

January 2018

PERSONAL EXEMPTION FIX MOVES THROUGH THE SENATE

In a vote that was unanimous, the Republican-led Senate quickly passed an expanded personal income tax credit that is likely being eliminated due to a quirk in the new federal tax reform law.

The Senate version (SB 748 S-1) preserves Michigan's \$4,000 personal exemption on its income tax, but increases it to \$5,000 by 2021- a \$200 increase over the \$4,800 exemption level of the SB 748 version.

Another bill (SB 749) to create a new \$500 state child care/senior care exemption is being held over due to the five-day rule, as was SB 750, which restores City Income Tax exemptions that might have been eliminated by the federal tax reform legislation.

The House Taxation Committee took testimony on its personal exemption legislation (HB 5420 - HB 5422) that boosts the exemption to \$4,800 by 2020 and creates a new \$100 extra exemption for taxpayers age 62 and older.

The restored credit would be paid from a \$1.5 billion windfall from the feds through its elimination of the personal income tax credit.

AUTO TRADE-INS VETO OVERRIDDEN

In the state's first gubernatorial override in 16 years, the House and Senate pushed into law an accelerated sales tax phase out on used car trade-ins that Governor Rick Snyder vetoed in July of last year.

The Senate vote was unanimous. The House vote was 85-23.

The legislation (SB 94 and SB 95) moves the scheduled phase out from 2039 to 2029 at a cost estimated by the House Fiscal Agency (HFA) to be \$300 million spread out over numerous years.

In his veto message, Governor Snyder had called the move "not fiscally prudent."

SPECIAL HOUSE TASK FORCE: IMPROVE MENTAL HEALTH SERVICES

A report issued last week by a Special House Task Force found 42 areas where mental health services could be improved in the state.

They include:

- Increasing access to mental health services and mental health personnel.
- Providing incentives for mental health professionals to work in Michigan.
- Addressing the shortage of case managers and social workers.
- Eliminating barriers to work for mental health patients.

- Using electronic communications to link patients with mental health professionals in other locations.
- Increasing judicial discretion for sentencing veterans.

The report also recommended:

- More mental health courts, providing crisis intervention training for law enforcement.
- Requiring use of mental health screening at jails during intake.
- Creation of a database of available mental health services.
- Promoting early intervention.

CHARTER SCHOOLS TO GET SHARE IN REGIONAL ENHANCEMENT FUNDS

Charter schools would receive a share of “regional improvement” property taxes on a per-pupil basis that now go only to traditional schools if legislation (SB 574) approved by the House in a close 55-52 vote becomes law.

The House version included a requirement that charters settle their unresolved audit and run a government-approved special education program before getting the money.

MEDICAID WORK REQUIREMENT BILL INTRODUCED

Legislation (HB 5317) has been introduced by Representative Gary Glenn (R-Midland Twp.) that would require able-bodied Medicaid recipients to work, go through job training or perform community service in order to keep their benefits.

Representative Glenn also introduced House Bill 4598 that would place an enrollment freeze on Michigan Medicaid expansion plan, which is required to pick up 5 percent of expansion costs in the coming fiscal year.

SLOW GROWTH PROJECTED

Analysts for the House and Senate fiscal agencies are projecting continued slow and steady growth for Michigan economy through 2020. That means the state’s \$10 billion General Fund isn’t likely to keep up with inflation over the next three years and the School Aid Fund, when adjusted for inflation, should remain smaller than it was 10 years ago.

However, the new projections don’t take the pressure off of the General Fund budget which means the administration and lawmakers shouldn’t get giddy about huge tax cuts, a spending spree or hauling out the budget-cutting knives as they begin putting together the FY 2019 budget.

GERRYMANDERING SUIT FILED IN FEDERAL COURT

A lawsuit has been filed in federal court alleging that Michigan’s congressional and state electoral districts are unlawfully gerrymandered. The lawsuit was filed by the Michigan League of Women Voters and a group of Democrats.

If successful, the suit could change how congressional and state legislative lines are drawn in 2021, using data from the 2010 census.

Going down another route, a nonpartisan group called Voters Not Politicians has submitted more than 425,000 signatures to the Michigan Secretary of State in an effort to amend the state constitution and remove the drawing of political lines from the direct control of politicians by creating a nonpartisan citizen redistricting commission.

NEW STATE DRINKING WATER STANDARD SET FOR PFCs, PFAS

The Department of Environmental Quality (DEQ) has announced new safe drinking water standards for PFAS or PFCs – the types of chemical contaminants that have raised concerns near the former Wurtsmith Air base.

The new state standards for residential and nonresidential drinking water criterion was set 70 parts per trillion. The new standard was set based on the federal advisory level.

The state can now issue violation notices and take legal action against any responsible party not complying with the state's cleanup rules.

BUDGET DIRECTOR RESIGNS

Michigan Budget Director Al Pscholka announced last week that he is resigning; and he also hinted at other political considerations. He is expected to stay through the end of February. He was appointed by Governor Rick Snyder in January 2017.

Strategy Director John Walsh will replace Mr. Pscholka in March and oversee annual budget negotiations with lawmakers.

In another departure, Michigan Agency for Energy Director Valerie Brader announced her resignation indicating she intends to join a law firm and head a new consulting company.