

Blanchard plugs for property tax rebates

By Tim Richard
staff writer

People would rather have a property tax cut than an early income tax cut, Gov. James J. Blanchard believes. "The property tax is the most burdensome, most out-of-line tax in Michigan," he said.

But state senators — particularly Republicans — prefer to cut the state income tax ahead of schedule. Blanchard thinks he knows why: "Legislators fear they will not get credit for property tax rebates, but they will get credit for income tax cuts."

The governor, owner of a house in Pleasant Ridge, is stumping the state for his "Tax Fairness" plan. Its bottom line is to increase the program of property tax rebates, but they will get credit for income tax cuts.

No tax vote without consensus — Blanchard

Gov. James Blanchard is unwilling to support a vote on increasing the state sales tax for public transportation — at least until tri-county leaders unite behind the plan.

Leaders of the Southeastern Michigan Transportation Authority want a November 1985 referendum on raising the sales tax from 4 percent to 5 percent to give SEMTA its first earmarked tax.

"They're going to have the local units down here," Blanchard said, referring to Detroit Mayor Coleman

and renters from more than \$500 million to almost \$750 million. He met last week with suburban newspaper editors and reporters, bringing along a host of charts.

THE PROPERTY tax rebate is a check you get from the state if your homesteaded property tax exceeds 3.5 percent of your income. If you're a renter, 17 percent of your rent is considered to be property tax.

The state rebate is 50 percent of your "excess" property tax. It used to be lumped in with your state income tax refund. This year, for the first time, you will get the rebate in a separate check. That's because Blanchard and state Treasurer Robert Bowman want to make sure you understand what you're getting.

Nearly half of all Michigan households — 1.5 million — get such rebates, topping \$500 million. "Michigan is very generous with its rebate program," Blanchard said, frankly giving credit for the program to his predecessors in state government.

Suburbs of Detroit are big beneficiaries of rebates, Blanchard said, because of high voted property taxes for schools. In out-Wayne County, the average property tax bill is 17 percent above the state average; in Oakland, 45 percent above the state average.

IN HIS JANUARY state of the state message, the governor proposed a \$65 million, one-time sweetening of the rebate pie.

His new Fairness Plan proposes another \$150 million in permanent rebates. It's part of a package of 11 tax bills that are "tie-barred" — none becomes law unless all are passed.

One bill would drop the state's income tax rate from 5.1 to 4.6 percent in mid-1985, a full year ahead of schedule. The House Taxation Committee, dominated by Blanchard's fellow Democrats, was scheduled to take up the package this week.

THE SENATE plan, adopted Feb. 27, would roll back the income tax rate to 4.6 percent next Jan. 1, six months earlier than Blanchard's Fairness Plan.

The income tax cut was passed 30-5, with bipartisan support. Area senators backing it were Republicans Doug

Cruce of Troy, Richard Fessler of West Bloomfield, Rudy Nichols of Waterford and Robert Gagne of Northville; and Democrats Jack Foxon of Farmington Hills, William Faust of Westland and Patrick McCollough of Dearborn.

Two outstate Republicans and three Democrats opposed it.

The Senate plan also would increase the personal income tax exemption from the current \$1,500 per person a year to \$1,750.

"The Senate doesn't have the funds to make that kind of cut," Blanchard said. He felt the House would be more amenable to his plan.

"THIS IS an ideal time for tax fairness," Blanchard went on.

"We're a year and a half away from an election. We're out of the woods financially. By Nov. 30, the state will be completely out of debt. No matter what else happens, we're going to have a tax cut."

He referred to a 0.25 percent surcharge which was part of the controversial 1.75 percent income tax rate increase the state adopted in March of 1983. That surcharge has been used to retire an accumulated debt of \$1.7 billion. That surcharge, Blanchard noted, will expire Nov. 30.

The end of the surcharge will bring the rate down to 5.1 percent — the rate it was at under Republican Gov. William G. Milliken, Blanchard noted. The "normal" rate is considered to be 4.6

percent, but a temporary hike had been voted under Milliken.

OTHER PARTS of the Blanchard Fairness Plan are more controversial than the property tax rebate. Blanchard would:

- Tax Michigan insurance companies at the same tax rate as out-of-state companies, adding \$45 million in revenue. The U.S. Supreme Court recently ruled that split rates are unconstitutional. States must either repeal higher taxes on "foreign" companies or raise taxes on "domestic" firms. Blanchard favors the latter course.

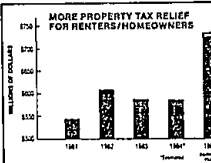
- Tax capital gains on the sale of stocks and bonds, adding \$65 million. "The Grosse Pointers were against that until we pointed out that Ronald Reagan did it," Blanchard said.

- Tax the pay of military personnel on duty here, adding \$25 million. Blanchard said Michigan is one of only a handful of states which doesn't levy such a tax.

- Tax financial institutions and administrative service organizations (ASOs), which are currently almost exempt — \$18 million.

THESE AND other, smaller items would bring in \$188 million in new revenue.

Blanchard would use that new revenue to 1) grant a single business tax deduction for research and development, estimated to cost \$40 million in



Gov. Blanchard is betting suburban homeowners will prefer bigger property tax rebate checks over a quicker income tax reduction.

revenue, and 2) implement his property tax rebate program.

How about raising the 4-percent sales tax and using that to cut property taxes?

Not yet, Blanchard said. "To change it, you would have to have a constitutional amendment. You would have to have time to run a campaign. I don't see that happening in the near future."

"But some day," he predicted, "they (voters) are going to want a sales tax increase to cut the property tax, dollar for dollar."

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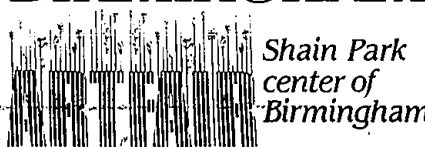
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