

# PROPOSAL 1

May 5, 2015

## Introduction:

As a tax funded entity, we are not here to say how to vote, we only want to share some facts and information.

- HB 5477 and HB 5493 would eliminate the current 19-cent gallon on gasoline tax and the 15-cent per gallon on diesel fuel and converts both to 14.9 percent wholesale tax on the average price per gallon and remove the sales tax. The proposal would generate new revenues dedicated to transportation. The changes to these bills are tied to the elimination of the sales tax on motor fuel.
- Michigan invests less per capita in transportation than any state in the U.S.; and every \$1 invested today to keep our roads in good condition will save \$6 to \$14 later as conditions deteriorate. The longer we wait to fix Michigan's roads the more it will cost.
- Michigan roads and bridges didn't deteriorate overnight, and it will take time to return them to acceptable condition.
- All sides agreed that removing the sales tax from gas altogether would leave too big of a gap in school funding, and that needed to be resolved. The final solution was a proposal that not only stabilizes funding for schools and local governments, but also provides an additional \$300 million for schools and \$94 million for local units of government upon approval by the voters.
- Several other issues were woven in including an increase to the Earned Income Tax Credit, which was passed to offset the burden to lower income families. The Main Street Fairness law also becomes part of this package and now applies mandatory sales tax to any goods purchased over the internet.

*Isn't it true that Michigan rates in the top 10 states for taxes on fuel?*

- Yes and no. Michigan is one of only six states that charge sales tax on gas. Total taxes on gas put Michigan in the top 10. However, 6 cents on every dollar for gas is and has been sales tax for the last two decades. None of the sales tax on gas goes to road and bridge repair. By removing the sales tax and replacing it with a wholesale tax, Prop. 1 ensures every dollar of state tax collected at the pump goes to the state's crumbling roads and bridges.

*Will road funding happen even if the Proposal 1 vote on a 7<sup>th</sup> cent for schools and local revenue sharing doesn't pass?*

- No. This is a holistic fix developed by the Michigan Legislature in December 2014, and signed by the Governor in January. The entire 12-bill package, including the transportation bills, are tie-barred to Prop. 1 and authorize the school/local revenue funds to replace the eliminated sales tax on fuel. There is no Plan B for road funding. If Prop. 1 does not pass, Michigan roads and bridges will continue to decline.

*Proposal 1 is our last best chance to turn things around.*

- It provides money to make driving safer for everyone.
- It means that every penny in state taxes that we pay at the pump is guaranteed to go to transportation. By removing sales tax from the gas pump, all state gas taxes collected at the pump will be Constitutionally-dedicated to Michigan transportation. Dollars will run through the Michigan Transportation Fund.

**And**

- Every penny in the school aid fund goes to fund education.
- The 7<sup>th</sup> cent will be an amendment to the State Constitution voted on by Michigan residents. It will be constitutionally split between schools and local revenue sharing as described in the ballot language.

**Guarantees**

- The package corrects two major tax structure issues that have made it difficult to secure adequate road funding in the past. The state sales tax will no longer be applied to fuel, and fuel taxes (by conversion to a wholesale tax rate) will now be indexed to inflation.
- All taxes on fuel will be constitutionally protected and will go to transportation. The proposal does not alter Article 9, so 90 percent of MTF revenues will continue to be constitutionally directed to roads and bridges.
- Although the gasoline and diesel fuel tax rates will increase, motorists will not feel pain at the pump due to the increase in fuel tax and the removal of sales tax.
- When gasoline was \$4 per gallon, the state sales tax on fuel was 22 cents per gallon, but today it's only 15.6 cents per gallon. Revenue for K-12 education and revenue sharing is diminishing as gas prices drop. The 1 percent sales tax increase (on everything but fuel, groceries, and pharmaceuticals) will fill the hole left from the elimination of the sales tax on fuel and provide a modest increase of \$300 million for schools and \$100 million for cities, villages and township.
- Every penny in state taxes we pay at the pump is guaranteed to go to transportation. We can put an end to the shell game played by the politicians in Lansing that shifts gas taxes to non-transportation purposes. In addition, taxpayers even get guarantees from the road builders.
- Road funding for counties will be constitutionally protected

<b>County</b>	<b>Existing Revenue FY2014</b>	<b>Estimated Year One FY2016</b>	<b>Estimated Year Two FY2017</b>	<b>Estimated Year Three &amp; Beyond</b>
Newaygo	\$5,411,711	\$6,631,649	\$7,851,557	\$9,071,464

**Some other facts:**

*The cost to you for a 7<sup>th</sup> cent tax.*

- Median family income in Michigan in 2013 was \$48,273. After rent (not taxable), groceries (not taxable), prescription drugs (not taxable) and now gas (not subject to sales tax under Proposal 1), it would be under \$15,000 spent on taxable items. This works out to about \$150 a year or about \$12.50 per month.

<b>If you spend this much a year on sales taxable items (not food, not drugs)</b>	<b>Proposal 1 will cost you this much annually</b>	<b>And this much monthly</b>
\$1,000.00	\$10.00	\$0.83
\$3,000.00	\$30.00	\$2.50
\$5,000.00	\$50.00	\$4.17
\$10,000.00	\$100.00	\$8.33
\$20,000.00	\$200.00	\$16.67
\$30,000.00	\$300.00	\$25.00
\$50,000.00	\$500.00	\$41.67
\$100,000.00	\$1,000.00	\$83.33
\$500,000.00	\$5,000.00	\$416.67
\$1,000,000.00	\$10,000.00	\$833.33

*What kind of increase will we see at the pump?*

- The laws – signed by Gov. Snyder in January – include an initial base price or “floor” that says gas taxes cannot go below 42¢ per gallon, which includes the current gas tax (19¢) plus the new estimates \$1.2 billion per year. The wholesale gas price used in the calculation can also increase or decrease but not more than the lesser of 5 percent per year or the CPI (Consumer Price Index) annually, but never less than the initial base price.

*Would Michigan have the highest sales tax in the Country?*

- No – not at all. Michigan’s sales tax rate would be the same as neighboring Indiana (7 percent) if this proposal passes, according to the nonpartisan Tax Foundation. A 7 percent sales tax would be ranked 21<sup>st</sup> in the country when it comes to average state and local tax rates.

<b>State</b>	<b>State &amp; Average Local Sales Tax Rate</b>
Michigan (today)	6%
Michigan (if Proposal 1 passes)	7%
Indiana	7%
Ohio	7.11%
Wisconsin	5.43%
Illinois	8.16%
Pennsylvania	6.34%
New York	8.47%
Minnesota	7.19%

**Approved Ballot Language**

**THE FOLLOWING STATEWIDE BALLOT PROPOSAL WILL APPEAR ON THE  
MAY 5, 2015 SPECIAL ELECTION BALLOT**

**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