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## Calls grow for relief from business tax

Mark Hornbeck / Detroit News Lansing Bureau

**LANSING** -- The outcry from Michigan companies stunned and angry about their new tax bills has touched off a scramble in the state capital, where politicians are mindful about scaring away business in an already floundering economy.

Responding to calls and e-mails from business owners complaining bitterly about their escalated liability under the new Michigan Business Tax, which went on the books at the start of the year, senators last week rushed to pass a \$240 million tax relief bill.

Some lawmakers and business groups are pressing hard to roll back at least a portion of a \$500 million, 22 percent surcharge on the new tax that replaced a short-lived tax on services late last year.

Also, House and Senate tax committees have launched work groups to listen to the litany of complaints and figure out what, if anything, they should do.

"People are hopping mad," said Linda Jolicoeur, whose tax bill at Target Equipment Leasing in Farmington Hills is doubling. "Every service business person I've talked to is seeing a tremendous increase in taxes. This bill was not written with job creation in mind. We're driving businesses out of the state."

### Adjustment period needed

First quarter receipts from the new tax will roll in through early May and business leaders are watching to see whether revenues will exceed projections.

But fiscal experts advise caution, saying it'll be a while before the state has a grip on how the new Michigan Business Tax is -- or isn't -- working.

"I know the business community thinks we're going to collect a lot more money than estimated, but it's too early to tell," said Gary Olson, director of the Senate Fiscal Agency. "We're not going to be able to extrapolate too much from the first quarterly payments. People are adjusting to the new tax."

"Right now, we're hearing from groups paying more and not hearing from classes of business paying less," Olson added. "If our goal was (that) nobody was going to pay any more under the new tax than the old tax, we should have kept the old tax. We got rid of the Single Business Tax and

changed the burden. We thought people knew that."

State Treasury officials say seven of 10 Michigan businesses will pay about the same or less under the new levy than they did under the despised Single Business Tax that it replaced. Out-of-state companies doing business here will pay more. Businesses with a high profit margin will pay more because the state moved from a tax on payroll to one that factors in business income.

In general, many banks, insurance and real estate companies, telecommunications and utilities will foot higher tax bills. Small businesses with less than \$350,000 in sales are exempt. Manufacturers, including the Detroit Three automakers, and retailers are big winners. But there are hundreds to thousands of winners and losers in each sector.

"In just about every category, winners outnumber losers," said Terry Stanton, treasury spokesman. Tricia Kinley, tax policy expert for the Michigan Chamber of Commerce, is skeptical about treasury estimates.

She said an unscientific survey of 650 member businesses indicates about three-quarters are paying more.

"Everyone knew there would be a tax shift, but it's alarming that many Michigan-based companies are getting 400 percent-plus increases," Kinley said.

The chamber wants to roll back the surcharge "because it has the broadest impact," Kinley said. The tax cut could be funded by spending cuts and government reforms, she said.

Chuck Hadden, chief lobbyist for the Michigan Manufacturers Association, tells a different story. His members generally fare well under the new scheme.

"We haven't heard any complaints about the payment," he said. "I'm somewhat miffed at people saying they're paying 500 percent more, but we don't know what they were paying before. In some cases, it was probably not much."

Kathy Castillo, director of U.S. taxation for Auburn Hills-based Guardian Industries, said her glass, auto trim and insulation manufacturing company hoped to see lower taxes and a simpler state tax code when lawmakers replaced the Single Business Tax with the Michigan Business Tax.

"We did achieve, because of our personal property tax credit, a slight overall reduction in business taxes," Castillo said. "But we didn't get the tax simplification part," adding that the new tax is about as complex as the expired SBT partly because there is confusion about some definitions.

#### **Built-in safety net may help**

Senate Finance Committee Chairwoman Nancy Cassis, R-Novi, acknowledged that the state is hearing mainly from the losers.

"But they are a very large group and they are the mainstay job providers in all our communities," said Cassis, who sponsored the business tax relief bill that passed the Senate last week. "They are our banks, real estate agents, car dealers, small technical firms. The range and diversity of the impact is sizable."

While her tax-cut plan is geared to providing a break to more small businesses, Cassis said she's amenable to rolling back the surcharge or other solutions.

She has assigned a subcommittee to work on the issue and report back in early June.

Gov. Jennifer Granholm said "we're always open" to looking at ways to make the business tax fairer.

But she added: "Based on the advice of the business community, we put more emphasis on profit" so those making profits are paying more.

Early returns indicate the state is "within \$3 million of where we were last year on all business taxes," according to Mitchell Bean, director of the House Fiscal Agency.

But he agreed that first quarter revenues "won't tell us much of anything."

He said many businesses in line to get a break on taxes on machinery and equipment won't see that until late in the year.

House Tax Policy Committee Chair Steve Bieda, D-Warren, said "ideally we'd like to have time to go over the tax with a full year's data." But minor adjustments may be possible in the meantime, he said.

"We did fully expect there may be some outliers," Bieda said. "We've had a couple work groups on this and we hope to have something soon, maybe sometime this summer, on how businesses are being impacted.

"I suspect some businesses may be overpaying because of unfamiliarity with the tax. And I've always said the surcharge should be a temporary fix. There may be some way to phase it out or replace it. But we have to keep the budget balanced."

Stanton noted that the Legislature already has begun passing spending bills based on revenues from the tax changes.


He added that the new Michigan Business Tax has a built-in safety net.

"There's a provision that says if it becomes clear the tax is generating more revenue than estimated, there will be a refund," Stanton said.

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