

Tax Reform Can Create Jobs

Dear Editor:

We appreciate the Mackinac Center for Public Policy's review and analysis of the impact of tax increases and decreases in Michigan. Making Michigan a competitive place to create and retain jobs requires actions on a number of fronts, one of which is business taxes. Tax reform is a very important policy issue as Michigan businesses pay on average 3 to 4 percent more of their profits in taxes than the U.S. average and as much as 10 to 20 percent more than many peer states, making job creation and retention very difficult. We believe that the state's tax structure should be changed to make Michigan more competitive and to provide a more predictable and stable tax environment. We have proposed a tax reform plan that does that and more closely matches the changing composition of Michigan's economy.

Our plan has been compared to Governor Granholm's tax reform plan. While some elements of the Governor's plan may have been influenced by ours, Business Leaders for Michigan's business tax reform plan is not the same as the Governor's. We propose reducing the Michigan Business Tax (MBT) by 50 percent as a way to create jobs. Our plan would eliminate the MTB surcharge and reduce the gross receipts rate from 0.8 percent to 0.45 percent. Our plan would also reduce the sales tax rate from 6 percent to 5.5 percent and extend the sales tax to services not already taxed in order to keep the tax change revenue neutral. Business-to-business transactions would be exempt from the sales tax on services.

The Governor's proposal differs from our plan in that hers would phase in elimination of the MBT surcharge over two years and would reduce the gross receipts rate from 0.8 percent to only 0.6 percent over multiple years. The net result is a tax increase during the first few years of implementation. There may be additional minor differences. Therefore, the analysis conducted by the Mackinac Center does not apply to the Business Leaders for Michigan proposal.

We would be happy to discuss our plan with you in detail if you are interested.

Sincerely,



Doug Rothwell, President & CEO
Business Leaders for Michigan