



"For Truth in Taxation
And Job Creation"

Why Property Taxes are Not Now a Part of the MI FairTax

Summary:

To include property tax relief in the MI FairTax currently would cause the sales tax rate to be too high relative to other states. To create jobs we must reform our tax system to make Michigan the best place to locate a business. For that reason we must first address those taxes that increase the cost of Michigan made products the most. Property taxes have only a minor impact on the cost of producing products in Michigan. In addition, they are visible and the citizens have the direct ability to lower these taxes at the ballot box.

Explanation:

The primary objectives of the MI FairTax are "Truth in Taxation and Job Creation". The truth is delivered by a 100% visible sales tax that is clearly visible on every sales receipt; and jobs are created when Michigan workers and businesses can better compete in the global market without large hidden taxes being imbedded in the prices of the goods and services produced in Michigan.

As former Chairman of the President's Council of Economic Advisors, Dr Alan Greenspan, lectured Congress: "Businesses do not pay taxes, only people pay taxes." Businesses treat taxes like any other cost, they pass them on to consumers in higher prices for their products. Michigan's high level of business taxes places us 49th in favorable business tax environment. These high taxes are imbedded in the prices of all goods and services produced in Michigan and place Michigan workers and businesses at a large competitive disadvantage. The result is that our companies and jobs are leaving our state and our families are leaving Michigan for employment elsewhere. Because people are leaving our state rather than moving in, the demand for housing decreases and with the decreased demand comes decreased property values. This may result in lower assessments and lower property taxes, but it is hardly an acceptable means of achieving this goal. If our economy was growing and people had good paying jobs our property taxes, even at current levels, would not be so burdensome. There is no greater economic stimulant than the complete elimination of "business" taxes. This would give Michigan the most attractive business tax environment in the country, and companies from across America and the world would move here immediately.

Property taxes are high because local units of government spend at levels that require high taxes. These taxes are not hidden. They are very visible, as we all receive tax bills or see them included on our mortgage statements and rent payments. Because property taxes are visible and

people have the right to vote, citizens have the power to directly control these taxes at the ballot box. Local property taxes are usually not a large part of the total cost to produce a product, whereas, business taxes, like the MBT, and the associated tax compliance cost are typically a very significant part of product cost. To create jobs we need to eliminate the taxes that are most responsible for increasing the cost of producing products in Michigan.

In addition, if property taxes were to be replaced by a sales tax/MI FairTax it would cause the MI FairTax rate to be too high relative to the sales taxes of other states and would hurt Michigan businesses and workers. This could be reconsidered when other states also adopt a higher sales tax as an alternative to their current tax system, and this would be likely because they will have to do adopt a state FairTax or risk losing their businesses to Michigan.

Because Michigan businesses will no longer be taxed in Michigan they will be able to sell their goods and services for less, and be able to compete with businesses in other states. When the MI FairTax is added to the new lower cost the final after tax cost will be comparable to what it is today. The MI FairTax rate is set to bring in the same amount of revenue to the government as the taxes it replaces, so our true tax burden will be about the same as it is today. The difference is that we will see our true tax burden for the first time in generations, as it will be shown on every retail sales receipt. Once citizens can see their true tax burden they are then able to address their desired level of taxation. This is the natural restraint on the level of taxation that was intended by our Founding Fathers.

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