

Safety matters

Safety (n)

1. the condition of being safe from undergoing or causing hurt, injury, or loss
2. a device designed to prevent inadvertent or hazardous operation



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TAKING STOCK

NEWS ABOUT DETROIT AREA PUBLIC COMPANIES

Companies bracing for hit from Michigan Biz Tax in 3Q

BY AMY LANE
CAPITOL CORRESPONDENT

LANSING — Publicly traded companies are facing an unexpected consequence of Michigan's new business tax — a potential hit to third-quarter earnings.

That's because a deduction to offset some higher tax liabilities under the new Michigan Business Tax evaporated in June's final legislative action. As a result, companies may need to take a third-quarter accounting charge that could, for the largest companies, amount to more than \$100 million, by some estimates.

At the heart of the issue is an accounting rule that requires public companies to recognize, in their financial reporting, the income tax liabilities that they book to future years. Companies now must revalue, based on the new tax rate in the MBT, those deferred tax liabilities. They must make the adjustment in the quarter in which a new tax is enacted, which with the MBT's July 12 signing is the current quarter.

A legislative fix is in the works, in the form of a 10-year deduction that would reduce future taxable income. If enacted as originally proposed, the deduction would not be available until 2013 and then would phase in 10 percent a year, a schedule that would cushion the fiscal impact on the state.

The deduction would protect companies from the MBT-related earnings charges now and in the future. It would not immediately affect the actual taxes companies will pay under the MBT but would lower tax liability for a 10-year future period.

Companies are pressing lawmakers for quick action as they move toward the Sept. 30 close of their third-quarter reporting periods and a charge that could be viewed negatively by analysts and investors.

"We see this as an immediate problem, and it really is a technical fix that's needed, but it's something that's urgent," said Tricia Kinley, director of tax policy and economic development for the Michigan Chamber of Commerce. "To penalize a company in the eyes of Wall Street, when they've actually had no change in their financial standing, simply because we have this technicality in the law, is unfair."

Business groups and some lawmakers thought they had the issue addressed. But the final bill that emerged from a conference committee and rapidly passed the House and Senate lacked a provision for the deduction present in previous drafts.

"It wasn't until after the bill had been already passed that we had a chance to receive the enrolled bill" and see that the provision had been deleted, said Greg Nowak, partner in the state and local tax

practice at PricewaterhouseCoopers L.L.P. and board member of the Michigan Association of Certified Public Accountants, which is actively involved in the issue.

"That was why it was such a surprise. ... There's extreme concern on the part of companies in a deferred liability position. It's critically important that this issue get resolved quickly, to provide certainty and help them evaluate the earnings impact of the new tax," Nowak said.

Sarah Hubbard, vice president of government relations for the Detroit Regional Chamber, said many non-Michigan public companies that have significant activity in the state could be affected as well.

Steve Bieda, the Warren Democ-

rat who chairs the House Tax Policy Committee, said the issue is the biggest one that's emerged with the new MBT, and he is having a bill drafted to reinstate the deduction.

He said eliminating the deduction was a mistake that should be corrected. He said it could be late August or early September before the bill sees action.

Lynn Gandhi, principal at Miller, Canfield, Paddock and Stone plc, said lawmakers have a limited number of session days scheduled between now and Sept. 30, but if Bieda "has a bill ready to go the end of August ... it can happen in 30 days," even with the legislative schedule.

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EARNINGS

Comerica Inc.	NYSE: CMA	Citizens Republic Bancorp	Nasdaq: CRBC
2nd Quarter June 30 2007	2006	2nd Quarter June 30 2007	2006
Revenue\$1,158,000,000	\$1,048,000,000	Revenue\$233,631,000	\$140,161,000
Net income\$196,000,000	\$200,000,000	Net income\$9,619,000	\$20,907,000
Earnings per share\$1.25	\$1.22	Earnings per share\$0.13	\$0.49
6 months			
Revenue\$2,262,000,000	\$2,015,000,000	Revenue\$469,737,000	\$278,122,000
Net income\$386,000,000	\$394,000,000	Net income\$41,111,000	\$41,663,000
Earnings per share\$2.45	\$2.40	Earnings per share\$0.54	\$0.97

Champion Enterprises Inc.	NYSE: CHB	2006 figures reflect Citizens' activity only. 2007 figures include totals for merged Republic Bank operations.			
2nd Quarter June 30 2007	2006	Company	Amount	Payable date	Record date
Revenue\$330,360,000	\$370,717,000	Citizens Republic Bancorp	\$0.29	8-16	8-02
Net income\$7,465,000	\$112,082,000	CMS Energy Corp.	\$0.05	8-31	8-10
Earnings per share\$1.10	\$1.44				
6 months					
Revenue\$590,157,000	\$717,246,000				
Net income\$219,000	\$125,729,000				
Earnings per share-	\$1.62				

DIVIDENDS

Company	Amount	Payable date	Record date
Citizens Republic Bancorp	\$0.29	8-16	8-02
CMS Energy Corp.	\$0.05	8-31	8-10

STREET TALK

THIS WEEK'S STOCK TOTALS: 19 GAINERS, 52 LOSERS, 9 UNCHANGED

CDB'S TOP PERFORMERS	7/20 CLOSE	7/13 CLOSE	PERCENT CHANGE
1. Champion Enterprises Inc.	\$12.43	\$9.69	28.28
2. North Pointe Holdings Corp.	11.63	10.63	9.41
3. Syntel Inc.	35.06	32.53	7.78
4. Origen Financial Inc.	7.02	6.58	6.69
5. Meadowbrook Insurance Group	10.30	9.77	5.43
6. Lear Corp.	38.75	36.90	5.01
7. Compuware Corp.	10.61	10.24	3.61
8. Ramco-Gershenson Properties	37.35	36.47	2.41
9. Agree Realty Corp.	32.11	31.55	1.78
10. First Mercury Financial Corp.	20.61	20.29	1.58

CDB'S LOW PERFORMERS	7/20 CLOSE	7/13 CLOSE	PERCENT CHANGE
1. Asset Acceptance Capital Corp.	\$14.90	\$17.46	-14.66
2. Energy Conversion Devices Inc.	28.86	32.87	-12.20
3. Visteon Corp.	7.31	8.01	-8.74
4. Universal Truckload Services Inc.	18.61	20.18	-7.78
5. Caraco Pharmaceutical Labs Ltd.	15.76	16.95	-7.02
6. Comerica Inc.	56.28	60.26	-6.61
7. Ford Motor Co.	8.40	8.97	-6.36
8. Somanetics Corp.	17.58	18.76	-6.29
9. Dearborn Bancorp Inc.	15.62	16.63	-6.07
10. Credit Acceptance Corp.	24.52	26.03	-5.80

Source: Bloomberg News. From a list of publicly owned companies with headquarters in Wayne, Oakland, Macomb, Washtenaw or Livingston counties. Note: Stocks trading at less than \$5 are not included.