

Tax estimate for homeowners

(for full year of tax changes)

Proposal A has more than 900 words and affects six sections of the Michigan Constitution, but the words "higher sales tax" are what many voters are keying on as the March 15 election rolls around. The statutory plan outlines a long list of tax financing rules and regulations but a higher income tax is the major element of the plan. The bottom line is that homeowners want to know how the plans affect them. Grab a calculator and pencil along with your SEV (state equalized valuation) and personal income information. Then follow the chart below step by step to find out how you fare in the tax wars. Most tax changes, under both the statutory and ballot plans, take effect May 1. Exception: the real estate transfer tax would take effect next Jan. 1, 1995. Your principal residence will be taxed at 6 mills and assessments will be capped in a condo you get the lower rate, too. The Treasury form says: "If you own and live in a unit in a multiple unit dwelling or in a multi-purpose building, give the percentage of the entire building that your unit (your principal residence) occupies." Both Proposal A (ballot plan) and the backup statutory plan, will raise \$10.2 billion for public schools. Both will set a short-term goal of providing \$5,000 per pupil in every district.



Estimated percentage of income spent on taxable items

| Income | % of Income |
|-----------|-------------|
| \$10,000 | 0.525 |
| \$20,000 | 0.428 |
| \$30,000 | 0.375 |
| \$40,000 | 0.356 |
| \$50,000 | 0.341 |
| \$60,000 | 0.297 |
| \$80,000 | 0.267 |
| \$100,000 | 0.245 |

Source: Senate Fiscal Agency, based on U.S. Dept. of Labor, Expenditure Survey of Michigan Districts, 1992

***Hold Harmless Mills**
Only applies to homeowners in Farmington and Livonia school districts.
Liv. Statutory = insert 0.0055
Liv. Ballot = insert 0.00126
Farm. Statutory = insert 0.0050
Farm. Ballot = insert 0.00115

Source: Michigan House of Representatives/Livonia Public Schools

| STATUTORY PLAN (BACKUP) | |
|---|----|
| * Homestead SEV x 0.012 (vacation, 2nd home) | \$ |
| * Nonhomestead SEV x 0.024 | \$ |
| * SEV of all property x HH mills () | \$ |
| * [1994 joint taxable income minus \$900 per personal exemption] x 0.014 | \$ |
| * Packs of cigarettes purchased monthly x 12 x 0.15 | \$ |
| * Monthly out of state long distance charges x 12 x 0.04 | \$ |
| * Only for people selling their homes | |
| * Real estate sales price x 0.01 (only if selling property during year) | \$ |
| * TOTAL TAX CHANGE (i.e. sum of prior lines) | \$ |
| * 1993 school operating millage (insert local millage rate) x 1993 SEV ** | \$ |
| * NET TAX CHANGE (subtract 1993 school tax from total change) | \$ |
| **School Operating Millage | |
| Liv. Statutory = 0.0143 Farmington = 0.01553 Livonia = 0.03105 | |
| Liv. Ballot = 0.0126 Farmington = 0.01553 Livonia = 0.03105 | |
| Farm. Statutory = 0.0050 Farm. Ballot = 0.00115 | |

| BALLOT PLAN (PROPOSAL A) | |
|---|----|
| * Homestead SEV x 0.008 (vacation, 2nd home) | \$ |
| * Nonhomestead SEV x 0.024 | \$ |
| * Homestead SEV x HH mills () | \$ |
| * 1994 joint taxable income x 0.002 | \$ |
| * Packs of cigarettes purchased monthly x 12 x 0.50 | \$ |
| * Monthly out of state long distance charges x 12 x 0.06 | \$ |
| * Only for people selling their homes | |
| * Real estate sales price x 0.02 (only if selling property during year) | \$ |
| * Joint taxable income x corresponding percentage from table at immediate left x 0.02 | \$ |
| * TOTAL TAX CHANGE (sum) | \$ |
| * 1993 school operating millage (insert local millage rate) x 1993 SEV ** | \$ |
| * NET TAX CHANGE (subtract 1993 school tax from total change) | \$ |

The net tax change does not reflect the impact on your federal income tax nor does it reflect the impact of your Michigan Homestead credit.

Proposal A parade draws fans, critics

By RALPH R. ECHTINAW
STAFF WRITER

If we had laws against overloading bandwagons, the opponents and proponents of the March 15 education funding ballot proposal would have to be arrested.

As the bandwagons roll down the street heading for election day, politicians, companies, or hop on board like metal shavings sticking to a magnet.

The choice voters face is between two different tax shifts, each designed to reduce government's dependence on property taxes to pay for public education.

If you vote yes on March 15 you'll be favoring a sales-tax increase from 4 to 6 percent. Vote no and the government will raise your income tax from 4.6 percent to 6 percent.

Ballot backers

The sales-tax bandwagon, driven with zest by Gov. John Engler, contains the following passengers: The Michigan Chamber of Commerce, the Greater Detroit Chamber of Commerce, the Michigan Grocers Association, the Michigan Manufacturers Association, the National Federation of Independent Businesses, the Police Officers Association of Michigan, the Detroit Board of Education, the Michigan Transportation Commission, the Small Business Association of Michigan, Consumers Power Co., Oakland County Executive Brooks Patterson.

Support income tax

The income-tax bandwagon contains the following passengers: The United Auto Workers, the Michigan Education Association teachers union, Wayne County Executive Edward McNamara, state Sen. Jack Faxon, D-Farmington Hills, and state Rep. Joe

the Barna, D-Westland.

Sales-tax plan advocates like the idea that the additional sales tax would be constitutionally dedicated to education, meaning it couldn't be tampered with by a future Legislature. They point out that the sales tax is paid by tourists and members of the "underground economy," but income tax is not. And they like the 5-percent cap on assessment increases, which the income-tax plan doesn't have.

Income-tax plan advocates say the sales tax hurts poor people more than anyone else. They like the fact that state income tax is deductible from federal taxes. McNamara argues that the cap on assessment increases in the sales tax plan is bad because it will ultimately reduce revenue for local governments.

'Poor job'

Farmington Hills Mayor Larry Lichtman said he'll probably vote for the ballot proposal, but the Legislature has done a poor job of creating the alternatives we're now faced with.

"Personally, I think the ballot proposal is a better choice," he said. "It lowers the income tax, maintains the current single business tax and increases the sales tax, which spreads the load. But I'm disappointed. The Legislature did a poor job."

Faxon opposes both plans, but considers the sales-tax plan the worst of the two. The cap on assessment increases embodied in the plan "is going to create havoc in years to come," he said, because of the provision that assessments return to market value whenever a house is sold. "If they put that into the Constitution, we will not be able to change it."

The income tax plan is better, Faxon said, simply because none of it goes into the Constitution.

For that reason, the state Legislature can continue tinkering with education finance and ultimately create a decent system.

Both of the plans likewise hurt most Oakland County school districts, Faxon said. "It's nothing more than a redistribution of wealth. We'll be paying more and getting back less."

The cap on assessment increases also worries McNamara, who says local governments will ultimately lose revenue if the sales-tax plan is enacted. This will make it more difficult for cities to provide services like police and fire protection, he said.

Patterson agreed that the revenue of local governments will decline with the sales-tax plan, but he doesn't mind because individual taxpayers come out ahead.

Cities suffer

Farmington City Manager Frank Luthoff thinks people take a hit under either plan. The assessment cap in the sales-tax plan will inhibit the ability of cities and townships to provide services, he said, and the income-tax plan gives no tax relief to businesses.

"Schools came out fine. They got an increase," Luthoff said. "There was no consideration — at least on the surface — given to the cities."

"Nobody has paid attention what the plans can do to older cities. For older cities (such as Farmington), the effects can be pretty dramatic."

One of Luthoff's bosses doesn't see it that way.

Farmington councilwoman Mary Bush, a Realtor, said she prefers the sales-tax plan. "I personally feel it's a more controlled situation and more fair for the consumers who are out there spending every day."

Taxing questions on ballot plan spark reader queries

By TIM RICHARD
STAFF WRITER

Q. We're getting a rebate on our property taxes of up to \$1,200 each year. What happens to the rebate if Proposal A passes?

A. You're referring to the "circuit breaker." When property taxes exceed 3.5 percent of income, the state rebates some of that excess when you file your state income tax return.

If you're a senior citizen, the state rebates 100 percent of the excess. If you're younger, 60 percent.

Obviously, if your homestead property taxes are going down, your rebate will go down, perhaps to the vanishing point. Statewide, Michigan homeowners pay \$4.5 million. Under Proposal A, they'll pay 6 mills. If that falls, they'll pay 12 mills.

Under Proposal A, \$694 million in rebates will be wiped out. Under the statutory plan, \$573 million. Rebates will shrink to something less than \$200 million.

Look at the bright side: No longer will you be giving Lansing an interest-free loan.

Q. If I don't vote on Proposal A, is that the same as a 'no' vote? Or do I have to vote 'no'?

A. To have an effect, you must vote 'yes' or 'no.' Non-voters don't count.

You may be confusing a public ballot with legislative voting. For example, there are 38 senators. It takes 20 senators to pass a bill. It doesn't matter whether 18 or 10 or zero vote 'no,' as long as 20 vote 'yes.'

Q. We've been told the tax plans take effect July 1. You wrote they take effect May 1. Explain.

A. With one exception, the tax bills become law May 1. But your summer property tax bill isn't mailed until July 1.

The exception is the real-estate transfer tax, which doesn't take effect until Jan. 1, 1995, under either Proposal A or the statutory plan. Meanwhile,

there's a legislative move on to rescind that tax increase. Refer to Senate Bill 999 when writing to your state legislator.

Q. If Proposal A passes and the sales tax goes up from 4 percent to 6 percent, will that affect groceries?

A. No. Michigan voters in 1974 exempted groceries and prescription drugs for human use.

Nor will the sales tax increase apply to utility bills — electricity, gas, telephone. That rate will stay at 4 percent.

Q. I have a northern Michigan summer home as well as one in town. Will the cut in property taxes affect both homes?

A. Not entirely, only "your principal legal residence," according to the state treasury department. Your principal residence will be taxed at six mills if it doesn't. All non-homestead property will be taxed at 24 mills under either plan — but that's still 10 mills lower than the current state average.

Q. How much paperwork is there to fill out to get my property tax cut?

A. Very little. Your name(s) and address, Social Security number(s), and the tax identification number of the property.

Q. I live in a condo. Can I get the lower rate, too?

A. Yes. The treasury form says: "If you own and live in a unit in a multiple-unit dwelling or in a multipurpose building, give the percentage of the entire building that your unit (your principal residence) occupies."

Another section of the form covers cooperative housing corporations.

This newspaper will try to answer all questions of general interest on school finance reform. By telephone, call (313) 953 2047 ext 1881. One question per call, please.

Taxes from page 1A

refurnishing will have to come out of the annual budget.

The difference between remodeling and a complete renovation is not defined in the proposal.

■ The statutory plan allows school districts, with voter approval, to become charter authorities, which would eliminate the need for periodic millage renewals. No such provision exists in the ballot plan.

■ The ballot plan calls for a 5 percent cap on assessment increases or the rate of inflation starting in 1995. The statutory plan has no cap. Such a cap could pose problems when districts are paying some things that are rising

higher than inflation, especially employee retirement benefits. Either way, school districts are not out of the millage business.

With voter approval, districts could levy up to 3 enhancement mills until 1997 under the ballot plan. The backup proposal allows for 2.7 mills.

The Farmington district will not have to ask for additional mills for at least two years, Barrett said.

"Beyond that, it's hard to say," Barrett said.

There's a lot that's hard to say. There's some dickering over the ballot language, especially on the proposed 2 percent real estate sales transfer tax on the ballot option.

"The only thing you know about is on the ballot," Barrett said. "All the other issues are promises."

Other things make school officials uneasy. Ironically, the least of which is the increased tax the state will have in school affairs.

Barrett said he expects the district will have to report more to the state, but control is not an issue.

"It's not a matter of control as much as it is predictability," he said. "We observed on July 24 when they eliminated an entire tax system."

"... Nothing is stable in the hands of the Legislature."



Rotonda.
YOUR NEXT FAVORITE TALK SHOW.

WEEKDAYS AT 11 AM ON 7