

# Decline to Sign: Don't be Misled by the "Tax the Rich" Proposal

A new proposal by Invest in MI Kids claims to tax the rich to pay for schools, but it is not what it seems. If approved, it would place a new graduated income tax in the constitution - and more than 77% of those who would pay it are small businesses. The proposal, and especially the petition summary language, also misleads voters about where the money goes. Here are the key points you need to know...

## **SURCHARGE = TAX HIKE:**

The proposal calls it "surcharge," but what it truly means is a permanent constitutional amendment to replace our flat income tax with a graduated income tax, which is a **TAX HIKE**.

- Current system: 4.25% flat tax
- Proposed system: 9.25% tax bracket for those earning \$500,000 as a single filer or \$1,000,000 as joint filers, including on small businesses who pay at the individual level.

## **THIS IS A TAX ON SMALL BUSINESS – NOT BILLIONAIRES**

Despite the rhetoric, this tax hits the heroes of our economy – **SMALL BUSINESSES!**

- IRS data shows us that at least 77% of those targeted by this tax are small business owners because most small businesses are pass through entities. This means the business income appears on the tax return of the small business owner. Most small businesses are taxed at the individual level (S-Corps, LLCs, Sole Proprietors, Partnerships).

## **PUTS MICHIGAN AMONG THE HIGHEST-TAX STATES IN THE NATION**

If passed, Michigan's graduated income tax would soar to #7 highest in the country at **9.25%**! Compared to Michigan's Neighbors:

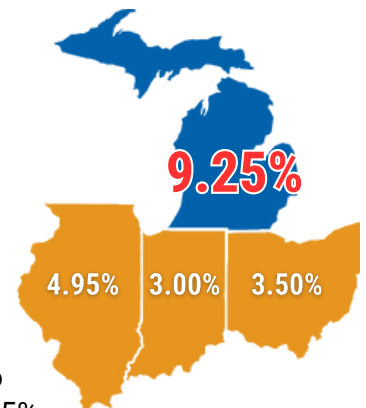
Illinois – 4.95%      Indiana – 3.00%      Ohio – 3.50%

Michigan would be telling its small businesses – if you want to grow, leave.

**It taxes thousands of Small Businesses at a higher rate than large Corporations.**

Under this proposal, IRS data shows that at least 14,000 small businesses would be subject to the new graduated income tax rate of 9.25%. That is 77% of all of those who would pay the 7th highest rate in the United States instead of the current flat tax of 4.25%

In Michigan, large Corporations pay 6%.



## **MORE POWER FOR POLITICIANS**

The wording on the petition claims it will raise \$1.7 billion for classrooms by using terms in the proposal like "for career and technical education, smaller class sizes, etc.", but that language is extremely misleading when you read the actual words they intend to put in the constitution.

- The legislature appropriates these funds and decides where the allocation is directed.
- There are ZERO guarantees that politicians will choose to put the money where the proposal suggests.
- Regardless of how much this proposal claims to raise for schools, voters can be assured that if Michigan decides to harm small businesses it will harm our economy – fewer jobs and less income and benefits for workers, which will harm everyone, including schools.

***While Michigan's schools need improvements, throwing money at the problem is not the answer and certainly NOT on the backs of our economic engine – small businesses.***

Scan the QR code to learn more about this misleading petition, which raises taxes, hurts job creators, and rewrites our state's constitution without any education reform.

**Educate your networks and: DECLINE TO SIGN...SAVE SMALL BUSINESS!**

