processing, and overall improved customer service.
- Executed a continuous improvement initiative on the individual income tax Interactive Voice Response (IVR) system, enhancing customer service and streamlining user experience by utilizing process mapping and identifying barriers for both Treasury staff and external customers

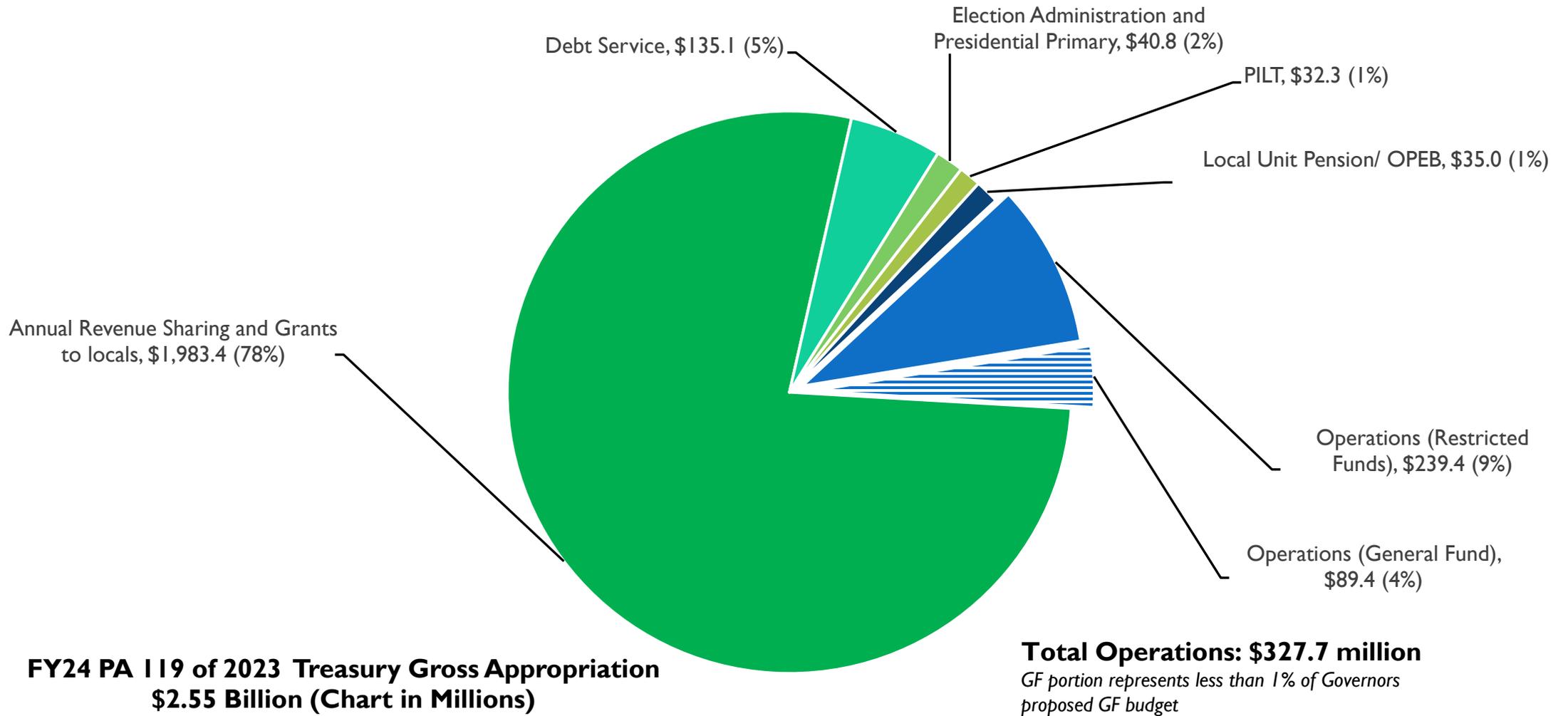
Continuous Improvement

2024-2025 Projects

- Create an efficient procedure for the recently enacted Heavy Equipment Tax.
- Establish clear procedures and schedules for department-wide data retention. This project will employ change management to foster sustainable practices.
- Begin the replacement of the legacy system for Individual Income Tax (IIT) and City Tax (Detroit) with Michigan Modernized Income Tax System (Mi-MITS). This modern solution will provide enhanced security, stability, and predictability that will benefit the Department and its taxpayer customers.
- Implement department-wide onboarding program with process improvements to facilitate developing, engaging, and retaining an inclusive and diverse workforce.
- Consolidate MARCS, STAR, and GAL systems into a unified SAP platform, enhancing Treasury processes through the MiTreas Modernization Project. The project emphasizes governance, training, and organizational change management to ensure successful implementation.
- Enable electronic payments for taxpayers filing Fiduciary and Corporate Income Tax/City returns, enhancing convenience and efficiency. Implementing e-payment capabilities will increase taxpayer participation, improve customer service, and facilitate program enhancements.

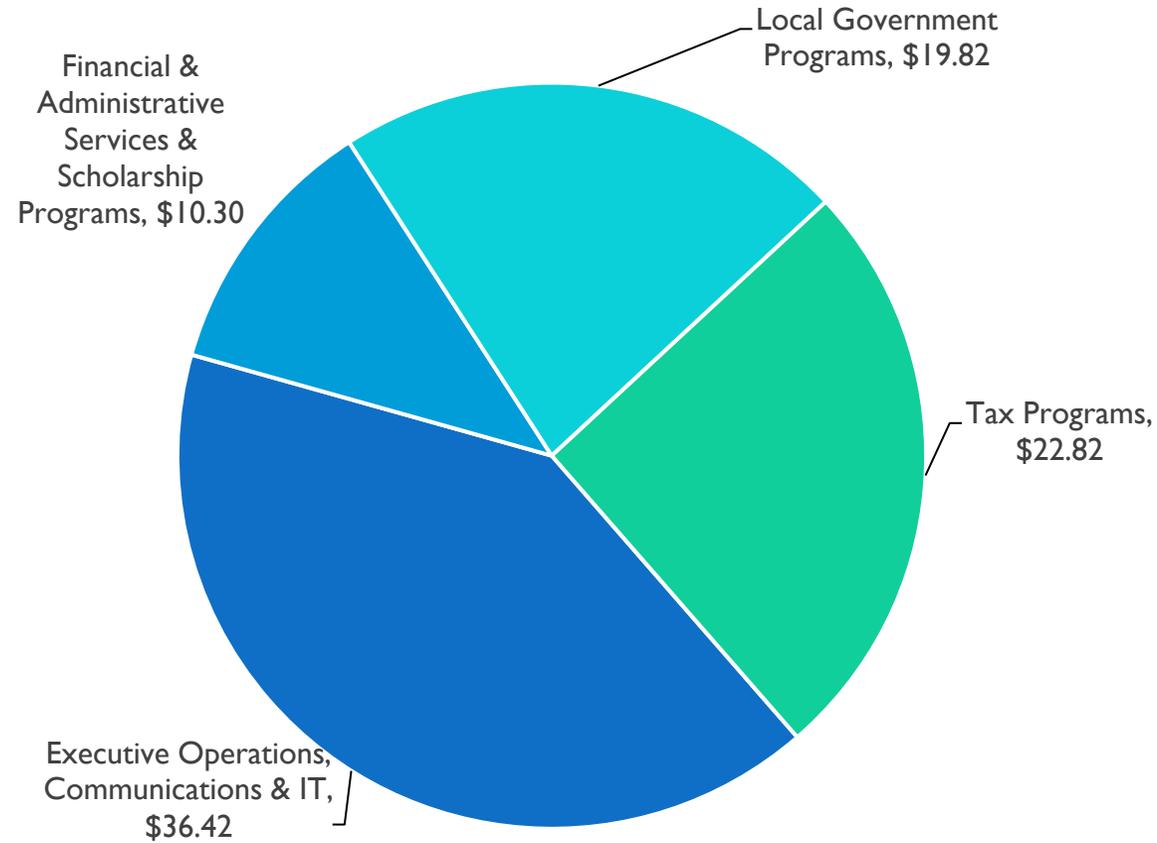
Fiscal Year 2024 Budget Summary and Key Issues

Majority of Treasury's budget is distributed to local units or dedicated to payments



Treasury General Fund Operations Summary (in millions)

Treasury Programs General Fund Total = \$89.4

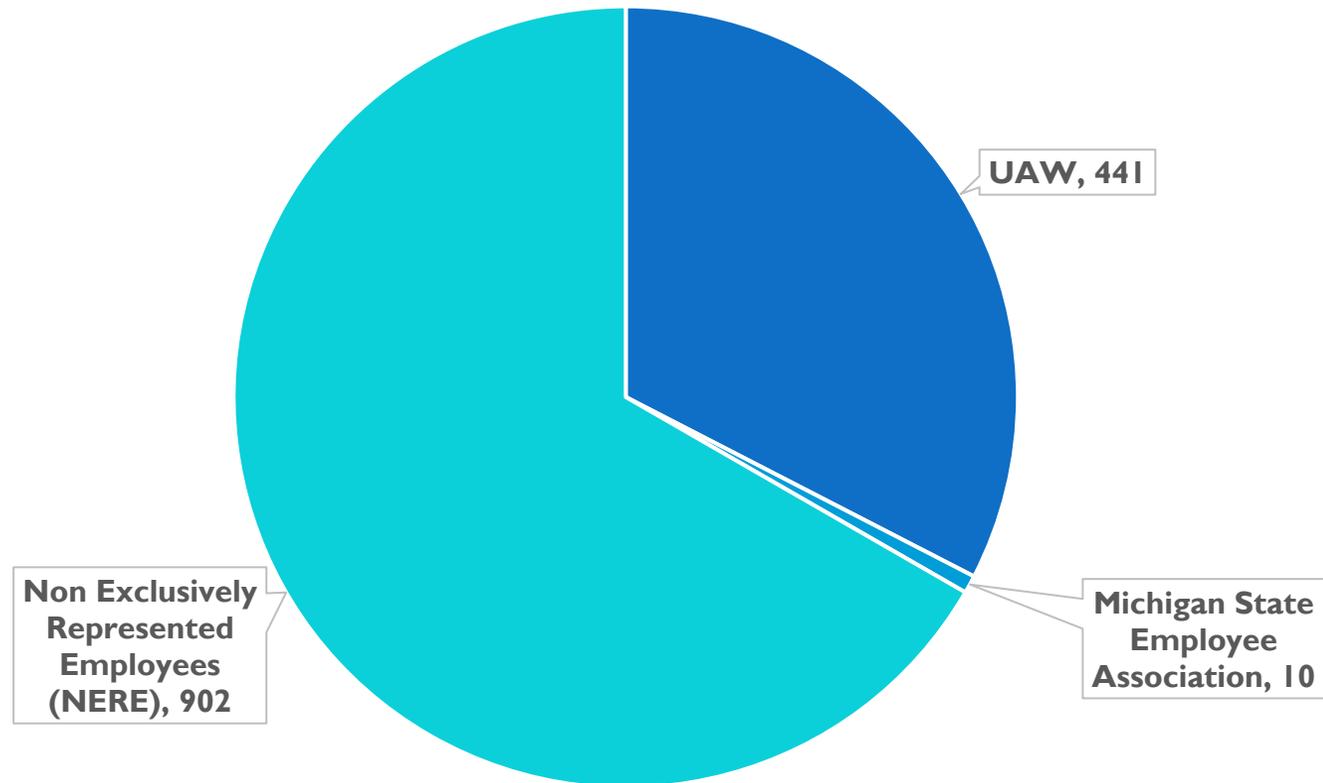


Treasury Workforce Snapshot

Treasury employees are the keys to our ongoing success!

Treasury classified staff is represented as shown below:

Employee Representation



Municipal Pension and OPEB Grant Programs

Treasury successfully distributed \$553.8 million in grants to 123 Michigan local units to pay down long-term pension liabilities.

- Average award was about \$4.5 million

Award amounts were distributed consistent with the program guidelines and included recipients from across the state. Examples are on the next slide; the full list of recipients is available on our website.

FY24 appropriation of \$35 million to provide additional assistance toward retirement liabilities

- Targeted at communities with highest burden of annual contribution to retirement systems

Municipal Pension Grant Program recipient highlights*

Community	County	Grant Award
Baraga	Baraga	\$ 770,791
Battle Creek	Calhoun	\$ 5,116,280
Davison	Genesee	\$ 1,317,394
East Grand Rapids	Kent	\$ 1,965,047
Hamtramck	Wayne	\$ 16,737,119
Kalkaska	Kalkaska	\$ 894,031
Keego Harbor	Oakland	\$ 694,328
Midland	Midland	\$ 8,283,181
Muskegon Heights	Muskegon	\$ 1,129,217
Norway	Dickinson	\$ 3,732,854
Sault Ste Marie	Chippewa	\$ 2,636,455
Romulus	Wayne	\$ 8,487,170
Saugatuck Township	Allegan	\$ 52,653
Tuscola County Road Commission	Tuscola	\$ 377,218

*Full list of recipients is available at [Michigan.gov/Treasury](https://www.michigan.gov/Treasury)

Fiscal Year 2025 Proposed Changes

Increased staff in tax processing areas to improve customer service

- \$800,000 (Delinquent Tax restricted fund) and 7 FTE to augment services and improve processing times in tax discovery area.
- This area supports identity verification in situations where a taxpayer's return can't be verified through standard return processing.
- We are working to process these situations more quickly to better serve taxpayers.
- New staff will assist in processing returns that require correspondence to verify. This will aid in meeting goal of processing 95% of returns that require correspondence within 60 days.

Support for marketing and outreach to grow MIABLE Program (one-time)

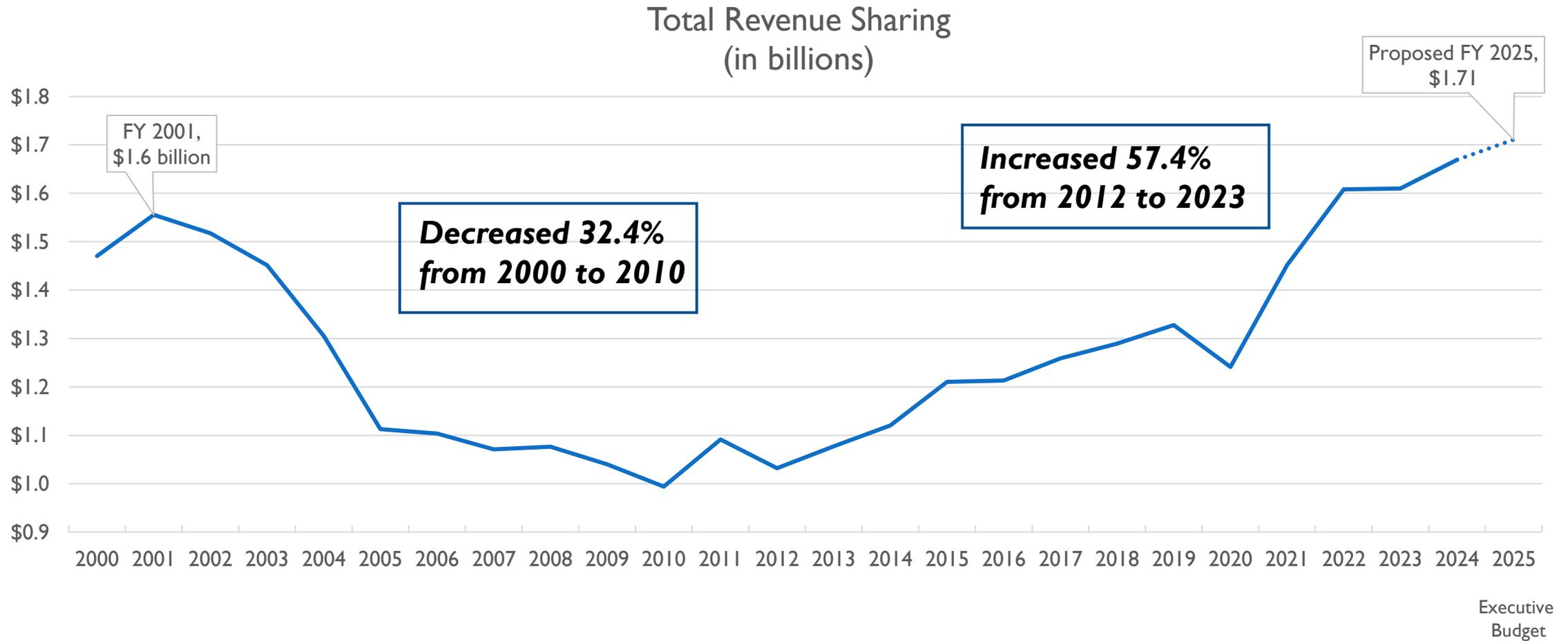
- One-time request of \$3 million to educate more of Michigan's eligible population to take advantage of this valuable program.
- The federal government enacted the Achieving a Better Life Experience (ABLE) Act in 2014, allowing states to create a tax advantaged 529 savings program to allow individuals with disabilities and their families to better save to meet their needs.
- Currently a person needs to have acquired their disability prior to age 26 in order to be eligible; federal guidelines will increase that age to 46 beginning in 2026.
- This will grow the eligible population in Michigan from 400,000 to between 900,000 to 1 million.
 - This would include an estimated 115,000 to 150,000 veterans with a service-connected disability.

Additional operating changes highlights

- \$517,000- Restricted Fund (4 FTE) for unclaimed property to return additional funding to rightful owners.
 - Unclaimed property claims have increased by 400% since 2018, staff will work additional claims to process claims more quickly.
- \$261,700- Restricted Fund (2 FTE) Marihuana Attestation form changes.
 - Cannabis Regulatory Agency (CRA) requires Treasury to certify that an applicant is not delinquent in any taxes.
 - This requires substantial research across approximately 600 requests each month.
- \$420,000- GF for IT Licensing, server and hosting costs.
- Reduction of \$8.9 million and 33 FTE to reflect staff and responsibilities transferred to new MiLEAP department.
 - \$5.9 million Student Financial Assistance line
 - \$3 million from Dual Enrollment line

Fiscal Year 2025 Revenue Sharing Changes

State Funding for Local Government Exceeds 2001 Levels in nominal dollars



FY25 Revenue Sharing Highlights

- Constitutional Revenue Sharing projected to be \$1.1 billion.
- City, Village, and Township Revenue Sharing (CVTRS) - recommended at \$322.8 million:
 - 5% ongoing increase
 - 3% one-time fiscal recovery fund (FRF) obligation incentive
 - 2% one-time public safety
- County Revenue Sharing recommended at \$281.8 million:
 - 5% ongoing increase
 - 3% one-time FRF obligation incentive
 - 2% one-time public safety
- Financially Distressed Cities, Villages, or Townships (FDCVT) program maintained at \$2.5 million.



Appendix:

Proposed policy changes and other information

Pending FY24 Supplemental Requests

- \$750,000 to cover costs of special elections in Warren and Westland for the 14th and 25th House districts, respectively.
- \$641,200 to cover costs for portion of lump sum payments approved by the Civil Service Commission last month.
- Spending authorization for reimbursements related to increased Small Business Taxpayer Exemption.

Additional changes in pass through payments highlights

- \$4.9 million **decrease** in debt service payments.
- \$24 million increase in anticipated payments for recreational marijuana grants.
- \$2.9 million increase in PILT payments.

New Secure Retirement Program

\$3 million (one-time)

- We know about 42% of Michigan's private-sector workers were employed by businesses that do not offer retirement plans.
- Proposal would allow Treasury to create a new optional state-managed retirement plan marketplace for small businesses with less than 100 employees.
- There are more than 275,000 eligible small businesses with more than 800,000 workers.
- The plan would allow Treasury to work to secure a vendor to manage plans; long-term this would be supported by fees associated with plan management.

\$25 Million to support new MI Vehicle Rebate Program

- The program will be available to Michigan residents to incentive purchase of new vehicles on a first-come, first serve basis.
- Program is designed to have dealers provide rebates at point of sale, who would then be reimbursed by Treasury from the proposed appropriation.

Vehicle/ Facility Type	Rebate Amount
Electric/ union made	\$2,500
Electric/ Non-union made	\$2,000
Non-electric/ union made	\$1,500
Non-electric/ non-union made	\$1,000

New Tax Credit Proposals

- Research and Development Tax Credit- budgeted at \$100 million
 - Continue to work with legislative partners to implement this policy
 - Critical to promote investment and support our broader economic development goals
- Caregivers Tax Credit: Budget at \$37.5 million
 - Credit will provide up to \$5,000 credit based off of qualified expenses for people providing care to loved ones
- We look forward to working with our legislative partners to craft these policy goals.



www.michigan.gov/treasury

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**Thank
you!**