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HOUSE DEMOCRATS URGE DEATH OF MICHIGAN CITIES *Dillon-Meisner Proposal Would Deal Tragic Blow to Cities State-wide*

FERNDALE – Democratic leaders in the State House have threatened to bankrupt cities across the state by introducing a bill that would allow homebuyers to avoid paying taxes on the full value of their home.

“The short term “successes” of the Dillon-Meisner policy would, in the long run, only serve to undermine our cities and advance the notion that they are incapable of providing the basic necessities of life,” said Michigan Suburbs Alliance Executive Director Conan Smith. “Intensifying long-term municipal instability should be the last item on the agenda for this Democratic caucus.”

The net effect of HB 4440 and 4441 is this: rather than pay taxes on the full value of their new home, homebuyers would instead pay a slightly increased real estate transfer tax – in most cases, a loss of more than a thousand dollars per home sale. HB 4440 would effectively freeze the Proposal A pop-up for primary residence home purchases, stealing would-be property tax revenue from city coffers. While the bill sponsors suggest that the tax break will jumpstart the housing industry and help restore Michigan’s economy, the legislation has the more likely impact of bankrupting many Michigan cities.

More than 70 Michigan cities sit on the brink of insolvency and cannot afford to take the hit promised by the proposal. Even if the legislation is successful at catalyzing home sales and bringing new residents to Michigan, the resulting increase in service costs would overwhelm the meager offset proposed through the transfer tax. Property tax revenues support essential city services residents depend on – fire, police, garbage collection, etc. Increased demand for these services will increase the strain on cities already struggling to maintain these services under the interaction of Proposal A and the Headlee Amendment.

Democrats are pressing hard to move the Dillon-Meisner legislation without having seen a full fiscal analysis or measured the full impact on local governments. In the political wrangling over the package, the Speaker himself removed the link to a Proposal A – Headlee fix that would have provided a small measure of insulation against the impact of the tax cuts.

“The housing market in Michigan is far more impacted by job losses and our stagnant economy,” Smith said. “Lawmakers should focus on systemic reforms rather than short-term gimmicks that imperil our cities.”

The House could vote on the bills as early as this week. The package will be taken up in the Commerce and Tax Policy committees on Tuesday and Wednesday.

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