



Public Sector Reports

Michigan ROUNDUP

Legislative Week In Review

....The day after Governor Blanchard said he would ask the legislature to replace the state's value-added **single business tax (SBT)** with a **levy on profits** for the 50,000 firms grossing \$40,000 to \$6 million a year, Sen. Norm Shinkle (R-Lambertville) introduced a bill to place a tax of 4.6 percent on the profits of those companies. Under the Governor's proposed plan, about 50,000 firms with gross receipts of \$6 million and more would continue to pay the SBT, which amounts to 2.35 percent of profits, depreciation, and payroll before credits and yields \$1.5 billion in revenue annually. About 120,000 firms with receipts of \$40,000 and less would continue to pay no tax. According to state Commerce Director Doug Ross, the current SBT penalizes labor-intensive businesses and those with small profit margins and discourages expansion by increasing taxes when new employees go on the payroll.

Robert Kleine, senior economist at Public Sector Consultants and primary theorist behind the SBT when he directed Gov. William Milliken's Office of Revenue and Tax Analysis, said the SBT is fairer than a profits tax because it is based on the idea that every business should pay for the government services it uses. He pointed out that most of the taxes that the SBT replaced were not based on profits, and that the SBT provides revenue stability for state government in hard times, while a profits tax does not. "Another problem with a tax on profits is that, to reduce tax liability, a business can hide or reduce reported profits; avoidance is much more difficult under the SBT, which is one reason why businesses do not like the tax," Kleine said. State Rep. H. Lynn Jondahl (D-Okemos), chairman of the House Taxation Committee, said he also is concerned that a profits tax would reduce state revenues during economic downturns.

Political News

....Senate Majority Leader John Engler (R-Mt. Pleasant) and Minority Leader Art Miller (D-Warren) have invited representatives Donald Gilmer (R-Augusta), Donald Van Singel (R-Grant), H. Lynn Jondahl (D-Okemos), and James E. O'Neill, Jr. (D-Saginaw) to meet with senators Dan DeGrow (R-Port Huron) and John Cherry (D-Clio) next Tuesday to continue negotiations on a **school finance reform** ballot proposal. Jondahl says a compromise will not be worked out by June 3 in time to make it on the August primary ballot, and that negotiators will find it extremely difficult to develop a proposal by July 11, the deadline for legislative approval of a November ballot question. The new negotiating session was scheduled after Tuesday's defeat of a vehicle bill designed to force a House-Senate conference on school finance reform. The bill fell 3 votes short of the 73 required to pass a constitutional ballot question.

....**Sixth District U.S. Rep. Bob Carr** (D-East Lansing) will announce Monday his candidacy for a seventh term. No Republican has officially launched an opposition campaign.

....Republican Jacqueline McGregor has announced that she will not make a third attempt to unseat **Third District U.S. Rep. Howard Wolpe** (D-Lansing). McGregor, who lost to Wolpe in 1984 and 1986, said she hasn't the funds to make a third try, and she endorsed the candidacy of Republican Cal Allgaier, owner of several convenience stores in Battle Creek.

....Legislation outlawing **spousal rape** is on its way to the Governor for signing after unanimous approval in the state Senate Wednesday. Sponsored by Rep. Shirley Johnson (R-Royal Oak), the bill repeals an exemption in current law that prevents prosecution of a spouse for rape unless a couple is living apart and one has filed for divorce.