

State Tax Cut Not Tax Shift, Says Fouts, 'It's a Tax Shaft'

by Jim Stickford

While 2012 was a good year for the city of Warren, some late-night, lame-duck laws that were passed at the end of the legislative session could make 2013 very different.

"The year 2013 will be a difficult year to peg," said Warren Mayor Jim Fouts, "because the state legislature, in a lame-duck session, passed a lot of draconian cuts in the business and personal property tax. If these laws are enacted as passed, they will cut millions from the city revenues. Right now, Warren is in good shape financially, but a loss of millions in tax revenue would have an effect on us."

Over the past couple of years, Warren has passed three millages to pay for such essential services as fire and police protection, Fouts said. The millage rates were based on revenue projections for Warren that included income from the state's personal property tax on industrial equipment and machinery.

"This property tax, which is a tax on business machines and equipment, is negligible to a company like Ford or GM or Chrysler," Fouts said. "It might be one-tenth of 1 percent of total business costs for, say, Ford. But that money is not negligible to cities like Warren or Sterling Heights or Dearborn."

Fouts called the tax cut "convoluted" and involves 12 separate bills. By eliminating personal property business taxes, it's the cities with heavy industrial bases that will be the most affected.

"This would have a major impact on our future," Fouts said. "It's not a tax shift, it's a tax shaft. Lost revenue will have to come from taxpayers. Local communities will see revenue losses in the millions."

What makes the whole thing even more complicated, Fouts

said, is how it will be implemented. The voters will have to approve the tax cut in a special August 2014 election. This voter approval would earmark a portion of sales tax revenue to replace municipalities' lost income. The phase-out of personal property tax for manufacturers and industrial businesses would begin in 2016 and end in 2023 as the equipment and machines depreciate, according to The Detroit News.

The Michigan Association of Counties (MAC), issued a statement after the legislature passed the package of tax law changes.

"On the last day of the lame duck session, Lt. Governor Calley and MAC reached an agreement on the PPT package of bills that would tie bar the entire PPT repeal to the passage of the use tax vote in 2014. This move, along with the inclusion of jails in the essential services assessment and the movement of the minimum threshold for 80 percent reimbursement from the state, brought MAC to a neutral position on the bills."

The statement went on to say counties levy over \$212 million in commercial, industrial and utility personal property taxes.

MAC also noted that "personal property taxes make up anywhere from 3 percent to 27 percent of a county's total taxable value. In conversations about the repeal of PPT, the governor and the legislature all claim to want to replace some of the funding to local governments should they vote to repeal PPT."

"The funding replacement is said to come from expiring business tax credits in the future. This would require an annual appropriation from the legislature for the replacement revenue but there would be no guarantee the funding would actually get appropriated. The state has a poor track record of fulfilling its statutory promises for its share of



Warren Mayor Jim Fouts

funding for things like revenue sharing, payment in lieu of taxes (PILT), public health, Medicaid reimbursement, and county jail reimbursement.

"The only way to guarantee that PPT replacement funding would get to the counties would be through a constitutional guarantee. A constitutional amendment would have the authority to bind future legislators and ensure replacement funding to the locals."

"Michigan counties cannot continue to provide state-mandated services if the revenue from personal property taxes is not fully replaced with a constitutionally guaranteed revenue source. MAC supports the repeal of PPT so long as there is a constitutionally guaranteed revenue replacement" MAC concluded.

Fouts said he was especially bothered by changes in the state's recall laws. These changes make it almost impossible for voters to recall elected state officials.

"I just passed those three millages and told the public that I would not come before them and ask for taxes to be increased," Fouts said. "But there is so much that is unknown, planning a budget in 2013 will be very difficult."

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CONTINUED FROM PAGE 1

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According to principal Maxwell Spayde, the academy has limited openings for 9th and 10th grade students in the following curriculum areas: Guitar, jazz band, choir, dance, digital imaging, and theater. There is a waiting list for 11th grade students.

Registration will be on a first-come, first-served basis for prospective students who have a completed registration form on file at the school.

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