

**RESOLUTION 2014-12**

**CITY OF LITCHFIELD**

**TO SUPPORT AUGUST PRIMARY BALLOT PROPOSAL #1 CREATING A LOCAL  
COMMUNITY STABILIZATION AUTHORITY TO REPLACE LOCAL REVENUE LOST  
RELATED TO PHASE-OUT OF PERSONAL PROPERTY TAX**

**WHEREAS**, Michigan business groups, community leaders and elected officials from both sides of the aisle are backing a plan to phase out personal property taxes on industrial machinery and commercial equipment – but they're still concerned that voters could reject Proposal 1 on the August primary ballot; and

**WHEREAS**, local governments in Michigan have struggled with unstable funding needed to provide services; and

**WHEREAS**, Michigan businesses have struggled with an uncompetitive tax on business; and

**WHEREAS**, small businesses and manufacturers power our economy and are the largest contributor to job growth in Michigan; and

**WHEREAS**, no other state in our region taxes business equipment the way Michigan does—and most of those states don't tax it at all, which makes Michigan significantly less competitive when it comes to job creation and business investment; and

**WHEREAS**, Michigan communities have struggled for years to pay for essential services like police, fire, ambulances, schools and jails; and

**WHEREAS**, Michigan communities have relied on this shrinking source of Personal Property Tax revenue to provide other community services as well, including roads, transportation and libraries; and

**WHEREAS**, with bipartisan support the Michigan Legislature has voted to reform the antiquated personal property tax to help increase Michigan's competitiveness with other states and remove an onerous tax that will allow more business investment and create more jobs while providing a stable revenue source for local communities; and

**WHEREAS**, this is not a constitutional amendment but the state constitution requires Michigan voters to approve certain changes in local taxes; and

**WHEREAS**, local governments have struggled with unstable funding needed to provide services and business have struggled with an uncompetitive tax on equipment for years; and

**WHEREAS**, Proposal 1 on the August 5, 2014 ballot, will make Michigan more competitive, which will help local communities to attract more businesses and talent and create local jobs; and

**WHEREAS**, Proposal 1 is supported by the Michigan Municipal League, the Michigan Townships Association, Michigan Association of Chiefs of Police, Michigan Association of Police Organizations, Michigan Community College Association, Michigan Farm Bureau, the Small Business Association of Michigan, Michigan Sheriffs Association, Michigan Chamber of Commerce, National Association of Independent Businesses and the Michigan Manufacturers Association, among others; and

**WHEREAS**, the Michigan Election Commission, on May 22, 2014, approved Proposal #1 to appear on the August 5th Primary Ballot, which reads as follows:

**“APPROVAL OR DISAPPROVAL OF AMENDATORY ACT TO REDUCE STATE USE TAX AND REPLACE WITH A LOCAL COMMUNITY STABILIZATION SHARE TO MODERNIZE THE TAX SYSTEM TO HELP SMALL BUSINESSES GROW AND CREATE JOBS**

***The amendatory act adopted by the Legislature would:***

- 1. Reduce the state use tax and replace with a local community stabilization share of the tax for the purpose of modernizing the tax system to help small businesses grow and create jobs in Michigan.***
- 2. Require Local Community Stabilization Authority to provide revenue to local governments dedicated for local purposes, including police safety, fire protection, and ambulance emergency services.***
- 3. Increase portion of state use tax dedicated for aid to local school districts.***
- 4. Prohibit Authority from increasing taxes.***
- 5. Prohibit total use tax rate from exceeding existing constitutional 6% limitation.***

***Should this law be approved?***

***[ ] YES [ ] NO”***

; and

**WHEREAS**, the measure, upon voter approval, would reorganize the state use tax into a state share tax and local community stabilization share tax. The two share taxes would be levied on the use, storage and consumption of “tangible personal property” used for business purposes at no more than a total combined rate of 6%. The measure would create a community stabilization share from share tax revenue and distribute revenue to school districts and local governments for certain purposes, such as fire protection, police officers, and ambulances services.

The local community stabilization share tax rate would be determined annually the Michigan Department of Treasury. The department would calculate the rate based on revenue targets. The following are the revenue targets laid out by Proposal 1:

<u>Fiscal Year</u>	<u>Revenue Target</u>	<u>Fiscal Year</u>	<u>Revenue Target</u>
2016	\$96,100,000	2023	\$548,000,000
2017	\$380,600,000	2024	\$561,700,000
2018	\$410,500,000	2025	\$569,800,000
2019	\$437,700,000	2026	\$571,400,000
2020	\$465,900,000	2027	\$572,200,000
2021	\$491,500,000	2028	\$572,600,000
2022	\$521,300,000	2029 and after	1% growth from prior year

Since the local community stabilization share tax and state share tax cannot exceed a combined rate of 6%, the state share tax would follow a simple formula:

State share tax rate = 6% - local community stabilization share tax rate; and

**WHEREAS**, Proposal 1 would also activate a number of bills related to phasing out the personal property tax by 2024; and

**WHEREAS**, it is anticipated that there won't be any organized opposition to Proposal 1, nevertheless there is a decent chance the proposal may lose anyway, because of the complexity of the issue and people's tendency to vote 'no' if they don't understand something; also because it's seen as a tax break for business and there's just a constituency that won't support that no matter what, even though it's not a tax increase for anyone else; and

**WHEREAS**, on the contrary, this is a ballot initiative that will perform as advertised:

- It keeps in place the Legislature's repeal of the highly unpopular tax on personal property, which is unfair and puts Michigan at an economic disadvantage with neighboring states.
- It creates a stable, reliable funding system for Michigan communities to pay for police, fire and other services without further burdening citizens; and

**NOW THEREFORE BE IT RESOLVED**, the City of Litchfield City Council and Administration hereby expresses its strong support for Proposal 1 to eliminate the unfair

double tax and strengthen our communities. We urge our residents and taxpayers to vote YES on Proposal 1 on the August 5, 2014 ballot.

This resolution was passed at a Regular Meeting of the Litchfield City Council held the 15<sup>th</sup> day of July, 2014.

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Susan H. Ballinger, CMC  
City Clerk

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Edwin J. Smith  
Mayor