

House GOP's property tax relief plan fails

By Tim Richard
staff writer

House Republicans failed Tuesday to pass a bill to limit the renewal of Detroit's tax on utility bills. But the GOP came up with a party line vote to use as an election year issue.

"We should negotiate it (property tax relief) at the same time as the utility," Rep. Susan Grimes Munsell, R-Howell, told the House Taxation Committee.

But on an 8-8 party line vote, the panel rejected Munsell's amendment to tie-bar renewal of the Detroit utility tax to her bill to increase state rebates to homeowners with high property taxes.

"I'm a co-sponsor of it (Munsell's bill)," said Rep. James Kosteva, D-Canton, "and I have difficulty with that linkage."

One witness in the all-day hearing gave the issue an undertone of gubernatorial politics.

IF MUNSELL'S tie-bar had received the necessary 10 votes, the Detroit tax couldn't become law until her property tax relief bill was passed.

Kosteva and Rep. Maxine Bertram, D-Southfield, voted with their party and Detroit members, who said the issues weren't related and shouldn't be tied.

Late Tuesday, the panel reported the utility tax to the full House.

A similar bill is in the Senate Finance Committee.

THE MUNSELL bill would have cost the state \$349 million in general fund revenue to make up for reduced property taxes. It would:

- Increase the state rebate to homeowners who pay high property taxes — in excess of 3.5 percent of income. The bill would hike the rebate to 75 percent of the excess from the current 60 percent.

- Increase the portion of rent assumed to be property tax from 17 to 20 percent.

- Increase the maximum rebate from \$1,200 to \$2,600 per year, and index the maximum to the consumer price index in metropolitan Detroit.

"Inevitably, I nodded Rep. Nelson Saunders, D-Detroit, in sympathetic agreement, "but I don't like seeing it tie-barred to this bill."

"As a minority," said Rep. William Bryant, R-Grosse Pointe, "we've been unsuccessful in getting another look at the property tax credit."

THE DETROIT issue reached crisis proportions when Wayne Circuit Judge Marvin Stempelen ruled two weeks ago that the city had illegally collected the tax since mid-1988 because the state enabling law expired.

Ironically, Stempelen had been a Democratic state representative from Livonia and a member of the House leadership circle when the

original enabling law was passed in 1970 and was the Democrats' 1988 nominee for the state Supreme Court.

Unless the bill is re-enacted and survives a constitutional test, Detroit will have to pay back some \$100 million in over-collections of taxes on natural gas, telephone and electricity bills.

To an average household over the 19-month contested period, the pay-backs would amount to \$155 — \$43 for electricity, \$33 for telephone and \$79 for gas.

Detroit budget director Walter Stecher said the law is worth \$52 million a year and is earmarked for use in the \$326 million police department budget.

The city already faces an \$81 million deficit which would swell to \$181 million if the Court of Appeals upholds Stempelen and orders a pay-back.

"We're paying for it ourselves," said the sponsor, Rep. Morris Howd, D-Detroit. "We're not asking suburbanites for help."

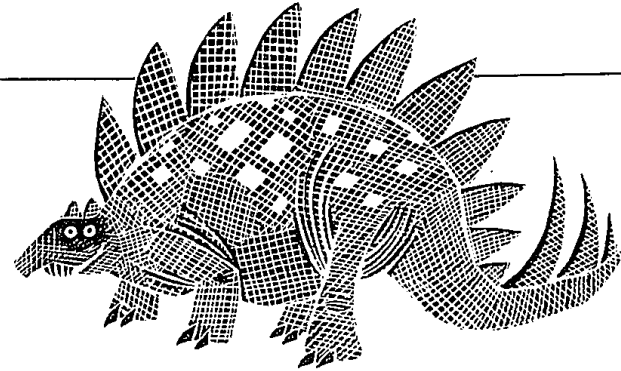
Detroit Democrats blamed the federal government under Republican Presidents Reagan and Bush for eliminating revenue sharing.

THE GUBERNATORIAL politics came in when Hillsdale College economics Prof. Gary Wolfram attacked Detroit's tax burden so "extremely high" that it's depressing property values and causing people to leave.

A free market conservative, Wolfram for years was a state Senate fiscal analyst and close associate of GOP gubernatorial candidate John Engler.

Wolfram also attacked the bill as "a new act" that would have to be approved by Detroit voters under the 1978 Headlee tax limitation amendment. "Someone's going to

challenge it for lack of voter approval," he said. Detroit's lawyer, however, said the bill was written to express continuity of tax authority.



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And, don't miss Dr. Robert West, Director of the Cranbrook Institute of Science, who will speak at Center Court on Saturday, February 24th at 2:00 p.m.

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Tax cut leaders open up Troy office

Supporters of the Citizens' Tax Limitation Amendment — which calls for cutting property tax and increasing state aid to education — have opened an office in Troy.

"It's an indication of the widespread support we're getting," said L. Brooks Patterson, one of the amendment's organizers. "One month after we launched the campaign, we're ready for permanent quarters."

Patterson — along with Patrick Anderson, an economist with Alexander Hamilton Life Insurance Inc.

— launched a petition drive on behalf of the amendment on Jan. 19.

Organizers seek to raise a minimum of 239,180 signatures by July 4 to put the matter on the Nov. 6 ballot. It calls for cutting property taxes by \$550 million and increasing per-pupil state aid to a minimum of \$4,100.

Patterson predicts the amendment, sometimes called the Patterson-Anderson Proposal, will win approval — while two other school finance proposals were defeated last

November — because it does not call for new taxes.

As an indication of growing support, Patterson said some 2,300 people have volunteered to circulate petitions. "We have mailed out 32,000 individual petitions," he said.

The new office is located in Room 411 of the Top of the Troy Building in the southwest corner of I-75 and Big Beaver Road.

The toll-free office phone number is 1-800-BITE-TAX.

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