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Some firms say Granholm plan will hurt them

Debate over single business tax intensifies

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TRAVERSE CITY - Corporate bosses asked Bruce Shafer why Rexair still is doing business in Cadillac. He said he reassured them state lawmakers are working on business tax changes to help the state's manufacturers.

But Shafer said his higher-ups aren't convinced it will happen. He urged state lawmakers at a Traverse City hearing Monday to get behind Gov. Jennifer Granholm's proposal to overhaul Michigan's single business tax.

"For too long, (Michigan) has told manufacturing operations, 'We don't want you to be here,' " Shafer said. "It's obvious we're not competitive. It's obvious there needs to be a change."

But other northern Michigan business interests told a joint House/Senate committee on tax restructuring the governor's proposal will hurt local companies.

David Ford, president of Ford Insurance Agency, said his company's SBT liability would increase from less than \$30,000 a year to more than \$80,000 under the governor's proposal.

"That's pretty substantial money from where we are," Ford said.

The debate over the governor's proposed SBT changes is intensifying statewide. Granholm's plan would drop the SBT rate from 1.9 percent to 1.2 percent and help manufacturers by creating a 35 percent personal property tax credit for manufacturing companies and create other tax credits for research and development costs and some labor expenses.

Losers under the proposal are insurance companies, and other professional service companies like law offices and engineering firms. The tax on insurance premiums would double to 2 percent. Various SBT credits would be eliminated, including a "gross receipts" reduction that caps SBT liability. It also eliminates some property tax credits for commercial rental property.

Service sector companies said those costs will be passed on to consumers in higher premiums and service fees.

"It's simply a shifting of the tax burden from one business sector to another sector," said attorney **Lawrence LaSusa**, representing Northwestern Bank, which estimated an 84 percent increase in SBT taxes under Granholm's plan.

Officials with Elmer's, a large construction contractor in Traverse City, said its SBT burden would more than double to \$340,000 a year under Granholm's plan.

Some local business owners told lawmakers they're confused over the proposal and haven't been able to calculate their specific tax changes. They saw the proposed changes as a tax shift to benefit manufacturing companies.

Granholm's representatives said the changes will spread the SBT more equitably across Michigan's business spectrum.

"We found that the burden was uneven among (business) sectors ... the manufacturing burden was too high," said Scott Schrage, who helped author the proposal as the special assistant to state Treasurer Jay Rising. "To do nothing perpetuates the existing winners and losers. The current system is unfair."

The changes are designed to be revenue-neutral for the 30-year-old tax that generates an estimated \$1.85 billion per year and makes up about 25 percent of the state's general fund revenue. The administration estimates almost 72,000 Michigan businesses will pay less in SBT taxes if the changes are approved, while 22,000 would pay more.

Monday's hearing is the fourth in a series of joint committee meetings being held throughout the state. Another is set for Wednesday in Gaylord.