

SBAM Board Votes to Back Michigan Fair Tax Plan

October 28, 2005 -SBAM's Board of Directors voted Friday to support a major new state tax reform concept, known as the Michigan Fair Tax, that would eliminate business taxation and instead tax goods and services only once and at the point of final purchase by the consumer. Rep. Fulton Sheen (R-Plainwell), chairman of the House Tax Policy Committee, has shown a strong interest in the Fair Tax concept and dubbed it Phase II of Michigan Tax Reform.

"The Fair Tax is more equitable and efficient than our current system because it taxes consumption instead of business activity," says SBAM's Vice President Government Relations Barry Cargill. "It eliminates the hidden taxation that is built into our current business tax structure and instead rewards job creation and business development."

As proposed, the Michigan Fair Tax would eliminate the state income tax, personal property tax and Single Business Tax. To replace the lost revenue, the Michigan sales tax would increase from the current 6% to a level of 8% or 9%, depending on which exemptions were included in any final legislative agreement. In addition, the sales tax would be expanded to include services (but only at the point of final sale.) Business-to-business sales transactions would not be taxed. Cargill said that absent fundamental tax reform such as the Fair Tax, SBAM remains strongly opposed to applying sales tax to services.

"The time is ripe for a dramatic fundamental reform of our tax structure to foster job growth and economic prosperity," says SBAM's 2005-2006 board chair Jan Roncelli, owner of Bermar Associates Inc. of Troy. "We support the Fair Tax concept because it would set a foundation for a bright entrepreneurial future for Michigan small businesses."

The SBAM Tax Policy Committee recommended that SBAM's board support the Fair Tax. "SBAM has supported the national Fair Tax Plan since 1998, so we are very familiar with this concept and believe that a state version would provide considerable economic benefits to the state," says Linda Jolicoeur, owner of Target Equipment Leasing in Farmington and chair of SBAM's tax policy committee.