Job Providers Need More Substantial Tax Relief Now, Says Michigan Chamber of Commerce

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The Michigan Legislature and Governor Granholm should use a greater portion of the state's future tobacco settlement payments for business tax relief now, says the Michigan Chamber of Commerce.

In response to a proposed compromise agreement on tax relief and economic development investment between Governor Granholm, Senate Majority Leader Ken Sikkema, and House Speaker Craig DeRoche, the Michigan Chamber today called for providing greater tax/regulatory relief for businesses rather than setting up more government grant and loan programs.

"It is better to allocate more of the $1 billion in tobacco settlement funds for expanded personal property tax relief and lowering the Single Business Tax (SBT) rate immediately than expanding state government's effort to pick 'winners' through a $1 billion grant and loan process," said Michigan Chamber President & CEO Jim Barrett. "We strongly believe more timely and substantial tax relief for business will lead to greater investment and job creation."

"Overall, the tax relief proposed in this plan is not bold enough," said Tricia Kinley, Director of Tax Policy & Economic Development for the Michigan Chamber. "If we want business to create jobs in Michigan, we need to significantly improve Michigan's tax climate. The compromise announced last week falls short of that goal."

"We agree that the proposed personal property tax relief is critical to manufacturers and should be passed immediately," Kinley added. "We also agree that changing the SBT apportionment formula to one based solely on sales is imperative, and it should happen in 2006."

Based on feedback from Michigan Chamber members, several problems need to be remedied, including:

* An inadequate reduction in the SBT rate that would not take effect for over three years. This provision must be strengthened. We should not wait until 2009 for such a small SBT rate reduction (from 1.9 to 1.85%).

* A doubling of liquor license fees on Michigan's hospitality industry. This excessive fee increase is regressive and would negatively impact business activity in Michigan. This provision should be deleted.

* Provisions that treat out-of-state taxpayers differently than in-state taxpayers. Prohibiting "the deduction of gains" will trigger costly litigation and is likely unconstitutional -- resulting in a loss of revenue rather than a gain in revenue.

* Provisions that limit a company's use of deductions or "losses." Other states allow the use of losses; this proposal is counterproductive to the goal of making Michigan more competitive, and encouraging investment and job growth.

* Making a 100 percent SBT sales factor dependent upon tax increases on staffing companies is bad policy and unfair to both manufacturers and staffing companies. Changes to the tax treatment of staffing companies should be debated separately.

"The Michigan Chamber supports tax relief for manufacturers and small business, Michigan should provide meaningful SBT relief for all taxpayers now," said Rich Studley, Executive Vice President of the Michigan Chamber. "While we appreciate the attempt to reach a compromise, we encourage legislators and the Governor to work toward strengthening the proposal, by accelerating the tax relief and eliminating the tax increases," Studley concluded.

The Michigan Chamber is a statewide business organization which represents more than 6,800 employers, trade associations and local chambers of commerce. The Michigan Chamber was established in 1959 to be an advocate for Michigan's job providers in the legislative, political and legal process.

SOURCE: Michigan Chamber of Commerce

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