

# REPLACE DON'T ERASE

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November 27, 2012

Lieutenant Governor Calley  
State of Michigan  
P.O. Box 30013  
Lansing, MI 48909

Dear Lieutenant Governor Calley,

We appreciated the opportunity to meet with you last week regarding your new Personal Property Tax Reform proposal. We, as the Replace Don't Erase coalition, are supportive of a solution as long as it provides replacement revenue by a consistent, reliable source. Though your new proposal is a significant improvement over the current Senate bills (1065-1072), it still needs significant work.

Below is a list of initial concerns from the members of our coalition. We ask that you please take them into serious consideration as you move forward with this proposal, and we look forward to working with you on these issues in the coming weeks and months.

Michigan Association of Counties and Michigan Municipal League

- The cut or elimination of the PPT must not take effect if the ballot proposal to dedicate the use tax to replacement revenues is not approved by Michigan voters. The two must be tie-barred. If the use tax is not approved by Michigan voters, the cut to PPT must not take effect.
- What are the formulas for calculating the Essential Services Assessment (ESA) and the reallocation of the use tax? Without the formulas it's difficult to determine the impact on our communities.
- How broad is the authority of the state-wide entity created to reallocate the use tax? We would need to limit their ability to create conditions on this funding in the future.
- Understanding that you are working with what you consider available funds, please understand we are too, and we also have obligatory services to pay for. That being said, 80% reimbursement is not acceptable; we need to get closer to 100%. The ESA should be allowed for all public safety, not just police, fire and ambulance. It must include all public safety functions, including jails, 9-1-1 Authorities, and Special Public Safety Millages, public health, etc.
- Cutting our revenue by varying amounts across the state without providing relief from our obligations will force locals to make up the revenue elsewhere. This combined with ESA shifts the taxing burden from the state to the locally

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elected body. Assessing and increase and/or a new tax is as unpopular locally as it is state-wide, and it shifts the tax burden.

- In the last decade the state has used revenue sharing as a way to balance the GF. If the battery credit money is not available there will be a significant hole in the state budget, and we need a guarantee that it won't go after revenue sharing to fill a hole created by the battery credits.
- What about debt millages? If the money isn't there from the ESA or use tax, that represents an automatic tax increase for homeowners.
- Is the ESA option for businesses an annual option or a one-time option? What about abatements that expire? If it's an annual option, do we still keep the assessors and keep track of personal property? How will we determine the rate for ESA?
- The PPT/ESA opt out that the business can elect will be very difficult to administer. It should be all or nothing and if PPT is going away that should no longer be an option.

## Midland County Council on Aging

- 80% reimbursement for voter-approved millage such as Senior Millage undermines voter intent and local authority – should be 100% replacement.
- There is no proposed mechanism in the new proposal to allow voter-approved millages to make-up the additional 20% as is provided to local governments.
- There should be no delay in reimbursement to locals – exemptions should not begin until full replacement is available concurrent with exemptions.
- The mechanism for reimbursement to each local unit needs to be clear.
- The 1mill limit on senior millages needs to be increased in statute.

## MASB and MAISA/MASA

- Reductions to Special Education mileage revenue puts programs and services for special needs children at risk.
- Reductions to vocational education revenue depletes the skilled workforce training that our businesses are demanding.
- Without 100% replacement of the revenue for school bond millages, the state constitution requires an automatic tax increase to cover the difference, transferring the PPT tax burden to local residents. That means taxpayers in 400 local school districts would face automatic property tax increases if the PPT revenues are not replaced.
- If the 18 mills for non-homestead are reduced for local districts, the school aid fund must make up the difference for those districts, thereby creating a reduction in money available in the fund.

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- Lame Duck is not enough time to consider such a multi-faceted proposal. We need more time for all parties to fully understand the proposal and how it would affect local taxpayers, local essential services, local public schools, employers, and the state.
- As other members of the coalition strongly agree, the statewide vote for alternative disbursement of the use tax must be tie barred to the PPT repeal bills so that the funding source for replacement is directly tied to the loss of revenue. The PPT cut shall not take effect if the use tax is not approved by Michigan voters.

Thank you for your attention. We look forward to working with you to move closer to a suitable solution.

## Replace Don't Erase Coalition

CC: Senator Jack Brandenburg  
Senator Dave Hildenbrand  
Senator Mike Nofs  
Senator Randy Richardville  
Representative Jase Bolger, Speaker of the House  
Representative Vicki Barnett  
Representative Phil Cavanagh  
Representative Bob Constan  
Representative Jeff Farrington  
Representative Frank Foster  
Representative Jud Gilbert  
Representative Rudy Hobbs  
Representative Kenneth Horn  
Representative Andrew Kandrevas  
Representative Lisa Posthumus Lyons  
Representative Mark Meadows  
Representative Eric Nesbitt  
Representative Margaret O'Brien  
Representative Rick Olson  
Representative Mark Ouimet  
Representative Jim Townsend  
Representative John Walsh