



MICHIGAN TOWNSHIPS ASSOCIATION

## WEEKLY LEGISLATIVE REPORT

August 1, 2008

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Please route to all interested parties in your township.

### **LEGISLATION INTRODUCED TO ALLOW LOCAL TAX OPTIONS FOR TRANSPORTATION**

Legislation and resolutions were introduced last week to allow counties local tax options for individual county and regional transportation funding. The timing of the bipartisan House package comes when a public-private task force, a citizens advisory committee created by the governor and the Legislature are reviewing transportation funding options. The package takes several different approaches toward revenue enhancement including legislation to allow a 1-cent, 3-cent, 5-cent or 7-cent sales tax at the county level. Other pieces in the package would allow for counties to add their own \$25 tax on a driver's license and \$35 on a chauffeur's license, or an additional 25 cents on the real property transfer tax for every \$500 of total value. Included in the package are resolutions HJR HHH and HJR GGG that amend the state constitution and would need approval of two-thirds of the Legislature before it could go to the voters. The package also includes HBs 6322-6326. The bill sponsors are looking for action on the package before the end of the 2008 legislative session.

### **ENCOURAGE CONGRESS TO MAKE FICA TAX WITHHOLDING CHANGES FOR LOCALS**

Federal legislation (H.R. 6603) that would amend the Internal Revenue Code to exempt small payments to public officials from FICA tax withholding and reporting requirements was introduced on July 24. This legislation will make reporting requirements consistent for all citizens who assist local government—from election workers to those serving on commissions. The National Association of Towns and Townships (NATaT) is urging all local government officials to contact their individual members of Congress to urge them to co-sponsor this legislation. Changing this requirement will help local governments that are currently seeing tax processing fees that are greater than the revenue provided to the federal government. Visit [www.michigantownships.org](http://www.michigantownships.org) for a sample letter to use when preparing correspondence and for contact information about your U.S. Representative.

### **PRESIDENT SIGNS BILL TO ALLOW BANK LETTERS OF CREDIT FOR TAX-EXEMPT BONDS**

President Bush signed H.R. 3221 into law on Wednesday. It is a major housing package that includes the FHLBank provision related to letters of credit for tax-exempt bonds. The efforts of township officials in numerous states helped NATaT get this provision included in the final bill. State and local bonds are typically tax-exempt, so the interest earned by taxpayers on those bonds is not considered taxable income. However, if a state or local bond is guaranteed, the interest from those bonds is not tax-exempt (unless certain conditions are met). The new housing law includes a provision that permits municipal bonds that are issued by state and local governments and guaranteed by an FHLBank to be treated as tax-exempt bonds. The interest from those bonds is therefore excluded from income for tax purposes. The law applies to bonds guaranteed by an FHLBank between July 30, 2008, and January 1, 2011. This provision was intended to reduce the costs to state and local governments of borrowing money. Bonds that receive tax-exempt treatment under this provision can be used for more than just housing, and include water treatment facilities, infrastructure improvements, industrial development, healthcare facilities, fire stations, parking facilities, long-term care for the elderly, schools and other services. The new law allows FHLBanks to assist the bond issuers by offering FHLBank letters of credit without triggering the loss of the bonds' tax-exempt status. Obtaining a performance guarantee from a AAA-rated entity, such as FHLBanks, further lowers costs for communities. The law will help support communities and small issuers that are currently underserved by bond insurers by increasing competition and helping to ensure the best cost for local governments. For more information, visit [www.michigantownships.org/federalleg.asp](http://www.michigantownships.org/federalleg.asp).

### **PRIMARY ELECTION TUESDAY, AUGUST 5**

Good luck to all in the Tuesday primary election. The Secretary of State is projecting a 20 percent statewide turnout.

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