

# Cut taxes for seniors, property, business, renters

By Mike Scanlonstaff writer

Talk is cheap, as everybody knows. And the way the talk is going on around Lansing now, taxes will be, too. Maybe not cheap, but at least cheaper.

Two competing tax cut bills are pending, one from each political party. Prime sponsors are Senate Majority Leader William Faust, D-Westland, author of the Democratic proposal, and House Republican Leader William Bryant, R-Grosse Pointe. The Republican bill emerged from a House caucus. The plans are broadly similar. Both contain cuts in property taxes, business

taxes, and breaks for renters. The Democratic version also includes specific cuts for senior citizens.

**THE REPUBLICAN** plan calls for deeper cuts than the Democratic version. It links the state's off-credited single business tax (SBT) to the individual income tax, so that the SBT can't be hiked without increasing income taxes.

The Democratic plan exempts companies with annual revenues of less than \$5 million from the SBT. In the second year of a three-year plan, it would eliminate workers compensation and unemployment insurance payments from the revenue base used to compute the SBT, a move the Republican plan would insert immediately.

The SBT is now 2.35 percent of gross business revenues. Republicans would like to drop it to 2.3 percent, half the 4.6 percent personal income tax rate, and require that the 2-to-1 ratio be maintained between the tax rates.

While the Democratic plan limits its proposed property tax cuts to residential property owners and renters, the Republican version extends the cuts to agricultural land as well.

Both plans include language requiring the state to make up any short-fall in revenue losses caused by property tax cuts. The Democratic plan notifies the local taxing authority to notify every property owner in its

jurisdiction whenever it plans a meeting to discuss attempts to increase revenue, on the belief that all increased revenues will come from increased property taxes.

**NO CUTS** in state services are proposed in the Democratic plan. The revenue lost in taxes would be made up with money already set aside to offset losses from the defeated Proposal A.

The Republican version does contain cuts in spending, specifically in the across-the-board state department spending cut of 5 percent; elimination of welfare payments to "employable" people; reduced Medicaid provider payments; stricter standards for community placements of retarded and mentally ill people; 5 percent reductions in Aid to Dependent Children and General Assistance payments from the June level — which was already cut in

a two-month temporary measure; and an increase in the number of hours required to obtain general equivalency (GED) diplomas.

**ASKED** to explain the differences between the two measures, Faust said, "Mine's better."

Faust also expects his plan is more likely to be approved "because we're in control."

Democrats have majorities in both houses of the legislature. "I expect we'll pass some kind of tax cut this fall, although not necessarily the way we proposed it," Faust added.

"Both of these plans are somewhat modeled after A (the defeated Proposal A property tax reform measure)," Faust acknowledged.

"Basically," said Republican Bryant, "their plan has a first-year cost of \$213 million and ours of \$560 million. Over

three years, ours would be still about \$500 million more than theirs."

The Democratic plan calls for total tax cuts of \$1.2 billion over three years, compared to the \$1.5 billion cut contained in Proposal A.

"In my judgment, those figures (in the Faust bill) are sacred. The thing that is sacred is the figures, not the methods," said Faust.

Republicans bill their plan as the "20-20-20" proposal. It would provide a direct 20 percent exemption for residential and agricultural property, allow renters a tax credit on the theory that 20 percent of their rent is for property tax and reduce the SBT by 10 percent.

The Democratic plan would cut all school operating millage by 15 percent the first year, 25 percent the second year and 35 percent in the third year.

## Banker: Tie mortgage to inflation

Home buyers who finance their homes with adjustable loans probably will see their mortgage rates decline when inflation subsides, according to the president of United States League of Savings Associations.

"No longer will home buyers seeking long-term financing when rates are high face the prospect of being locked into many years of high mortgage rates," said Rollin Barnard.

The ability of borrowers to ride rates down is a "powerful incentive" offered by the new adjustable mortgages, he said.

New regulations issued in April allow federally chartered savings and loan associations to write mortgages with rates, payments and terms that can be adjusted periodically, depending on the movement of an independent index. The adjustable feature is intended to help savings associations better match the yield on their loan portfolios with savings costs.

"Lenders simply must have market rates on loan instruments to match the market rates they have been paying savers for the past three years," Barnard said.

The new mortgage plans will better enable savings and loan associations to pay high rates to attract more savings deposits, he said, adding that new deposits form the core of the money the institutions have available to lend to home buyers.

Barnard emphasized that the adjustable mortgages "are not a one-way street favoring lenders." Home buyer acceptance or rejection of specific loan plans "will ultimately determine the shape these new mortgages take," he said.

The savings and loan executive said that early indications are that many lenders are developing flexible mortgages, which nonetheless give home buyers predictability and stability in mortgage payments.

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