

# Property Tax Inequities in Michigan

AS in almost all of the states in the United States, municipalities in Michigan rely heavily on the property tax as a source of revenue to finance the cost of education, roads and road upkeep, and police and fire protection. It is, therefore, of some importance to all of us that the methods of obtaining revenue be fair and equitable.

The Constitution of the State of Michigan (Article 9, Sec. 3) says that all property should be assessed uniformly, and that the assessment should not exceed 50 percent of true cash value. As a result of an amendment to the Constitution (Legislative Act 409 of 1965), the law currently requires that all properties be assessed at 50 percent of true cash value.

These laws are not being adhered to—to the extent that all properties are not assessed uniformly (i.e., at the same percentage of cash value), and to the extent that they are not assessed at 50 percent of cash value. The following evidence, based on our study of 5,549 parcels of property sold in Kent County in 1968, clearly indicates that there are discrepancies in assessment practices in this part of Western Michigan.

It was found that fourteen of the thirty townships and cities studied had an average state-equalized assessed value between 45 and 55 percent of selling price. Certainly there is much room for improvement in those sixteen municipalities whose assessment-sales ratios fell outside the above limits.

Perhaps more disturbing was the general lack of uniformity displayed by assessors within assessing districts. Properties were found to be assessed at anywhere from 3 percent of sales price to 70 percent of sales price and more. Twenty-two percent of all properties sold in 1968 in one township were assessed at more than 55 percent of sell-

ing price. In addition, 9 percent of the properties in this same township were assessed at less than 19 percent of the selling price. Thus a property assessed at, say, 70 percent of selling price, will be taxed at an effective rate seven times as great as a property assessed at only 10 percent of selling price.

Our study also shows that unimproved land is assessed at a significantly lower rate than improved land. Commercial-improved land was found to be assessed at 49 percent of selling price, while commercial-unimproved land was assessed at only 34 percent of selling price. The ratios found for residential property were 48 percent and 40 percent.

We found that the property tax in Kent County is somewhat regressive. This means that owners of lower-valued property have higher assessments relative to value than do owners of higher-valued property. For example, in Grand Rapids properties selling for less than \$5,000 were assessed at an average rate of 56 percent of value, while properties selling for over \$40,000 were assessed at an average rate of only 46 percent of value. To the extent that lower-valued property is in the hands of persons with low incomes and the opposite is true for the higher-valued property, we can conclude that the lower-income individuals are actually subsidizing the rich.

Based on the evidence presented here and on our report and on the implications of the conclusions of other reports, we see the following problems with the property tax system in Michigan.

1. Owners of improved property are subsidizing owners of vacant land. This may create an urban slum problem, since there is a lack of incentive to improve vacant land as long as the tax is low and land values are rising.

Underassessment of vacant land encourages unproductive land speculation and discourages the construction of improvements in the home, since these improvements would likely be taxed at a relatively high rate.

2. There is a problem with the state equalization process. This evidence is, however, that this process is working better in Kent County than in other counties in Michigan. The state has inadequate resources to do an adequate job and therefore relies heavily on county officials, some of whom tend to perpetuate the inequities.

3. The property tax, in some cases, turns out to be regressive. This is unfair and contrary to almost any definition of justice.

4. There is some evidence that older properties are assessed at a rate significantly greater than properties less old. If this is true, owners of very old

properties are being discriminated against.

5. Perhaps most serious is the lack of uniformity in assessments within assessing districts. Assessors argue that their budgets are too small and that there are time lags between their actual analysis of cash value and the time when the assessments are completed.

It seems fair to say that there are many genuine inequities in the present property tax system in Michigan. Changes usually happen slowly in government, but the need for improvement and reform is now. Perhaps if citizens of Michigan become fully informed of the facts in this matter, a significant drive will be launched by the public—with the goal being real fairness and uniform treatment of all property taxpayers in Michigan.

Dr. Marvin G. DeVries  
Prof. Paul L. Gernant

#### CONSTRUCTIVE ACTION MERITS A MEDAL

Perry Prentice of Time Magazine, on hearing of the study on "Land Taxing and Assessment Practices in Kent County" by Grand Valley State College economists Marvin G. DeVries and Paul Gernant and their students, wrote: "I'd like to propose a Congressional Citation for all the members of the Social Action Committee of the Foundation Street Church who had the courage and the foresight to initiate and finance this effective and original effort to point up what's wrong with the city in which they live. *They didn't just gripe.*"

This was mentioned in the Sunday bulletin of the Fountain Street Church in Grand Rapids, where the Social Action Committee announced a showing of the new Schalkenbach documentary film, "Better Cities." Church members were invited to see it, join in discussion and "turn the gripes into constructive action."

#### EDGAR L. TRIER

The death of Edgar L. Trier in New York on May 7th leaves a sorrowful void in the Foreign and Correspondence departments, where his readiness and willingness to transmit or translate in French has been taken for granted for many years. Modest and quiet as he was, it became rather natural to take advantage of such a polite volunteer worker. He was immeasurably helpful in bridging the French and German language barrier.

Keenly aware of economic changes abroad, he wrote for HCN in 1959: "The French Government which had hoped to stabilize the economy without stifling production will probably find out that her measures are not sufficient because the distribution of wealth is so unequal as to favor the landowners and force wages and salaries down to a minimum."

Mr. and Mrs. Trier have been residents of New York since 1941. Mr. Trier was a U.S. citizen working with France-Amérique, a weekly French newspaper.