

Full story from Gongwer, Sept. 8, 2011

## **LOCALS: CONSTITUTIONALLY GUARANTEE P.P.T. REPLACEMENT**

If [Governor Rick Snyder](#) and the Legislature are going to repeal the personal property tax, then the replacement revenue should be constitutionally guaranteed, a wide array of groups representing local governments and schools said today.

The tax on business equipment, which raises \$1.2 billion, largely goes directly to municipalities and counties with some revenue also going to schools. The coalition of local government and school groups did not specify a replacement plan, but said the only way they could support repeal of the personal property tax would be to enshrine a replacement source of revenue in the Constitution.

"The only way to guarantee revenue is through a constitutional amendment or a Supreme Court decision that forces them to do something," said Deena Bosworth of the Michigan Association of Counties.

Officials representing those groups said the move need not mean raising taxes to replace the personal property tax. The state could instead earmark in the Constitution \$1.2 billion in existing revenue to make up the lost funds.

The coalition includes the counties, the Michigan Municipal League, Michigan Association of School Administrators, Michigan Association of School Boards, Michigan Association of Chiefs of Police, Michigan Library Association and Michigan Professional Fire Fighters Union.

Local officials also voiced concern with comments [Governor Rick Snyder](#) made in a recent interview with Gongwer News Service that it might make sense to end the personal property tax for those local governments that get smaller amounts of revenue from it while targeting replacement revenue to those more dependent on the levy (See [Gongwer Michigan Report, August 31, 2011](#)).

Summer Minnick of the Michigan Municipal League noted that the recent changes to statutory revenue sharing wiped out payments to communities receiving less than \$6,000. Ms. Minnick said that money is still important to ensuring services, especially in communities with small budgets, and officials worry about a series of such proposals like ending personal property taxation for them.

"We support communities getting full replacement for personal property tax elimination," she said. "For a community that has a very small budget that could end up being a very big deal in a very short amount of time."

Ms. Minnick also said one concept that has been discussed - ending the personal property tax only for newly acquired personal property - would quickly come into force. Within a few years, most existing personal property would depreciate to the point where it no longer would be taxed, she said.

A variety of local officials painted a dire picture of what would happen without the tax.

Sterling Heights Mayor Richard Notte said with four auto plants, Sterling Heights heavily relies on the tax.

"I don't know how we could maintain the level of services our residents and businesses are used to," he said if the tax is eliminated without replacement.

And Tom Mullaney, president of the Michigan Association of Counties, said the state has a bad track record on honoring funding agreements. And it is unrealistic to expect local governments to provide quality services if elimination of the personal property tax is stacked upon years of revenue sharing cuts.

"We're very happy to work with the state. If they want to carry out this, we will work with them," he said. "But what they have to know is we cannot continue to pay for items dictated by the state when there are not funds coming in."

Of the call to constitutionally guarantee the revenue, Snyder spokesperson Sara Wurfel said: "The plan is still very much (a) work in progress and under development so we don't have any absolute answers yet. We are strongly committed to providing replacement revenue to local governments to mitigate reform impacts. There is such variance across communities that adds to the complexity of this issue. We're concentrated on doing this the right way, in a thoughtful, deliberative fashion."

2010 personal property tax as a percent of total property tax revenue

Bronson: 28.4%

Bruce Township (Macomb): 14.62%

Cadillac: 16.68%

Carp Lake Township (Ontonagon): 30.12%

Clare: 38.27%

Constantine: 37.01%

Dearborn: 15.18%

Detroit: 16.64%

Ecorse: 45.81%

Flint: 10.93%

Fowlerville: 22.87%

Grand Rapids: 9.2%

Imlay City: 19.46%

Litchfield: 49.98%

Midland: 18.45%

River Rouge: 56.81%

Sheridan: 28.81%

Trenton: 24.2%

Wakefield Township (Gogebic): 53.54%

Warren: 15.25%

Winterfield Township (Clare): 61.97%

Source: Department of Treasury data  
compiled by Michigan Municipal League