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MAY SPECIAL ELECTION STATEWIDE BALLOT QUESTION

PROPOSAL 15-1

On Tuesday, May 5, 2015 Michigan voters will head to the ballot box to participate in a special statewide election. The primary purpose for this special election is to ask voters if the Michigan Constitution should be amended to raise the sales tax to pay for road and transportation infrastructure repairs. Should voters approve Proposal 1, several additional policies already passed by lawmakers that do not change the state constitution will also go into effect. These changes will create additional funds for public schools and local governments, increase various state taxes, and expand various state tax credits. In effect, Proposal 1 asks voters to amend the constitution to raise revenue for road repairs through a sales tax increase while also putting into effect several laws passed last year by the Michigan Legislature.

The proposed constitutional and statutory changes would modify how motor vehicle fuel tax rates are assessed and distributed. According to a report on Proposal 1 from the Citizens Research Council of Michigan, Proposal 1 would exempt gasoline and diesel fuel from the sales and use tax; increase the state's motor fuel tax rates to equal 14.9 percent of the recent wholesale price; establish a floor and ceiling for motor fuel tax rates that allow for annual inflationary increases to the rates; increase vehicle and large truck registration fees; and establish a new tax surcharge for electric vehicles. Combined, these changes are expected to raise approximately \$1.3 billion per year for road repair and maintenance.

Proposal 1 then seeks to recover revenue that would be lost from eliminating the sales tax on gasoline, which helps to fund the state's General Fund, the state's School Aid Fund, and state revenue sharing to local governments. To recapture the funds, Proposal 1 would raise approximately \$795 million annually by:

- Increasing both the state sales tax and use tax from 6 percent to 7 percent;
- Dedicating 15 percent of the sales tax revenue collected at a rate of up to 5 percent for cities, townships, and villages;
- Dedicating 60 percent of the sales tax revenue collected at a rate of up to 5 percent to the School Aid Fund; and
- Dedicating 12.3 percent of the use tax revenue collected at a rate of up to 5 percent to the School Aid Fund.

In order to address the impact gas prices and sales tax increases will have on lower-income populations, Proposal 1 restores the state Earned Income Tax Credit (EITC) to 20 percent of the federal credit and expands the number of senior citizens and disabled homeowners that can qualify for the state's Homestead Property Tax Credit. The state EITC, which works to offset the regressive nature of the tax system on low-income workers, was reduced to 6 percent from its original 20 percent following tax changes that took effect in 2011.

Proposal 1 presents to voters a complicated mixture of constitutional and statutory changes that lawmakers approved late in 2014 for a statewide vote of the people. If Proposal 1 passes, the above-mentioned policies will be enacted and additional funding will be made available through tax increases for roads, schools, municipalities, and low-income persons. If Proposal 1 fails there will be no sales tax increase, none of the policies mentioned above will take effect, and lawmakers will likely begin a new effort to address road funding in Michigan. This **focus** publication presents to Catholic and other readers a background of Proposal 1, arguments from both supporters and opponents, and the official language that will appear on the May 5 special election ballot. **Michigan Catholic Conference does not have a position on Proposal 1.** ■

WHO IS SUPPORTING PROPOSAL 1 AND WHY?

SAFE ROADS YES! BALLOT COALITION INCLUDES:

- Business Leaders for Michigan
- Dean Transportation
- Detroit Regional Chamber of Commerce
- Grand Rapids Area Chamber of Commerce
- International Brotherhood of Electrical Workers
- Michigan Association of Counties
- Michigan Association of Fire Chiefs
- Michigan Association of Intermediate School Administrators
- Michigan Association of School Administrators
- Michigan Association of School Boards
- Michigan Business and Professional Association
- Michigan Education Association
- Michigan Environmental Council
- Michigan Farm Bureau

- Michigan Municipal League
- Michigan Regional Council of Carpenters
- Michigan Sheriffs' Association
- Michigan State Building and Construction Trades Council
- Michigan Townships Association
- Small Business Association of Michigan

INDIVIDUAL SUPPORTERS INCLUDE:

- Governor Rick Snyder
- Lieutenant Governor Brian Calley
- House Minority Leader Tim Greimel
- House Speaker Kevin Cotter
- Senate Majority Leader Arlan Meekhof
- Senate Minority Leader Jim Ananich
- State Superintendent Mike Flanagan

WHAT ARE SUPPORTERS SAYING ABOUT PROPOSAL 1?

Protects Public Safety

The condition of Michigan roads and bridges is unsafe for drivers. According to a 2014 report, 48 percent of the major roads in Michigan's largest cities are in poor or mediocre condition, and 27 percent of Michigan's bridges are in need of repair, improvement, or replacement.¹

Provides Funding for Education

This measure provides funding for transportation improvements without hurting funding for schools and education. In fact, under this proposal, \$200 million in new funding will be raised for schools.²

Benefits Local Government

Under this proposal, 15 percent of the first 5 percent collected from the sales tax increase would be used to benefit townships, cities, and villages through revenue sharing.³

Saves Money in the Long Term

Investing in roads, bridges, and transportation infrastructure saves Michigan money. According to a January 2014 report, for every \$1 invested in maintaining roads and bridges, at least \$6 in reconstruction costs are saved.⁴ Additionally, money would be saved on repair costs, as the average Michigander pays \$357 annually in repairs to vehicles due to poor roads.

Enacts Much Needed Funding Increase

Currently, Michigan is not making road funding the priority it needs to be. Michigan invests less per capita in funding for highways than any other state in America.⁵ Additionally, this proposal will ensure funding raised at the pump through the gasoline tax goes towards roads and transportation, instead of the manner by which it is currently divided.

Provides Low-Income Relief

Proposal 1 restores the state Earned Income Tax Credit to 20 percent of the federal credit. The credit, which provides tax relief to low-income workers, was decreased to 6 percent in 2011 when the state tax code was restructured.



For more information from Safe Roads Yes!, the official ballot question committee supporting Proposal 1, visit www.SafeRoadsYes.com

WHO IS OPPOSING PROPOSAL 1 AND WHY?

- Citizens Against Middle Class Tax Increases. www.NoMiddleClassTaxIncrease.com
- Coalition Against Higher Taxes and Special Interest Deals. www.SayNoToHigherTaxes.org
- Concerned Taxpayers of Michigan www.MichiganTaxpayers.com
- Protect Michigan Taxpayers www.ProtectMITaxpayers.com
- Americans for Prosperity
- Michigan Chapter of the National Federation of Independent Businesses
- Michigan Green Party
- Michigan Attorney General Bill Schuette



WHAT ARE OPPONENTS SAYING ABOUT PROPOSAL 1?

Raises Taxes to Fund Special Interests

Proponents say that this proposal is focused on providing funding for roads, but many other projects and issue areas will receive portions of the \$2 billion in funding that will come from the proposal.

Creates Second Highest State Sales Tax

Approving the proposal would give Michigan one of the highest state sales tax rates in the country. The state would rank second, after California, and would be tied with Indiana, Mississippi, New Jersey, Rhode Island, and Tennessee.⁶

Increases Costs That Make Michigan Less Competitive

Raising the sales tax to 7 percent will increase the price of goods for all Michiganders, which not only impacts the living costs for individuals, but also creates a climate that is less friendly to production and business.

Ignores Better Solutions

Michigan should explore other ways to fund the roads, including prioritizing existing funds, rather than claiming a tax increase is the only solution left to adopt.⁷

Misleads Voters of Intent

If the proposal is passed, ten laws and a constitutional amendment will go into effect. The full impact of this complicated proposal is not clear from its language. A report from the Anderson Economic Group called the effects of the proposal “far reaching.”⁸

Sales Tax is Regressive

A tax on sales hits low-income people the hardest because they do not have as much money to purchase goods. Even with the increase of the Earned Income Tax Credit for the working poor allowed under this proposal, the proposal will disproportionately harm those who are most in need.

“The primary purpose for this special election is to ask voters if the Michigan Constitution should be amended to raise the sales tax to pay for road and transportation infrastructure repairs.”

MAY 5, 2015 SPECIAL ELECTION

OFFICIAL BALLOT LANGUAGE: PROPOSAL 15-1

A proposal to amend the State Constitution to increase the sales/use tax from 6% to 7% to replace and supplement reduced revenue to the School Aid Fund and local units of government caused by the elimination of the sales/use tax on gasoline and diesel fuel for vehicles operating on public roads, and to give effect to laws that provide additional money for roads and other transportation purposes by increasing the gas tax and vehicle registration fees.

The proposed constitutional amendment would:

- Eliminate sales / use taxes on gasoline / diesel fuel for vehicles on public roads.
- Increase portion of use tax dedicated to School Aid Fund (SAF).
- Expand use of SAF to community colleges and career / technical education, and prohibit use for 4-year colleges / universities.
- Give effect to laws, including those that:
 - Increase sales / use tax to 7%, as authorized by constitutional amendment.
 - Increase gasoline / diesel fuel tax and adjust annually for inflation, increase vehicle registration fees, and dedicate revenue for roads and other transportation purposes.
 - Expand competitive bidding and warranties for road projects.
 - Increase earned income tax credit.

Should this proposal be adopted? YES NO

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1. "Michigan Transportation by the Numbers: Meeting the State's Need for Safe and Efficient Mobility," TRIP, January 2014, <http://goo.gl/VJTC7A> 2. House Fiscal Agency, <http://goo.gl/FrjDut> 3. House Fiscal Agency, <http://goo.gl/L2aN10> 4. "Michigan Transportation by the Numbers: Meeting the State's Need for Safe and Efficient Mobility," TRIP, January 2014, <http://goo.gl/VKxANV> 5. "Per Capita Expenditures of State Resources and Rank Among 50 States and the District of Columbia FY 2009-2010," 2010 Census Bureau Data, <http://goo.gl/AjOoEr> 6. "State and Local Sales Tax Rates in 2014," Tax Foundation, <http://goo.gl/NHgDC6> 7. "About Proposal 1," Say No to Higher Taxes and Special Interest Deals, <http://goo.gl/kInOaz> 8. "Likely Effect of Michigan Prop 2015-1," Anderson Economic Group, <http://goo.gl/p7LWcD>