



MEMORANDUM

To: Members of the House Committee on Tax Policy

From: Michigan Association of School Boards
Michigan Education Association
Michigan Association of School Administrators
Michigan Association of Intermediate School Administrators
AFT Michigan
Michigan Association of Secondary School Principals
Middle Cities Education Association
Michigan Elementary and Middle School Principals Association

RE: Opposition to House Bill 5420

Date: January 17, 2018

We write today in opposition to House Bill 5420. While we understand the desire to maintain current tax exemptions for Michigan taxpayers that they may be losing under the new federal tax law, this proposal goes much farther.

As you know, under the new federal tax law the federal personal exemptions have been set at zero. Michigan taxpayers are currently able to take a \$4,000 exemption on their income taxes for each federal exemption they claim. The State Treasurer has said that with the federal exemption set at zero, Michigan taxpayers will no longer be able to claim an exemption on their income taxes. He and the Governor have proposed a "fix" to allow those exemptions to continue at the state level.

However, House Bill 5420 goes much further and creates new holes in both the General Fund and the School Aid Fund. The House Fiscal Agency has stated that the additional exemption amounts in HB5420 will cost the state, at a minimum, \$45 million in this fiscal year, increasing to \$157.5 million in 2018-2019 and growing to \$172.5 million in 2019-2020. The School Aid Fund receives almost a quarter of this revenue with a majority of the rest going to the already stressed General Fund.

We urge you to oppose this bill and the cuts it makes to our State's revenue. The latest revenue estimating conference showed very little growth in the General Fund already, this increased loss in revenue could harm many programs in our state as the budget gets tighter and tighter. Also, as we've seen in the past, when the General Fund struggles, the legislature turns to the School Aid Fund for more and more funding for things like higher education taking dollars away from our classrooms.

Our schools will continue to see cuts if the School Aid Fund does not receive the revenue necessary to support our students and communities. We urge you to look very closely at this bill and others passed this session and in past years and the collateral damage they have over time.

We urge you to oppose House Bill 5420 and the revenue cuts included in it. If you have any questions, please feel free to contact any of us in the education community listed.