

# Lawmaker sees problems with property tax cap

By Tim Richard  
Staff writer

Neighbors with identical houses may find themselves paying vastly different property tax bills in a few years if voters approve a 1992 ballot proposal to cap assessments.

"People will lose the incentive to

trade up," said state Sen. Fred Dillingham, R-Powdermill, one of the handful of legislators to raise a voice against last week's bipartisan compromise.

"It will have a horrible effect on building. Builders and Realtors ought to be going out of sight."

## 'Freeze' outlined

Here are major terms of the property tax "freeze" plan as passed April 18 by the Michigan Legislature, based on a Senate Fiscal Agency analysis:

- No change during 1991.
- 1992 real estate assessments would be frozen at '91 levels. (Personal property procedures are unchanged.)

The state would reimburse in-formula school districts for lost revenues. But cities, villages, townships, counties, out-of-formula school districts and community colleges would not be reimbursed the \$388 million in lost revenue. (Senate Bill 19)

• In November '92 voters would be asked to approve a constitutional amendment capping assessment increases. Homesteaded increases would be the consumer price inflation rate or 5 percent, whichever is less, beginning in '93.

The Headlee rollback amendment already in the constitution would be changed. Instead of rates in a community being rolled back as a whole, the rollback would be by two classes of property: (1) residential-agricultural and (2) everything else — commercial, industrial, etc. Result: different millage rates within a community. (House Joint Resolution 1)

"It will pit low property tax payers against high property tax payers," Dillingham said. He predicted that longtime residents whose assessments had been capped might not mind voting for new local millage requests, but newcomers paying higher assessments would resist.

THE SENATE gave 31 to 3 approval to Senate Bill 19 and 30 to 5 approval to placing House Joint Resolution H on the 1992 ballot. (See related story.)

Dillingham was one of the no votes. All other area senators voted yes except William Faust, D-Westland, who was absent.

House approved the measures by 101 to 4 and 104 to 2 votes respectively. All area members voted yes.

Taxpayers United, the group backing the Headlee II proposal to cut all property taxes 20 percent, objected that the plan would freeze assessments at high 1991 levels when, in fact, housing prices are declining because of the recession. "A freeze would be unconstitutional," said Bill McFaster, publicist for the anti-tax group.

and moving into a one-bedroom retirement home because there would be no property tax benefit. One result, Dillingham said, might be that families would sign lifetime leases on houses or concoct other devices to avoid an outright purchase with the resulting leap in assessments.

THE COMPROMISE was negotiated by House and Senate leaders of both parties and Gov. John Engler after weeks of fruitless battling over rival plans for a property tax cut.

A week earlier, the Senate passed a bill to freeze property taxes for two years, beginning in 1991.

But cities and school districts raised a first-round protest because they could have lost \$233 million in property tax revenue, with no state reimbursement and no way to cut their budgets this late in the planning process.

The new plan emerged in two days of closed-door negotiations as representatives milled around or passed routine resolutions of tribute.

AS PASSED, Senate Bill 19 may cost local units some revenue next year, said Rep. Lyn Bankes, R-Livonia.

In-formula school districts (those receiving state aid) would lose \$97 million; out-of-formula, \$163 million. Counties would lose \$50 million; cities and villages, \$67 million; townships, \$11 million; and community colleges, \$8 million, for a total loss of nearly \$400 million, according to an Senate Fiscal Agency analysis supplied by Sen. Robert Geake, R-Northville. Total statewide property tax collections are \$7 billion-plus.

Bankes said there still is a chance in-formula schools might be reimbursed. Engler's budget has money for his proposed property tax cut, which has no chance of passage in the Democratic-controlled House.

"Engler got two-thirds of what he sought — a freeze and a limit on future growth," Bankes said. "The provisions are somewhat altered from Engler's. He had proposed a freeze every other year in assessments until a limitation was adopted."

Local units still could see new revenue in 1992 from new construction, estimated at \$245 million, according to the Senate Fiscal Agency.

THERE STILL is no legislative agreement on a property tax cut.

Engler and Republicans want a 20 percent cut in school operating taxes for everyone and would pay for it by reducing state spending.

Democrats want to exempt property taxes on the first \$15,000 of home assessments to benefit low-income families and pay for it by raising business taxes.

## Common Ground raises funds

Common Ground, Oakland County's crisis center, has successfully completed its capital and endowment campaign, earning a \$50,000 challenge grant from the Kresge Foundation.

The drive was undertaken to assist in the purchase and renovation of Common Ground's building at 751 Hendrie Boulevard in Royal Oak and to establish an endowment fund.

Shirley K. Schlafer of Bloomfield Hills, honorary chairwoman of the campaign, said she was very happy and pleased with the support from individuals, foundations and corporations. "Without that wonderful community support, we could not have reached our goal of \$492,000."

Kay White of Birmingham, chairwoman of the Common Ground

board, said that in addition to their new headquarters, monies raised will help to ensure a firm financial future for the agency.

Common Ground is a 24-hour crisis intervention and multi-service agency. The agency offers a crisis counseling program, medical and legal clinics, a crime victim assistance program and prevention programs for children and teens. Common Ground was founded in 1970 and moved to its new building in Royal Oak in January 1989. In 1990 the agency served over 20,000 people from the tri-county area.

The Kresge Foundation is an independent foundation created by the personal gifts of Sebastian S. Kresge. It is not affiliated with any corporation or organization.

HERE IS HOW neighbors with identical houses could wind up paying vastly different tax bills under the proposed constitutional amendments:

Take two \$200,000 houses assessed this year at \$100,000. Assume their assessments are capped at 5 percent over a 10-year period (the rate of CPI inflation during much of the '80s). Assume the real estate market inflates at the rate of 10 percent a year. At the end of 10 years, their assessments will be \$155,133 (at 5 percent compounded).

At this point, Family A stays in its home, but Family B sells. House B is reassessed to the market rate (10 percent compounded) and is now valued at \$225,795 — more than \$80,000 higher than House A.

Dillingham said families will be discouraged from moving because of the hard hit they will take on property taxes as new owners.

Empty nesters whose children have grown would be discouraged from selling the four-bedroom colo-

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