



Michigan Report

Information Pertinent to Legislative and State Department Activities Since 1906

Volume #46, Report #218, Article #02 --Monday, November 5, 2007

[<< back](#)

SERVICE TAX: WILL IT OR WON'T IT?

While lawmakers and outside influences have put on a major push to repeal or at least delay the new sales tax on services before its scheduled December 1 launch, officials with the Department of Treasury are telling businesses to be ready for the tax to take effect on December 1.

So much opposition to the tax has arisen that it almost seems a foregone conclusion that the tax will not come into being on December 1, but until the law is changed the Department of Treasury is not equivocating in its message that the tax is effective December 1, a spokesperson said.

Terry Stanton said the only message businesses and others are getting from the department is that the tax takes effect on December 1 and if their business is affected by the tax, then they need to be ready to collect and remit it.

Unless there is a change in the law, Mr. Stanton said, that is the only message the department can give.

But, there will be action on potential changes to the tax this week in the Legislature.

In the House, the Tax Policy Committee has scheduled two hearings on the service tax for this week - Tuesday and Wednesday - and Chair Rep. [Steve Bieda](#) (D-Warren) said last week there might be more meetings scheduled to deal with the issue.

But Greg Bird, spokesperson for House Speaker [Andy Dillon](#) (D-Redford Twp.), said it would depend how the hearings go this week and what happens with talks between the Legislature, administration and business groups before any decisions are made concerning House action. He said it's possible the chamber may schedule tentative sessions for next week to address the issue, but that was not for certain.

The Senate this week is going to focus on passage of SB 838, which would repeal the tax and is tied to SB 848, that passed the Senate last week, delaying implementation of the tax until December 20 (neither are on the House committee's agenda).

The bill is expected to be reported from the Finance Committee on Tuesday. Technical changes have to be made to the bill to ensure that simple repeal of the tax does not do away with legislation that implemented a provision allowing local governments to set up pooling for health insurance benefits.

Business groups are also meeting with Senate Majority Leader [Mike Bishop](#) (R-Rochester) on Tuesday to discuss the tax and provide suggestions on possible changes.

And while lawmakers are now putting much of their focus on the services tax, some businesses are worried they will use the effort to completely reopen the Michigan Business Tax.

Probably the most popular alternative, right now, to replace the service tax is to set a surcharge on a company's MBT assessment. It's a proposal suggested by some businesses, and aimed theoretically at larger businesses.

But a number of business officials worry that legislators will use the situation to make more changes to the business tax. If that is the case, they said, they intend to be ready with their own lists of changes they want to see to the MBT to make that tax more palatable to them.

However, one legislative official said it is also critical for businesses to recognize that whatever change is enacted will focus on business. Politically it is not doable for lawmakers to enact another tax change directly on the public to take care of the services tax, the official said, so the target for a change will be on business.

Gongwer News Service: State Government News Reporting Since 1906. Copyright, 2007

124 W. Allegan St., Suite 1200, Lansing, Michigan, 48933

Phone: 517-482-3500 **Fax:** 517-482-4367 **Email:** gongwer@gongwer.com