

Proposal A to cut county \$2.7 million, study says

By Mike Scanlon
staff writer

An Oakland County financial study of Proposal A predicts that voter approval of the tax plan will actually increase state revenue and cut Oakland county's revenue potential by \$2.7 million next year.

Proposal A will be approved or disapproved by state voters in a special May 19 election. The proposal, backed by Gov. Milliken and the state Legislature, calls for cutting homestead prop-

erty taxes about 50 percent and increasing the state sales tax 1.5 percent.

The study, prepared by Russ Martin, a federal and state coordinator for Oakland County, said that the plan could raise the state's tax take as much as \$375 million annually within 2 1/2 to four years while the county revenue increases would drop by \$2.7 million next year.

The study was given to the county board of commissioners.

Some county officials think passage of Proposal A will cut county power as

well as income.

THE PROPOSAL would make the county dependent on Lansing for about \$25 million a year now collected directly through property taxes, they say.

County officials seem to think that prospect has all the promise of depending for money on a foreign government.

The Martin study says that approval of Proposal A would cause a loss to the county because of the proposal's cap on annual property tax increases — 6 percent by class. It isn't an actual reduction in revenue that's foreseen, but a reduction in revenue increases.

The forecasted \$2.7 million loss is the difference between a 6-percent cap and the 11-percent average annual growth recorded in the last two years.

The predicted state revenue increases would come through a combination of less money paid out in income tax returns to state homeowners, and more money collected under a 1.5-cent state sales tax increase.

The proposal says all the increased sales tax revenue must be paid out to local governments which would lose revenue from property tax cuts, according to Martin.

COUNTY EXECUTIVE Daniel Murphy was unavailable for comment on

'The flaws (in Proposal A), as we see it, are the fact that the proposal sets limits and restrictions on local government while not setting any kind of restrictions on state government. In fact, in a few years after it's implemented, the state will be enriched by the proposal; they will gain by it.'

— James Brennan
county budget director

the legislature will do anything else. Therefore, I think a 75-cent proposal will be on the ballot and, without too much doubt in my mind, would be adopted, which I think would be a disaster for local government."

Proposal A has "good news and bad news," Pernick said.

"The bad news is that it will in effect transfer power from local governments — cities, school boards and the county — to the state because the money will have to be recovered from the state, and they can put restrictions on the recovery of that money that from past experience we will not be happy with."

The good news is the plan "would offer some very direct relief for the rising property tax assessments that we in Oakland County certainly have been suffering."

ESTIMATING NET TAX savings to any individual taxpayer is difficult — largely because of the impact of the plan on federal tax obligations, the analysis says.

But the study contained some examples. A household with annual income of \$35,000 now paying \$2,000 a year in property tax, for example, would have a net first-year state tax savings of \$459 under Proposal A.

Proposal A foes miss money target

A coalition of tax-cutting groups staged a series of five Oakland County \$10-a-plate beans and franks dinners last weekend, and both revenues and turnout were apparently less than expected.

Gwen Dempsey, chairperson of Citizens United for Tisch, turned aside several questions on how much money was actually raised. But Donald Eby, chairperson of the newly-formed Michigan T Party, said he didn't think the

dinners had been successful in raising what he said was a \$250,000 target.

"I DON'T think they were overwhelmed with customers," said Robert Tisch, who made guest appearances at several dinners.

The groups are opposed to Proposal A, the governor's and legislative leaders' tax reform plan which will face voters May 19.

Tisch, however, said he doesn't oppose Proposal A.

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