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Contact: Andy Schor
517-908-0300

‘Pop Up’ Property Tax Changes Threaten Public Safety, Puts Vital Local Services at Risk

The League Urges Swift Rejection by the Legislature

LANSING, Mich. — Plans to pass legislation to delay or change the so-called “pop up” tax resulting from home sales would lead to cuts to police and fire protection and other essential local services provided by Michigan communities, the Michigan Municipal League said today.

The League urged the Legislature to find ways to assist homeowners without affecting the services that they count on in their communities. This means rejecting changes unless corresponding legislation is passed to allow municipalities to fund essential local services.

“These revenues, while some may describe them as minimal, are what many communities count on to keep their heads above water when trying to maintain and improve the quality of life for their citizens,” League Executive Director Daniel Gilmartin said. “This money is used to ensure our streets are safe, our water is clean and that our potholes get repaired. If the Legislature passes changes to the pop-up, they would have to propose a way to restore the lost funding or send the message that they don’t care about the safety of their constituents.”

Changing the “pop-up” jeopardizes funding to communities not at their Headlee cap (approximately half of the 533 cities and villages), which is used to finance such programs as public safety, water and sewage treatment, sanitation and local road maintenance, said Gilmartin. He added that for the rest of the communities (those already at their Headlee cap), the current residents will have their taxes increased to make up for the lost tax dollars that new residents will not be paying.

“Communities not at their Headlee cap will have less money for services. Communities at their Headlee cap will have increases in taxes for current homeowners in order to subsidize new homeowners. Either way, this will not be good for the homeowners in our communities,” Gilmartin said.

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Under Proposal A, homeowners in Michigan were guaranteed their property taxes wouldn't increase. However, when a house is sold, the property taxes "pop-up" to the level they would have been (based on the accessed value of the home) if they'd been allowed to steadily increase all along. An 18-month moratorium would create an inequity between the taxes on existing homes and new homes, punishing current owners who would suffer from dramatically reduced city services due to the lower property taxes paid by new purchasers, Gilmartin said.

Changing the pop-up would add to the problems that local units of government face when trying to provide services expected from citizens. This reduction in funding, in addition to the more than $3 billion lost in revenue sharing since 2002, will make it even more difficult for communities to provide appropriate safe neighborhoods, parks, and other things that people expect when they move into a community. As an example, law enforcement officers have been reduced by more than 1,800 and fire fighters by 2,400 due to revenue sharing losses, noted Gilmartin.

Governor Granholm has called for increases in statutory revenue sharing of 4% for 2008-9, and that has been included in the initial House budgets. This new trend of ensuring services would be hampered by changing the pop-up without providing adequate funding alternatives.

Gilmartin said, "After years of flat funding and cuts to revenue sharing, the Governor and Legislature are now talking about partially restoring the dollars promised for local services through statutorily promised revenue sharing. Pop-up tax changes without alternatives would hamper these gains and hurt local budgets and those officials who have done all they can to provide services as efficiently and effectively as possible."

The Michigan Municipal League advocates on behalf of its member communities in Lansing, Washington D.C., and the courts; provides educational opportunities for elected and appointed municipal officials; and assists municipal leaders in administering services to their communities through League programs and services. For more information, visit [www.mml.org](http://www.mml.org).

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