

Bipartisan coalition eyes alternative to cut 'n cap

By TIM RICHARD
STAFF WRITER

The wraps are coming off a year-long effort by state lawmakers to abolish local school property taxes and replace them with higher state income and single business tax rates.

Seven Republican state representatives and five Democrats make up the Group of 12. Their plan would place the entire \$8 billion cost of public schools on the state.

"The Republicans suggested we not pursue this aggressively in the fall campaign for two reasons," said member James Kosteva, D-Canton.

"They did not want it to become part of a partisan campaign, and they did not want to undermine the governor's Cut and Cap proposal."

Members listed

Area members of the group are Democrats Kosteva, William Keith of Garden City, chairman of the House Education Committee, and Wilfred Webb, former Hazel Park school superintendent who is leaving the Legislature; and Republicans Barbara Dobb of Union Lake and Susan Munsell of Howell.

Outstaters include Democrats Lyn Jondahl of Okemos, chairman of the House Taxation Committee, and James O'Neill Jr. of Saginaw, chairman of the House subcommittee on school aid; and Republicans Bill Bobier of Munster County, Jessie Dalman of Holland, Donald Gilmer of Augusta, Michael Nye of Litchfield and Glenn Oxender of

LANSING

Struggle

"They are city and rural, representatives of in-formula and out-of-formula districts," said Dobb, a first-term member and accountant who opposes using the value of a house to determine school taxes.

How it works

Of the current \$8 billion cost, the state provides \$2.8 billion, local property owners most of the rest.

As outlined by Kosteva, the plan would:

- Eliminate all \$5 billion-plus in property taxes for local school districts and shift the entire burden to Lansing. (Property taxes to pay off bonds would be unaffected.)

- Raise the state personal income tax rate from 4 percent to 7.6 percent.

- Raise the single business tax rate by 3.7 percent. Dobb said it would assure business continues to pay 32 percent of local school taxes.

- Give every school district state aid of \$4,800 to \$4,900 per child. This would resolve the inequity of some districts having as little as \$2,500 per child while others have \$9,000.

- Temporarily allow suburban districts spending more than \$4,800 per child to continue levying property taxes to make up the difference. But those districts would have to vote on a local "piggy-back" income tax if they want-

ed to continue spending more than \$4,800.

- Remove most "categoricals" from the state school aid formula, leaving only special education, bilingual schooling and transportation. The remaining categorical money would go into the general school aid pot.

"The value of property is no longer a reflection of your ability to pay," said Munsell, a second-term lawmaker and member of the Education Committee.

An accountant, Munsell said the plan would help senior citizens who can't keep up with property taxes that rise due to inflation in the market value of their houses.

Old plan changed

The new plan bears some similarity to the so-called Nye-Oxender plan floated a few years ago. Kosteva said that plan would have eliminated all property taxes, even for municipalities, counties and community colleges.

Dobb and Kosteva said the new plan would be unveiled after the House opens its post-election session Nov. 5.

"The specifics have yet to be finalized," said Keith, promising to hear comments from business and school people.

The legislature could pass the proposed 90-percent tax increase without voter approval, Kosteva said, but voters could be asked in 1994 to approve two constitutional changes:

- Earmarking the new income and SBT rates for local schools.
- Substituting a sales tax increase for part or all of the income

tax increase. The constitution caps the sales tax at 4 percent but doesn't cap the income tax.

"We chose the income tax for two reasons," Kosteva said.

"First, deductibility. You can deduct a state income tax from your federal income tax. If you used the sales tax, Michiganians would pay \$300 million more in federal income taxes.

"Second, progressivity. The in-

come tax is far more progressive than the sales tax." ("Progressive" means a tax takes a larger percentage from people with higher incomes than from people with lower incomes.)

Some doubt

Gov. John Engler, who is supporting Proposal C on the Nov. 3 ballot, said through a spokesman that the lawmakers' plan "would

be devastating on small businesses and also hurt renters."

Proposal C would cut school property taxes by up to 30 percent, require the state to make up the difference but provide for no state tax increase.

Local school officials, among other critics, loudly doubt the state can find \$1.3 billion more for schools without raising state taxes.

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