Michigan FairTax Association
PO Box 703
Sterling Heights, MI 48311-0703

Ph: 586-871-7147
Web: www.mifairtax.org
Email: info@mifairtax.org

Revenue Sharing & Personal Property Tax

The Michigan FairTax would add counties to the constitution along with townships, cities, and villages and it would make the entire Revenue Sharing distribution constitutional. One of the most important goals of the Michigan Association of Counties (MAC), the Michigan Municipal League (MML), and the Michigan Township Association (MTA) has been to guarantee Revenue Sharing and provide them a number on which they can budget.

Currently, a portion of the Revenue Sharing distribution is statutory and a portion is constitutional. The portion which is constitutional has always been paid, but the entire statutory amount has not. Thus, the municipalities never know how much they will get, which makes it very difficult to budget and make financial decisions for their municipality. The Michigan Fair Tax will make the entire distribution constitutional and predictable.

We arrived at the amount by averaging what was actually distributed over the last 15 years of Revenue Sharing. We would modify the current 15 percent of the first 4 percent of sales tax on retailers to include both the statutory and constitutional amounts. This would guarantee Revenue Sharing and provide a budgeted amount each year. The amount of the distribution will fluctuate depending on the amount of sales tax revenue which comes into the state. However the percentage that municipalities, including counties, would receive would remain the same.

The original Resolution L was amended and Draft 6 became the H-1 Substitute. The changes which concern municipalities revolved around the per-capita language and population references and how to eliminate the Personal Property Tax without disrupting the way municipalities and schools bonds. After meeting with MTA's Bill Anderson and MML's Andy Schor and some other tax policy people we came up with both a method and language to accomplish the desired goals. We wanted to add counties to the constitution, but not to the deficit of cities, townships or villages, so we were able to adjust the per-capita and population language and percentages, so that counties would receive what they have averaged over the last fifteen years, as would the other municipalities.

The reason the new MBT plan and the old SBT and PPT taxes all had to resort to Personal Property Tax credits and percentage credit reductions is because an out right elimination or reduction would create financing and bonding problems for municipalities and schools. The dilemma focused on how you replace the tangible measurement structure provided by personal property tax, so as to able to bond and estimate the amount of revenue that would be generated. **The important thing to municipalities and schools is not how the revenue is generated or from where it comes, but simply that its generated and that it is generated in measurable amounts.** The answer we came up with was to leave the present administrative structure and method of measuring personal property tax revenue in place, but the municipalities would no longer have to collect it, because the revenue would be generated through sales tax. Businesses would continue to provide municipalities with personal property tax information, but they would no longer be taxed on their personal property assets. The information would strictly be used to determine the amount of revenue that municipality receives, just as it is today. The bonding and methods of financing for municipalities and schools would not change or be brought into question, municipalities no longer have to collect it, and businesses will no longer be taxed on their business assets over and over again. Everyone wins. Here is an opportunity for the Michigan Association of Counties, Municipal League, and Township Association to achieve their number one legislative goal guaranteed Revenue Sharing and a number they can budget on. **Take hold of it, for this chance may never come again.**

Fulton Sheen

*(For more information go to www.MiFairTax.org or contact my office)