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Manny Lopez

New state business tax deserves skepticism, not celebration



Michigan has a new business tax and a group of giddy legislators and the governor are breaking their arms patting themselves on the back for getting a deal done before going on vacation.

A few handshakes are certainly in order, and businesses in the state might release a collective -- but guarded -- sigh of relief because now they can plan for next year. But let's not break out the champagne just yet. What's happened isn't even worthy of a bottle of two-buck chuck.

Perhaps I'm too skeptical, but I'm having a hard time believing this is truly a "revenue neutral" plan. And I highly doubt it's not fraught with loopholes, problems and last-minute language changes that are designed to benefit specific sectors and special interests.

After all, legislators rushed last year to pass a minimum wage increase but forgot to align it with federal law that exempted 12 classes of commissioned workers from overtime. And it's the same governor who used that oversight to try to extract a payoff for the trial lawyers, one of her biggest financial supporters.

Yet we're now to believe that given a more complex issue, the Legislature hit a home run?

The details will shake out in the next few weeks, but the early returns aren't good. In the 45 hours that the Michigan Chamber of Commerce had to review the plan, it found 33 problems that it asked the Legislature to address, says Tricia Kinley, director of tax policy and economic development for the chamber. And that's with some of the best tax attorneys in the state bird-dogging the bill.

State's one-track tax planner

Gov. Jennifer Granholm was energized as she did the interview circuit on Friday morning. Gone were the hushed tones of concern that she used in previous weeks when trying to impart that tax increases -- um, I mean, new revenues -- were the only way to rescue Michigan.

She was sounding ever more confident in her economic plan, which remember "is working."

And why not? The state has a new business tax plan and written into it are provisions that will likely pump more money into the state's coffers. Despite the façade of revenue neutrality, excess cash generated above the \$1.9 billion in taxes the soon-to-be-extinct Single Business Tax brought in will eventually go to the general fund.

Sure there is the possibility that Michigan's ongoing single-state recession will mean that the state won't collect as much as it did last year, but it's hard to believe that this administration hasn't crafted a plan that benefits its own bloated existence.

Officials from the Michigan Department of Treasury scoffed when I asked them if those triggers were included in the plan to support the state's spending problems. And I was hastily reminded that nothing was included to "protect" the state if less money were collected.

When asked why caps weren't used instead, so money could be returned (or not collected) after reaching the \$1.9 billion plus adjustments for inflation, I was told that was never a consideration.

"The new Michigan Business Tax will make Michigan's business climate competitive and serve as a tool to attract jobs and job providers," Gov. Jennifer Granholm said in a statement. "This historic legislation is a win for both businesses and citizens."

While there certainly is some promise in the new plan and some businesses will benefit, it won't convince companies to locate here, especially when combined with the income tax increases or whatever other schemes the governor has up her sleeve.

I hope I'm wrong and that companies without headquarters here will move those operations to the state to save money on their taxes. Perhaps there will be a grand expansion of existing operations and all this talk of recession and job losses will subside.

In the meantime, I'll keep my bottle of Boone's on ice.

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