

# Officials still seeking property tax reform

Interest groups, unions and state legislators are still trying to think of a school finance and property tax reform plan that will please enough people to become law. Here is a rundown of the five major plans.

**Engler, 'Son of C'**

**GOAL:** Cut school property taxes 20 percent. Make Michigan business cost-competitive. Reduce burden of rising assessments.

**SPONSOR:** Gov. John Engler, supported by Michigan Chamber of Commerce, many Republicans including Rep. Mt. Dunes/Ashtabula, R-Oxford, and Rep. John Jamian, R-Birmingham.

**FEATURES:** Cuts tax bills by reducing assessments from the current 60 percent of market value to 40 percent over three years.

**Also:** Delays impact of reassessments for one year so owners may appeal — in effect, a one-year freeze on reassessments.

**Also:** Caps assessment growth.

**Also:** Cuts only school operating taxes — not school bonds, city, township, county, community college or parks.

**IMPACT:** School taxes are about two-thirds of all property taxes; overall reduction is about 13 percent. Third-year impact: \$1.3 billion.

Taxpayers getting an income-tax rebate for their high property taxes will see their rates shrink as their property taxes are cut, hence may get a zero net cut.

**In-formula school districts** (those receiving state aid) will see their aid rise as local taxes shrink. Districts bare out of formula may go largely on formula.

**Out-of-formula districts** will have lost revenue restored only if lawmakers keep a promise to restore it. That promise, added in the Senate, has no money behind it.

**OPPOSITION:** Wealthy school districts fear they won't be reimbursed, say solution is to "raise the floor" under poor districts, not "lower the ceiling" on them; may have to ask for increased millages.

Democrats say relief should go to homes only because business assessments haven't risen the way homes have.

**STATUS:** Senate Bill 146 passed the Senate with only Republican support. Now in House Education Committee.

**Team 14**

**GOAL:** Fairness in resources (\$4,700 in first year) behind each school child. Reduce unfair property taxes, raise fair taxes.

**SPONSORS:** 14 state representatives from both parties. Drafted by Glenn Oxender, R-Sturgis, and Michael Nye, R-Litchfield. Supported by Barbara Dobb, R-Union Lake, William Keith, D-Lander City, and David Gubow, D-Huntington Woods.

**FEATURES:** Cuts school operating taxes on

homes and farms 50 percent on average. Current statewide average is 34 mills; rate would be cut to 17 mills. Property taxes on homes and farms would be collected by a statewide authority — tax-base sharing.

**Raises personal income tax** from current 4.6 percent to 6 percent, effective April 1. Makes tax somewhat progressive by raising personal exemptions from \$2,100 to \$3,000. Can be done by Legislature.

**Allows renters to calculate 20 percent of income** (instead of 17 percent) as imputed property taxes in calculating homestead property tax credit.

**Places proposal on 1994 ballot** to increase sales tax from current 4 percent to 6 percent, rolling back income tax to 4.6 percent. Requires two-thirds vote of Legislature to place on ballot, majority vote of people to amend state constitution.

**Gives every school district \$4,700 per pupil in 1992-3**, rises to \$4,850 in 1993-4.

**Allows local districts, after two years, to levy additional income taxes** (administered by state). Voters must approve; maximum 10 years; renewable. Total local revenue would be limited to twice the basic grant or \$9,400 per pupil.

**Ends all "categorical" state aid** except special and bilingual education.

**Continues state payment of retirement** for all school employees.

**UNAFFECTED:** Business

property taxes, which continue to be collected locally.

**School bonds, TIFA bonds, city, township, county, community college and parks millages.**

**OPPOSITION:** Gives big break to non-residents who own summer homes but don't pay Michigan income tax.

**Fails to help Michigan business** become more competitive.

**Punishes southeastern Michigan**, where school and construction costs are 22 percent higher than outstate; tri-county area would need to levy income taxes to restore their schools.

**STATUS:** A dozen bills and resolutions in House Education Committee. Co-chairs: Reps. Willis Bullard, R-Milford, Lyn Jondahl, D-Oakemos.

**O/K plan**

**GOALS:** Require state to shoulder 50 percent of cost of local schools. Reduce schools' reliance on property tax.

**SPONSORS:** David Olmstead, former Detroit school board member, and Philip Kearney, professor of education at the University of Michigan. Endorsed by many school boards, including those of West Bloomfield, Southfield, Birmingham, Bloomfield Hills and Farmington. State Rep. Greg Kezo, R-Rochester Hills, also supports the O/K plan.

**FEATURES:** Requires state to find money in its budget to pay 50 percent of

school costs plus Lottery. Funds would come from growth in state revenue.

**Not linked to voter-approved tax increase.**

**Gradual phasing of school tax rates to 30 mills.** Assessments capped at rate of inflation, no state reimbursement.

**"Holds harmless" out-of-formula districts.** Guarantees cate-

gorical aid will be frozen at current levels.

**OPPOSITION:** It would soak up every new dollar of state revenue for schools; naively assumes other interests (mental health, environment, law enforcement, courts, etc.) will roll over and play dead.


See TAX PLAN, 9A

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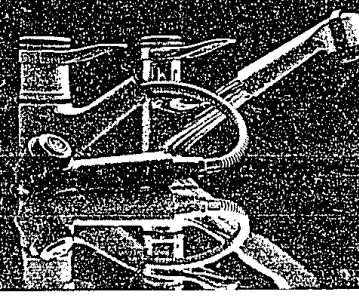
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