

## Granholtz slams tax shift foes

### Governor says alternative would harm cities' police, fire protection

By Mark Hornbeck  
*Detroit News Lansing Bureau*

**LANSING** — Local police and fire protection will take a heavy hit if lawmakers torpedoed an early county property tax collection plan today, a bristling Gov. Jennifer Granholm warned Tuesday.

Slamming the plan's critics as "duped," "misinformed" and perpetuating a "myth" that the advance collection amounts to a tax increase, Granholm said if the collection plan is defeated, the state likely will cut revenue sharing to cities, townships and counties by about 17 percent.

"That will have a devastating blow on the city's finances," said Brian Baker, budget and finance director for Sterling Heights.

Law enforcement and fire-fighting efforts and public works would likely suffer, he said, because a large chunk of local budgets is spent on them.

Granholm's plan to move up county property tax collections, which has the support of Republican legislative leaders, is designed to save the state \$183 million and help wipe out a \$1 billion deficit in the state's budget for the fiscal year starting Oct. 1.

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#### Losing proposition

**Editorial:** Tax scheme to cost state property owners. **Page 10A**

#### Chronic imbalance

**Howes:** Both parties unable to balance state budget. **Page 1D**

#### Two budget choices

Among the plans being considered by legislators to fill a state budget shortfall:

**Tax shift plan:** One-third of county property tax bills would be collected in the summer next year, two-thirds of the levy would be collected in summer in 2006 and the entire tax bill would be due in summer in 2007. County taxes are now collected in winter.

**Revenue sharing cuts:** One alternative would be to cut state revenue sharing to cities, townships and counties by \$183 million, which is a 17 percent reduction. Most revenue sharing money is used to pay for police and fire protection.

### TAX

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The revenue-sharing program, which distributes sales taxes collected by the state to local communities, now stands at more than \$1.1 billion a year. The funding already has been cut by \$480 million since 2001.

"This is not in any way, shape or form a tax increase," Granholm said of a two-bill package proposed by her administration and passed by the Senate. It would phase-in accelerated collection of county property tax payments beginning next summer. The House is scheduled to consider the plan today.

"I would urge the Legislature to pass our agreement. And I would urge those out there spinning myths and rumors to stop," Granholm said.

House Speaker Rick Johnson, R-LeRoy, backs the early tax collection bills, but will offer three alternatives today that would slash revenue sharing, funding for wealthy school districts, private college tuition grants and Medicaid health care for the poor.

Critics are armed with a study by the Midland-based Mackinac Center for Public Policy Research, a conservative free-market think tank, that says the county tax shift measure amounts to a 16 percent tax increase.

Granholm said the author of the study "needs to go back to remedial math." Scott Schrager, special assistant to the treasurer, referred to the report as "accounting mumbo jumbo." Both said taxpayers would shell out no more money for county property taxes over a year's time than they're



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Jack McHugh, who conducted the Mackinac Center study, stood by his work.

"What these guys are failing to look at is the effect on taxpayers' net worth," McHugh said. "It's a real hit. Ordinary homeowners, who might have to pay \$50 to \$600 early, might not feel it much. But some companies that pay more than \$100,000 in property taxes will have a \$42,000 liability on their books next July."

Steve Racinski, a retired shop worker from Dearborn Heights, said tax increase or not, he'll have a tough time coming up with his property tax payment three months early.

"I'm on Social Security and last time they collected taxes early for schools, I had to go into my savings account to pay it," he said.

The state permanently moved up payment of school property taxes from winter to summer in 2003 to help balance the school aid fund. To mitigate the pain, the tax rate was reduced by a mill — \$1 for every \$1,000 of a property's assessed value.

House Floor Leader Randy Richardville, R-Monroe, said he's considering a similar rebate to make this plan more palatable.

"I don't see this as a tax increase, but these are difficult times and we may have to throw in

a sweetener to get both parties to support it," Richardville said.

Despite the flak, Granholm and Speaker Johnson intend to push ahead with the accelerated tax collection plan as passed by the Senate.

Johnson's spokesman, Keith Ledbetter, predicted the House will pass the tax bill.

"An across-the-board revenue-sharing cut is not likely to happen," he said.

Baker of Sterling Heights said a 17-percent cut in revenue sharing would cost his city \$1.9 million. About two-thirds of the budget is wrapped up in police, firefighters and public works employees so it's natural to assume cuts would be made there.

"The county tax plan the governor proposed is a gimmick, and we know city revenue-sharing is next," he added. "What we need to do is get together and solve the underlying problem."

County tax bills are now sent out in December and must be paid by February. But if the proposal wins approval, one-third of the county property tax bill would be collected as a summer levy next year, and the remaining two-thirds would continue to be collected in the winter.

In 2006, two-thirds of the levy would be collected in the summer and beginning in 2007, the entire county tax bill would be collected in summer.

For the typical owner of a \$100,000 home, the change would move forward about \$79 in county tax collections next year, \$158 the year after and \$238 starting in 2007.

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