

Proposal A

Your questions may be answered here

Here are answers to some questions about Proposal A on the Wednesday, June 2, ballot. Please call your question to Tim Richard at 353-2047, mailbox 1881. Be as brief as possible.

Q. I'm a senior citizen paying high property taxes, so I get a rebate on my state income tax. If Proposal A is passed June 2, my property taxes will be cut. But what about my rebate?

A. Your rebate would be cut, too. You may wind up with no net property tax cut at all. You'll have to check your own tax returns.

The rebate, sometimes called the "circuit breaker," is an income tax refund to people whose property taxes are more than 3.5 percent of household income. For example, if 3.5 percent of your income is \$2,000 and your total property taxes are \$2,500, the "excess" is \$500.

Senior citizens get a refund of 100 percent of the excess, or \$500. Others get a 60 percent refund, or \$300.

Obviously if your property taxes are cut by Proposal A, your refund will be, too.

Q. Doesn't that mean many of us won't get the full property tax cut you're talking about? Is that fair?

A. We've talked it over with Gov. John Engler and state Treasurer Doug Roberts. Their position is that senior citizens and low-income people already are getting some relief through the rebate. Now it's time to give across-the-board relief.

Q. What happens if Proposal A is rejected? Is it business as usual?

A. No, says Engler. He is targeting out-of-formula districts — those that get no general state aid but do get categorical aid. He and a majority of legislators intend to cut as much of their categorical aid as possible.

That alternative "will be worse because it's not likely we can continue to subsidize the districts

that are spending the most money in the state," Engler tells us.

Engler cites an example: Bridgman, with a nuclear power plant and lots of money. Its tax rate is only eight mills, but that raises a whopping \$6,700 per student, yet the state still gives Bridgman \$400,000 a year.

Q. Proposal A's supporters say every school district will get a 3 percent revenue boost if A is passed. Why are some districts dragging their feet about supporting it?

A. Because their costs will go up, too. They'll have to pay more of their retirement costs and their categorical costs.

Ask your local superintendent for details.

Q. It looks as if suburban districts close to Detroit are going to get little property tax relief. The big cuts will go to Detroit, Pontiac, Flint and rural school districts. What will result?

A. Engler says it will benefit

older cities by giving them lower tax rates and helping them recruit industry.

Detroit Mayor Coleman Young says that won't help enough. Detroit's combined property tax rate tops 80 mills. Even with a 18-mill cut, Detroit still is heavily taxed.

Some believe Proposal A will encourage "urban sprawl" into undeveloped rural suburbs. The Southeast Michigan Council of Governments has deplored urban sprawl but hasn't studied the impact of Proposal A on sprawl.

Engler says Proposal A will actually relieve sprawl by taking pressure off owners of rural land to sell to developers. He says this is so because of the "cap" on assessment increases.

The counter-argument is that low rural tax rates will lure developers to build in greenfields, woods, lake shore and wetlands, and they'll simply persuade owners to sell. Opponents see Proposal A as a big inducement to developers to abandon older areas.



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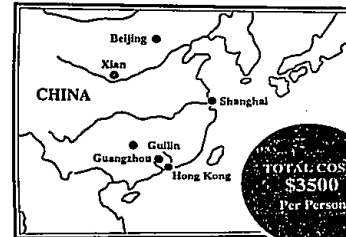
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Economists see investment spurt

BY TIM RICHARD
STAFF WRITER

Proposal A, if adopted by voters Wednesday June 2, would help Michigan's investment climate, two economists told a State Capitol seminar.

But by cutting property taxes and raising the sales tax, Proposal A would make Michigan's tax structure more regressive, hitting lower incomes harder percentage-wise than high incomes.

"To the extent that taxes fall on capital, capital will move. Capital is pretty mobile," said Paul N. Courant, professor of economics and public policy at the University of Michigan.

"Capital is more mobile locally. Taxes have some effect on loca-

tion," Courant said at a seminar for legislators and the staff members.

Proposal A would cut school operating property taxes on all property, industrial, commercial, home and farm. The sales tax would fall entirely on consumers.

"Capital clearly is mobile," agreed state treasurer Douglas Roberts, a former economics professor himself and Gov. John Engler's economics guru.

Roberts argued that for 25 years — in good times and bad — Michigan's unemployment rate has exceeded the national average. Roberts blames high property taxes.

'A' regressive

Edward M. Gramlich, director

of U-M's Institute of Public Policy Studies, said Michigan's overall tax structure is regressive, but less so than those of other states.

The reason is the current combination of local property taxes and the personal income tax, which give rebates to elderly people and people in high property tax areas.

Proposal A, by cutting \$1.7 billion in school operating property taxes and replacing much of it with a 2 cents increase in the sales tax, "will make Michigan as regressive as other states," Gramlich said.

Currently, Gramlich said, the lowest one-fifth of Michigan taxpayers pay a total of 7.7 percent of their incomes in property and income taxes; the second fifth pay

7.9; the third fifth pay 7.7 percent; the fourth, 8.0 percent; and the top 1 percent, 6.4 percent.

Economists generally favor income taxes, which also are deductible from income for federal tax purposes. But the U-M pair recognized "income tax" has been a dirty word in Michigan since 1953 when voters recalled two state senators and tried to recall then-Gov. James Blanchard.

"Michigan is unique in its heavy reliance on local taxes," Gramlich said. Spending on public schools is closely related to the wealth of local people, he said. "But there's a great puzzle: It's hard to equate (academic) performance to education spending."

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