Published on *East Lansing Info* (https://eastlansinginfo.org)

MSU and East Lansing Play Hardball on Income Tax [1]

Monday, August 14, 2017, 2:18 pm
By:
Alice Dreger

Above: East Lansing Mayor Mark Meadows and MSU President Lou Anna K. Simon. (Photos courtesy City of East Lansing and MSU.)

MSU?s President Lou Anna K. Simon has been trying to talk East Lansing out of a proposed City-wide income tax [2], offering millions of dollars to the City from the University if East Lansing?s Council will promise to back off the possible income tax. So far, East Lansing?s Mayor Mark Meadows has told Simon what she?s offering to try to get approved by the MSU Trustees is inadequate to convince City Council to back off the income tax if voters approve it on November 7.

A series of communications [3] between Simon and Meadows indicates that Simon offered on July 21, 2017, to try to talk MSU Trustees into payments of $2 million a year from the University to the City for five years if Council would promise not to institute the income tax during that period. (Council is legally able to decide whether to institute any income tax the voters approve.) Simon told Meadows that $2 million/year could help cover costs of emergency services. She added that if the City wants to fix its infrastructure, it should raise fees and taxes to users and residents, not charge an income tax.

But Meadows rejected this offer. He countered in a July 25 response that, if MSU agreed to pay the City $5 million for 20 years, Council would be likely to agree to a deal in which the City would not institute the income tax during that period. (Meadows can?t speak for all of Council, and Simon can?t speak for the Trustees, but both can legally canvass their decision-makers for a sense of what is possible.)

In a July 27 response, Simon basically termed this $100 million idea absurd and impossible. She said she was willing to pursue a contribution of $2 million/year for 10 years, reduced by any increased assistance from the State of Michigan to the City in several key areas. But Meadows indicated to Simon he could not get enough votes on City Council to support that proposal.

In an August 4 letter, Simon then offered to try to advocate to the Trustees for MSU contributing $2.75 million for the first two years, $2.5 million for the next four years, and $2.25 million for another two years, for a total of $20 million over eight years, if Council would agree not to institute an income tax for ten years. She was also willing to not require reductions to MSU?s contributions if the State came through with certain funds for East Lansing.

But in an August 7 response, Meadows suggested instead $20 million over ten years in equal increments of $2 million/year, *plus* an income tax (if approved by voters) of 0.50% for residents and 0.25% for non-residents. (That would amount to half the income tax level currently set for the ballot for November.) Meadows also said the deal would require that ?The University will publicly support our effort to pass an income tax.?

Replying on August 10, Simon told Meadows his ?new proposal is a giant step backward.? She does not want any income tax, especially not one ?that targets University employees, especially those who do not reside in East Lansing, which at least one of your colleagues on the City Council has admitted is the goal of the ballot initiative.? (That remark was made [4] by Councilmember Erik Altmann, who is a professor in the MSU Psychology Department.)

Meadows wrote back today, August 14, to basically say, ?we have no deal.? He encouraged her to ?reconsider the City?s most recent proposal.?

Copies of the letters provided to ELi indicate Simon clearly sees the proposed income tax [2] as ?harmful to both the City and the University.?

Simon has argued to Meadows that the proposed scheme, which involves a simultaneous property-tax reduction for East Lansing property owners, would heavily benefit rental landlords and other business owners; that it would reduce the number of young families interested in moving to East Lansing; that it is ?likely to disproportionately impact students?; that it will discourage companies from moving to East Lansing; that it will depress property values; and that ?98% of the estimated $5 million that the City hopes to gain from the tax? would come from MSU employees.

Meadows countered these points, including by noting that, if an MSU student earns $10,000 per year in the City ?and claims East Lansing as a residence, that student will pay $100 per year in taxes. If the student claims a different residence, the student will pay $50 in taxes. That does not seem an undue burden, especially in comparison to your recent tuition increase, which will cost the average upper division student approximately $600 per year.?

In one of her letters, Simon warned Meadows that ?in the event an income tax is implemented, MSU will work aggressively to educate its students and employees regarding? how to ?reduce? their tax liability to the City. Simon has also told Meadows that East Lansing?s dire financial problem is the City?s own fault?the result of ?past financial mismanagement??a claim Meadows told her in response is both ?offensive and uninformed.? Meadows said the tax proposal was an attempt ?to diversify our tax base,? ?an example of continued sound financial management.?

Both parties agree that part of the problem is that, under Republican-majority control, the State of Michigan hasn?t been reimbursing the City for emergency services provided to MSU as it is legally required to do. Public safety, including emergency services, is the largest expense to the City, including because of the significant expenses caused by major MSU events, like home football games.

East Lansing is also facing what Meadows termed, in one of his letters to Simon, a ?fiscal cliff? caused by pension-related legacy costs which have been ballooning and which soon will require much larger payments by the City than in the recent past. Many of those legacy payments go to honor contracts made with East Lansing Police and Fire personnel.

East Lansing?s City Council meets tomorrow night starting at 7 p.m. While this issue is not specifically on the agenda [5], it seems likely discussion of this issue may arise during general Council reports.

You may also be interested in:

- Amid Costly Emergency Services and Declining Court Fines, City's Budget Woes Continue [6]
- Will Homeowners' Tax Liability Really Be "Offset"? [7]
- Alcohol Use Strains East Lansing's Emergency Services [8]
- East Lansing's Property Taxes among Highest in State [9]
- Financial Health Team Looks Into Significant Cuts in City Services [10]
- Chief Shares ELPD's Game-Day Experience [11]
- City Told by Advisors to Look at More Tax Options [12]
- City's Debt Load Nears $200 Million [13]

Related Categories:
City Council [14]

Elections [15]
Finance and Taxes [16]
MSU [17]
Public Safety and Crime [18]

ELi is a member of INN and LION Publishers

This news is brought to you by our financial supporters!

Source URL: https://eastlansinginfo.org/content/msu-and-east-lansing-play-hardball-income-tax

Links
[1] https://eastlansinginfo.org/content/msu-and-east-lansing-play-hardball-income-tax
[2] http://eastlansinginfo.org/content/city-income-tax-be-november-ballot-property-tax-reduction
[3] http://eastlansinginfo.org/sites/default/files/msu.coel_letters.pdf
[4] http://eastlansinginfo.org/content/council-looks-set-put-city-income-tax-november-ballot
[5] http://eastlansing.granicus.com/GeneratedAgendaViewer.php?view_id=2&event_id=1180
[6] http://eastlansinginfo.org/content/amid-costly-emergency-services-and-declining-court-fines-citys-budget-woes-continue
[7] http://eastlansinginfo.org/content/ask-eli-will-homeowners-tax-liability-really-be-offset
[8] http://eastlansinginfo.org/content/alcohol-use-strained-east-lansing-emergency-services-last-weekend
[9] http://eastlansinginfo.org/content/east-lansings-property-taxes-among-highest-state
[10] http://eastlansinginfo.org/content/financial-health-team-looks-significant-cuts-city-services
[11] http://eastlansinginfo.org/content/chief-shares-elpds-game-day-experience-advises-distressed-resident-sexual-assault
[12] http://eastlansinginfo.org/content/city-told-advisors-look-more-tax-options
[13] http://eastlansinginfo.org/content/citys-debt-load-nears-200-million
[14] https://eastlansinginfo.org/citycouncil
[15] https://eastlansinginfo.org/elections
[16] https://eastlansinginfo.org/finance
[17] https://eastlansinginfo.org/msu
[18] https://eastlansinginfo.org/safety