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REACTION TO SENATE BILL: BUSINESS GROUPS APPROVE, DEMS REJECT THE PROPOSAL

Michigan's controversial sales tax expansion to services is "just about cooked" after the Senate passed its version of [HB 5408](#), business groups said Tuesday, but Democrats charged the measure puts the state behind in actually repealing the tax before it takes effect on December 1.

With the House is gone until next week - it is scheduled to return on Monday - the state is effectively left with five days to act to repeal the tax or pass legislation delaying the tax's implementation until December 20.

Richard Studley, executive vice president for the Michigan Chamber of Commerce, said that should be enough time for "men and women of good will" to reach a compromise that will repeal the tax.

With both houses now on the record as both repealing the tax and creating an alternative for the more than \$600 million it was expected to raise, business groups were delighted that the process continues towards repeal.

But business groups also wanted their members to remember that the services tax is not yet repealed. Charlie Owens, executive director of the National Federation of Independent Business in Michigan, said while Senate action moves the state closer to repeal, "the tax isn't gone yet. And the clock is still ticking towards a December 1 implementation."

Matt Resch with the Ax the Tax group headlined his press release on the issue "tick tock" to emphasize that they need to keep up the pressure on lawmakers to repeal the tax.

Sarah Hubbard, vice president for government relations at the Detroit Regional Chamber, called passage a positive step, but said that in the meantime businesses in the state are spending \$14 million a day to prepare to implement the services tax.

Megan Brown, spokesperson for Governor Jennifer Granholm, charged that the measure would force the state to make as much as \$400 million in cuts from critical areas of the budget because it uses \$219 million in one-time revenue from the changes in the Michigan Business Tax.

Senate Minority Leader [Mark Schauer](#) (D-Battle Creek) said the bill could also force local governments to lay off police officers and fire fighters, as well as cause college tuition increases after the state had already passed a budget that would avoid those issues.

And House Speaker [Andy Dillon](#) (D-Redford Twp.) issued a statement charging that the Senate "broke its promise to the people of Michigan that our state would have fully funded schools, health care for seniors and police and fire protection."

Mr. Dillon was especially furious at the sunset date of January 1, 2011, in the bill, saying that with 32

members of the Senate term-limited and Ms. Granholm term-limited the measure would leave a future solution to the Legislature's successors. (Mr. Dillon would be term-limited by that time as well.)

"It ignores the reality that Michigan will be in dire straits again in just a few years if this plan goes into effect," Mr. Dillon said.

And Ms. Brown said the Senate "needs to stop posturing and pass the solution that works for business, citizens and the state's competitiveness."

Speaking to reporters afterwards, Senate Majority Leader Mike Bishop (R-Rochester) rejected the idea that the Senate's version of the bill would make it more difficult to reach a compromise.

In fact, he and other Senate members charged the House set up the confrontation by passing its version of HB 5408 when Democrats there should have known it would be unacceptable to the Senate. The House acted with no consultation with the Senate, Mr. Bishop said.

He expected the House would reject the proposal, and said it was up to that chamber to take steps to develop a compromise, hinting that such a compromise needs both a lower surcharge than what the House proposed and a fixed sunset date.

Changes will have to be made to win approval, and some business groups worry that the manner in which the Senate version accounts for credits in the MBT could hurt Michigan-headquartered businesses more than those out of state.

But Mr. Studley said that the state needed to worry less about exporting its tax burden and spend more time controlling its spending.

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