Michigan Chamber of Commerce Urges State House to Reject Granholm Administration Plan to Use Tobacco Tax Increase to Cancel SBT Relief

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The Michigan Chamber of Commerce today announced its strong opposition to a motion to discharge Governor Granholm's proposed tobacco tax increase (House Bill 5632 -- introduced by State Rep. Larry Julian on March 10, 2004) from the House Commerce Committee because a little known provision in the bill would cancel current law that allows the Single Business Tax (SBT) rate to be gradually reduced as Michigan's economy and state finances improve.

"It's bad enough that Governor Granholm has proposed a $295 million increase in a regressive tax that will cost Michigan jobs, especially in border counties," said Michigan Chamber President & CEO Jim Barrett. "Worse yet, the Governor's tobacco tax increase contains a provision that would hurt Michigan's job providers by canceling much-needed Single Business Tax relief."

"Rep. Julian and Speaker Johnson agreed to introduction of this legislation as a courtesy to the Granholm Administration," noted Rich Studley, Senior Vice President of Government Relations for the Michigan Chamber. "We can't imagine that they were aware of the poison pill that was inserted into this legislation at the request of the Granholm Administration."

"We respectfully request that Rep. Julian and Speaker Johnson withdraw their support from this proposal before serious damage is done to Michigan's tax climate," Studley added. "We also strongly urge the State House to reject any effort to discharge this severely flawed proposal from committee."

Michigan's Tobacco Products Tax Act -- which would be amended by House Bill 5632 -- currently provides that beginning October 1, 2004 through September 30, 2007, the proceeds from the last increase in the tobacco tax would be deposited into the state's counter-cyclical budget and economic stabilization fund, commonly referred to at the state's "Rainy Day" fund.

Michigan's Single Business Tax Act currently provides that the tax rate shall be reduced 0.1 percent in each year in which the state's Rainy Day fund has an ending balance of at least $250 million. The SBT rate for 2003 was 1.9 percent and will remain at that level because the fund balance requirement was not met.

Under current law, $154 million in tobacco tax revenue would be deposited into the state's Rainy Day fund in fiscal year 2004-05 and a similar amount would automatically be deposited into the Rainy Day fund in FY 2005-06, thus allowing rollback of the Single Business Tax rate. A March 2004 House Fiscal Agency review and analysis of the Governor's FY 2004-05 Budget Proposal indicates that the current balance in the budget stabilization fund is zero.

According to the 2004 edition of Congressional Quarterly's State Fact Finder, Michigan's corporate tax burden on a per capita basis is fifth highest in the country at $240 per person in comparison with an average of the 50 states of $127 per person.

The Michigan Chamber of Commerce is a statewide business organization which represents more than 6,300 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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