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Repeal of Personal Property Taxes Puts Some Local Townships at Risk

Replacement revenue needs to be part of the discussion

(Lansing, Mich.) — Many Michigan townships and other local units of government will face another major financial setback if personal property taxes are reduced or eliminated. After struggling with reduced revenues from property foreclosures and lower property values coupled with cuts in state revenue sharing, townships officials across the state say personal property taxes serve as a stable source of funding.

There are townships in Michigan where personal property taxes exceed 50 percent of the tax base. These communities rely on the high percentage of personal property tax for basic local government operations.

- Winterfield Township in Clare County, 61.8 percent of the tax base is from personal property taxes.
- Chandler Township in Charlevoix County relies on 55.5 percent of personal property taxes to fund its operating budget.
- Just over Fifty three percent of Gogebic County's Wakefield Township's tax base is derived from personal property taxes.

Unlike the debate over the change in the Michigan business tax, which only impacted state revenues, any plan to modify personal property taxes would impact mostly local government operations, affecting everything from public safety to library operations.

“Wakefield Township relies heavily on personal property taxes to generate revenue to provide essential services to our citizens,” said Brian Ashton, Township Supervisor and independent businessman. “We have taken many measures to balance our budget yet still provide basic services to our residents, including sharing services with the County. We have nowhere else to go for a funding source to operate our government. This is the last straw for us.”

Michigan is one of 43 states that currently tax the tangible (physical) assets of a business. Some common examples are: office furniture, computers, industrial machinery and equipment, and copy and fax machines. Personal Property should not be confused with Real Property, which is the land and buildings. Personal property also includes oil and gas pipelines that travel the length and width of our state as well as wind turbines.

In 2010, approximately \$1.2 billion in personal property taxes were collected (annually) in Michigan. Personal property taxes makes up approximately 8 percent of the total property taxes collected in the state. Of this amount, \$100 million went to the state through the State Education Tax (SET), \$200 million went to local school districts for operations and another \$200 million went to pay school bonds. The remaining money (\$700 million) went to the operations of cities, villages, townships, counties, libraries and other governmental units that operate on property taxes.

MTA is encouraged by recent comments made by Gov. Rick Snyder that ending the personal property tax should largely result in a revenue neutral outcome. According to media reports, the governor's administration is evaluating a variety of options to replace the revenue to reflect the sharply diverging amounts of revenue local governments receive from it.

"MTA appreciates the tone of Gov. Snyder's media quotes regarding finding a replacement source that is revenue neutral," said Bill Anderson, Legislative Liaison with the Michigan Townships Association. "The townships look forward to working with the Snyder Administration to solve this very complicated issue."

"The Michigan Townships Association (MTA) takes this issue very seriously," continued Anderson. "The elimination of personal property taxes impact local government operations in numerous ways. Obviously, the biggest impact will be how much revenue will be generated for basic local government operations. If a township has five percent of its tax base in the form of personal property taxes, then that revenue source will be gone forever. If it is 30 percent, that township is in big trouble."

Townships Most Dependent on Personal Property Taxes:

Wakefield Township in Gogebic County	53.1%
Wells Township in Delta County	39.3%
Sheridan Township in Calhoun County	39.1%
Wells Township in Marquette County	38.3%
Richland Township in Missaukee County	37.4%
Tilden Township in Marquette County	37.0%
Hendricks Township in Mackinac County	35.9%
Buena Vista Township in Saginaw County	35.7%
Mueller Township in Schoolcraft County	35.5%
Warner Township in Antrim County	34.5%
Chester Township in Otsego County	34.3%
Newton Township in Mackinac County	32.5%
West Branch Township in Dickinson County	31.8%
Rapid River Township in Kalkaska County	31.6%
Riga Township in Lenawee County	30.5%
Breitung Township in Dickinson County	30.4%
Carp Lake Township in Ontonagon County	30%

Sen. Mike Nofs (R-Battle Creek) is the sponsor of Senate Bill 34, which would eliminate all personal property taxes. The Senate held two hearings on the legislation, focusing on how

this legislation would benefit businesses. While many legislators have talked about moving the state in this direction, no replacement revenue has been publicly identified for local government operations.

According to the MTA, the personal property tax is, in large part, a local tax that would be changed or eliminated by state law. This fact usually leads to discussion about state reimbursement to locals for lost revenue.

“While the MTA has testified on Senate Bill 34, we need to be part of discussions on a replacement source of revenue,” said Anderson. “The MTA’s position is that if the state wants to decrease the burden on businesses, then the state can offer tax credits and refund the money through the new business tax. This then protects local governments from being the piggy bank that is raided every time the state’s revenues fall short of expectations. It is easy to be suspicious of any legislative promises for funding in the future. In the era of term limits, the promise of a legislator today has very little meaning to their successor.”

Anderson added that a change in personal property taxation would have impacts across the state, sometimes contrary to state objectives.

“One of the strongest economic development tools offered to our declining urban centers is the ability to offer manufacturers permanent exemptions on all personal property. This legislation was developed so that the urban centers could be competitive with Greenfield sites in the suburbs and rural areas from a tax perspective. The loss of this differential will put our urban areas back in the position of being uncompetitive because of the higher costs for property taxes on the land and buildings.”

For other communities, it will mean the loss of revenue, just as it was starting to be realized.

“Wind turbines are literally sprouting up across the countryside,” added David Bertram, MTA Legislative Team Leader. “And for many of the communities where this is occurring, it is the first major growth in property tax revenue in many years. Changes to the law would potentially leave these communities with some very controversial structures and no substantial economic benefit being returned to the community. This issue is already beginning to cause concerns in areas where new turbines are being proposed.”

Many legislators point to the fact that Ohio eliminated the taxation of personal property in 2006. According to information provided by MTA’s sister organization, the Ohio Townships Association, the big issue in the legislation was how to deal with the loss of local revenue. The state of Ohio stepped up and reimbursed local governments for three years and then proposed phasing out the revenue over the course of the next six years. However, as the phase out was expected to take place, Ohio was hit by the poor economy. The Ohio legislature stepped in and stopped the phase-out of the state support; instead taking the position that they should support their local governments.

“Repealing the tax may be easier for legislators than finding a replacement and that concerns local governments,” added Anderson.

Additional Townships Depending on Personal Property Taxes Include:

Stronach Township in Manistee County	29.1%
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Belvidere Township in Montcalm County	29%
Lincoln Township in Osceola County	28.6%
Gilmore Township in Benzie County	28.4%
Hudson Township in Mackinac County	28.4%
Hart Township in Oceana County	27.5%
Excelsior Township in Kalkaska County	25.4%
Austin Township in Mecosta County	26.5%
Sagola Township in Dickinson County	25.8%
Kalkaska Township in Kalkaska County	25.4%
Norwich Township in Missaukee County	25.2%
Enterprise Township in Missaukee County	25.2%
Hersey Township in Osceola County	25.0%
Lincoln Township in Clare County	24.9%
Lee Township in Calhoun County	24.9%
Beaver Creek Township in Crawford County	24.2%
Vienna Township in Montmorency County	24.1%
Baldwin Township in Delta County	23.8%
Moran Township in Mackinac County	23.4%
Charlton Township in Otsego County	23.1%
South Branch Township in Wexford County	23.0%
Crystal Falls Township in Iron County	22.9%
Loud Township in Montmorency County	22.5%
Ray Township in Macomb County	22.5%
Mendon Township in Saint Joseph County	22.4%
Mecosta Township in Mecosta County	22.3%
White Pigeon Township in Saint Joseph County	22.2%
Holland Township in Missaukee County	22.0%
Verona Township in Huron County	22.0%
Garfield Township in Mackinac County	21.7%
Hudson Township in Charlevoix County	21.4%
Manistique Township in Schoolcraft County	21.3%
Ovid Township in Clinton County	21.1%
Filer Township in Manistee County	20.8%
Colfax Township in Oceana County	20.5%
Athens Township in Calhoun County	20.1%
Rust Township in Montmorency County	20.0%
Adams Township in Houghton County	19.1%
Thomas Township in Saginaw County	19.0%
Felch Township in Dickinson County	18.9%
Masonville Township in Delta County	18.8%
Mottville Township in Saint Joseph County	18.6%
Summerfield Township in Clare County	18.0%
Standish Township in Arenac County	17.8%
Comstock Township in Kalamazoo County	17.6%
Charleston Township in Kalamazoo County	17.6%

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The Michigan Townships Association promotes the interests of township government by fostering strong, vibrant communities; advocating legislation to meet 21st century challenges; developing knowledgeable township officials and enthusiastic supporters of township government; and encouraging ethical practices of elected officials who uphold the traditions and unique characteristics of township government and the values of the people of Michigan.