michigan municipal League

Better Communities.
Better Michigan.

208 N. Capitol Ave.,
1st Floor
Lansing, MI 48933

TEL 517.485.1314
FAX 517.372.7476

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Dear Committee Members:

Thank you for the opportunity to discuss our opposition to House Bills 5265-5267, bills that would roll back Michigan's income tax rate. In the last decade Michigan has struggled at all levels, including our local units of government. The legislature is mandated by statute to provide revenue sharing payments to local units of government, yet in the last decade the legislature has taken that money and diverted $6 billion to fill its own budgetary holes.

We've repeatedly heard "there's no revenue to share" even though that statement is uttered by those who do not understand revenue sharing. Local units of government were collecting tax at the local level, and the state decided to collect taxes at the state level instead. The state's role is merely to collect the revenue and remit it to the local units. It has broken that promise. Now that there is additional revenue there should be a comprehensive discussion about reinvesting in Michigan's communities and infrastructure. As a result the League opposes any sort of tax relief without an extensive discussion of how state resources should be allocated.

While revenue sharing comes from sales tax and not income tax, rolling back the income tax will decrease revenue into the state's general fund. In the past revenue sharing has been used to fill general fund holes, and this is concerning for us as a result.

We are appreciative of the Governor proposing a 15 percent increase in statutory revenue sharing in his budget presentation last week. It is a statement of the importance of reinvesting in communities. We also think it's critical to invest in Michigan's crumbling public infrastructure including roads, a proposed increase that is noticeably absent in this year's budget recommendation. It's critical to have a comprehensive discussion about the best ways to reinvest in Michigan's communities and infrastructure before passing tax relief that will have a long-term impact on Michigan's general fund budget.

Thank you for your diligent attention to this conversation, and we look forward to working with the sponsors and committee as we move forward with this legislation.

Sincerely,

Samantha J. Harkins

Samantha Jones Harkins
Director, State Affairs