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MOST BUSINESSES WOULD NOT PAY SURCHARGE, VOTERS DISLIKE SERVICES TAX

As all eyes turn to the Senate to see what action it will take on Tuesday on the expanded sales tax on services, a study using Department of Treasury data indicates that 70 percent of companies in the state would pay no surcharge under the Michigan Business Tax to replace the services tax.

And a survey showed that not just businesses don't like the service tax. An opinion poll of likely voters showed that a majority disapproved of the services tax as well.

According to the study, an estimated 191,000 businesses out of an estimated 250,000 companies in Michigan would pay no surcharge under the House-passed version of [HB 5408](#).

The Senate is expected to act on a version on HB 5408 on Tuesday (see related story).

At a hearing last week by the Senate Finance Committee, Republican members of the committee worried that the House version of the bill - which had a 32.9 percent on the surcharge and a cap on the total surcharge to \$2 million - would shift much of the tax to smaller businesses.

At the hearing chair Sen. [Nancy Cassis](#) (R-Novi) said figures Senate Republicans had done showed that under the House version large companies - those with revenues in excess of \$100 million - would pay 29 percent of the surcharge compared to 43 percent of the services tax.

Medium-sized businesses - those with revenues of \$20 million to \$100 million annually - would pay 28 percent of the surcharge compared to 18 percent of the services tax, the Senate figures showed.

Supporters of the House version said even with the \$2 million cap, the 37 largest businesses in Michigan would still pay an estimated 10 percent of the total surcharge under the MBT.

And the study released Monday showed that about 100,000 of Michigan businesses have annual gross receipts of less than \$350,000, would pay no MBT, and therefore pay no surcharge. Another 41,000 companies would file an MBT return - when the tax takes effect in January, replacing the Single Business Tax - but pay no MBT and therefore pay no surcharge. And another 50,000 companies are eligible for the state's alternative small business tax rates and would pay no surcharge under the House version.

The study was done for both the Detroit Regional Chamber and the Grand Rapids Chamber of Commerce. Sarah Hubbard with the Detroit Chamber said the study shows that small companies "are big winners" under the House version of the bill.

While the surcharge is not a popular option, it remains a better choice for business than implementing the services tax, Ms. Hubbard said.

Small business groups continue to worry that some smaller companies would still be eligible to be assessed for the surcharge under alternate ways of determining MBT eligibility, particularly provisions dealing with compensation paid to chief officers.

Also, the Detroit Chamber released the results of an opinion poll that showed that 57 percent of those asked opposed creation of the services tax.

The poll was conducted by the Lansing firm of EPIC/MRA of 623 likely voters. The poll has a margin of error of 4 percent.

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