December 11, 2012

We represent the leaderships of the Replace Don’t Erase Coalition, which includes cities, counties, libraries and public schools across Michigan. For the past two years, we have worked earnestly and in good faith with legislators and the administration on ways to reform personal property tax (PPT) in Michigan. Our consistent position has been, and continues to be:

- The PPT is as difficult for local communities to administer as it is for Michigan businesses to pay and should be reformed.
- Should the Legislature and Governor decide to cut the PPT and take away locally generated, locally collected revenues that are spent on local services, the revenues must be fully replaced with a certain and stable funding source.

We have negotiated in good faith with Lt. Gov. Brian Calley and the Legislature, and some progress has been made. We are grateful that the leadership, including the Lieutenant Governor, has considered our position of finding a way to provide a reliable revenue source for the replacement funds, but the current plan does not provide protection from future legislatures raiding the funds during budget shortfalls. We are willing to work on the proposal before us, but in the short Lame Duck time frame, we are concerned about not having adequate time to address some of the following critical issues:

- That over 80 cities and 26 counties will not be eligible for any reimbursement from the state.
- The proposed bureaucratic process that will be used to reimburse locals will put millions of dollars in the hands of an unelected and unaccountable authority.
- Whether the proposal truly replaces all PPT funds used by school districts to pay bonded indebtedness, and more.
- The potential for local property tax increases being triggered in literally hundreds of school districts across Michigan.
- The replacement revenue is dependent upon a statewide vote that may not pass.
- The essential services assessment for police and fire is subject to local referendum and may be repealed.
- The proposal indicates it will reimburse all non-public safety loss at 80 percent, but a 20-percent cut is devastating to many local services including special education, career technical programs, parks, infrastructure and street maintenance and repair and libraries.
In short, full replacement is simply not provided for under the most recent PPT proposal. And the PPT bills passed by the Senate (1065-1072) are even more detrimental to local communities, local schools and local taxpayers.

Again, we do not oppose eliminating the personal property tax, but we do not have time to assess the impact of the current proposal and ensure that local communities, schools and libraries are protected. Simply, if the business tax cut is guaranteed in the bills (which it is), and it is to be paid for with local tax revenues that will be taken by the Legislature, then the revenues must also be fully replaced and guaranteed by the Legislature. As The Detroit News, Detroit Free Press, Kalamazoo Gazette, Lansing State Journal, Petoskey News Review and other editorial pages have warned, it’s important not to rush this critical tax policy change in the waning days of lame duck session.

Michigan Association of Counties
Michigan Municipal League
Michigan Association of School Boards
Michigan Association of Intermediate School Districts
Michigan Libraries Association
Michigan Association of School Administrators