

City of Detroit

CITY COUNCIL

September 27, 2023

Michigan House of Representatives
Tax Policy Committee
Honorable Representative Cynthia Neeley, Chair
House Office Building, Room 521
Lansing, MI 48933

RE: Land Value Tax proposals

Honorable Chair and Esteemed Committee Members,

This public comment is brought to your attention by the Detroit City Council's Equitable Development Task Force (EDTF) and its Co-Chairs. The EDTF members are residents of the City of Detroit, and share concerns over the potential for hasty decision making regarding the city administration's proposal to radically change the basis for calculating property taxes with the invention of a land value tax (LVT), sometimes referred to as a split rate tax, in Michigan. This proposal would separate the land from the structure on a property for the purpose of assessment. The proposal is a significant and dramatic proposed change to Michigan's tax code.

It is unquestionable that property taxes in the City of Detroit, and in many cities in Michigan are too high. Detroiters live under the weight of decades of disinvestment and their taxes support regional assets that residents outside the city contribute much less to support. Detroiters support the infrastructure of a city built for 2 million people, but has less than 700,000 people today. That population loss has been, in good part, due to historic policies that encouraged the suburbanization of the region. The Citizens Research Council of Michigan, and academics at universities across the state have published papers for decades that detail the structural funding challenges of Michigan's municipal entities, and previous Legislatures have done little to reconcile those complex statutory and State Constitutional questions that might lower the burden of taxpayers around the state.

Tax policy is, at best, complex. We have met 1:1 with several members of the Detroit delegation to the Michigan House of Representatives to share our questions, concerns, and possible legislative alternatives to the LVT proposal that may better meet the city administration's goals to increase burdens on land speculators and to decrease property tax burdens on homeowners.

The EDTF encourages members of this committee and the full House of Representatives to pause, and consider the implications of passing this package of bills. The House Fiscal Agency analysis of the bills calls out several points worthy of deliberation:

City of Detroit

CITY COUNCIL

Detroit's Legislative Policy Division has conducted an initial review of the administration's proposal, prior to the submission of these bills to the Legislature. This memo is attached to this letter for your review and consideration.

Members of the EDTF have sought answers to a long list of questions during public meetings hosted by the administration in Detroit, and have received few answers and have faced a general refusal by representatives of the administration to show their work on how they came to this conclusion over the reported 2 years it has been under consideration that this is the best path forward.

EDTF questions include, but are not limited to:

1. What alternatives have been considered? How did the LVT, with all its complexity and implementation challenges, rise to the top of the priority list?
 - a. Could a capital gains tax be implemented on the sale of vacant land, which could in turn be required to lower property taxes for those with a principal residence exemption?
 - b. Would a local option, or regional option, sales tax better target non-residents and allow local governments to increase revenues from new sources and reduce mileage burdens on those with principal resident exemptions?
 - c. Should blighted structures be taxed at the full millage rate, or some fraction thereof? Should properties where demolitions occur be taxed at a higher rate than historically vacant land?
 - d. Could a long-debated graduated income tax for the state allow for the reduction of local property taxes?
2. Is it good policy to implement a radical change to decades of precedent without first conducting a comprehensive, peer reviewed, economic impact analysis?
3. Can legislators, and eventually residents, make informed decisions about tax policy changes without significant independent research and analysis?
4. Why is it that only 20 local governments in Pennsylvania out of over 89,000 local governments in the US have implemented an LVT, and why did some of those later rescind the LVT? How comparable is Pennsylvania's system of taxation to Michigan's?
5. Detroit has demonstrated a history of over-assessing its residents causing the foreclosure of 1000s of homes of low- & moderate-income residents. No meaningful reconciliation of these challenges has been proposed or implemented. How can the state, and residents of the city, trust that the administration will implement a brand-new system of assessment flawlessly?

Without doubt the property tax burden on Detroiters, and residents in cities across the state is too high. Past Legislatures and Governors have purposefully constrained the ability of communities to raise revenue outside of revenue sharing. This legislature has an opportunity to think about what changes are possible and necessary.

Members of the Equitable Development Task Force encourage this committee and members of the State Legislature to take a measured and thoughtful approach to better understanding the challenges of residents, and to seek out the research and opinions of those academics and concerned citizens who have written about tax policy in this State for decades. We need to get this right the first time. Experimenting with tax policy in this

Experimenting with tax policy has real implications on tax payers if we get this wrong, and there is no evidence that anyone has a clear, well-vetted, and actionable plan to assess or implement the LVT.

Submitted with respect,

David Palmer

David Palmer,
Equitable Development Taskforce

Toinu Reeves

Toinu Reeves,
Equitable Development Taskforce

Latisha Johnson

Detroit City Council Member Latisha Johnson, District 4
Equitable Development Taskforce, Co-Chair

Gabriela Santiago-Romero

Detroit City Council Member Gabriela Santiago-Romero, District 6
Equitable Development Taskforce, Co-Chair