

# As Michigan Town Takes On Walmart, State Legislators Look To Protect Communities Against Corporation's Dark Store Theory

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-- The City of Houghton, home to just 8,200 residents in Michigan's rural Upper Peninsula, is taking on Walmart — the largest retailer in the world. In a fight for justice and fairness, local leaders are standing up against the corporate giant, which seeks property tax reduction by valuing their busy store as if it had closed permanently, a highly controversial maneuver known as “dark store theory.” If successful, more than one million dollars will be taken away from school systems, veterans’ services, and other community services.

But more than money hangs in balance — people everywhere are watching to see what happens next. Media coverage captured the attention of citizens, legislators, nonprofits, advocacy groups, and city leaders across the nation. On June 5, all eyes will turn toward a Michigan Tax Tribunal hearing which will determine if the retail behemoth must meet their current and fair tax obligations or be allowed special treatment with reduced property taxes.

According to Houghton City Manager Eric Waara, “If successful, the global company’s maneuver will spur a six-year, retroactive \$1.2 million refund and a reduction in future property taxes. If Walmart wins the case, it could result in reduced future budgets to local K-12 schools, veterans’ services, county medical care facilities, public safety, and the local library.”

In addition to fighting a 60% reduction of local property taxes, Houghton is one of the first U.S. cities — and one of the smallest — to tackle Walmart head-on in response the corporation’s violation of a development agreement. Walmart’s tax appeal violates an existing agreement with



the City of Houghton whereby the city provided the company with land and other infrastructure to accommodate its store expansion. In return, Walmart agreed to increase the store's assessed value to cover these and other ongoing expenses, including ongoing environmental monitoring and wetland preservation.

While city leaders and lawmakers have faced these issues for many years, growing publicity and the unique nature of the Houghton case have created a renewed energy in Lansing. Several state legislators are taking action to protect the communities they serve. Michigan Senator Ed McBroom, who has been leading the fight with other U.P. legislators against this practice for over 10 years, has already proposed MI Senate Bill 20 to help protect Michigan's communities.

Most recently, State Rep. Jenn Hill has started to review a comprehensive slate of options for addressing this tax loophole with strategies that go beyond the rules of the valuation process. "For years, Michigan has allowed large corporate entities to sidestep their obligations to the communities that support them," states Rep. Hill, "This destructive tax loophole has left local governments high and dry, and I'm working to put an end to it."

Michigan State Rep. Julie Brixie, the former Meridian Township Treasurer, says that retailers like Walmart have been taking advantage of tax loopholes for more than a decade. "Residents and individual mom-and-pop businesses pay their fair share to support their communities, but big box stores do not. Okemos Public Schools and Capitol Area District Library have lost millions in property tax revenue from this unfair tax treatment." Rep. Brixie continues, "Our Downtown Development Authority was nearly bankrupted by the Meijer Corporation's tax tribunal and had to pay an \$85,000 refund to Meijer. Across the state, the total revenue lost since the dark store loophole was created in 2012 is in the billions. No other state allows shuttered deed-restricted stores to be used as a real estate comparable to a brand-new big box store."

Additionally, advocacy groups like bipartisan nonprofit Fund MI Future, whose mission is to partner with communities, working people, and policy makers to create prosperity for all Michiganders, are engaged with legislators to help make a change. Executive Director MoReno Taylor II says, "Michigan is in this situation because elected officials over the past few decades may have been influenced by economic development philosophies like Walmart's dark store theory. This practice raids local budgets of money and puts it back in Walmart's pockets — it's



Houghton City Manager Eric Waara takes Walmart head on to protect local schools, veterans, and critical services

extremely unfair.” Taylor adds, “If the wealthiest corporations are made to pay what they actually owe, like any other member of the community, we’ll have the revenue we need to fund infrastructure and critical public services.”

Walmart has thus far refused to reach any type of settlement and is forcing the issue to go to a five-day Michigan Tax Tribunal hearing with the City starting June 5. City Manager Waara is hopeful that the hearing may open the door to a settlement. The City of Houghton is working with its attorneys to bring in an independent appraiser to review both the City’s and Walmart’s appraisals for potential mistakes that may affect upcoming litigation.

The City says the breach of the development agreement makes this case unique and serves as a caution to other local units that have provided financial benefits to Walmart. The City of Houghton has sued Walmart for the breach in federal district court.

The Walmart litigation and tax tribunal cases are having a significant effect on Houghton’s next budget cycle as they prepare for the worst. The legal expenses and the potential of having to reimburse the retroactive tax refund amounts will result in funding cuts for maintenance, capital improvements, law enforcement, and other departments supported by the City’s general fund.

State of Michigan Tax Tribunal  
Case Number: 18-00-2195

#### About the City of Houghton

Referred to as the Gateway to the Keweenaw, the City of Houghton is the fastest growing, most exciting city in the Upper Peninsula of Michigan. With a population of 8,386, Houghton is home to Michigan Tech University, a vibrant downtown, numerous family-friendly parks, recreation trails, and great dining options. Houghton’s distinct four seasons and mix of shopping, lodging, and entertainment make it a great place to live and play for visitors seeking a basecamp for trips to Isle Royale National Park, Copper Harbor, and Porcupine Mountains Wilderness State Park.

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