

The Chelsea Standard

Backers hope sales tax initiative goes before voters in November

By Edward Freundl
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If a radical idea in taxation takes hold, voters will see a November ballot initiative raising the sales tax to 9.75 percent but eliminating all other taxes.

Petitions are currently being circulated statewide to place the Michigan Fair Tax on the ballot as an amendment to the state Constitution.

The system would replace all other state taxes: payroll tax, business tax, property tax, etc.

Backers say it will turn around the state's economy by attracting businesses and simplifying the task of tax collection, while maintaining current revenue levels.

If successful here, it could also pave the way for reforming national tax policy and possibly eliminate the Internal Revenue Service.

Frank Dufek, who lives just outside Chelsea on South Freer Road, is one of the coordinators of the effort for Washtenaw County.

He will make a presentation on the proposal to the Lima Township Board at its regular meeting at 7 p.m. Monday at 11452 Jackson Road.

"This is something for the state that will be beneficial," Dufek said.

"It would give people more of a choice in how they would support the state, and make government more responsible to the people."

The 9.75 percent sales tax would be applied to all new goods and services, including food.

Used merchandise would not be taxed, because tax had already been paid when the item was new.

"The object is so that you can decide," said Micah Kissling of Fenton, the State Petitions Director for mifairtax.org.

"We want to tax each thing only once. It also gives you the option to keep your money if you want to buy used merchandise."

There is an exception for all titled items, such as vehicles and boats.

Those will remain taxed as they are resold to keep people from going out of state to buy them, Kissling noted.

Houses will be taxed at the full sales price when new, then only the appreciated value will be taxed when resold, he added.

It would restore Michigan's economy, backers say, by eliminating business taxes that are passed on to consumers through higher prices.

"I don't believe most people recognize that there is a lot of business-to-business taxation, and in the end the consumer still pays for that business-to-business tax," Dufek said.

"I believe it could bring about a better business environment in Michigan, creating jobs and helping the economy."

The sales-tax-only concept takes a little getting used to, but it is steadily attracting adherents, even on the federal level.

"The nicest thing about it is, April 15 would be like any other day," said U.S. Rep. Tim Walberg, R-District 7, on a recent visit to Chelsea.

"There are good people doing good work at the IRS, but the IRS no longer as an entity wouldn't hurt my feelings a bit."

Walberg said it would be "tough" to make it work on a national level.

"The best idea would be if we can have a few states like Michigan adopt it, then let the other states see how it works," Walberg said.

"As a sales tax, it would let me pay my taxes as I buy things, that way I can choose how much I want to pay and when I want to pay it."

Trey Bailey of Ann Arbor, another Washtenaw County coordinator of the effort, addressed one of the more intriguing parts of the proposal: a "prebate" on spending.

"Poverty-level spending is an arbitrary level set by the federal government, and the goal of the prebate is to untax spending up to that level," Bailey said.

"I have no desire to balance the budget on the backs of poor people."

Everyone who pays the sales tax would be eligible for the prebate, Bailey explained, which would be a payment direct-deposited monthly into a bank account that returns the amount of tax spent on purchases equal to the poverty

level.

Any tax collected beyond that level would become revenue for the state.

"If you're only spending at that poverty level you'd receive a check for that," Bailey said. "It's called a 'prebate' because you're getting it ahead of time."

There is also a wider, socially conscious reason to adopt the Fair Tax, Bailey noted.

"Why not tax consumption?" Bailey said. "It encourages conservation, and that's the first step to recycling."

Bailey said he was confident that if the measure makes it on the ballot, "we can get peoples' attention."

"Everyone in this state is talking about what is the best, most productive way to tax the people of this state," he said.

"Once the people know all the relevant facts, we generally make wise decisions."

Kissling dismissed the notion that people would travel out of state to avoid paying what would be the highest sales tax in the nation if the measure is approved.

"At first there might be a drop-off in revenue, but people will quickly get tired of driving to another state to buy everything," Kissling said.

"If anything, prices will go down - if they don't, competition from the new businesses that will come to Michigan will drive prices down."

One promise of the proposal is it would be "revenue-neutral."

The tax rate of 9.75 percent was derived from an economic analysis conducted by Hillsdale College, Kissling noted, and the proposal has built-in "triggers" to reset the figure higher or lower if it does not adequately replace current revenue.

"If it pulls in more revenue, it adjusts down for a year; and if it's not enough it will reset, but only for the following year," he said, adding that the rate would have to be reset by a referendum vote after a year.

The last pillar of reform to the Fair Tax is a constitutionally guaranteed level of revenue sharing to local units of government, which have seen their state funding dwindle by as much as 50 percent in the last five years as the state struggled to balance its budget.

Kissling said it is imperative that Michigan adopt the proposal as soon as possible, because similar measures are being considered in several other

states.

"If Michigan's economy is boosted, which it would be under this proposal, businesses will come back and the economy will get better," Kissling said.

"Florida and Texas take in almost all their revenue through sales tax, and they are both doing great.

"If we can get this passed in Michigan first, our economy is going to have a two- or three-year jump on the rest of the states."

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