



PROPOSAL 14-1 A REFERENDUM ON PUBLIC ACT 80 OF 2014

Currently, a significant amount of revenue for local communities comes from the personal property tax (PPT), a tax on businesses that is assessed each year. It taxes existing personal property such as tools, machinery, equipment, furniture and computers.¹ Local government uses this money to pay for budget items such as police, fire, schools.

In 2014, legislation was passed (Public Act 80) to phase out the personal property tax for Michigan businesses and replace the lost revenue for local government. The measure redirects streams of revenue, including the existing state use tax, the new State Essential Service Assessment on businesses, and savings from expiring business tax credits. According to the Michigan Constitution, voters must approve any new local tax or tax increase to take effect. Since the measure redirects current funding from the use tax into a new local tax, voters must approve or reject Proposal 14-1 during the August 5 primary election. It should be noted that this proposal does not impact taxes paid by individual citizens.

Public Act 80 of 2014, if approved by voters, would:

- Eliminate the PPT immediately for businesses with less than \$80,000 of taxable personal property.
- Eliminate the PPT on new manufacturing personal property for businesses in 2016.
- Phase out the PPT for businesses on other manufacturing equipment when it becomes 10 years old.
- Create the State Essential Services Assessment to help raise revenue for local services, which is a reduced tax administered by the state on manufacturers who will no longer have to pay the PPT.
- Create the Local Community Stabilization Authority, defined as a local unit of government (not an agent of the state) that has statewide boundaries. Members would be appointed by the governor.
- Redirect a portion of the state's use tax² to local governments through the Local Community Stabilization Authority. This will not raise the use tax, but would create a new local version that will be known as the local community stabilization share tax.
- Require the tax rate of the local community stabilization share to be calculated annually by the Michigan Department of Treasury, keeping with statutory guidelines.

The proposal does not require local governments to come up with the lost revenue themselves.

Supporters of Proposal 1 (keep law) say:

- The Personal Property Tax unfairly punishes businesses who want to expand and invest in new equipment, by requiring employers to pay sales tax on their equipment in addition to the PPT every year the equipment is in use. No other Great Lakes state still uses the PPT.

¹ Taxes on land and buildings are assessed separately and are not considered to be a part of the personal property tax.

² The state use tax is a 6% tax collected on items that are brought into Michigan or purchased by mail or internet from out of state retailers.

- Local government and businesses have found personal property tax difficult to administer.
- The proposal ensures that the current level of funding for local governments and schools is maintained and does not require either to make up the difference.

Voting yes for the proposal means that Public Act 80 of 2014 will be put into effect and the personal property tax will be eliminated.

Opponents of Proposal 1 (repeal law) say:

- Eliminating the personal property tax will require state use tax funding to be diverted from the state general fund budget to help make up for the lost revenue to local governments, funding that could be used for other important programs and budget items.
- The proposal puts local tax dollars in the hands of a newly created authority that is not elected or held accountable by the voters.
- This tax cut to businesses will not spur the economic growth and job creation that it promises.

Voting no against the proposal means that Public Act 80 of 2014 will not go into effect and will keep the personal property tax in place.

Supporters: Governor Rick Snyder, Lieutenant Governor Brian Calley, Michigan Citizens for Strong and Safe Communities, which includes groups such as the Michigan Municipal League, Michigan Association of Counties, Michigan Townships Association, the Michigan Association of Fire Chiefs, Police Officers Association of Michigan, Michigan Manufacturer's Association, and Michigan Association of School Boards.

Opponents: Wayne County Taxpayers Association, Warren Mayor Jim Fouts.

Please note that this is an educational piece and the arguments for and against reflect current public debate. Michigan Catholic Conference does not have a position on the aforementioned proposal and encourages all voters to consider the issue thoughtfully with a well-formed conscience.