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Proposal to Scrap Personal Property Tax Means More Cuts to Local Services, Higher Local Property Taxes

Plan Amounts to Legislature Raiding Local Funds for Local Services, Again

LANSING, Mich. — Local taxpayers across Michigan can brace for more cuts to police and fire protection, public schools and other essential services along with higher property taxes if the Governor and Legislature move forward with the personal property tax (PPT) “reform” proposal outlined today by top state elected officials.

Lt. Gov. Brian Calley and a state legislator described their plan to eliminate the PPT today to hundreds of mayors and other city, village and township leaders attending the Michigan Municipal League’s Capital Conference in Lansing.

The PPT is paid only by businesses on equipment and machinery. The PPT is not paid by individual taxpayers or homeowners. The tax is administered and collected by local governments — none of the funds come to Lansing for the state budget. Cities, counties, public schools, libraries and townships use PPT revenues for police and fire protection, teachers, library services, senior citizen services, clean drinking water, road and bridge repairs, and other essential local services.

“If the Legislature scraps the PPT or any part of it, a guarantee in the state constitution is the only way to ensure the revenues continue to go to local communities and local schools for local services,” said League Executive Director and CEO Dan Gilmartin. “When tax revenues go to Lansing without a constitutional protection, one of two things happen: the Legislature spends all of the money or diverts some of the money to their earmarked projects, and local services lose. Even when the Legislature has promised to return locally collected tax revenues to local communities for local services, state lawmakers have broken that promise time and time again.”

MORE

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Gilmartin noted that Legislature after Legislature has promised to fund local services with revenue sharing dollars, but then slashed revenue sharing by \$5 billion in the past decade.

“Local governments and local schools are constitutionally required to provide local services, so funding for those local services should also be constitutionally guaranteed,” said Don Wotruba, Deputy Director of the Michigan Association of School Boards. “Revenues for transportation and public schools are already guaranteed in the constitution to prevent Legislatures from spending the funds on something else. We know the only way to guarantee that PPT revenues continue to fund local services is for the replacement funds to be guaranteed as well.”

Gretchen Couraud, Executive Director of the Michigan Library Association, said failing to fully replace PPT revenues with guaranteed revenues would have dire financial consequences for homeowners and others who pay local property taxes.

“It would drive credit ratings lower and, thus, borrowing costs higher for local capital projects,” Couraud said. “Eliminating all or in some cases a portion of the funds would also trigger automatic millage increases on homeowners in school districts still legally obligated to repay the bond holders that financed their bonds, but suddenly without the PPT revenues that secured the loan.”

The Replace, Don't Erase coalition is calling on the Governor and Legislature to replace the funds with revenues that would continued to be guaranteed for local services and to protect the funds from future raids by future legislatures.

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