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TO: The Honorable Detroit City Council

FROM: David Whitaker, Director
Legislative Policy Division Staff

DATE: 4/10/2025

RE: **RESOLUTION FOR THE LEGISLATIVE POLICY DIVISION TO COMPLETE A
LOCAL-OPTION SALES TAX STUDY**

City Council Member Latisha Johnson and Council President Mary Sheffield have requested that the Legislative Policy Division (LPD) produce a resolution authorizing LPD to contract with the Citizen's Research Council of Michigan (CRC) to complete a Local-Option Sales Tax study.

A Resolution by Council Member Latisha Johnson and Council President Mary Sheffield

**RESOLUTION FOR THE LEGISLATIVE POLICY DIVISION TO COMPLETE A LOCAL-
OPTION SALES TAX STUDY**

WHEREAS The City of Detroit consistently has one of the highest effective property rates of any city in the United States;¹ and

WHEREAS The high property tax burden exacerbates low home values, requires high per capita spending, creates a financial strain on residents and development, and hinders the region and the state's overall competitiveness; and

WHEREAS Despite the exceptionally high rates, property taxes are not the main source of revenue for Detroit and there are various statutory and state constitutional barriers that currently prevent the City from utilizing alternative local tax options that may reduce the property tax burden; and

WHEREAS If state law were to allow it, local government finance structures could include a variety of local-option tax revenues that reflect an area's economic strengths, such as retail or tourism; and

WHEREAS The implementation of a local-option amusement or entertainment tax would likely be particularly beneficial to the City of Detroit, as Detroit is home to several large concert venues as well as the stadiums of 4 professional sports teams, which collectively draw in millions of people each year and generate substantial revenue; and

WHEREAS The City currently assumes a greater cost burden by providing nonresident visitors with various public safety, infrastructure, and public works services during large events without the ability to directly recoup the associated costs from visitors; and

WHEREAS An amusement tax would provide a stable source of revenue to offset some of the costs associated with hosting these large-scale events while also improving the experience of attendees by ensuring that cities can accommodate the increased traffic; and

WHEREAS The ability to utilize local-option sales taxes (LOST) is a potential strategy that would allow Detroit to reduce its reliance on property tax revenue while also allowing it to directly benefit from the positive economic growth occurring in the City; **NOW, THEREFORE BE IT,**

RESOLVED The Detroit City Council hereby authorizes the Legislative Policy Division to contract with the Citizen's Research Council of Michigan to complete a Local-Option Sales Tax Study including, but not limited to, the following:

1. The constitutional and statutory framework for a local-option sales or excise tax to be levied by local governments in Michigan;
2. The potential design of a local-option sales tax-whether the local-option tax will mirror the state sales tax or if there will be allowances for specific local exemptions, such as a local product or for a particular taxpayer;

¹ <https://crcmich.org/detroits-high-property-tax-burden-stands-as-an-obstacle-to-economic-growth/>;
<https://www.axios.com/local/detroit/2023/08/23/detroit-property-tax-rate-leads-nation>

3. The administration and collection of a local-option sales tax-whether the tax will be administered and/or collected at the local, county or state level;
4. The potential impact on a local unit levying the tax, as well its effect on neighboring local units – including evaluating the impact on revenue sharing and local property tax collections and other assessments, and changes to the relative tax burdens of residents, nonresidents, and small businesses;
5. The revenue generation potential of a local-option sales tax for selected areas;
6. An analysis of other potential alternative sources of revenue through methods such as a local-option amusement tax for various entertainment activities and events within the City.