



DIVERSIFYING LOCAL SOURCE REVENUE OPTIONS IN DETROIT

This paper accompanies a longer paper, *Diversifying Local Source Revenue Options in Michigan*, that analyzes the appropriateness and viability of authorizing a number of local-option taxes in Michigan. That paper is available at <http://crcmich.org/diversifying-local-source-revenue-options-in-michigan>.

In a Nutshell

- In Michigan, the current local government revenue structure is largely disconnected from the local economy. In Detroit, which is one of 23 cities that levies an income tax and also levies a utility users' excise tax and casino gambling tax, the tax structure is more connected to the local economy than in other cities in the state, but many of Detroit's revenue streams have suffered from the city's decline. City revenue trends are not reflecting the resurgence in economic activity taking place within parts of the city, and Detroit would benefit from more mechanisms to capture the renewed economic activity taking place within its boundaries
- Many other states afford their local units of government a number of tax options - general and selective sales, income, transportation, various tourism, and others - to capture economic activity and to create diverse revenue streams.
- Expanding access to local-option taxes in Detroit requires the state to authorize the city to levy more taxes, but it does not require the city to levy them. The expansion would simply provide Detroit with more options to fund city services. Ultimately, voters must decide the appropriate menu and level of services and the taxes to finance the services. Expansion of local-option taxes may be best suited to the regional level of government (e.g., Wayne County or Southeast Michigan region).

Even after the 2013 bankruptcy, Detroit, like many local governments in Michigan, is facing pressures from many sides: revenue declines largely outside of local control, legacy costs that continue to mount, and expenditure pressures from both inside local government and outside of it (e.g., imposed by the state). Detroit's revenue sources suffered substantial declines as a result of the Great Recession (2007-2009), particularly the losses in property tax revenues as a result of the large number of foreclosures

in the city. With the city already at the statutory maximum tax rates for each of the taxes it levies, it has no capacity to increase revenues by increasing tax rates. In this and other recent reports, the Citizens Research Council of Michigan is attempting to outline steps local units may take to obtain fiscal sustainability and create quality places to live and do business. It is time for the state to consider allowing local units of government in Michigan to levy more types of local-option taxes.

The Focus on Detroit

Among Michigan municipalities, Detroit is in a category of its own. It is the state’s largest city by far with a 2016 population estimate of 672,795 people (Michigan’s second most populous city, Grand Rapids, is less than one-third the size of Detroit).¹ While Detroit’s population greatly exceeds all other cities in the state, it has shrunk significantly from its peak in 1950 (1.86 million residents). At nearly 139 square miles, Detroit also surpasses all other cities in the state in terms of geographic size (Grand Rapids is just over 45 square miles).

In the years since Detroit’s population peak, the city has experienced decreases in city resources, increases in crime and violence, racial and financial tensions with its surrounding suburbs, and a municipal bankruptcy in 2013. Since emerging from bankruptcy, Detroit, and certainly the downtown area, appear to be experiencing a renaissance. That being said, the city faces many hurdles, including those related to local taxes and fiscal solvency.

Current Local-Option Taxes Authorized to Detroit

Detroit’s city government’s revenue base is much more diverse than many other local governments in the state. The state has addressed past fiscal imbalances in Detroit by expanding the city’s tax options, but has not done this to the same extent for other local units. Therefore, Detroit does not rely exclusively on property taxes as its only own-source revenue to fund local services. Also of note, Detroit’s tax structure places a large burden on its predominantly low-income residents, much more so than any other local government in the state. In Fiscal Year (FY)2016, Detroit levied a property tax, city income tax, utility users’ excise tax, and casino gambling (or wagering) tax.

Property Tax. In 2017, Detroit had a taxable value of \$6.0 billion and levied 31.46 mills of property tax (one mill is equal to \$1 in property tax for every \$1,000 of a property’s taxable value). Residents of the city also pay property taxes to overlapping local governments, including county and school district taxes, among others. The total property tax rate for a resident of the city was 72.80 mills in 2017 (see **Table 1**).

Detroit levies property taxes at very high rates, partly because it has a relatively low taxable value per capita at approximately \$8,918 in 2017 (local units with a taxable value per capita below \$20,000

Table 1

Property Tax Rates and Collections in Detroit, 2017

	Mills Levied	Total Collected (in millions)
County Taxes	7.39	\$44.60
City Taxes	31.46	\$189.94
Authority Taxes*	0.65	\$3.93
School Taxes	33.30	\$201.10
Total	72.80	\$439.56

* Includes special districts that can levy property taxes, such as downtown development authority.

Source: Michigan Department of Treasury. 2017 Ad Valorem Property Tax Report, Rev. 02-17. (www.michigan.gov/documents/taxes/2017_625_Ad_Val_Tax_Levy_Report_613125_7.pdf, accessed 2/14/18).

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have been found to be at greater risk of fiscal or service insolvency). Detroit’s property tax structure is somewhat unique because of its high number of tax foreclosures, which leads to further tax base erosion.

Property taxes help the city to pay for public safety, infrastructure, libraries, garbage pickup, and other municipal services; when taxes are not paid or collected, local services suffer. When property taxes are not paid, the debt gets passed on to the Wayne County Treasurer, who acts as a collections agency and adds 18 percent in interest each year that taxes go unpaid. After three years, state law requires the Wayne County Treasurer to foreclose on a property and put it up for auction where it is sold to the highest bidder. Under this system, one out of every three Detroit properties has been put up for auction by the Wayne County Treasurer since 2002.² In recent years, tax foreclosures in Detroit have fallen 70 percent from 24,793 parcels in 2015 to 6,315 in 2017.³ However, while the number of foreclosures has declined, tax delinquency remains a problem and remains unchanged: 60,000 Detroit homes were behind on property taxes in 2013 and 60,000 homes were behind on property taxes in 2017.⁴

City Income Tax. The Detroit city income tax has been levied on both resident and nonresident

workers in the city since 1962. At one point, the tax was levied at a rate of 3.0 percent on residents and 1.5 percent on nonresidents, but the tax rate has been rolled back in recent years. Public Act (PA) 394 of 2012 amended the City Income Tax Act and established a new maximum rate of 2.4 percent for residents and 1.2 percent for nonresidents effective in FY2013.⁵ This was done because the new city lighting authority is funded through a portion of the local Utility Users’ Excise Tax, which had always been earmarked for the city’s police budget. PA 394 was enacted to earmark some income tax revenue to the police budget until the bonds and indebtedness of the lighting authority are paid in full. At that point, the Utility Users’ Excise Tax revenue will go back to the police budget and the maximum income tax rates will be reduced to 2.2 percent for residents and 1.1 percent for nonresidents.

Utility Users’ Excise Tax. The City Utility Users Tax Act authorized Detroit to levy a five percent tax on the privilege of consuming public telephone, electric, steam, or gas services.⁶ Tax revenues were to be used to hire or retain police officers. The law was amended so that beginning in FY2013, the first \$12.5 million collected from the tax will go to the city-established lighting authority with the remainder going to the police budget.

Taxes Authorized to Different Levels of Government in Michigan

	Property Taxes	Income Taxes	Retail Sales Taxes	Motor Fuel Taxes	Vehicle License Taxes	Utility Users' Taxes	Alcohol Taxes	Tobacco Taxes	Marijuana Taxes	Casino Gambling Taxes	Soda/ Sugar Taxes	Restaurant Meals Taxes	Hotel/ Motel Taxes	Vehicle Rental Taxes	Entertainment/ Admissions Taxes	9-1-1 Phone Taxes	Sharing Economy Taxes	Total
State	X	X	X	X	X		X	X	X	X						X		10
Counties	X								+			*	X	*		X		3
Detroit	X	X				X			+	X								4
Other Cities	X	X							+			*	*	*				2
Townships/Villages	X								+									1

* Selected local units can levy (not included in total because of small number allowed to levy)

+ State taxes shared with local units of government

Detroit’s State Revenue Sharing Hit

In addition to the declines in property tax, income tax, and Utility Users’ Excise Tax revenues, Detroit operating revenues have been affected by reductions in state revenue sharing distributions. Michigan operates a somewhat unique state revenue sharing program that sends state collected revenues to local governments to use at their discretion. This program was designed in part to provide funding for local governments as a supplement to property tax revenues. In lieu of local-option sales, income, or business taxes, the state shared revenues from these state taxes. Since 1971, part of the funds were distributed in a manner that addressed differences in the fiscal capacity of local governments. Differences in the relative size of the property tax bases meant that a millage would yield more in some units than in others.

With all of the state’s economic troubles over the first decade of this century, state government officials opted to divert for other purposes funding that was statutorily designated for state revenue sharing. Since 1998, revenue sharing funding losses to local governments total more than \$8 billion; in FY2017, the shortfall was more than \$800 million.

Detroit, for all of its size relative to other local governments and the relative weakness of its property tax base, is the largest recipient of state revenue sharing dollars. In FY2002, Detroit received 21.3 percent of all state revenue sharing dollars; 29.8 percent of the statutory state revenue sharing funds intended to reduce differences in fiscal capacity. With the funding cuts in the years since, Detroit has experienced a 47.6 percent reduction in statutory state revenue sharing and a 40.2 percent reduction in total funding sent to the city. In FY2017, Detroit received 56.5 percent of all statutory state revenue sharing distributions, but that is because three quarters of the local governments that are eligible no longer receive funding and because the size of the amount available for distribution is so much smaller than it used to be.

City Casino Gambling Tax. The Michigan Gaming Control and Revenue Act authorized three casino licenses in Detroit with a local tax of 10.9 percent of the adjusted gross receipts received by each casino.⁷ Under an amended development agreement reached by Detroit and the three casinos, the city receives an additional one percent tax from each casino and another one percent from each casino that reaches \$400 million in gross receipts within a calendar year (two of the three casinos reached this in 2014).⁸

Local Tax Revenue in Detroit. Despite its diversified tax structure, most of the major revenue sources for Detroit have declined in recent years. A report by the Center for Local Government Finance and Policy at Michigan State University Extension found that from FY2008 to FY2015, taxable values in Detroit decreased by 27.3 percent, state revenue sharing payments declined by 21.8 percent, and city expenditures dropped by 8.4 percent.⁹ **Table 2** highlights the revenue collected by the local-option taxes levied in

Detroit today and historically. Since FY2002, property tax revenues have declined; municipal income tax revenues have declined as well, but that has accompanied a rate decline; Utility Users’ Tax revenues have declined; and wagering tax revenues have increased. This table highlights only the local-option taxes levied by the city and omits all other taxes and revenues collected by the city, but it shows a city whose local-option income sources are largely declining.

Table 2

Detroit Tax Collections: General Fund and Other Governmental Funds (in millions)

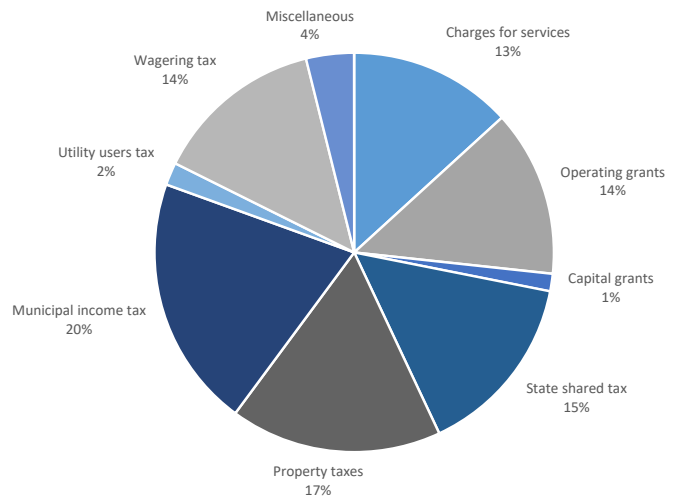
	FY2002	FY2010	FY2016	Change: FY2002 to FY2016
Property Taxes	\$ 235.9	\$ 201.8	\$ 205.5	-12.9%
Income Tax	\$ 323.5	\$ 216.5	\$ 263.2	-18.6%
Utility Users Tax	\$ 52.1	\$ 44.2	\$ 24.0	-53.9%
Wagering Tax	\$ 109.5	\$ 183.3	\$ 180.2	64.6%

Sources: City of Detroit Comprehensive Annual Financial Reports (<http://www.detroitmi.gov/How-Do-I/View-City-of-Detroit-Reports/Budget-Audit-and-other-Financial-Reports>, accessed 1/16/18).

Chart 1 illustrates the percentage of each revenue source in the general fund and all other governmental funds budget for Detroit in FY2016. Local-option tax revenues make up approximately 53 percent of all revenue into the general fund, and state shared taxes and revenue make up another 15 percent.

In addition to the local taxes discussed above, local governments that overlap Detroit levy the following local taxes: Wayne County (property tax, county 9-1-1 tax, hotel/motel accommodations tax, and automobile rental tax), Detroit Public Schools Community District (property tax), Detroit Metro Convention and Visitors Bureau (hotel/motel accommodations assessment), and various authorities.

Chart 1
FY2016 Detroit Revenue by Source,
General Fund and All Other Governmental Funds



Source: City of Detroit, Comprehensive Annual Financial Report, FY2016 (<http://www.detroitmi.gov/Portals/0/docs/finance/cafr/FY16%20City%20of%20Detroit%20CAFR.pdf>, accessed 1/16/18).

Considerations: What Other Local Taxes Might Work in Detroit?

It is important to evaluate different local-option taxes to determine what might work in Detroit (either in the city or the Southeast Michigan region). Expansion of local-option taxes (with or without regionalization of services) could do two important things for the city: 1) allow Detroit to lower its property tax rate in order to spur investment and increase the city's appeal to potential residents and businesses and 2) further diversify Detroit's revenue base. Detroit is the only city of its size and stature in Michigan and its continued improvement and success benefits the entire state.

The Research Council reviewed local-option taxes in a number of "peer" cities, including some larger urban areas (Chicago and Philadelphia), some similar size urban areas (Milwaukee, Indianapolis, and Columbus), and some smaller urban areas (Cleveland, St. Louis, Buffalo, and Pittsburgh). These cities were chosen based on their geographic location and proximity to Detroit and vary by how similar their demographic and economic makeup are to Detroit.

Taxes are a function of a city's economic base and its residents' ability to pay (or the ability to export the tax burden). Local-option taxes that work well in some "peer" cities may or may not work as well in Detroit due to differing economic bases and other factors that contribute to making certain local taxes successful in some cities. Chicago, for example, is authorized to levy a large number of local-option taxes; some of these may work in Detroit, but Chicago is a metropolitan hub that has a level of commerce and tourism that is not matched in Detroit. (See **Appendices A and B** for detailed demographic and economic data for Detroit and each "peer" city and **Appendix C** for a list of local taxes levied in Chicago.)

Just as Detroit does in Michigan, each of the "peer" cities operate within the constructs of their state and its laws. It is outside the scope of this short paper to review the state laws affecting each of these "peer" cities, but it is important to remember that any city with the ability to levy local-option taxes has been given that authority through state law. Similarly,

Regional Taxes and Services

While cities and townships are the primary provider of local government services in Michigan, they may be the level of government that is least well suited to impose various local-option taxes.

With cities and townships levying local-option taxes, there would be 1,500-plus potential taxing jurisdictions, which could introduce economic distortions by allowing individuals and businesses to adjust their tax burden fairly easily by changing the jurisdictions in which they live and do business. Authorizing local-option taxes at the most local level could also intensify socioeconomic disparities across the local governments. The local units of government most affected by high property tax rates and reduced state revenue sharing are the low-income, property-poor governments that have the least ability to raise additional local revenue through new tax options. High-income, property-rich local units have the least need for additional sources of local revenue, but also the most untapped revenue-raising capacity. Basically, authorizing new taxes at the most local level could reduce the administrative efficiency of the taxes, as well as decrease their equity and neutrality and increase competition among local units within the state.

Some of these concerns over economic distortions, socioeconomic disparities, and local competition can be addressed by authorizing local-option taxes at the regional level. Counties in Michigan are already governing at the regional level. Counties or other regions would still compete with each other for tax revenues, but it is more difficult for individuals and businesses to alter their behavior by leaving a region than it is if they simply have to move to the next closest unit of local government. Socioeconomic and income inequalities are also decreased at the regional level. Counties are made up of both high- and low-income local governments and levying local-option taxes at the regional level promotes a form of tax-base sharing that benefits the state as a whole. Authorizing taxes at the regional level allows multiple units of local government within a region to benefit from the new local tax without facing direct competition from a neighbor that may choose not to levy the same tax.

The biggest hindrance to authorizing increased local-option taxes at the regional level is that many services are still being provided at the city or township level. This would create a mismatch between those raising the revenue and those delivering most services. This mismatch could be addressed in two ways:

- 1) A recent Research Council report recommends a reorganization of the local government service delivery model to allow counties to provide many more services as regional service delivery is best suited to today's economy and allows government to take advantage of modern methods of communication and transportation.¹ In conjunction with this, county, or regional, government is best suited to levy many of the local-source revenue options.
- 2) Another option would be to raise revenues at the county or regional level, but then create a system of distributing or sharing those revenues with all local units of government within the region.

Moving forward, the discussion needs to continue on regional tax base sharing, regional services, and regional governance. The Great Recession, which followed Michigan's single state recession, brought home for Michigan the need to do local government differently.^a Local governments cannot rely on state revenue sharing during fiscal downturns and need access to more local-option taxes; however, local governments also need to re-evaluate how services are provided and how things can be done more effectively and efficiently. Providing services and raising taxes at the regional level can address a lot of the concerns around local government service delivery and local-option taxes.

¹ Citizens Research Council of Michigan. "Report 395: Counties in Michigan: An Exercise in Regional Government," March

^a While the rest of the nation suffered from a relatively minor recession from March to November 2001, this period served as the beginning of what was to become Michigan's Single State Recession which lasted for most of the next decade.

any of the potential local-option taxes discussed for Detroit would require state authorization (and potentially amendment of the state Constitution) and voter approval of Detroit residents before they could be levied by the city. That being said, the city could potentially benefit from taxes that would grow as the city becomes a destination to be visited again. These could include general retail sales tax (if allowed by the state constitution) and selective sales or excise taxes on certain goods or services, including vehicles, alcohol, marijuana (especially if recreational marijuana is ever legalized in Michigan), meals, vehicle rentals, entertainment or amusement services, and sharing economy services (i.e., ride-sharing and home-sharing).

Local Sales Tax. A local-option retail sales tax could be problematic for a number of reasons. The state Constitution is unclear as to whether any sales tax could be levied at a rate greater than six percent, which is the current rate levied by the state. Furthermore, it is not clear whether any locally levied sales tax revenue would remain with the local unit that levied it or if the constitutional earmarks for sales tax revenue would require local units levying a local tax to remit that tax to the School Aid Fund and state revenue sharing and other constitutional restrictions. Finally, it is unclear if the Constitution would even allow the state to authorize a local-option sales tax.

If the potential constitutional impediments to a local-option sales tax were resolved, then Detroit could only levy a local sales tax if the city was authorized to do so by the state (the state could authorize all cities and/or counties to levy a local sales tax or just Detroit) and local voters approved the tax in a city-wide vote. A local sales tax could allow Detroit to benefit from nonresidents working in and visiting the city for commerce or tourism-related reasons.

When looking at Detroit’s “peer” cities, all except Indianapolis have some sort of local-option sales tax levied in their city (Indiana, like Michigan, does not allow for local-option sales taxes), whether those taxes are levied at the county level, city level, or both varies (see **Table 3**). Special districts that levy local sales taxes include the Regional Transportation Authority in the Chicago-area,¹⁰ which levies a one percent tax in Cook County and a lower tax rate in border counties (the tax collected in Chicago is distributed to the Chicago Transit Authority), a transit authority tax of 0.5 percent in portions of Columbus,¹¹ and a baseball stadium district sales tax of 0.1 percent in Milwaukee.¹²

Vehicle-Related Taxes. Local-option vehicle-related taxes may be an option for expanding local taxes in Detroit. Some local units levy taxes on motor fuel, but, in Michigan, state motor fuel taxes are already shared with local units and taxing at the local level could be administratively difficult.

Table 3
Local Sales Tax Rates in “Peer” Cities

	State Sales Tax	County Sales Tax	City Sales Tax	Special District Sales Tax	Total Rate
Chicago	6.25%	1.75%	1.25%	1.00%	10.25%
Buffalo	4.00%	4.75%	---	---	8.75%
St. Louis	4.225%	---	4.454%	---	8.679%
Cleveland	5.75%	2.25%	---	---	8.00%
Philadelphia	6.00%	---	2.00%	---	8.00%
Columbus	5.75%	1.25%	---	0.50%	7.50%
Indianapolis	7.00%	---	---	---	7.00%
Pittsburgh	6.00%	1.00%	---	---	7.00%
Detroit	6.00%	---	---	---	6.00%
Milwaukee	5.00%	0.50%	---	0.10%	5.60%

Vehicle-related excise taxes, which can include registration-type fees, tire fees, and parking taxes, would be an option for Detroit.^a In “peer” cities, Chicago levies a \$1 per tire fee for each new tire sold and a 20 to 22 percent (depending on the time and day of the week) parking tax on parking lots and garages. Cook County also levies a 6 to 9 percent parking tax. Philadelphia¹³ and Pittsburgh¹⁴ both levy parking taxes (22.5 and 27.2 percent respectively), and Indianapolis¹⁵ levies a 7.5 percent wheel tax and surcharge.

“Sin” Taxes. Excise-type taxes on certain goods that fall under the “sin” tax category could also allow Detroit to benefit from tourism and other activities taking place within its boundaries. Local-option excise taxes on alcohol would allow Detroit to export part of its tax burden to nonresidents who come into the city to vacation, gamble, or just enjoy dinner and a night out in the big city.

Medical marijuana is legal and subject to a three percent state tax that will be shared with local municipalities that have medical marijuana dispensaries within their boundaries, including Detroit and Wayne County. However, a proposal seeks to legalize and tax marijuana in Michigan. If enacted, it would include a 10 percent state excise tax with the proceeds being shared with local units of government. Even though state tax revenue would be shared with local units, Detroit could potentially benefit from local-option taxes on recreational marijuana. It would fall into the same category as alcohol, a “sin” that could be taxed by the city when it is purchased within city boundaries.

Local-option alcohol and marijuana taxes are not as common as local-option general retail sales taxes are, but some of Detroit’s “peer” cities do have the authorization to levy them. In Chicago, both the city and Cook County levy taxes on alcohol. Chicago levies \$0.29 per gallon of beer, \$0.36 to \$0.89 per gallon of wine (depending on alcohol content), and \$2.68 per gallon of liquor; Cook County levies \$0.09 per gallon of beer, \$0.20 to \$0.45 per gallon of wine,

a The state does levy an airport parking tax on public parking vendors at the Detroit Metropolitan Wayne County Airport and shares the revenue between the State Aeronautics Fund, Wayne County, and Romulus. Since the airport is not within Detroit city limits, this revenue does not impact Detroit.

and \$2.50 per gallon of liquor. These taxes overlap and residents of Chicago pay excise taxes on alcohol to the state, county, and city.

In Pennsylvania, Philadelphia levies a 10 percent liquor tax, but the tax proceeds support the school district, not the city. Additionally, Allegheny County (home of Pittsburgh) levies a seven percent sales tax on alcoholic beverages.

Cuyahoga County in Ohio (home of Cleveland) levies the following alcohol taxes: \$0.16 per gallon on beer, \$0.24 per gallon on hard cider, \$0.32 per gallon on wine, and \$3.00 per gallon on liquor.¹⁶ In 2008, the state prohibited local units from levying taxes on alcoholic beverages, but allowed Cuyahoga County to extend its current levy. It was last extended in May 2014 for 20 years.

Some of the “peer” cities also levy other “sin” taxes, such as cigarette taxes in Chicago, Cook County, Philadelphia, St. Louis¹⁷, and Cuyahoga County and sugar-type taxes in Chicago (nine percent tax on syrup price fountain drink tax) and Philadelphia (tax on distribution of sweetened beverages).¹⁸ These taxes truly do suppress the behavior and often lead to declining revenue streams and are not necessarily the best choices for diversifying revenue streams.

Tourism Taxes. Tourism-type taxes include taxes on hotel accommodations, restaurant meals, and vehicle rentals. Some of these things are already taxed in Detroit by Wayne County and the Detroit Convention and Visitors Bureau, but options for expanding tourism-type taxes exist in Detroit. The current tourism-related taxes that are levied in Detroit and Wayne County are not available to benefit the general funds of local governments, but are earmarked for the convention center (i.e., Cobo Hall) and tourism promotion.

Table 4 illustrates the different types of tourism-related taxes levied in Detroit and its “peer” cities. Even though Detroit does not levy any accommodations-type taxes, it is clear that hotel and motel accommodations are already heavily taxed in the city and expanding these taxes in Detroit may not be palatable. However, Detroit has no selective taxes levied on restaurant meals and only a county tax on vehicle rentals. In the past, the legality of a local-option sales-type tax on restaurant meals has

been questioned and the issue has never been fully resolved by the courts or state law. The unresolved question is whether the intent of the voters who ratified the state constitutional limit on the sales tax rate meant to limit the rate of just the sales tax or to limit the aggregate rate of taxation that could be imposed upon any retail sale (say, for example, restaurant meals) by any combination of taxes.¹⁹

Entertainment and Amusement Taxes. Entertainment and amusement-type services are largely untaxed in Michigan. The state sales tax applies to relatively few services and no state or local excise taxes are applied generally to entertainment services. An entertainment-type tax could be applied to entertainment, amusement, and recreation services

and businesses.^b In fact, a 1993 Research Council report recommended that the state authorize local units of government (in this case, county governments or a local authority) to levy a five to six percent entertainment tax on currently untaxed entertainment services in Wayne, Oakland, and Macomb counties as a regional funding source for cultural institutions in the three-county region.²⁰ A county or regional entertainment tax was not authorized and some cultural institutions in the three-county region (i.e., Detroit Institute of Arts and the Detroit Zoo) are currently funded by a three-county property tax.

A few of the “peer” cities are authorized to levy entertainment taxes. Chicago levies a nine percent amusement tax on entertainment and sports events

^b Could include cable television companies, Netflix and other streaming services, online cloud services and subscription databases, theaters, concerts, other live entertainment, sporting events, bowling centers, golf courses, health clubs, and amusement parks.

Table 4
Tourism-Type Taxes in “Peer” Cities

City	Hotel Accommodations Taxes	Restaurant Meals Taxes	Car Rental Taxes
Buffalo	3 to 5% county hotel tax		
Chicago	4.5% city accommodations tax and 1% county accommodations tax	0.25% city tax	\$2.75 per vehicle per rental period city tax
Cleveland	5.5% county bed tax and 3% city transient occupancy tax		
Columbus	5.1% city hotel excise tax and 4.9% Franklin County Convention Facilities Authority tax		
Detroit	1% county hotel tax and 3 to 6% county accommodations tax to support Cobo Center and 2% hotel assessment to the Detroit Convention and Visitors Bureau		2% county vehicle rental tax
Indianapolis	10% county innkeeper's tax	2% county food and beverage tax	6% county auto rental excise tax
Milwaukee	7% city room tax and 2.5% basic county room tax	0.5% county food and beverage tax	3% county car rental tax
Philadelphia	8.5% hotel room rental tax and 1% city occupancy tax		2% vehicle rental tax
Pittsburgh	7% county room rental tax		\$2 per day county vehicle rental tax
St. Louis	3.5% hotel tax for the Convention and Sports Tax and 3.75% hotel tax for the Convention and Tourism Tax	1.5% gross receipts tax on food and beverages	

and a nine percent amusement tax for subscribers of paid television programming (including Netflix) and a seven percent boat mooring tax. Cook County also levies a three percent amusement tax. In Pennsylvania, Philadelphia levies a five percent amusement tax, \$100 per device per year mechanical amusement tax, and seven percent outdoor advertising tax; Pittsburgh levies a five percent admissions tax.

Marion County in Indiana levies a 10 percent tax on events at Lucas Oil Stadium, the Convention Center, Victory Field, and Bankers Life Fieldhouse. Cleveland imposes an admissions tax of eight percent to the cost of sporting and entertainment events in the city; Columbus does not levy an amusement tax.

Sharing Economy Taxes. As Detroit becomes a destination to be visited for work, play, and vacation, local taxes on sharing economy services could further diversify the city's revenue structure. The sharing economy encompasses the new economy that has expanded in recent years around the idea of sharing goods and services around a basic model where strangers connect through a website or online application that is facilitated by a third-party business. It includes ride-sharing (e.g., Uber and Lyft) and home-sharing (e.g., Airbnb and HomeAway).

Detroit does not levy any taxes on these types of businesses. Home-share companies can be subject

to local accommodations taxes (which are levied by Wayne County and the Detroit Convention Bureau), but this is an emerging industry and not all accommodations taxes are applied to or collected by home-sharing companies. Some states and localities are levying new taxes specific to shared housing companies and contracts, as well as to ride-sharing companies, which differ from traditional taxicabs. Chicago levies a \$0.55 to \$0.80 per ride fee, depending on the class of vehicle, for transportation network providers (i.e., ride-share companies) and a \$5.55 per vehicle per ride fee on all rides to or from the Chicago airports, McCormick Place, or Navy Pier. Chicago also levies ground transportation taxes on taxicabs and other vehicles (vans), which range from \$3.50 to \$9 per day and \$98 per month for taxicabs. The city levies an airport departure tax on taxicabs and livery vehicles (\$4.00 per vehicle) and buses and vans (\$18 to \$54 per vehicle depending on capacity). A tax specific to the airport would not work for Detroit because the Detroit Metropolitan Airport is not within city limits, but could work for Wayne County or the greater Detroit region.

Chicago also levies a four percent surcharge for vacation rentals and shared housing units, which is applied on top of its 4.5 percent accommodations tax. Philadelphia can levy a 1.4 percent tax on ride-sharing services and Delaware County can assess the fee on all rides originating at the Philadelphia International Airport.

Conclusion

Detroit has had a unique financial history in the state, which includes a municipal bankruptcy in 2013. The city has emerged from bankruptcy and growth is clearly evident downtown, in midtown, and in pockets beyond, but even with its more diversified local revenue structure, it may not be able to weather the next financial storm without more local-option revenue sources available to it. The city has faced years of revenue declines caused by many things, including the Great Recession and accompanying property tax declines, population loss, and state revenue sharing cuts, among other things.

Allowing Detroit and other cities and regions in the state to levy more local-option taxes does not require them to do so, but simply provides a greater menu of options for local government officials and residents to choose from. Before any new local taxes could be levied in Detroit, they would need to be authorized by the state government and then voted on by Detroit residents. For the most part, current city revenues are disconnected from the city economy and providing local units with more local-option tax sources will give them the flexibility to choose which taxes are most palatable to their residents and work best with their local economy.

Endnotes

- 1 U.S. Census Bureau. 2016 Population Estimates (<https://www.census.gov/topics/population.html>).
- 2 Oberholtzer, Michelle. Detroit Metro Times. "Myth-busting the Detroit tax foreclosure crisis: Detroit is not for sale," September 13, 2017 (<https://www.metrotimes.com/detroit/myth-busting-the-detroit-tax-foreclosure-crisis/Content?oid=5552983>, accessed 12/5/17).
- 3 Ramirez, Charles E. and MacDonald, Christine. The Detroit News. "Detroit tax foreclosures fall 88% since 2015," September 19, 2017 (<http://www.detroitnews.com/story/news/local/detroit-city/2017/09/19/detroit-tax-foreclosures-down-dugan/680432001/>, accessed 12/5/17).
- 4 Data on tax delinquent properties from Wayne County Treasurer's Office and data on land use comes from the City of Detroit's Assessor's Office. Data on tax delinquent properties put together by Loveland Technologies a civic tech company that publishes public property data in map form taken from county's tax foreclosure auctions.
- 5 PA 284 of 1964, MCL 141.501-141.787.
- 6 PA 100 of 1990, MCL 141.1151-141.1177.
- 7 Initiated Law 1 of 1996 and PA 306 of 2004, MCL 432.201-432.226.
- 8 For more information on each local tax, see Citizens Research Council of Michigan. "Outline of the Michigan Tax System, 2017 Edition," May 2017 (http://crcmich.org/PUBLICAT/2010s/2017/Tax_Outline_2017.pdf).
- 9 Kleine, Robert and Schulz, Mary. Center for Local Government Finance and Policy, Michigan State University Extension. "Service Solvency: An Analysis of the Ability of Michigan Cities to Provide an Adequate Level of Public Services," September 2017 (http://msue.anr.msu.edu/resources/service_solvency_an_analysis_of_the_ability_of_michigan_cities_to_provide_a, accessed 2/6/18).
- 10 Information on local taxes in Chicago and Cook County can be found at City of Chicago. Finance Department: Tax List (https://www.cityofchicago.org/city/en/depts/fin/supp_info/revenue/tax_list.html, accessed 1/18/18); and Cook County Government, Department of Revenue (<https://www.cookcountyl.gov/agency/department-revenue>, accessed 2/2/18).
- 11 Information on local taxes in Columbus and Franklin County can be found at Ohio Department of Taxation. "Annual Report, Fiscal Year 2016," (https://www.tax.ohio.gov/Portals/0/communications/publications/annual_reports/2016AnnualReport/2016AnnualReport.pdf, accessed 2/1/18).
- 12 Information on local taxes in Milwaukee can be found at State of Wisconsin, Department of Revenue, Local Exposition Taxes (<https://www.revenue.wi.gov/Pages/FAQS/pcs-expo.aspx>, accessed 2/14/18).
- 13 Information on local taxes in Philadelphia can be found at City of Philadelphia. Services: Payments, assistance and taxes (<https://beta.phila.gov/services/payments-assistance-taxes/>, accessed 1/18/18).
- 14 Information on local taxes in Pittsburgh and Allegheny County can be found at City of Pittsburgh, Department of Finance, Tax Descriptions (<http://pittsburghpa.gov/finance/taxes/index.html>, accessed 2/2/18); and Allegheny County, Treasurer's Office (<http://www.alleghenycounty.us/treasurers-office/index.aspx>, accessed 2/2/18).
- 15 Information on local taxes in Marion County and Indianapolis can be found at Indiana Legislative Services Agency, Office of Fiscal and Management Analysis. Indiana Handbook of Taxes, Revenues, and Appropriations, Fiscal Year 2016 (<https://iga.in.gov/static-documents/5/e/a/8/5ea899a1/2016%20Tax%20Handbook%20Website%20.pdf>, accessed 2/1/18).
- 16 Information on local taxes in Cleveland and Cuyahoga County can be found at Ohio Department of Taxation. "Annual Report, Fiscal Year 2016," (https://www.tax.ohio.gov/Portals/0/communications/publications/annual_reports/2016AnnualReport/2016AnnualReport.pdf, accessed 2/1/18).
- 17 Information on local taxes in St. Louis can be found at St. Louis Collector of Revenue (<https://www.stlouis-mo.gov/collector/>, accessed 2/2/18).
- 18 Information on local taxes in Buffalo and Erie County can be found at Erie County Comptroller. Erie County Hotel Occupancy Tax (<http://www2.erie.gov/comptroller/index.php?q=erie-county-hotel-occupancy-tax>, accessed 2/1/18).
- 19 For more information, see Citizens Research Council of Michigan. "Report 305: Issues Relative to the Constitutionality of Local Sales Taxation in Michigan," June 1992 (<http://crcmich.org/PUBLICAT/1990s/1992/cc1006.pdf>).
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