

County lawmakers lose tax loophole fight

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(B,Wb,La,T,Ro,S)5A

By Tim Richard
staff writer

Three Oakland County senators lost their battle to keep the Michigan Legislature from shutting a property tax loophole discovered by the courts.

The bill, on its way to Gov. James Blanchard's desk, is designed to take away a tax break for home improvements the 1976 Legislature never in-

tended to give.

The Senate barely approved the bill on a 20-15 vote with three absent. It was bitterly fought by three senators from Oakland County.

"The Grinch that stole Christmas," said Rudy Nichols, R-Waterford, "gave the taxpayers a break."

said Richard Fessler, R-Commerce. "No burden on the Treasury," said Doug Cruce, R-Troy.

Taxpayers United, through

spokesman Bill McMaster, threatened Fessler with recall if he voted for it. Fessler didn't.

BUT STATE leaders of both parties prevailed in closing the loophole, which State Treasurer Robert Bowman said could cost local governments \$500 million in property taxes.

Senate majority leader John Engler, R-Mount Pleasant, Blanchard's

probable 1990 rival, took a rare trip to the microphone to keep his Republican troops in line.

Bill 5172 was drafted to close the loophole and passed last month by the House. It was supported by three major local governmental lobbies — the Michigan Association of counties, the Michigan Municipal League and the Michigan Townships Association.

"The current practice is what this bill maintains," said Engler. "The court decision would change the law."

CRUCE CRITICIZED the state treasurer's "rush" to reverse the court decision. Cruce's calculations put the lost revenue at \$7.5 million a year — "less than 1 percent. We've been led astray by the administration."

"We should be ashamed of this bill," added Nichols, who was elected in the 1983 revolt against the income tax. "First we say they (homeowners) have this benefit, then they don't. It's a sham."

"For 12 years this law has been on the books. The courts agreed with a plaintiff who fought his assessment. It found 'no ambiguity' in the statute," Nichols said.

"The loophole was created by the court," said Fessler, adding his western Oakland district is seeing assessment increases of 18 to 23 percent a year.

Fessler argued that the economy would be stimulated by not taxing home improvements, and government revenue would be generated by sales taxes on building materials and income taxes on home improvement laborers.

Then Fessler issued a political warning to Rep. David Honigman, R-West Bloomfield, who has announced he will seek Fessler's Senate seat next year. "To those who are aspirants to higher office — give the tax-

payers a break."

In a widely circulated letter, Bill McMaster, Bloomfield Township public relations executive, said on behalf of Taxpayers United that a yes vote by Fessler "will be the start of a recall campaign in our district to reclaim your Senate seat . . . Your constituents are aware of Honigman's interest in succeeding you as state senator . . . we'll oppose the election of Honigman" because of his vote for HB 5172.

HERE IS HOW Observer & Eccentric senators voted on final passage of HB 5172:

Yes — William Faust, D-Westland; Jack Faxon, D-Farmington Hills; Robert Geake, R-Northville.

No — Cruce, Fessler, Nichols and George Hart, D-Deerborn.

On the motion to give the bill immediate effect, Cruce and Hart joined their parties' leaders and voted yes. Without that motion, the law couldn't take effect until next April 1, leaving local assessors in a state of confusion on how to value home improvements.

THE SENATE also rejected an amendment to tie-bar repeal of the state inheritance tax to the property tax bill.

The inheritance tax repeal, SB 1, has been approved overwhelmingly by the Senate but languishes in the House Taxation Committee, where treasurer Bowman and Democratic leaders oppose it.

\$15 per MEA member funded 'A'

By Tom Ferguson
staff writer

At least \$3.2 million in campaign contributions went down in flames along with Proposal A in the Nov. 7 election.

Nearly half the money came from Michigan teachers.

Meanwhile, opponents of A and B — the two proposals to shore up Michigan's educational system with sales tax hikes — spent very little but apparently made their point. Both proposals were defeated overwhelmingly.

Filings with the state Bureau of Elections this month disclose that the Michigan Education Association was by far the heaviest contributor to the Proposal A effort. Its

\$1,542,000 in contributions amounts to about \$15 for each of the 104,000 active MEA members.

Altogether, the Promote Michigan Education Committee funneled slightly more than \$2 million to its Washington-based media consultant to buy advertising time and space on behalf of Proposal A. The remaining \$1.2 million the committee reported raising was spent on other promotional and administrative costs.

PROPOSAL A would have increased the sales tax from 4 to 4.5 percent, providing \$400 million a year for state schools. Proposal B would have raised the sales tax to 6 percent but would have provided property tax relief. Proposal A had more "name" backers — including the Gov. James Blanchard — and

fared better with voters than did Proposal B.

"Their game plan was to buy the election. The results were very encouraging," said Richard Dudley, vice-president of government relations for the Michigan Chamber of Commerce, which led the organized opposition to A and B. "The numbers just show that you can't fool all the people all the time."

The MEA levied no special assessments on its members for its efforts, but dipped heavily into accumulated political action funds.

"We felt it was a very important time to act," said MEA spokeswoman Colleen Huggins. "A number of districts are on the verge of bankruptcy."

Other major contributors to Pro-

posal A included:

- Detroit Federation of Teachers Political Action Fund, \$100,000.
- General Motors Corp., \$100,000.
- Ford Motor Co., \$90,000.
- Chrysler Corp., \$75,000.
- Dow Chemical Co., \$50,000.
- Michigan Retailers Association, \$50,000.
- Mutual Benefit Life Insurance Co. of New York, N.Y., which has done business with the MEA for 30 years, \$50,000.
- AAA of Michigan, \$40,000.
- Detroit Edison, \$40,000.
- Michigan Bell Telephone Co., \$40,000.
- Masco Corp., \$25,000.
- Meijer Inc., \$25,000.
- NBD Bancorp Inc., \$25,000.

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