

Senate to seek tax compromise

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The Senate today will interrupt its two-week November recess to work on a compromise to repeal a new tax on services and replace it with a bigger business tax.

But a final deal with the House must wait until at least next week, when the House returns from a traditional hunting-season break.

Senate Republicans plan to rework a House bill that would kill the service tax scheduled to take effect Dec. 1 and replace it with a 33% surcharge on the Michigan Business Tax (MBT). The Senate version is likely to reduce the amount of the surcharge and raise the maximum amount any single business would pay. The House bill sets that limit at \$2 million, which critics said would benefit the state's largest companies -- especially the three Detroit automakers -- at the expense of midsize businesses.

Senate GOP spokesman Matt Marsden said the Senate proposal, like the House plan, would fully replace the revenue lost by repealing the tax on services.

But unlike the House plan, the Senate proposal would make the business tax increase temporary, he said. That could be problematic because Gov. Jennifer Granholm has threatened to veto any replacement of the services tax that is not a permanent tax increase.

House Democratic spokesman Greg Bird said any Senate plan would wait until next week. That likely will add pressure to beat a Dec. 1 deadline to repeal the tax.

The services tax was part of the state budget agreement, but it's been condemned by virtually all of Michigan's business sectors and even some lawmakers who put it together in haste Oct. 1. An estimated two-thirds of the \$614 million the tax would generate this fiscal year would be paid by businesses for services ranging from business consultants, janitors and landscapers. An MBT surcharge would not affect 70% of the state's businesses because they are too small to owe the MBT, which takes effect Jan. 1.

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