

# INITIATIVE PETITION

## AMENDMENT TO THE CONSTITUTION

A Proposal to Amend the Constitution of the State of Michigan by amending Sections 3, 7, 8, 10 and 11 of Article IX, and by adding Sections 43, 44, 45, 46 and 47 of Article IX as follows:

(new language below is in CAPITAL letters; deleted language is ~~struck~~)

**Article IX, Section 3.** The legislature shall provide for the uniform general ad valorem taxation of real and, PRIOR TO JANUARY 1, 2012, tangible personal property not exempt by law except for taxes levied for school operating purposes. AFTER DECEMBER 31, 2011, TANGIBLE PERSONAL PROPERTY SHALL NOT BE SUBJECT TO TAXATION IN THIS STATE. AFTER DECEMBER 31, 2011, THIS STATE SHALL ANNUALLY REMIT TO EACH LOCAL TAXING UNIT THAT LEVIES A PROPERTY TAX AN AMOUNT EQUAL TO THE AMOUNT THAT THE LOCAL TAXING UNIT WOULD HAVE LEVIED IN THAT YEAR IF THAT LOCAL TAXING UNIT HAD LEVIED A PROPERTY TAX ON PERSONAL PROPERTY, IN THE MANNER PROVIDED BY LAW. AFTER DECEMBER 31, 2011, NO TAX SHALL BE LEVIED BY THIS STATE ON REAL PROPERTY THAT IS BUSINESS PROPERTY, AS DEFINED BY LAW; HOWEVER, A LOCAL TAXING UNIT MAY LEVY A TAX ON REAL PROPERTY THAT IS BUSINESS PROPERTY, AS DEFINED BY LAW. The legislature shall provide for the determination of true cash value of such property; the proportion of true cash value at which such property shall be uniformly assessed, which shall not, after January 1, 1996, exceed 50 percent; and for a system of equalization of assessments. For taxes levied in 1995 and each year thereafter, the legislature shall provide that the taxable value of each parcel of property adjusted for additions and losses, shall not increase every year by more than the increase in the immediately preceding year in the general price level, as defined in section 33 of this article, or 5 percent, whichever is less until ownership of the parcel of property is transferred as defined by law, the parcel shall be assessed at the applicable proportion of current true cash value. The legislature may provide for alternative means of taxation of designated real and, PRIOR TO JANUARY 1, 2012, tangible personal property in lieu of general ad valorem taxation. Every tax other than the general ad valorem property tax shall be uniform upon the class or classes on which it operates. A law that increases the statutory limits in effect as of February 1, 1994 on the maximum amount of ad valorem property taxes that may be levied for school district operating purposes requires the approval of 3/4 of the members elected to and serving in the Senate and in the House of Representatives.

**Article IX, Section 7.** No income tax graduated as to rate or base shall be imposed by the state or any of its subdivisions. BEGINNING JANUARY 1, 2012, NO INCOME TAX SHALL BE IMPOSED BY THIS STATE, BUT A SUBDIVISION OF THIS STATE MAY IMPOSE AN INCOME TAX.

**Article IX, Section 8.** Except as provided in this section, the Legislature shall not impose a sales tax on retailers at a rate of more than 4% of their gross taxable sales of tangible personal property AND, BEGINNING JANUARY 1, 2012, SERVICES.

Beginning May 1, 1994, the sales tax shall be imposed on retailers at an additional rate of 2% of their gross taxable sales of tangible personal property AND, BEGINNING JANUARY 1, 2012, SERVICES not exempt by law and the use tax at an additional rate of 2%. BEFORE JANUARY 1, 2012, THE proceeds of the sales and use taxes imposed at the additional rate of 2% shall be deposited in the state school aid fund established in Section 11 of this article. BEGINNING JANUARY 1, 2012, THE PROCEEDS OF THE SALES AND USE TAXES IMPOSED AT THE ADDITIONAL RATE OF 2% ON TANGIBLE PERSONAL PROPERTY ONLY, BUT NOT PRESCRIPTION DRUGS FOR HUMAN USE, FOOD FOR HUMAN CONSUMPTION, IMPROVEMENTS ON REAL PROPERTY, OR SERVICES, SHALL BE DEPOSITED IN THE STATE SCHOOL AID FUND ESTABLISHED IN SECTION 11 OF THIS ARTICLE. The allocation of sales tax revenue required or authorized by sections 9 and 10 of this article does not apply to the revenue from the sales tax imposed at the additional rate of 2%.

BEGINNING JANUARY 1, 2012, THE SALES TAX SHALL BE IMPOSED AT AN ADDITIONAL RATE OF 3.75% ON THE GROSS TAXABLE SALES OF TANGIBLE PERSONAL PROPERTY AND SERVICES NOT EXEMPT BY LAW AND THE USE TAX AT AN ADDITIONAL RATE OF 3.75%.

~~NO~~ AFTER JANUARY 1, 1975, AND PRIOR TO JANUARY 1, 2012, NO sales tax or use tax shall be charged or collected ~~from and after January 1, 1975~~ on the sale or use of prescription drugs for human use, or on the sale or use of food for human consumption except in the case of prepared food intended for immediate consumption as defined by law. This provision shall not apply to alcoholic beverages.

BEGINNING JANUARY 1, 2012, THE SALES TAX OR USE TAX SHALL BE CHARGED AND COLLECTED ON THE SALE OR USE OF PRESCRIPTION DRUGS FOR HUMAN USE AND ON THE SALE OR USE OF FOOD FOR HUMAN CONSUMPTION. SALES AND USE TAX SHALL ONLY BE APPLIED TO AN AMOUNT PAID IN EXCESS OF AN AMOUNT PAID BY ANY THIRD-PARTY PAYOR. SALES AND USE TAX SHALL ONLY BE APPLIED TO FIRST PURCHASES AT RETAIL, AS DEFINED BY LAW. SALES AT RETAIL SHALL NOT INCLUDE BUSINESS-TO-BUSINESS SALES, AS DEFINED BY LAW.

BEGINNING JANUARY 1, 2012, THE SALES TAX SHALL BE CHARGED AND COLLECTED ON THE SALE OF IMPROVEMENTS TO REAL PROPERTY, BUT NOT THE LAND ON WHICH THE IMPROVEMENTS ARE LOCATED. FOR NEW IMPROVEMENTS, AS DEFINED BY LAW, THE SALES TAX SHALL BE BASED ON THE PURCHASE PRICE, EXCLUDING THE VALUE OF THE LAND ON WHICH THE NEW IMPROVEMENTS ARE LOCATED. FOR USED IMPROVEMENTS, AS DEFINED BY LAW, THE SALES TAX SHALL BE BASED ON THE APPRECIATED VALUE OF THE USED IMPROVEMENTS FROM THE IMMEDIATELY PRECEDING SALE, LESS 2% PER YEAR FROM THE IMMEDIATELY PRECEDING SALE.

**Article IX, Section 10.** Fifteen percent of ~~all taxes~~ THE TAX imposed on retailers on taxable sales at retail of tangible personal property at a THE rate of ~~not more than~~ 4% shall be used exclusively for assistance to townships, cities and villages, on a population basis as provided by law. BEGINNING JANUARY 1, 2012, 3.21338% OF THE TAX IMPOSED ON RETAILERS ON TAXABLE SALES AT RETAIL OF TANGIBLE PERSONAL PROPERTY AT THE RATE OF 4% SHALL BE USED EXCLUSIVELY FOR ASSISTANCE TO COUNTIES, ON A POPULATION BASIS AS PROVIDED BY LAW; AND 12.85352% OF THE TAX IMPOSED ON RETAILERS ON TAXABLE SALES AT RETAIL OF TANGIBLE PERSONAL PROPERTY AT THE RATE OF 4% SHALL BE USED EXCLUSIVELY FOR ASSISTANCE TO TOWNSHIPS, CITIES, AND VILLAGES, AND SHALL BE DISTRIBUTED AS PROVIDED BY LAW. HOWEVER, BEGINNING JANUARY 1, 2012, THE DISTRIBUTION UNDER THIS SECTION SHALL NOT APPLY TO THE TAX IMPOSED AT THE RATE OF 4% ON THE TAXABLE SALES AT RETAIL OF PRESCRIPTION DRUGS FOR HUMAN USE OR ON THE SALE OR USE OF FOOD FOR HUMAN CONSUMPTION. In determining population the legislature may exclude any portion of the total number of persons who are wards, patients or convicts in any tax supported institution.

**Article IX, Section 11.** There shall be established a state school aid fund which shall be used exclusively for aid to school districts, higher education, and school employees' retirement systems, as provided by law. Sixty percent of all taxes imposed at ~~a~~THE rate of 4% on retailers on taxable sales at retail of tangible personal property, 100% of the proceeds of the sales and use taxes imposed at the additional rate of 2% provided for in section 8 of this article, and other tax revenues provided by law, shall be dedicated to this fund. HOWEVER, BEGINNING JANUARY 1, 2012, THE DISTRIBUTION UNDER THIS SECTION SHALL NOT APPLY TO THE TAX IMPOSED AT THE RATE OF 4% OR TO THE TAX IMPOSED AT THE ADDITIONAL RATE OF 2%, ON THE TAXABLE SALES AT RETAIL OF PRESCRIPTION DRUGS FOR HUMAN USE, ON THE SALE OR USE OF FOOD FOR HUMAN CONSUMPTION, ON THE SALE OF IMPROVEMENTS TO REAL PROPERTY, OR TO THE TAX IMPOSED AT THE ADDITIONAL RATE OF 2% ON SERVICES THAT WERE NOT SUBJECT TO SALES OR USE TAX PRIOR TO JANUARY 1, 2012. Payments from this fund shall be made in full on a scheduled basis, as provided by law. Beginning in the 1995-96 state fiscal year and each state fiscal year after 1995-96, the state shall guarantee that the total state and local per pupil revenue for school operating purposes for each local school district shall not be less than the 1994-95 total state and local per pupil revenue for school operating purposes for that local school district, as adjusted for consolidations, annexations, or other boundary changes. However, this guarantee does not apply in a year in which the local school district levies a millage rate for school district operating purposes less than it levied in 1994.

**ARTICLE IX, SECTION 43.** THIS STATE SHALL NOT IMPOSE A GENERAL BUSINESS TAX OTHER THAN A TAX CREATED BY THE INITIATED CONSTITUTIONAL AMENDMENT THAT ADDED THIS SECTION. THE RATE OF ANY GENERAL BUSINESS TAX SHALL ONLY BE INCREASED WITH THE APPROVAL OF A MAJORITY OF THE QUALIFIED ELECTORS OF THIS STATE.

**ARTICLE IX, SECTION 44.** THIS STATE SHALL NOT IMPOSE AN ESTATE TAX OR ANY TAX ON ACCUMULATED WEALTH.

**ARTICLE IX, SECTION 45.** EACH INSURANCE COMPANY DOING BUSINESS IN THIS STATE SHALL BE SUBJECT TO A TAX EQUAL TO 1.10% OF GROSS DIRECT PREMIUMS, AS DEFINED BY LAW, WRITTEN ON PROPERTY OR RISK LOCATED OR RESIDING IN THIS STATE AND IN LIEU OF ANY OTHER TAX, EXCEPT TAXES ON REAL PROPERTY.

**ARTICLE IX, SECTION 46.** BEGINNING IN 2012 AND EACH YEAR AFTER 2012, THIS STATE SHALL ANNUALLY REMIT TO EACH CITIZEN OF THIS STATE AN AMOUNT EQUAL TO 9.75% OF THE FEDERAL POVERTY LEVEL FOR EACH PERSON 18 YEARS OF AGE AND OLDER AND 9.75% OF THE INCREASE IN THE FEDERAL POVERTY LEVEL ATTRIBUTABLE TO A CHILD IN A ONE-ADULT HOUSEHOLD OR TWO-ADULT HOUSEHOLD, AS APPLICABLE, FOR EACH PERSON UNDER 18 YEARS OF AGE. AS USED IN THIS SECTION, "FEDERAL POVERTY LEVEL" MEANS THE POVERTY GUIDELINES PUBLISHED ANNUALLY IN THE FEDERAL REGISTER BY THE UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES UNDER ITS AUTHORITY TO REVISE THE POVERTY LINE UNDER SECTION 673(2) OF SUBTITLE B OF TITLE VI OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1981, PUBLIC LAW 97-35, 42 USC 9902.

**ARTICLE IX, SECTION 47.** IN 2012, ANY SALES AND USE TAX REVENUES RECEIVED IN EXCESS OF REVENUES COLLECTED IN 2011 FROM SALES AND USE TAX REVENUE AND THOSE TAXES THAT WERE ELIMINATED BY THE INITIATED CONSTITUTIONAL AMENDMENT THAT ADDED THIS SECTION, ADJUSTED FOR INFLATION AND POPULATION GROWTH, AS DETERMINED BY LAW, SHALL BE DEPOSITED IN THE COUNTERCYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND CREATED BY LAW. BEGINNING IN 2013 AND EACH YEAR AFTER 2013, ANY SALES TAX AND USE TAX REVENUE RECEIVED IN EXCESS OF SALES TAX AND USE TAX REVENUE IN THE PRECEDING YEAR, ADJUSTED FOR INFLATION AND POPULATION GROWTH, AS DETERMINED BY LAW, SHALL BE DEPOSITED IN THE COUNTERCYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND CREATED BY LAW.

THE BALANCE IN THE COUNTERCYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND SHALL NOT EXCEED AN AMOUNT GREATER THAN 10% OF THE SALES AND USE TAX REVENUE AS DETERMINED UNDER THIS SECTION. IF THE BALANCE IN THE COUNTERCYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND EXCEEDS AN AMOUNT GREATER THAN 10% OF THE SALES AND USE TAX REVENUE, THE SALES TAX AND USE TAX RATE SHALL BE REDUCED BY AN AMOUNT EQUAL TO THE RATIO OF THE EXCESS REVENUE TO TOTAL SALES AND USE TAX REVENUE, IN A MANNER PROVIDED BY LAW, FOR NOT MORE THAN 1 YEAR.

IF REVENUE RECEIVED IS LESS THAN THE SALES AND USE TAX REVENUE FROM THE PREVIOUS YEAR, AS DETERMINED UNDER THIS SECTION, THE SHORTFALL SHALL BE DRAWN FROM THE COUNTERCYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND. IF THE REVENUE RECEIVED AND THE AMOUNT IN THE COUNTERCYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND IS LESS THAN 95% OF THE REVENUE FROM THE PREVIOUS YEAR, AS DETERMINED UNDER THIS SECTION, THE SALES TAX RATE AND THE USE TAX RATE SHALL BE INCREASED BY AN AMOUNT EQUAL TO THE RATIO OF THE REVENUE SHORTFALL TO TOTAL SALES AND USE TAX REVENUE, IN A MANNER PROVIDED BY LAW, FOR NOT MORE THAN 1 YEAR, TO BRING THE TOTAL REVENUE AND AMOUNT IN THE COUNTERCYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND TO WITHIN 95% OF THE SALES AND USE TAX REVENUES OF THE PREVIOUS YEAR.

**Provisions of existing constitution altered or abrogated by the proposal if adopted:**

**Article IX, Section 3.** The legislature shall provide for the uniform general ad valorem taxation of real and tangible personal property not exempt by law except for taxes levied for school operating purposes. The legislature shall provide for the determination of true cash value of such property; the proportion of true cash value at which such property shall be uniformly assessed, which shall not, after January 1, 1966, exceed 50 percent; and for a system of equalization of assessments. For taxes levied in 1995 and each year thereafter, the legislature shall provide that the taxable value of each parcel of property adjusted for additions and losses, shall not increase each year by more than the increase in the immediately preceding year in the general price level, as defined in section 33 of this article, or 5 percent, whichever is less until ownership of the parcel of property is transferred. When ownership of the parcel of property is transferred as defined by law, the parcel shall be assessed at the applicable proportion of current true cash value. The legislature may provide for alternative means of taxation of designated real and tangible personal property in lieu of general ad valorem taxation. Every tax other than the general ad valorem property tax shall be uniform upon the class or classes on which it operates. A law that increases the statutory limits in effect as of February 1, 1994 on the maximum amount of ad valorem property taxes that may be levied for school district operating purposes requires the approval of 3/4 of the members elected to and serving in the Senate and in the House of Representatives.

**Article IX, Section 7.** No income tax graduated as to rate or base shall be imposed by the state or any of its subdivisions.

**Article IX, Section 8.** Except as provided in this section, the Legislature shall not impose a sales tax on retailers at a rate of more than 4% of their gross taxable sales of tangible personal property.

Beginning May 1, 1994, the sales tax shall be imposed on retailers at an additional rate of 2% of their gross taxable sales of tangible personal property not exempt by law and the use tax at an additional rate of 2%. The proceeds of the sales and use taxes imposed at the additional rate of 2% shall be deposited in the state school aid fund established in section 11 of this article. The allocation of sales tax revenue required or authorized by sections 9 and 10 of this article does not apply to the revenue from the sales tax imposed at the additional rate of 2%.

No sales tax or use tax shall be charged or collected from and after January 1, 1975 on the sale or use of prescription drugs for human use, or on the sale or use of food for human consumption except in the case of prepared food intended for immediate consumption as defined by law. This provision shall not apply to alcoholic beverages.

**Article IX, Section 10.** Fifteen percent of all taxes imposed on retailers on taxable sales at retail of tangible personal property at a rate of not more than 4% shall be used exclusively for assistance to townships, cities and villages, on a population basis as provided by law. In determining population the legislature may exclude any portion of the total number of persons who are wards, patients or convicts in any tax supported institution.

**Article IX, Section 11.** There shall be established a state school aid fund which shall be used exclusively for aid to school districts, higher education, and school employees' retirement systems, as provided by law. Sixty percent of all taxes imposed at a rate of 4% on retailers on taxable sales at retail of tangible personal property, 100% of the proceeds of the sales and use taxes imposed at the additional rate of 2% provided for in section 8 of this article, and other tax revenues provided by law, shall be dedicated to this fund. Payments from this fund shall be made in full on a scheduled basis, as provided by law. Beginning in the 1995-96 state fiscal year and each state fiscal year after 1995-96, the state shall guarantee that the total state and local per pupil revenue for school operating purposes for each local school district shall not be less than the 1994-95 total state and local per pupil revenue for school operating purposes for that local school district, as adjusted for consolidations, annexations, or other boundary changes. However, this guarantee does not apply in a year in which the local school district levies a millage rate for school district operating purposes less than it levied in 1994.