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October 7, 2015

Honorable Jeff Farrington, Chair
House Tax Policy Committee
794 House Office Building
Lansing, MI 48933

Greetings Rep. Farrington and Members of the House Tax Policy Committee:

The Michigan State Employee Retirees Association is a non-profit organization devoted exclusively to issues and concerns of all current and future retirees of the State of Michigan. We have 21 chapters statewide with a membership of approximately 10,000.

The tax changes of 2012 eliminated the senior personal income tax exemption of $2,300 and eliminated or reduced the income tax exemption for pensions and other retirement investment income for those born after 1945, setting up a three-tiered age-based system. Additionally, the Homestead Property Tax was changed to reduce the number of seniors eligible for it because of the new income and home valuation limits. As a result of these changes, seniors and taxable pensioners were estimated by the Fiscal Agencies to have paid $528 million more in state taxes for Tax Year 2012. Taxable pensioners and seniors were estimated to have contributed 36% of the increased taxes on individuals yet seniors are only 13% of Michigan's population. So from our perspective, retirees and seniors were inordinately targeted in the tax overhaul. Likely you heard this in one form or another on the campaign trail.

So it is with some pleasure that the Michigan State Employee Retirees Association submits this testimony in **support of HB 4871** that would annually adjust for inflation the several elements for calculating the Homestead Property Tax Credit. The proposed adjustment recognizes that inflation has a greater proportionate impact on low-income residents for whom the Homestead Property Tax Credit is designed than it has on higher income residents.

Although state employee retiree's federal Social Security retirement benefit has an inflationary adjustment each year (predicted to be 0 percent for 2016), state employee defined benefit pensions are limited by statute to a fixed 3 percent increase in the pension payment amount, not to exceed $25 per month or $300 annually, regardless of the base pension amount. So of course most state retirees receiving a defined benefit pension are only eligible for the $300 per year increase, which doesn't keep up with inflation. Sixty-five percent of defined benefit state retirees have an annual pension under $24,000 per year. If we have private investments or are a defined contribution retiree, our income from those sources is subject to the vagaries of the stock market, regardless of inflation. A little help on the Homestead Property Tax Credit would be very welcomed by low-income seniors. Michigan SERA urges passage of HB 4871.

Sincerely,

Mary Pollock
Legislative Representative