



michigan municipal league

Better Communities.
Better Michigan.

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December 18, 2012

Lt. Governor Brian Calley
P.O. Box 30013
Lansing, Michigan 48909

Dear Lt. Governor Calley:

We appreciate the work that was done related to the concerns we expressed during the legislative process in revising Michigan's Personal Property Tax structure. Throughout our discussions and negotiations on personal property tax over the last few years, the League has been consistent in articulating the need for full and guaranteed replacement. The amount of revenue local governments generate from personal property taxes is essential to their vitality—and thus to the long-term success of our state. We feel that our negotiations over the last few weeks were impeded by the new proposal on the last day of session that apparently would have been enacted. Consequently, we reevaluated our position to ensure the best guaranteed replacement for our members. While the proposal that passed last week did not contain full replacement, tying the repeal of personal property tax to the statewide use tax vote created an opportunity for a better guarantee. The incorporation of the tie bar into the package is appreciated and is, we feel, an essential component.

In addition, as has been discussed by numerous parties involved in the legislative process, there are several outstanding issues that still need to be addressed before the August 2014 vote. Chief among these is the concern regarding the legality of the essential services assessment (ESA). While your legal counsel has indicated this will be addressed, some of our city attorneys and outside counsel remain concerned about legal challenges. We will continue to review the plan and make suggestions to ensure the essential services assessment is legal. If it is determined to not be a legal use of a special assessment, then we would expect that we would rework that portion of the plan to ensure 100% funding for essential services via a revised plan. We are committed to working with you on this issue, and any legislation necessary to address the legal concerns related to the ESA approach.

Finally, one of the issues raised by our members, that would have the widest impact, concerns the many communities who have outstanding General Obligation (GO) bonds, the debt for which is being paid for by tax increment financing via a DDA or LDFA. In many cases these authorities have pledged their revenue to pay for GO bonds that were sold with the full faith and credit of the city. In all cases these bonds were for improvements done in the district. Under the PPT plan as passed, the authority's revenue would be lowered by the elimination of personal property tax,

which raises a serious concern of how the legally required bond payments will be made. In our discussions you indicated that this would be fixed after the first of the year, and we look forward to working with you on that legislation.

We appreciate the change in the qualifying reimbursement threshold from 2.5 percent to 2.3 percent; however, we will continue to look for ways to include all communities who are currently eligible for personal property tax in the reimbursement formula.

We look forward to addressing the vital concerns outlined above and others essential to implementation. We are confident that this can be successfully done, and thereupon we would recommend that the Michigan Municipal League Board of Trustees support the August 2014 ballot question.

Sincerely,

A handwritten signature in cursive script that reads "Daniel P. Gilmartin".

Daniel P. Gilmartin
Executive Director/CEO
Michigan Municipal League