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## MSU Trustees Reject Income Tax Deal; Council Talks Emergency Services Reductions <sup>[1]</sup>

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**By:**

Alice Dreger



MSU's President and East Lansing's Mayor have finally come to an agreement by which MSU would pay East Lansing \$20 million in exchange for a promise by City Council not to institute a City income tax. But MSU Trustees have rejected the deal.

Proposals to institute an income tax along with an East Lansing property tax reduction will therefore go to registered East Lansing voters for a decision on November 7. City Councilmembers are saying that if voters elect against the income tax, emergency services may have to take deep cuts.

MSU President Lou Anna Simon has been trying to convince East Lansing's Council not to

institute a City income tax, which is aimed at raising about \$5 million a year in new net revenue for the City. If approved by East Lansing voters, the tax would be for a maximum of 1% on income of City residents and a maximum of 0.5% on non-residents' incomes earned in East Lansing. The income tax would come with a City property tax reduction, with the idea being that homeowners would get a break to offset their total tax liability [2] to the City.

As ELI has reported, Simon and Mayor Mark Meadows have been locked in a tense and often terse back-and-forth [3] over the matter. Last night at City Council, Meadows announced that, "within the last few days," he and Simon came to an agreement on terms: MSU would pay East Lansing a total of \$20 million over eight years and the City would agree not to attempt to institute an income tax during that period. (Previously, MSU had wanted to pay the City \$20 million over eight years but ban an income tax proposal for ten years.)

According to Meadows, Simon went to members of the MSU Board of Trustees "and advocated on behalf of resolution of this issue." But, he said, "Regrettably, the Board rejected that proposal today, and we were advised of that this morning." Meadows thanked Simon for her work with him on the issue and expressed disappointment.

City Council has been interested in trying to find a way to obtain significant financial contributions from MSU as the City faces a budget crisis that Councilmembers say is due in large part to the heavy public safety costs East Lansing bears by being home to MSU. The State of Michigan has not been making good on its obligation to reimburse East Lansing for costs associated with providing emergency services to MSU. (MSU is a nonprofit entity exempt from paying property taxes, and it occupies about twenty percent of the land in East Lansing.)

About two-thirds of the City's budget is taken up by police, fire, and ambulance service-related costs. The use of emergency services in East Lansing drops dramatically during the summer months, when MSU is not in regular session, and surges during big MSU game weekends [4]. The joint ballot proposals, which combine the income tax with a property tax reduction, are aimed at putting much of the new-tax burden on MSU employees, who make up the bulk of those employed in East Lansing.

Last night, Councilmember Erik Altmann sought to educate voters on several aspects of the plan. He said that State law provides that retirement income cannot be taxed locally. That means, he said, that Social Security benefits, pensions, and IRA distributions taken after age 59.5 will not be subject to taxes. Retirees owning homes will get the property tax reductions if the plan passes, which means, said Altmann, an overall tax break for many seniors in East Lansing.

Altmann also noted that an individual's total local income tax liability in Michigan cannot exceed 1%. So, a person who works in one city with an income tax and lives in another with an income tax will divide 1% tax between the cities, not pay more than 1% total.

If the tax proposals pass, Altmann says, City Council will have about \$5 million extra revenue annually. Of that, he says, about \$3 million will be put towards the City's pension obligations, allowing the City to "satisfy our pension obligations, which we are constitutionally required to do." Another \$1 million, he says, will go to infrastructure including road repair and the last \$1 million will go to City operations.

“For not a lot of money,” Altmann said, “we get the pension-payment monkey off our back and not wreck our cars driving on East Lansing roads.”

What will happen if the tax proposals fail? According to Altmann, that will mean unrepaired infrastructure and cuts in police and fire personnel. He suggested it could also mean elimination of Parks & Recreation facilities, including the Hannah Community Center and Family Aquatic Center.

Altmann warned that, if voters do not pass the income tax proposal, the City could see “a 30% reduction in public safety.” This means that “services will suffer and East Lansing will become a somewhat different place. I think that’s the wrong direction to go in.” But, he said, if that’s what voters want, that’s what Council will have to do.

Mayor Pro Tem Ruth Beier, who is running for reelection to Council on the November 7 ballot, said at last night’s meeting that she is frustrated with misinformation being disseminated around the tax proposals. She said the City has been cutting the budget every year for the last ten years and that property values have stagnated due to how the State restricts taxable value increases, effectively crippling the City in terms of new revenue.

Beier says she’s been asked why the City doesn’t institute a “beer tax” or a sales tax, but she noted the Michigan Constitution does not allow the City to do so. She said while there is some room, under the State laws, to increase City property taxes further, East Lansing already ranks high [5] “about fifth among Michigan cities” in terms of property tax levels.

“We just don’t have enough money,” Beier said at Council last night. “We can’t continue to think we can have something for nothing.” An economist who works for a statewide union (the Michigan Education Association), Beier said the City made promises to workers and retirees that it must now honor according to the Michigan Constitution. She said cutting police and fire services by thirty percent “scares me.”

But, Beier said, “I’m not elected to get what I want. I’m elected to get what the voters want.” So, she said, if voters want reductions in police and fire personnel because they don’t want an income tax, if reelected, that’s how she’ll vote to manage the budget.

“I hate to sound like a threatening, evil woman,” Beier said last night, “but if the voters say ‘no,’ you can’t have an income tax,” and the State won’t provide other ways to raise revenue, “we have no choice.” If you want to vote against the income tax, we’ll have to make huge cuts.”

Last night, Meadows said the property tax reduction that would come with the income tax would result in homeowners’ seeing about a 10% reduction in property taxes. He encouraged property owners to look at their tax bills to see what that reduction would bring them.

Meadows indicated that at next week’s Council meeting, the Council will take up questions of possible deductions and exemptions to be used, assuming the income tax passes. He indicated that Council would be sensitive to questions of how to mitigate the possible impact of the tax on MSU students.

Meadows, Altmann, and Beier each spoke to the tax proposals in their Councilmember reports. Councilmember Susan Woods did not speak to taxes or the budget in her report, but used her reporting opportunity to thank City staff for their work on the annual fall welcome-back dance that she has called a pet project of hers. (She told Council that the welcome dance had featured Starfarm performing for three hours and that more than five hundred people had attended.) Woods, who is running for re-election on November 7, has previously said she supports the income tax with property tax reduction.

There are a total of three candidates <sup>[6]</sup> running for two seats on Council on November 7?Beier and Woods, who are both hoping to be reelected, and MSU student Aaron Stephens. We have asked Stephens for his position on the tax proposals and will add that when we receive his response. [Update: see response here <sup>[7]</sup>.]

City Manager George Lahanas told Council that he has been out to neighborhood association meetings, City board and commissions, and other local groups to help explain the tax proposals. He encouraged those wanting him to present to contact his office.

**You may also be interested in:**

[Business Owners Call on Council to Pull Income Tax Proposal Off Ballot <sup>\[8\]</sup>](#)

[MSU Considers Game-Day and Party Stress on East Lansing <sup>\[4\]</sup>](#)

[What's the Population of East Lansing? <sup>\[9\]</sup>](#)

[MSU and City Leaders Continue to Battle on Income Tax <sup>\[3\]</sup>](#)

[MSU Says It Benefits East Lansing Enormously <sup>\[10\]</sup>](#)

[Responding to MSU President, City Manager Defends Financial Management <sup>\[11\]</sup>](#)

[Will Homeowner's Tax Liability Really Be Offset? <sup>\[2\]</sup>](#)

[Does the Family Aquatic Center Pay for Itself? <sup>\[12\]</sup>](#)

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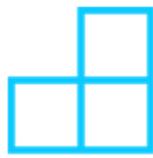
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