MIRS Capitol Capsule
"If you don't read us, you just don't get it!" News And Information About Michigan Government

Mackinac Center: Prop 1 Good For State's Economy

The free-market Mackinac Center for Public Policy voiced positive reviews this week for Proposal 1 -- the ballot measure that would phase-out Personal Property Tax (PPT) on manufacturing equipment.

In a report released on Wednesday, the Mackinac Center wrote that taxes on business equipment and machinery "discourage businesses from investing in expansion and growth." The proposed limits on PPT are "structured to improve growth prospects," the report added.

"It's easy to like this proposal," said James HOHMAN, assistant director of fiscal policy at the Mackinac Center. Hohman also labeled the PPT proposal a "$500 million tax cut."

That Mackinac Center's work on Proposal 1 this week comes a month before primary voters will consider the matter on Aug. 5. The ballot measure itself focuses on rededicating Use Tax revenue that currently goes to the state to local governments to replace the dollars that will be lost from the PPT reductions.

But if Proposal 1 doesn't pass, the PPT reductions go down as well.

The complex setup has made some supporters of the proposal worry that confused voters might be skeptical and oppose it on Aug. 5 (See "PPT Phase-Out Tries To Clear Confusion Hurdle At Ballot Box," 6/30/14).

Likewise, Hohman said the Mackinac Center has been getting a surprising response from people who seem to be distrustful of Proposal 1, which has the support of a wide variety of interest groups.

"They've had Lansing pull a fast one on them before," he said of the skeptics.

However, Hohman said the overall proposal, which involves 10 bills that passed the Legislature, is "clean" and will improve the state's economy.

As a nonprofit, the Mackinac Center doesn't specifically endorse ballot proposals.

The Citizens Research Council (CRC) also released a report on Proposal 1 this week.

In its report, the CRC noted that the PPT package "comes at a price."

The state, the report said, will forego an increasing amount of its General Fund revenue in future years in order to hold local governments harmless from the PPT changes. The net loss to General Fund revenue would rise to more than $500 million by Fiscal Year 2025, and this foregone revenue also "means foregone opportunities" to use this revenue to meet other budget priorities, according to CRC.

"Past efforts to exempt business personal property from the local property tax base eventually failed because the state was never able create a reimbursement method to keep local governments whole," said Bob SCHNEIDER, CRC's director of state affairs. "For some local units with a strong manufacturing base, the tax on personal property brings in a lot of local revenue."