



September 10, 2007

Ypsilanti Neighbors and Friends:

City council has been cutting the budget for years to keep expenses in line with stagnant revenues. Even though property taxes on homes have continued to rise, heavy industry and their tax revenues have left the city. To keep the city budget balanced in the near future and continue current service levels, a revenue increase is needed. In November, Ypsilanti voters will be asked to consider an income tax that will diversify revenue and provide sufficient funds to continue current service levels until 2012. Below are some questions and answers about the income tax proposal. You can also view further information at the [income tax page](#) on the [city of Ypsilanti](#) website.

The city will host three informative income tax town hall meetings open to the public in each ward. EMU professor Joe Ohren will moderate the sessions. The meetings will be held on:

- Wednesday October 3, at Perry School,
- Monday October 22, at Estabrook School, and
- Wednesday October 24, at Adams School.

All meetings will run from 7 to 9 p.m. I hope that you can attend one of the income tax town hall meetings.

Best regards,
Paul Schreiber
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Income Tax Questions and Answers

1) **What is the income tax ballot proposal?**

The November 6, 2007 city of Ypsilanti [income tax proposal](#):¹

- Imposes an income tax of 1% annually on corporations and residents, and 0.5% annually on nonresidents who are employed within the city.
- Allows a \$1,000 exemption for each individual and dependent, and additional exemptions for those over age 65 and for those with qualifying disabilities.
- Exempts income from pensions, Social Security, disability payments, and other qualifying sources of income.
- Becomes effective July 1, 2008.
- Expires July 1, 2014.
- Lowers the property tax rate by 2 mills if voters approve the income tax.²

2) **What other Michigan cities have an income tax?**

The [Plante-Moran Income Tax Study](#) lists Albion, Battle Creek, Big Rapids, Detroit, Flint, Grand Rapids, Grayling, Hamtramck, Highland Park, Hudson, Ionia, Jackson, Lansing, Lapeer, Muskegon, Muskegon Heights, Pontiac, Port Huron, Portland, Saginaw, Springfield, and Walker.³

3) **Why does the city need more tax revenue when property taxes continue to rise?**

The general fund tax rate that provides police, fire, street and park maintenance, and administration funds has remained constant.⁴ Even though property taxes on homes have continued to rise, heavy industry and their tax revenues have left the city. Total city revenues are flat and expenses are going up.⁵ To keep current levels of police, fire, public maintenance, and administration services,⁶ more revenue must be generated with an income tax.

4) **Will an income tax increase the number of people who pay tax to the city?**

According to the [Plante-Moran Income Tax Feasibility Study](#) commissioned by the city in 2005, the income tax would generate approximately \$4 million in new annual revenue from 10,600 nonresidents who work in the city of Ypsilanti and 11,400 working city residents.⁷

¹ [Ypsilanti November 6, 2007 Income Tax Ballot Language](#)

² [Property Tax Rollback Ordinance 2007-1067](#)

³ [Income Tax Feasibility Study by Plante-Moran, 2005](#), page 12 in print or page 15 in pdf

⁴ [Updated Solvency Plan, July 25, 2007](#), page 2

⁵ [City Revenue and Expenditure Trends](#), June 2007

⁶ [Updated Solvency Plan, July 25, 2007](#), page 5

⁷ [Income Tax Feasibility Study by Plante-Moran, 2005](#), pages 33-34 in pdf

5) **Are there other revenue generating methods besides the income tax?**

State law allows cities four methods to generate significant revenue.⁸

- Levy property taxes
 - Ypsilanti city property taxes are about 1 mill below the state constitutional limit of 20 mills. A 1-mill tax increase will not maintain city services.
- Charge fees for services
 - State law prohibits the city from making money on fees for services.
- Accept state revenue sharing funds
 - State revenue funds are provided by the state in place of sales tax or other taxing methods and have been cut from \$4 million in 2002 to \$3.2 million in 2008.
- Levy an income tax
 - An income tax will generate new revenue from 10,400 people who work but don't live in the city.

An income tax can provide significant additional revenue.

6) **Is Water Street causing the city's fiscal crisis?**

Water Street is part of the budget problem, but not until 2010 when substantial payments are due. Without additional revenue, current service levels can't be sustained for fiscal year 2008-2009.⁹ Without factoring in Water Street payments, the 2005 Blue Ribbon Finance Committee strongly recommended that city council consider an income tax.¹⁰

7) **Why can't Ypsilanti solve the budget problem with regional cooperation?**

Regional cooperation efforts are ongoing with the Regional Police Authority,¹¹ solid waste contract negotiations with neighboring townships, and discussions with Eastern Michigan University. For example, solid waste bids were mutually solicited by the city of Ypsilanti, Ypsilanti Township, and Superior Township. Due to differences in service delivery and contract timing, no joint contract was feasible. However, all three contracts expire in 2014 for another try at a joint effort. Regional cooperation efforts take time and may or may not work out. Cost savings from regional cooperation will not maintain current city service levels.

⁸ [Income Tax Proposals 2007](#), page 7 revenue chart

⁹ [Updated Solvency Plan, July 25, 2007](#), page 7

¹⁰ [Blue Ribbon Finance Committee Final Report](#), July 2005, final recommendation on page 2

¹¹ [Mayor's Update, April 2007](#)

8) **Will an income tax temporarily solve Ypsilanti's fiscal crisis?**

Yes. An income tax would maintain current service levels, funding for recreation utilities, a part-time recreation coordinator, and the AATA bus service until 2012.¹²

9) **Will an income tax permanently solve Ypsilanti's fiscal crisis?**

No. Service levels are projected to be reduced starting in 2012.¹³ In the meantime, the city will continue to work on long-term solutions like expanding regional cooperation and advocating for change in the state funding formulas.

10) **What city services can the income tax preserve?**

The city manager has prepared a solvency plan for the next two years that explains how further staffing cuts affect residents.¹⁴ Until at least 2012, a city income tax can preserve current levels of:

- Police and fire response times
- Drug enforcement
- AATA bus service
- Community planning
- Building inspection
- Park maintenance

11) **What additional services can the city provide if an income tax is approved?**

- Paying full utilities for Rutherford Pool, the Senior Citizens' Center, and Parkridge Community Center so that their friends groups can concentrate on programming and long-term needs.
- Hiring a part-time recreation coordinator to help the friends groups and the Depot Town Community Development Corporation work together to create a strong alliance with the city for development and renovation projects.

12) **Will the AATA bus service be discontinued without an income tax?**

This year the AATA board of directors is generously paying approximately half of the contract to keep buses running in Ypsilanti. Without an income tax, city council must cut something to pay the \$230,000 AATA contract next year. To keep the buses running without new revenue, additional cuts to police, fire, or administration would be considered by city council.

¹² [Updated Solvency Plan, July 25, 2007](#), page 7

¹³ [Undesignated Fund Balance Memo, July 3, 2007](#), page 2

¹⁴ [City manager's solvency plan, August 2007](#), pages 2 through 5

13) To save money, why can't city administration be cut and employees' raises frozen?

City administration has taken the brunt of the staffing cuts. From 2001 to 2007 city administration staff has been reduced from 30 to 21.¹⁵ Police department staff has been reduced from 58 to 51. The total number of city employees, including administration, police, fire, and public works departments has been cut from 137 in 2001 to 120 in 2007.

The city must pay competitive salaries to attract and keep talented employees who are being increasingly asked to take on more tasks with fewer resources. The city froze salaries a few years ago¹⁶ and lost valued employees.

14) What are some examples of the income tax cost to taxpayers?

The city has provided a graph with rough estimates for monthly payments.¹⁷ The graph does not factor in state and federal tax deductions and assumes a family of three. A few examples are provided below:

Taxable Income	Taxable Property Value	Estimated Monthly Tax Increase
\$10,000	0	\$6
\$40,000	\$60,000	\$21
\$100,000	\$120,000	\$61

15) How do I pay the city income tax?

Just like federal and state income taxes, the city income tax is declared on the W-2 tax form and an amount of money is deducted from each paycheck. City income tax forms must be submitted to city hall at tax time. The Ypsilanti income tax form would be similar to the forms used by other cities.¹⁸

¹⁵ [City Full Time Employment History](#)

¹⁶ [City Manager's 2004 Budget Message](#), page 9

¹⁷ [Income Tax Proposals 2007](#), page 1

¹⁸ [City of Grand Rapids Income Tax Form](#)