

2 clouds over March 31 state tax rollback

By Tim Richard
staff writer

State representatives returned to Lansing this week unsure whether they really voted to cut the income tax rate last Thursday. They're waiting for an auditor general's opinion on a charge that the State Treasury collected too much in taxes last year.

Last week the House of Representatives:

- Voted "yes" to rolling back the personal income tax rate on March 31 to 4.6 percent from the current 5.1 percent.
- Voted "no" to a rollback to 4.6 percent as of Jan. 1.
- Said "no" to exempting senior citizens from homestead property taxes for school operations.

• Struggled in puzzlement at the outbreak of an argument between the staff of the Republican-dominated Senate Fiscal Agency (SFA) and state Treasurer Robert Bowman on the tax collection question.

IN A REPORT late last week, the SFA looked at revenue estimates and concluded:

"Therefore, if these estimates hold true, the state is obligated to refund \$171.6 million to income and single business tax payers."

Sen. Rudy Nichols, R-Waterford, who obtained a copy of the report, said it referred to a portion of the 1978 Headlee amendment to the Michigan Constitution, which says:

"The revenue limit shall be equal to the ratio of the total state revenues in fiscal 1978-9 divided by the personal income of Michigan in calendar year 1977 multiplied by the personal income of Michigan in either the prior calendar year or the average of three previous calendar years, whichever is greater. . . . (T)he excess shall be refunded pro rata. . . ."

'We've already had rollbacks. The difference (now) is insignificant to the guy on the street. Joe Six-Pack hardly noticed it.'
— Rep. William Keith
D-Garden City



Rep. Maxine Berman, D-Southfield, and Judith Miller, R-Birmingham, were opposed.

GRUSE SAID he voted yes — "reluctantly" — only after it was apparent the House wouldn't approve the Jan. 1 rollback. "There's no real reason we can't roll back earlier," he said. Gruse said the three-months-earlier rollback would cost an estimated \$106 million while the state has a surplus of \$117 million.

Rep. William Keith, D-Garden City, was less excited about the rollback. He said: "It's not the issue it was a year ago. I was at a wedding Saturday night, and nobody asked me about it."

"We've already had rollbacks," said Keith, noting the highest rate was 6.35 percent in 1983. "The difference is so

insignificant to the guy on the street. Joe Six-Pack hardly noticed it."

"But it impacts on the budget process. It's such a fragile process that I would hate to see us bend over backwards for a three-months difference."

THE RATE could be rolled back even earlier, said Rep. Brotherton "if the revenues are there. The state treasurer makes that determination."

But a surplus is difficult to calculate, Brotherton said because the treasurer "can pre-pay bills to reduce the surplus. You don't know when they're going to figure out what the surplus is." Some years, he said, it wasn't calculated until three or four months after the books were closed.

"THIS IS ABOUT the 10th time we've voted on it," said a weary-sounding Rep. Gerald Law, R-Plymouth.

"In the past I voted for a Jan. 1 rollback. I've voted to discharge that from committee, and all those things. But this isn't a bad bill."

"Computing a surplus — that'll always be a battle," Law said.

With no debate, the House rejected, 67-32, an effort to discharge the senior citizens school property tax exemption from Donald's committee and bring it to the floor. The bill (SB 871) is a key part of the Senate Republican tax strategy.

Gov. Blanchard, however, favors a general, across-the-board increase in state rebates to homeowners with high property taxes.

Supporting the discharge, and thus favoring the Senate bill, were: Gruse, Honigman and Sparks.

Opposed were Berman, Brotherton and Miller. Dunaskis was absent.

STATE TREASURER Robert Bowman, speaking for Gov. James J. Blanchard, said the SFA erred by including special funds in the general revenue pot.

The Senate asked the auditor general to report back this week. The refund debate threw a second cloud over the effort to roll-back the personal income tax to the pre-March 1983 level of 4.6 percent.

The first cloud is that the Senate's bill (SB 77) calls for a rollback to last Jan. 1, while the House version sets a March 31 date. If the issue isn't compromised, there will be no rollback until Oct. 1, 1987.

Senate Republicans hope for a Feb. 14 compromise.

THE HOUSE vote was 90-16. All Observer & Eccentric area representatives supported the March 31 rollback. Opposed were Detroit representatives and a handful of outstate Democratic liberals. They argued there was too little for social programs in the Blanchard budget and nothing to pick up the slack in federal domestic budget cuts being made by the Reagan Administration.

Gov. Blanchard endorsed the House approval. He said: "This strong bipartisan expression gives great hope that the Senate will agree with the House action this week."

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