

# Replace, Don't Erase the Personal Property Tax

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- **Fully replace the revenues to head off tax increases on local homeowners**
- **Change state Senate Bills 1065-1072 to guarantee replacement funds for local communities and schools**

## The Issue

Senate Bills 1065-1072 would cut the state's business personal property tax and give the Legislature new power to take \$470 million in local revenues away from local communities and local schools. 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 — the funds do not 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, clean drinking water, to repay school and library bonds, road and bridge repairs, and other essential local services. Supporters of SBs 1065-1072 say the bills will repay local communities and schools up to 81% of the funds the Legislature is taking. That is false: the bills do not assure repayment of one dollar because it is illegal for a current legislature to bind a future legislature and governor to spend money on anything.

## Constitutional Guarantee: Only Way to Keep the Revenues Local

If the Legislature passes SBs 1065-1072, a guarantee in the state constitution is the only way to ensure the revenues continue to go to local communities for local services. When tax revenues go to Lansing without a constitutional protection, one of two things happen: the Legislature spends all, or some, of the money. 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 (consider local revenue sharing, which has been slashed by \$5 billion in the past decade). It's why revenues for transportation and public schools are guaranteed in the constitution: to prevent Legislatures from spending the funds on something else.

## Fully Replace the PPT to Head off Tax Increases on Homeowners

Failing to fully replace PPT 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. Significantly cutting or eliminating the funds would also trigger automatic millage increases on homeowners in up to 425 local school districts across Michigan still legally obligated to repay the banks that financed their bonds, but suddenly without the PPT revenues that secured the loan.

## The Solution: Full & Guaranteed Replacement in SBs 1065-1072

If the Legislature intends to cut the PPT, the funds must be fully replaced to head off local tax increases and guaranteed in the constitution for local services so future Legislatures won't raid the money.

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