



Friday, August 14, 2009

MANAGEMENT  
Nell Kuhnmuench  
Michael D. Hawks  
Stephen E. Young  
Kirk A. Profit  
Kenneth Cole

## Centerpiece

The charts don't lie. The amount of tax revenue the state of Michigan has been collecting in recent years isn't meeting expenses.

On the House side of the state Capitol, Rep. Kate Ebli (D-Monroe), the chair of the House Tax Policy Committee, has emerged as the point person on exploring what, if any, changes need to be made in the tax code to make sure the state is more fiscally stable in the years to come.

Outside of taking testimony from various groups in recent months on the subject, she is convening a series of workgroups and taskforces to investigate potential tax structure changes.

The following are excerpts from a conversation with Ebli about the budget deficit, the governor's proposal to raise some taxes, and the status of the workgroups.

### **Q. Is there political will to raise taxes?**

A. Right now we have a workgroup and taskforces looking at each item individually. We'll take those ideas and bring them back to the table, and hopefully we'll have recommendations that will grow jobs in Michigan. But we're not a budget workgroup, we're a tax policy workgroup, so we're dealing with the tax structure more than the deficit.

### **Q. Where are you right now with the workgroup?**

A. We've had quite a few meetings, both the workgroup as a whole and the taskforces individually.

### **Q. Are there any new taxes or revenue sources that are off the table at this point?**

A. I think we've got to keep looking at the tax structure as a whole. Obviously, it is very complicated and contains many moving parts. We must understand those parts individually and how they impact people, businesses and jobs in Michigan before we change anything.

*A Service of GCSI ... Voted Michigan's #1 Lobby Firm*

Donald Van Singel  
William Zaagman  
Erik Hingst  
Adrian Hemond  
James Miller  
Barbara Farrah  
Patrick Laughlin  
Gary M. Owen

**Q. Is it the consensus of the workgroup that revenues have to be raised -- that the state can't cut its way out of a deficit any longer?**

A. I think the group right now is looking at how we, as a state, are structured. The question is, "Are we structured for the 21<sup>st</sup> century economy?"

When you talk about tax structure, there are so many aspects -- what businesses are paying, what people are paying. I was at the big announcement for General Motors in Brownstown for the new battery factory -- and this is a direct result of people changing the tax policy in the state.

So despite all the hard work we have in front of us, it is gratifying to see the result in front of us, to see the job expansion.

### ***GCSEye On The Capitol***

#### ***Granholtm Presents Revenue Plan***

The Gov. Jennifer Granholm administration has presented legislative leaders behind closed doors with a budget-balancing plan that expands the sales tax on some services, increases the \$2 cigarette tax 25 cents a pack, cuts the planned Earned Income Tax Credit and scales back of the new film production credits by 12 percent.

Expanding the state's six-cent sales tax to entertainment events, a concept tied into the short-lived sales tax expansion to services in 2007, is the largest high-dollar revenue generator on the Governor's list. The "ticket tax" is estimated to bring in \$87.3 million. The six-cent sales tax would also be applied to service contracts (on new appliances, etc.) and vending machines, bringing in \$29 million and \$28 million, respectively.

In exchange, the Governor is said to be offering to phase out the 22 percent surcharge on the Michigan Business Tax (MBT) over a three-year period starting in 2011.

Other items on the Governor's list were a new one-penny tax on all water bottles sold in Michigan, \$27 million in state employee concessions, the end of two tax carve-outs for the Michigan International Speedway, and the taxing of international and 1-800 telephone calls.

### ***State Bringing In \$150M Less Since May***

State revenues are continuing their slow slide past revenue projections. The House Fiscal Agency reported this week that the state collected \$150 million less in May, June and July than fiscal analysts projected as part of the May Consensus Revenue Estimating Conference (CREC).

The drop in revenue shouldn't require additional cutting in the current Fiscal Year (FY) 2009 budget year because of a more than \$350 million cushion in the General Fund and the School Aid Fund created by the federal stimulus package. However, any money state leaders need to use from those reserves now, makes the hole deeper in FY 2010, said HFA Director Mitch Bean.

*A Service of GCSI ... Voted Michigan's #1 Lobby Firm*

Bean said he believes a structural change in the state's tax system is in order. The comments come on the heels of a report this week from the Center on Budget and Policy Priorities (CBPP), which found Michigan could collect \$2.5 billion from taxing a broad range of services, such as pet grooming and investment counseling. Michigan lost \$201 million in FY 2008 by not taxing arts, entertainment and recreation, the report said.

### ***Dillon Plan Draws Ire of Unions***

Twelve labor unions joined the Michigan Education Association this week in slamming House Speaker Andy Dillon's (D-Redford Twp.) health insurance pooling plan. At a press conference Tuesday, union members claimed Dillon's plan would not expand coverage -- which is what they claim it should do -- and won't save \$900 million.

Mark Gaffney of the AFL-CIO said all Michigan public sector employees have increased their own costs and decreased their own coverage through collective bargaining in recent years, making a forced consolidation unnecessary.

Dillon did get a pat on the back from fellow Rep. Tim Melton (D-Auburn Hills), who came out in support of the Speaker. He said the unions have been engaging in "predictable" behavior in denouncing the proposed state-operated health care system and the alleged damage it would inflict on public employees. Melton said he wonders how they can react when there are no specifics and there is no bill.

#### **Michigan Factoid:**

Before 1848, people who lived in Michigan were called Michiganians. In 1848 Abraham Lincoln (who later became a U.S. president) jokingly referred to Michiganians as Michiganders. Residents of Michigan now use both terms, but still argue about which is correct.

Source: *Credit Unions of Michigan on the Internet*

### **Week Ahead**

Both the House and the Senate are slated to hold session next week. The Senate is coming back Tuesday and the House on Wednesday. Current plans have both chambers also returning to Lansing for session the week of August 24. Legislative leaders are scheduled to meet with the Governor's team to continue negotiations on a solution to the \$2.8 billion budget hole for Fiscal Year 2010.

In the House, legislation cracking down on elder abuse and identity theft are on the calendar for possible action. The House Appropriations Committee also is expected to pass legislation making last-minute technical transfers in this year's budget.

The Senate Transportation Committee is slated to take up legislation to give an exemption to the new billboard ban to service clubs and religious organizations. Also on the agenda is a bill giving the Secretary of State the power to charge a fee to issue a duplicate or corrected "enhanced driver license," the license Michigan drivers can use to get into Canada without a passport.

## ***A Service of GCSI ... Voted Michigan's #1 Lobby Firm***

#### ***Disclaimer***

*This newsletter is a client service provided by GCSI. The news and views contained in this newsletter are based on the research and reporting of Michigan Information & Research Service, Inc (MIRS, [www.mirsnews.com](http://www.mirsnews.com)) and do not necessarily represent the views, opinions or strategic advice of GCSI. This newsletter is presented to you as one more resource for inside information and insights into state government happenings. For specific questions about politics, personalities, legislation, policy and strategies please always contact your GCSI lobbyist.*