

Income—the best measure of business taxability

(Last of four editorials)

There is only one true measure of ability to pay taxes. It is income.

Michigan's single business tax, unfortunately, doesn't tax only income of the corporations, partnerships and sole proprietorships in our economic mainstream.

It taxes labor costs—both wages of workers and the costs imposed by government such as social security and unemployment compensation contributions.

It taxes interest payments, which has the effect of raising the borrowing business's capital costs. And those interest costs can be a big burden for a new, growing firm.

SBT taxes depreciation-type deductions taken on federal returns.

SBT taxes, essentially, the value added by a business—that is, most items in the account books except the costs of materials.

And as many Michigan businesses found out the hard way in the recession, SBT can raise your taxes at a time when your profit is declining.

That kind of taxation is just plain wrong.

"GO BACK to the corporate income tax," many business men and women have been saying in public hearings on the SBT and in chamber of commerce sessions.

It's an oversimplified statement of their desire to be taxed only on what they earn, not on what they paid others for their losses.

Corporate income alone could not be relied on to produce adequate business tax revenue in Michigan. But a business profits tax based on the federal corporate income tax would meet most tests of taxation—fairness, simplicity and ease of administration.

It would grow as business grows and as the needs of government grow.

A business profits tax would not bear as harshly on job growth as SBT does now.

It would not be a disincentive to labor-intensive industries as SBT is.

It would not hurt new companies which have yet to make profits or recover large start-up costs.

A business profits tax has only one disadvantage: The revenue would fluctuate enormously as business income rides the roller coaster of Michigan's cyclical economy.

YET THAT OBJECTION can be overcome if the legislature has the statesmanship to adopt and abide by a new revenue system.

The Michigan Economic Action Council proposed to the state, and Gov. Milliken proposed to the legislature, a "budget stabilization fund." In good years, the state would pump in excess revenues, like the \$400 million surplus that suddenly flowed into the treasury a few years ago. In recession years, the state could dip into the fund to balance the budget, and our schools would not face the bloody prospect of hacking their budgets in the middle of a fiscal year because revenues were off.

Gov. Milliken said, "My specific proposal would stabilize the budget around the long term growth trend of the state, approximately four per cent, with an adjustment reflecting changes in the De-

troit consumer price index. This formula will allow the state budget to expand state services in response to growth and inflation.

"It is imperative that a stabilization fund be enacted prior to completing action on the 1977-78 budget."

THE SINGLE BUSINESS TAX is perceived by business people as unfair and onerous; it has failed to produce jobs and will continue to fail; it is so terribly complex that it would be frustrating if not hopeless to attempt amendments.

On the other hand, a rational business profits tax, combined with a stabilization fund to iron out the roller coaster effects on revenue from the business cycle, is a system that can work.

It can produce revenue. It wouldn't be a burden on service and high technology industries which Michigan should encourage. It wouldn't be a burden on new firms with high borrowing and low profits. It can serve the state in lean years and fat. And it is fair because it will tax the only true measure of ability to pay—income.

editorial opinion

Elderly gain victory in housing struggle

Last year, Nardin Park Methodist Church's Rev. Meredith Moshauer set out to establish a senior citizen housing complex in Farmington Hills.

The battle has been a long one for the young minister, but it appears as if his cause has taken a giant leap forward. The housing commission included senior residences under the RCE zoning which covers conventional mid-rise apartments.

Not only is this a break for Moshauer and his group, but the decision paves the way for all future senior citizens who wish to stay in their community rather than being shipped off to an old folks reservation in the boonies.

Developing a senior citizen housing philosophy in the community is essential. Reports indicate that by 1985, there will be more than 10,000 seniors in the Farmington-Farmington Hills area.

Presently, there are 4,500 persons 65-years or older in the area.

But now, seniors, and those who favor senior citizen housing, must sweat through the long political process.

HOPEFULLY, when the plan comes to the city council for final approval, enough folks will have gathered behind the move to establish senior housing in the RCE zoning.

Unfortunately, the road might be blocked, as was demonstrated by opposition sentiment outlined by housing commission members Bill Flattery and Bernie Christy.

For many, senior citizen housing conjures up images of slums and blight. But experience proves that isn't the case.

Livonia and Southfield have senior citizen complexes which have proved successful. Garden City is in the final stages of completing its senior citizen complex and city officials there are tearing

out their hair in bewilderment over what to do about the applicants which far outstrip the number of complex units available.

At last week's meeting, Christy surmised that Farmington Hills wasn't interested in senior citizen housing.

"Most of the seniors that I've talked to would prefer to live among the young and the old, in places like Independence Green," he said.

Well that's nice if you can afford to live in Independence Green. But most senior citizens just can't afford rents which are liable to be raised at the whim of a landlord.

If Christy is correct about anything, it is that senior citizens want to remain in the community in which they have resided for so many years.

It is the obligation of younger residents to provide that opportunity by backing senior citizen housing.

Flattery was way off base when he said that senior citizen housing would discriminate against "high income people."

In the first place, it is a contradiction of terms to say "higher income people" can be discriminated against. Because they are high income they can move any place they want.

SENIOR CITIZENS don't always have that option. Most are at the mercy of younger residents.

Secondly, senior citizens are an asset to the community, not a liability as is implied by those who would prefer to force out seniors who can't afford to make it on their own after retirement.

Seniors offer experience, industriousness and wisdom which youngsters folks don't have.

It's essential that for the Farmington-Farmington Hills area to remain vital, a mix of young, old and middle-aged residents are incorporated into the area.

It's time to fold up road show

The time has come for the Oakland County Road Commission to fold up its traveling road show, with all the pretty slides, and get back to its real business—maintaining and improving county roads.

The road commission performed a public service in getting the Saginaw Michigan Transportation Authority to think about the needs of someone other than Detroit. It had some good ideas in its light rail transit package, and it raised some provocative questions about the future of the region.

But the road commission is only hurting its own precarious position with its persistent attacks on SEMTA. SEMTA will continue to be the designing, building and operating authority for public transportation in this seven-county region, and

there's nothing the road commission can do to alter that fact of life.

If it continues its suicidal mission, the Oakland County Road Commission can accomplish nothing. Its one-time partner, the Wayne County Road Commission, will have nothing to do with the Oakland County's slide show. The Macomb County Road Commission wants no part of the thing.

Republican County Executive Daniel Murphy, his 1976 Democratic challenger Philip Mastin, Republicans and Democrats alike on the Oakland County Board of Commissioners talk with increasing frequency about abolishing the road commission as a separate entity. At one time, that seemed like a pipe dream. Increasingly, the road commission itself is giving its enemies much ammunition.

How federal policy caused energy crisis

There is no question that the United States is facing an energy crisis. The crisis results from an increasing demand for energy while the resources available seem to be decreasing.

President Carter said he will have a new federal energy policy by April. The problem is that we've had a federal energy policy for many years and it has contributed to the crisis we're in today.

The federal policy has looked upon gas and oil as monopolies and regulated its prices.


The most efficient fuel is natural gas, and today it is the cheapest fuel.

This is because the federal government has tried to provide people with cheap energy without any consideration to the law of supply and demand. That was highly unrealistic.

The price of energy all over the world is rising rapidly.


Gas and oil producers don't have to produce, and if they leave their resources in the ground they know at some later date their product will be worth more money. Therefore, federal policy encourages them not to produce at this time.

Had there been a free market in gas and oil over the years, the prices of these commodities would have risen slowly over a long period of time which would have forced conservation.



Eccentricities

by HENRY M. HOGAN, JR.



SBT doesn't add up!

Why Donohue can't read—educational malpractice?

Out in suburban Long Island, a kid named Edward Donohue, who graduated last year from Copiague High School, has sued the school system for \$5 million, charging "educational malpractice."

Donohue says he cannot read or write, and adds that he can't even read his high school diploma. He says he and his parents made special efforts, including individual tutoring, to overcome his learning problem, but his experience in the school system failed to educate him properly and left him "unable to cope properly with the affairs of the world."

The suit comes when increasing attention is being paid to educational performance of school systems during a time of rising taxes and cost inflation. These questions have led to demands for accountability by the schools, as well as legislation requiring "minimum competency" for high school graduation. Several bills to this effect have already been introduced in the Michigan Legislature, and more than a dozen states have already passed such legislation.

OTHER THAN providing an intriguing new way for lawyers to gain full employment through various malpractice suits, the case of Edward Donohue has set off ripples of concern in the minds of school officials.

Although a similar suit in California was thrown



Observation Point

by PHILIP H. POWER

out of court several years ago, on the grounds that too many variables—individual IQ, home environment, teaching quality—were involved in the education process to assign specific fault to a school system, the current suit re-raises a number of uncomfortable problems.

- **Intelligence.** Most people believe that, with the exception of a small percentage of mentally handicapped children, most kids in school ought to be able to learn to read and write. Some local school officials argue that this may not necessarily be the case. "Every child who goes through the public schools ought to develop to the fullness of his or her capacity," says one local school superintendent, "but that does not mean that every child has the native ability to learn to read or write."
- **Flunking.** Edward Donohue passed steadily through the grades at Copiague High, even though he flunked courses regularly along the way. Strict theory says that he should have been made to take the courses again. But educational experts say there is very little proof that making a child repeat a course will improve the child's performance in that subject.
- **Graduation.** Most people assume that a graduation diploma means something, namely that the graduate has mastered at some minimum level of competency in reading, writing and math. Yet Copiague High graduated Edward Donohue, leaving him allegedly illiterate, and most local school officials admit that a very small percentage of their students fail to graduate for poor academic performance.

PLAINLY the issues involved in education and learning are very complex. Most educators simply throw up their hands when asked to assign one specific factor involved in successful learning: IQ, teaching, home environment, relative wealth or poverty in the family, physical facilities at the school.

Equally plainly, the lawyers representing Donohue will have a tough time proving that the Copiague school system actually committed malpractice on their client.

But simple common sense says that high school graduation diplomas ought to mean something more than functional illiteracy.

I happen to support the idea of setting a standard of required minimum competency for high school graduates. If only because to do so would force the schools to at least pay attention to just how many functional illiterates they are turning out each year. That, in turn, might even begin to provoke a specific response to the tragic problem of children who are in fact handicapped with a learning disability.