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[<< back](#)

BUSINESS GROUPS SKEPTICAL, OPEN TO M.B.T. RATE CHANGE

Several business groups were dubious Friday over the potential of changing the rate and credit structure of the Michigan Business Tax as a means to replace lost revenue from the service tax repeal.

Rep. Brian Calley (R-Portland), a member of the workgroup that crafted the MBT, said this week he is pursuing that alternative instead of a surcharge to the tax that he argues is too complicated.

But Chuck Hadden, vice president for government affairs for the Michigan Manufacturers Association, which has been the leader on the surcharge issue, said at the end of the day "you end up in the same place," whether it's with a surcharge or a change in the gross receipts and business income rates and investment credits.

Mr. Hadden said, "Psychologically (the rate change) looks like less," but putting that in makes the bill more complicated because it opens the statute up for a number of different changes. He also said the surcharge sticks out like a sore thumb, and from his standpoint, it will be easier to attack after it's implemented than trying to go back to the Legislature to lower the rates.

Mr. Calley told Gongwer News Service economic triggers could be factored in to lower the rates over time.

Mr. Hadden said he spoke with Mr. Calley and while they are not opposed to his concept, he did voice his concerns.

Tax Policy Chair Rep. Steve Bieda (D-Warren) said he is open to pursuing Mr. Calley's idea, one that was similar to his own earlier concept before the surcharge debate.

But Jared Rodriguez with the Grand Rapids Chamber of Commerce said the time frame is narrow to essentially do an overhaul of the MBT. He said his group could be supportive, but believes future work should be done on the credits to help businesses adversely affected by the surcharge.

"We have a bill that has already been passed out the House that has accomplished the goal we set forward," he said, which is to repeal the service tax. "All this could do is delay and create uncertainty in the business community."

Mr. Rodriguez also said that if the \$2 million cap and credit adjustment is part of the rate change, the rates will have to increase more. He said while Mr. Calley believes there is some concern the large surcharge will be hard to explain to businesses, the argument really should be that the surcharge is a tax decrease compared to the services tax since several groups believe state estimates on the new tax revenue are too low.

But Charlie Owens, director of Michigan chapter of the National Federation of Independent Businesses, said the surcharge and the rate adjustment are both bad ideas.

"Do you want to do the MBT all over again and revisit that fight?" he said.

The sooner the Legislature gets the MBT changes off the table and looks at alternatives the better, Mr. Owens said, adding he believes Senate Majority Leader Mike Bishop (R-Rochester) is pausing to consider other options. He said the NFIB wouldn't participate in workgroups to tweak the MBT, but it would participate if the workgroups "broadened their horizons."

Tricia Kinley, tax policy director for the Michigan Chamber of Commerce, said the group couldn't comment on Mr. Calley's proposal until specific details are available.

Also Friday, the Michigan Infrastructure and Transportation Association asked "are they kidding???" when it came to the House passing the MBT surcharge (HB 5408), with MITA's Mike Nystrom arguing lawmakers were making the same mistake they did with the service tax.

The group is asking that businesses have time to figure out the effect of the surcharge and that the cap be eliminated to lower the surcharge rate to create a more level playing field.

"To add insult to injury, the actions taken by the Legislature thus far this year show an extreme contradiction between burdening the infrastructure construction industry with tax increases, yet neglecting to consider investing in Michigan's economy by increasing transportation funding," Mr. Nystrom said.

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