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## **Personal Property Tax Replacement Funds Must Go to Local Services and Schools**

**LANSING, Mich.** — Scrapping the Personal Property Tax (PPT) without guaranteeing replacement funds for local services and schools would harm public school students, counties, libraries and police and fire protection across the state, a coalition of mayors and county and school officials warned today.

In addition, eliminating the PPT without guaranteeing replacement funds for local purposes would severely limit the ability of local governments and school districts to issue bonds for future capital projects and jeopardize their payments on existing debt, the Replace Don't Erase coalition cautioned at a news conference today. Because PPT revenues go to local governments and schools and may not be touched by the legislature and governor, the revenues are viewed as stable funding sources by banks that finance large municipal projects.

"Bottom line: the Personal Property Tax is one of the only stable sources of revenues left for local governments and our public schools, and if the Legislature and Gov. Snyder are going to eliminate it, they must replace it with revenues that are guaranteed to go to local public and school services and protected from raids by governors and legislatures," said Dan Gilmartin, executive director and CEO of the Michigan Municipal League.

Gilmartin continued: "We cannot create the types of communities where people want to live, work and play and create a prosperous future for the state if Lansing continues to raid funds that local citizens expect to fund essential local services. We need the replacement funds to be a stable source that goes to local services and schools only, not to Lansing."

The PPT is paid only by Michigan businesses and not by households or individual taxpayers. All PPT revenues go to Michigan local governments and public schools to pay for local police and fire protection, drinking water systems, roads and bridges, parks and libraries, classroom instruction, and other essential local services.

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The PPT is now one of the most stable sources of funding for local governments and makes up more than 50 percent of the taxable value of some Michigan communities. The PPT makes up about 11 percent of the taxable value of the average Michigan community.

In the past decade, local governments in Michigan have already seen revenue sharing cut by more than \$4 billion by the governor and legislature. Eliminating the PPT without replacing the revenues would “send some cities over the financial cliff,” Gilmartin said.

“The state's annual process of cutting revenue sharing is compromising core services and quality life in cities across the state. As a result, cities are more reliant on the Personal Property Tax now more than ever before,” said Sterling Heights Mayor Richard Notte. “Continued cuts will leave us with no way to pay for the local services citizens and businesses expect. We need the funds replaced with a guaranteed source for local services.”

Mark Docherty, president of the Michigan Professional Fire Fighters Union, said fire departments have been cut to the point where public safety is threatened by additional major reductions.

“Losing the revenue associated with the potential disappearance of Michigan’s Personal Property Tax would be devastating to local municipalities across our state – entities that have already been cut to the bone,” Docherty said. “Elimination of this tax means a massive loss of resources for cities, counties, and townships and their fire departments, which puts public safety at enormous risk. While we understand the need to revisit our state’s tax code, lawmakers must always work to ensure that dollars for critical services are maintained.”

Howell Police Chief George Basar, past president of the Michigan Association of Chiefs of Police, said police protection across Michigan has already been weakened by revenue sharing cuts of the past decade. Eliminating the PPT without replacing the funds for local services would do more harm.

“Police protection across Michigan has already been drastically impacted and seriously weakened by the repeated revenue sharing cuts of the past decade. Eliminating the PPT without a guaranteed method of replacing those funds for local services would be devastating to the ability of police departments across the state to provide for the safety of Michigan’s citizens and its local communities. Providing for the safety of its citizens is, and should be, the number one function of government,” Basar said.

Ingham County Intermediate School Board Superintendent Stan Kogut said Michigan schools cannot absorb additional cuts without drastic repercussions to the state’s children and future.

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“In addition to more than \$300 million in cuts to local schools, our most vulnerable students receiving special education services would lose an additional \$60 million. This will lead to drastic cuts in programs that are vital to the student population,” Kogut said.

Kogut said the impact would reach further than school programs and will result in tax increases on homeowners.

“Because of the design of school building millages, the elimination of the Personal Property Tax will result in a direct tax increase of at least \$95 million on homeowners in this state,” he said. “The public will not sit by and see their taxes raised again for the sake of another business tax cut.”

Alpena County Commissioner Tom Mullaney, who is also president of the Michigan Association of Counties, said the state must stop breaking promises on funding to counties.

“Before the Governor and Legislature talk about eliminating the personal property tax, we need to have a conversation about guaranteed revenue replacement. Counties have partnered with the state to provide vital services to Michigan residents, but the state continues to break their funding promises. They have not kept their word on revenue sharing payments, have consistently failed to provide adequate funding for public health, Medicaid, jail reimbursement and the courts. We are willing to accept a tax policy change, but counties need to be held harmless in the process. We look forward to working with the Governor and the Legislature on finding a solution that works for everyone,” he said.

At a time when need is higher than ever, many libraries would certainly close if the funds are not replaced and guaranteed for local services, said Gretchen Couraud, executive director of the Michigan Library Association.

“In a down economy, citizens are relying on their libraries more than ever for internet access, job hunting, resume writing, information, DVDs and community programming,” she said. “Every source of library funding has been cut in the last decade while citizen demand soars. Without the complete replacement of the personal property tax, these and other services are at serious risk of being eliminated.”

Christine Berro, director of the Portage District Library and past president of the Michigan Library Association, said full replacement is essential.

“Without guaranteed replacement of the personal property tax, local libraries will be forced to close, eliminate branches, reduce hours, or severely cut computer access and programming for children, teens, adults, senior citizens and business entrepreneurs. The personal property tax must be full replaced,” Berro said.

For more information visit [www.replacedonterase.com](http://www.replacedonterase.com) or [www.mml.org](http://www.mml.org).

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