

# THE ADVOCATE

SPECIAL  
STATE BUDGET  
EDITION

## State Budget Calls for 9% Cut to Aging Services *MI Choice* Funding Held Level

Funding for key services to Michigan's older adults was cut 9%, approximately \$2.2 million, according to the FY 2011-2012 state budget presented by Governor Rick Snyder. The Office of Services to the Aging (OSA) would see funding reductions in the following areas:

- (\$1,025,500) Community Services – in-home services, caregiver supports, care management
- (\$791,000) Nutrition – home delivered meals and congregate meals
- (\$201,000) Foster Grandparents – volunteer mentoring for vulnerable youth
- (\$56,400) RSVP – opportunities for seniors to volunteer in the community
- (\$144,400) Senior Companion – seniors help other seniors with day-to-day living tasks

The Medicaid *MI Choice* Waiver program, a home- and community-based alternative to nursing home care, was funded at \$205,940,500, essentially the same as the 2011 level. Michigan's other major home- and community-based program, *Home Help*, would be cut by \$15 million (5%) next year and Medicaid-funded nursing homes would see a \$35 million (2%) increase.

**Since FY 2009, programs funded by OSA have been cut by \$10 million, a 28% loss in state funding. The Senate and House Community Health Appropriations Subcommittees have scheduled hearings on the budget during the month of March in Lansing. The AAA 1-B will provide testimony to the value of these critical OSA programs and the need for increased MI Choice funding to continue nursing facility transitions and reduce the growing waitlist for service.**

**The AAA 1-B encourages advocates and consumers to contact committee chairpersons and tell them that these programs help older adults remain living at home or in community-based settings and prevent the state from having to pay for more costly Medicaid nursing home care:**

**John Moolenaar, Senate subcommittee (517) 373-7946 [senjmoolenaar@senate.mi.gov](mailto:senjmoolenaar@senate.mi.gov)**

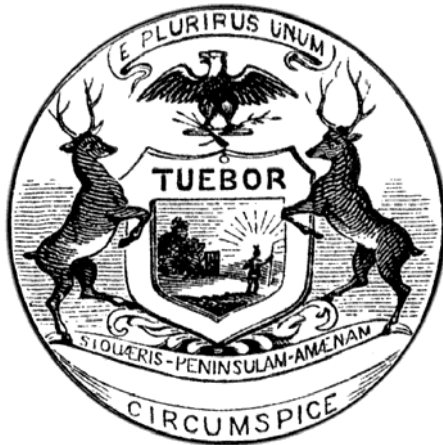
**Matt Lori, House subcommittee (517) 373-0832 [mattlori@house.mi.gov](mailto:mattlori@house.mi.gov)**

Senator Vincent Gregory, who serves District 14 in Region 1-B, is also on the Senate Community Health Appropriations Subcommittee and can be reached at (517) 373-7888 or by email at [senvgregory@senate.mi.gov](mailto:senvgregory@senate.mi.gov). District 14 covers the cities of Farmington, Farmington Hills, Ferndale, Hazel Park, Huntington Woods, Lathrup Village, Oak Park, Pleasant Ridge, and Southfield, and parts of Royal Oak Township.

The State Budget Continued—

Other state budget items affecting older adults:

- Certain revenue sharing funds for local municipalities will be cut, and public safety, transportation services and senior centers may be impacted.
- Services available through the Medicaid *Home Help* program would be limited to those with greater impairments who require critical care like help with eating, dressing and bathing. Services such as helping with shopping and meal preparation would be discontinued.
- The Michigan Quality Community Care Council, which runs a home care worker registry, conducts background checks of home workers, and provides training and other supports for the *Home Help* program, would be eliminated.
- Adult Foster Care facilities and Homes for the Aged would be required to pay for their own employees' background checks, saving the state \$2.2 million in 2012.



## Seniors May Face Changes to Personal State Income Tax

In his presentation of the FY 2011-2012 state budget on February 17, Governor Snyder spoke of creating a budget that levels the playing field for all of Michigan's citizens. Calling his \$46 billion budget simple, fair, and efficient, the governor insists these necessary steps must be taken to put the state in position to promote economic growth, create jobs, and address long-term unfunded retirement benefit obligations of state employees.

Key to the proposal is the elimination or reduction of most individual state income tax exemptions, deductions and credits. Governor Snyder believes all taxpayers should pay the same rate regardless of their source of income, and proposes that private and public pensions be taxed on their full amount. According to the Department of Treasury, approximately \$900 million of the \$1.7 billion in new revenues will come from removing the state tax exemption of public and private pensions. Currently, private pensions are state tax exempt for the first \$45,120 per individual, or \$90,240 per couple. Public pensions are now fully tax-exempt. The state estimates that 95% of older Michiganians 65+ currently pay no state income tax.

This tax restructuring replaces the nearly \$1.8 billion lost to the state as a result of the elimination of the Michigan Business Tax and the shift to a 6% Corporate Income Tax. With this "revenue neutral" proposal, the budget satisfies those who call for no new taxes on an aggregate basis. However, the proposal appears to shift the tax burden from businesses to individuals, and does not mitigate the impact of spending cuts to critical state-funded programs.

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### Seniors May Face Tax Changes Continued—

A general review of the tax portion of the budget proposal finds additional items that pertain to older adults:

- The state income tax rate would be lowered and set at a fixed 4.25%; the current 4.35% rate is scheduled to decline annually until it reaches 3.9%.
- The personal income tax exemption would be retained, but phased-out for persons with income in excess of \$75,000 for an individual and \$150,000 for joint filers.
- The special personal income tax exemption for adults age 65+ of \$2,300 would be eliminated.
- Special exemptions for disabled individuals, disabled veterans, and military personnel would be retained.
- Social Security benefits would continue to be exempt from state income tax.
- Public and private pension income would be taxed at 4.25%. Currently, public pensions are tax exempt. Private pensions are tax exempt for the first \$45,120 for an individual, \$90,240 per joint filers.
- The refundable Property Tax Credit would be retained, but the phase-out range lowered to \$61,000 from \$70,000. The Property Tax Credit would equal 80 percent of the difference between property taxes and 3.5 percent of income for most homeowners. Currently, the tax credit for individuals 65+ is 100% of the difference, and for individuals under age 65, 60% of the difference. The credit calculation varies among homeowners, renters, and residents of nursing homes, adult foster care homes or homes for the aged. The Credit will remain capped at \$1,200.
- Certain deductions for dividends and interest for individuals age 65+ would no longer be subtracted from Adjusted Gross Income and would be taxable.
- The refundable Earned Income Tax Credit (EITC) would be eliminated.
- Many other tax credits would be repealed, including city income tax credits, political contributions, and gifts to colleges, museums, community foundations and food banks.

Advocates who contend that the budget is being balanced on the backs of the most vulnerable, including low income seniors, are appealing to legislators to oppose the proposal. Concurrently, opponents of public pension taxation are likely to challenge its constitutionality through the court system.

Senator Majority Leader Randy Richardville (R-Monroe) says that Senate Republicans will offer alternatives if they oppose a particular cut or revenue source. Representative Jud Gilbert (R-Algonac) plans to introduce the house version of the tax bill, which is expected to be referred to the House Tax Policy Committee.

**Senator Randy Richardville (517) 373-3543 [senrrichardville@senate.mi.gov](mailto:senrrichardville@senate.mi.gov)**

**Representative Jud Gilbert (517) 373-1790 [judgilbert@house.mi.gov](mailto:judgilbert@house.mi.gov)**

## Detroit News Analyzes Snyder Tax Plan

The Detroit News has reported on the impact of proposed state income tax changes for a number of different personal scenarios. Tax estimates were provided by the governor's office and prepared by the state Department of Treasury. Estimates of tax burden were calculated by the accounting firm Silberstein Ungar PLLC of Bingham Farms and confirmed by the Accounting Aid Society. The Department of Treasury has done a similar analysis, which can be found at the Center for Michigan website, <http://www.thecenterformichigan.net/how-snyders-income-tax-plan-impacts-you/>. The table below, adapted from the Detroit News (February 26, 2011) illustrates three older adult scenarios.

Tina Abbate Marzolf, AAA 1-B Chief Executive Officer, has contacted Governor Snyder asking him to direct the Department of Treasury to develop an interactive online income tax calculator that consumers may use to estimate their own 2012 tax liability.

Scenario	Public Pension Income	Social Security Income	Other Income	Property Taxes	Tax Burden 2011	Tax Burden 2012
Retired Couple—age 80	\$20,000	\$22,000	\$0	\$2,250	Tax refund of \$780	Tax refund of \$80
Retired Couple—age 80	\$48,000	\$27,000	\$2,500	\$5,550	Tax refund of \$720	Taxes due \$1,840
Retired Single—age 80	\$21,000	\$13,400	\$0	\$4,000	Tax refund of \$1,200	Tax refund of \$461



**JUNE 15, 2011**  
**State Capitol**

Michigan's Older Adults and Adults with Disabilities play important roles in the reinvention of Michigan. The three strategies of the 2011-2012 Platform for Legislative Action will lead the way.

- 1) Invest in quality Long Term Care options focused on cost-effective solutions that meet the needs of citizens
- 2) Provide suitable housing, transportation and health care choices to support independent living and strengthen the economy
- 3) Ensure safety & security through elder abuse protection

*The Senior **WAVE**:*

***We Advocate, Vote, and Enrich Communities***