



Fact Sheet: Michigan's Business Tax on Personal Property

Issue: Michigan's Personal Property Tax is eyed for elimination or reduction. It's a tax on property that's not attached to a structure, such as equipment, tools and furniture. Businesses object to the tax but it is a **key source of revenue** for police and fire protection and other local services used by businesses.

Current Tax: About **\$1.2 billion** in revenue is collected from the industrial, commercial and utility PPT.

Proposals: Gov. Rick Snyder and legislative leaders have discussed a plan to set a threshold of \$40,000 for commercial PPT, **eliminating the tax on 75% of the commercial base**. It would also **phase out**, over a number of years, **all industrial PPT**, replacing some of the lost revenue with new business taxes resulting from the expiration of tax credits. Utility PPT would be left in place. For 2013, revenues would be reduced by \$67 million. There are many unknowns but it is clear that the plan would not produce full replacement revenue.

Local Government: Local communities need an adequate tax base to **maintain key services**. Local government has had a double whammy from declining revenue as property tax values fall as well as cuts to revenue sharing. Schools and community colleges would also lose revenue.

Business Tax Cuts: In 2011, business taxes were cut by \$1.6 billion a year while individual income taxes increased by \$1.4 billion. That's

an **83% cut for businesses and a 23% increase in individual income taxes** when fully implemented. An analysis of the shift found that the lowest-income families will pay 1% more in taxes (\$101 a year) while the highest-income group will pay .001% (\$7).

Policy Recommendations: Full **replacement revenue** is vital. The Corporate Income Tax could be raised to **replace lost revenue as businesses** also require police and fire protection and other services and **should pay their fair share**. Cuts to the PPT should not result in reduced services or in a shift to individual income taxes.

Public Opinion: An EPIC-MRA poll released in April shows that **70% of voters do not support elimination of the PPT** and nearly 60% support a constitutional amendment to guarantee replacement revenue.

