

Michigan Senate votes to repeal new service tax

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By David Eggert of the Associated Press

As expected, the Michigan Senate voted 23-15 Wednesday to repeal a much-maligned tax on services such as business consulting, tanning and graphic design before it takes effect Dec. 1.

The full House could follow up as early as today with a plan replacing the \$614 million the tax would generate this fiscal year.

The linchpin to successfully killing the service tax is making up for the revenue that Democratic Gov. Jennifer Granholm has designated for K-12 public schools and other government services.

House Tax Policy Chairman Steven Bieda, D-Warren, hopes his committee can vote Thursday on legislation repealing the tax and replacing the revenue. The panel has been mulling whether to add a surcharge to the new state business tax to make up the difference, with no business paying more than \$2 million extra.

Twenty-one Republicans who control the Senate and two Democrats supported the repeal as a step forward. But most Democrats said they couldn't back the bill unless the revenue is replaced. Granholm has taken the same position.

Businesses say the tax is confusing, would make Michigan a less attractive place to do business and is unfair because it taxes some services but not others.

"There is broad consensus and broad agreement in a bipartisan fashion to repeal the service tax," said Senate Finance Chairwoman Nancy Cassis, R-Nov.

Senate Majority Leader Mike Bishop, R-Rochester, said the Senate could wait no longer.

"We now have momentum going forward so that we can all come together for a solution," he said.

The expanded service tax was approved Oct. 1 to end a partial government shutdown.