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A Legislative Update for Township Officials

State Budget Negotiations Stumble; Senate Cuts Revenue Sharing



A week at the Capitol that showed signs of a possible budget deal ended in a major breakdown between Republicans and Democrats, and the Senate acting to cut statutory revenue sharing by 10 percent. Budget negotiations between Governor Jennifer Granholm, House Speaker Andy Dillon (D-Redford Charter Twp.) and Senate Majority Leader Mike Bishop (R-Rochester) started on March 19, but stalled on March 22. The talks primarily centered on addressing the current fiscal year (ending September 30, 2007) shortfall estimated to be \$950 million, although both Granholm and Dillon also attempted to address the next fiscal year, including the elimination of the Single Business Tax.

The political posturing reached a pitch level on March 22 as the governor sent the Legislature Executive Order 2007-3, intended to provide cuts and cost savings of \$344 million in the current fiscal year. There was general agreement by all parties on the executive order, which eliminated \$892,400 that was included for special

census payments in the current fiscal year to eleven communities, eight of which were townships.

The Senate quickly approved the executive order and proceeded to approve several other significant cuts, totaling an additional \$312 million. Unfortunately, part of those Senate cuts included a 10 percent cut in statutory revenue sharing, equaling \$40 million compared to current law. Currently, roughly 250 townships receive any statutory revenue sharing. The Senate-approved cuts would reduce that number to roughly 75 townships. MTA is not only concerned about the cuts to local governments, but how they would be administered. These 10 percent cuts could be seriously compounded by what point each affected township may be in their budget cycle. Township fiscal years do not match the state's October 1 fiscal year.

Further, the cuts would have to be administered on the three remaining revenue sharing payments—April, June and August—in the state's current fiscal year. This would be especially harsh on townships that run on the April 1 or July 1 budget cycle. Because the cut would be made late in the state's fiscal year, it would cause dramatic cuts in the three remaining payments.

Democrats in the House and Senate spoke out against the actions of cutting revenue sharing payments to local governments and said the cuts will force local communities to slash police, fire and other services.

The Senate also voted down the governor's 2 percent sales tax on services plan on which her current budget is premised. Senate Republicans declared her tax plan "dead," causing a political boomerang from the House and Senate to declare the extra cuts by Senate Republicans, "dead on arrival."

The Senate did vote to restore funding levels in the State Police budget to prevent layoffs of 29 state troopers.

For a more detailed explanation about the Senate-approved budget as it relates to revenue sharing, visit www.senate.michigan.gov/sfa/main/featured.html, and click on "Estimated Revenue Sharing Payments Under the Senate Republican FY 2006-07 Budget Balancing Proposal." ■

Home Sales and the Property Tax “Pop-up”

It's no secret to anyone who lives in this state that the housing market is in shambles. “For Sale” signs can be seen everywhere, and the number of homes being sold has fallen drastically. This issue took center stage this month in the House of Representatives.

Ask for a reason for the slump and most would retort: “Would you buy a new house if you weren't sure that your job will be around next month?” While the state's economy, combined with a nationwide housing slump, is at the heart of the issue, the House looked at yet another side of the issue: the impact of the so-called property tax “pop-up.”

Many legislators—and the real estate industry—are concerned about the widening gap between the amount of taxes paid by an established homeowner and a person who purchases a home. It has been argued that prior to the creation of Proposal A, people were being taxed out of their homes, and now people are being taxed into their homes. A concern is that people will not buy a new home because of the additional taxes that would accrue.

As a result, the House took up HB 4440. The intention was to give an incentive to help people sell their homes, with the hope that they would in turn buy another home and get the housing market moving once again. HB 4440 states that the cap would not be removed from an existing home if it is currently receiving a principal residence exemption and it is sold to someone who keeps it as a principal residence. This provision would apply to any home purchased between March 1, 2007, and September 1, 2008.

While the issue of the release of the property value cap is a growing concern, it is MTA's belief that the issue is embedded in the Constitution and, as such, is not open to legislative remedy. Article IX, Section 3 of our state's Constitution states, in part: “When ownership of the parcel of property is transferred as defined by law, the parcel shall

be assessed at the applicable proportion of the current true cash value.” Restated, our Constitution requires the cap to be released when the property transfers ownership. It states that the assessed value shall be the current true cash value—meaning the state equalized value (SEV) of the property.

The Constitution does give the Legislature the authority to define when ownership of property transfers. This was done because of very complex situations that can arise when property changes ownership.

HB 4440 exempts the sale of certain property from the release of the taxable value up to the SEV, based on the statement that a transfer of ownership did not take place. The law essentially states that even though a home has been purchased, the original owner somehow retains some form of ownership right. Obviously, the legislation is stretching the language of the Constitution to its brink—if not going way beyond the direction of the Constitution.

The fact that this provision is temporary makes the issue even more problematic within the Constitution. If it is found that this type of sale is truly not a transfer of ownership, then the Constitution would prohibit reversing the definition 18 months later. The Constitution prohibits any property valuation increasing by 5 percent or the rate of inflation if the property has not transferred. One way or the other, this concept would seem to violate the constitutional provisions of Proposal A.

The House passed HB 4440 on a very divided vote. However, many legislators who voted “no” on the proposal were focused on a second bill tied to HB 4440—HB 4441—that temporarily increased the Real Estate Transfer Tax. HB 4441 increases the transfer tax by an additional 50 cents per \$500 of value, and dedicates that money to local government emergency services. The extra tax would be paid during the same 18-month period covered by HB 4440. This legislation also passed the House on a very close vote.

The final piece of legislation taken up by the House was HB 4442, which would essentially eliminate Headlee rollbacks on millage rates. HB 4442 states that any property value that occurs as a result of the release of the captured value upon sale of a property would be considered an “addition” when calculating the millage reduction fraction. The result of this legislation is that there is no conceivable scenario where a millage would be rolled back.

Again, this issue is working in the area of the Constitution. Article IX, Section 31 states that the value of new construction and improvements to property can be excluded from the calculation. HB 4442 is written to exclude the extra value based on one of those two exclusions. Again, while this is a problem and a concern to local government, it would seem to be an issue that requires the approval of the citizens before the change can take place.

MTA testified before the House that it is the Association's belief that the citizens must amend the Constitution before HB 4440 or HB 4442 could be implemented. ■



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Senate Offers Board of Review Flexibility

The Senate Local, Urban & State Affairs Committee reported SB 209, offered by Sen. Ron Jelinek (R-Three Oaks Twp.), which would allow greater flexibility in scheduling the July and December boards of review (BOR).

The legislation is patterned off earlier law changes that gave flexibility on when the March board of review was required to meet. The change comes at the response of communities that share assessors, and will help ensure that the assessor can attend all BOR meetings. SB 209 would allow a township to move the July or December BOR meeting to any time during the same week that the meeting currently takes place. The township board is required to pass a resolution to move the BOR meeting from the currently prescribed day. ■

House Moves Ethics Legislation; Floor Amendment Applies to Locals

Likely as a response to recent ethics scandals involving members of Congress, the House has been considering a series of bills addressing ethics standards for legislators and ranking state officials. HB 4285, introduced by Rep. Steve Tobacman (D-Detroit), sets up financial disclosure requirements similar to those required of members of Congress and state officials in most other states. Although the bill was originally intended for state officials only, the House passed the bill on March 15 with an amendment that would also apply it to certain local officials.

Under the bill, certain officials must file a report containing financial disclosure requirements, which are outlined in the bill, with the state Bureau of Elections by May 1. Financial penalties would apply if a report is not submitted, or is submitted late.

Officials would have to report the source, type and amount or value of earned income received during the preceding calendar year from any sources that equal \$1,000 or more. This stipulation would also apply to the official's spouse and other immediate family members. An immediate family member is defined as a spouse, dependent child, or a person claimed by the official or spouse as a dependent for federal income tax purposes.

The legislation would also require the disclosure of the value of each asset of the official and his or her immediate family members, including real or personal property or cash, if the asset had a fair market value of \$10,000 or more at any time during the preceding year. Assets connected to a farm or business operation would be exempt under the bill. The identity and value of each liability by an official and family member would also have to be disclosed if it were

\$10,000 or more.

Further, a description and value of a purchase, sale or exchange of real property, other than a principal residence, if the value were \$1,000 or more would have to be reported by the official and their immediate family. All holdings of and the income from a trust or other financial arrangement would also need to be reported by the official and an immediate family member.

All of the above mentioned reporting requirements would be reported by income category rather than a specific amount. In addition, all positions held with various organizations, other than a religious, social, fraternal or political party would have to be reported by the official.

Throughout the process, all these stipulations applied to legislators, other state elected officials, including those serving on university boards and judges, as well as the heads of departments or a member of a board or commission heading a principal state department. However, the bill was amended on the House floor by Rep. Chris Ward (R-Brignton Twp.) to include local elected officials in certain circumstances. Local elected officials would face the disclosure requirements if their "compensation is greater than two times the statewide median gross income as determined under section 143(f) of the Internal Revenue Code, 26 USC 143(f)." While exact figures are not yet available, the statewide median gross income in 2005 was \$45,933. Therefore, any officials making roughly \$91,866 or more would fall under these requirements. This would affect a small number of township officials, and likely some elected county administrators and several city officials.

The bill has now gone over to the Senate and has been assigned to the Senate Committee on Campaign & Election Oversight. As of press time, it was unknown if the committee would take up the bill for consideration. However, MTA will continue to monitor the situation and seek changes should the Senate committee take it up.09, offered by Sen. Ron Jelinek (R-Three Oaks Twp.), which would allow greater flexibility in scheduling the July and December boards of review (BOR). ■

Legislation Clarifies Library Tax Issue

State Reps. Steve Bieda (D-Warren) and Geoff Hansen (R-Hart Twp.) introduced legislation that would clarify when property taxes for district libraries are collected. HB 4421 specifies that district library bond millage is collected at the same time that the non-allocated county taxes are collected—in other words, on the winter tax bill.

Concerns were raised when bond counsel for some district libraries concluded that because most county taxes were shifted to the summer tax bill, district libraries would be required to do the same. This would have created an issue related to the retention of the \$2.50 collection fee for summer property taxes.

Since that time, the Department of Treasury has determined that the law did not shift the bond millage to the summer tax bill. However, MTA is pursuing a change to the law in order to deal with the question in a more direct fashion. ■



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Join Our MTA Grassroots Network

If you are an elected township official, MTA invites you to become a part of our legislative efforts. Join our MTA Grassroots Network and be a part of communications with the Legislature on key township issues. When the MTA membership backs up MTA legislative efforts, it helps legislators understand that MTA has the support of township officials. Legislators listen to their constituents. You're important to us, so join today and help make a difference. Not sure if you are already a member? Fill out the form and we can update our records.

Name: _____

Position: _____

Township: _____

County: _____

Mailing Address: _____

Daytime Phone: _____

In an effort to help MTA identify your interests related to specific legislative issue areas, would you please mark any of the following topics that are of interest to you.

- Assessment & Tax Issues
- Election Issues
- Environmental Issues
- Land Use Issues
- Local Authority Issues (i.e. revenue sharing)
- Transportation Issues
- Federal Issues

How would you prefer to receive your Grassroots Network information from MTA (choose one):

E-mail: _____

Fax: _____

- Township Fax
- Personal Fax

Signature: _____

Date: _____

Return to: Michigan Townships Association, P.O. Box 80078, Lansing, MI 48908-0078 or Fax: (517) 321-8908.

Resolutions Reminder

Under the rules adopted by the MTA's Board of Directors, advance resolutions involving legislative policy must be submitted to MTA 150 days prior to the Annual Meeting --- by Tuesday, August 14, 2007. Resolutions adopted at the Annual Meeting in January 2008 will form the basis for MTA's 2008 Legislative Policy.

Plan Ahead for the 2007 Summer Legislative Forum!

Date: August 8, 9, 10, 2007

Shanty Creek Resort & Club, Bellaire, MI

Look for more information in upcoming *Capitol Currents!*