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Column: Give Local Governments More Tax Options.

Have you heard your local government officials complain that the municipal finance system is broken? How can they claim they don't have enough money when the economy, by many measures, is growing?

Businesses are moving back into Detroit. The Grand Rapids region is at full employment. Holland, Traverse City and many other communities enjoy bustling downtowns because of tourism. If Michigan is making a comeback after all of the problems we had in the first decade of this century, why isn't it reflected in robust local government revenues?

Because Michigan's over-reliance on the property tax and the growth limitations we have placed in our state constitution means that tax revenues for most cities and townships only grow at the rate of inflation, even when these good things are happening.

Michigan local governments, more so than those in almost every other state, have revenue systems disconnected from the economy and the growth people see.

The Citizens Research Council of Michigan has just completed a study to examine how local governments' revenue systems in other states benefit from business growth, full employment, consumer purchasing and tourism. It turns out that other states provide their local governments with far more diverse tax options.

Three-quarters of the states authorize local governments to levy sales taxes. Adding this option to the local tax menu would allow local governments to benefit from economic activity in downtown areas, suburban shopping malls, and the tourist destinations of west Michigan and up north.

We also found that three-quarters of the states authorize transportation taxes (motor fuel, registration, tire taxes, etc.) that would allow communities to invest in their roads without relying on the state for funding.

If Michigan's local governments could levy alcohol taxes like those in eight states, they could benefit from the state's robust restaurant scenes.

Other states allow local governments to levy taxes on utility services, tobacco and marijuana, tourism services (such as hotels and rental cars), entertainment and amusement services (sporting events and movies), and the sharing economy (Uber and Airbnb).

But raising revenue isn't as easy as simply adding new taxes. The tricky part is deciding which level of government should be authorized to do so. Most local government services are provided by the more than 1,500 cities and townships. You can imagine the confusion and competition that would result from authorizing new taxes at that level of government.

Michigan is one of 14 states that authorize local income taxes; however, only cities may do so, and only 23 of our 276 cities levy an income tax. The intense competition among our local governments for residential and business development creates angst and apprehension about the value of local income taxes, even when they could translate to property tax relief and reward the local governments for robust economic growth.

Local-option taxes are usually authorized at the county level in other states.

It's time to reconsider the organization and responsibilities of local governments if Michigan is going to address its municipal-finance failings. Major services such as public safety and administrative functions such as bookkeeping could be shifted to the counties. And then we could consider local-option taxes to fund the counties' new responsibilities. This would relieve cities and townships of some direct service responsibility and allow them to reduce property taxes.

People love to hate property taxes. Granting local governments the authority to diversify their revenue streams could remove the burden on the property tax and enable local governments to sustain the services that make our communities attractive places to live and work.

The Detroit News

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Published 12:03 a.m. ET Feb. 22, 2018

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