

Dems lack tax hike votes in Senate

By Carol Azizian
staff writer

Gov. James Blanchard will face stiff opposition in the state Senate over his proposed 38-percent state income tax increase.

He'll face an uphill battle with the 18 Republican senators who have vowed to fight a two-bill package approved by the state House last week. A key provision calls for reducing the tax rate as the state's unemployment rate falls.

And it appears that the unanimous support Blanchard would need in the Democratic caucus isn't there. Some of the bare majority of 20 Democrats oppose the House bill, which goes before the Senate Finance Committee Wednesday.

"If this (House) bill came to the floor right now, I would vote no," said Sen. Patrick McCollough, D-Deerborn. Sen. Gilbert DiNello, D-East Detroit, said much the same thing.

SENATORS FROM both political parties admit it's unlikely the tax package approved by the House will survive in its present form.

The House passed it 59-51 Wednesday. All yes votes came from Democrats. Four Democrats (none from the circulation area) joined all 47 Republicans in opposing it.

In the Senate, the loudest objections are coming from Republicans.

They criticize the tax hike as excessive, arguing that the state needs no more than a two-year tax increase to eliminate a projected budget deficit of \$900 million.

"To call this tax package temporary because it is tied to a 9-percent unemployment trigger is a sham and a deliberate attempt to mislead the public," said Sen. R. Robert Geake, R-Northville.

"Any tax increase that tends to restrict incentives for businesses to either locate or remain in Michigan, thus providing (no incentive) for job cre-

ation, should not be tied to unemployment levels," said Geake, whose district includes Livonia, Plymouth, Redford and Canton.

THE HOUSE bill would boost the personal income tax rate from the current 4.8 percent to 8.35 percent, retroactive to Jan. 1.

The tax rate would remain at that level until the state's unemployment rate — averaged over six months — dropped to at least 12.25 percent. For each 0.75 percent dip in the jobless rate, the income tax would decline by 0.1 percent.

When the unemployment rate falls to 9 percent or less, the tax hike would expire, and the rate would revert to the current 4.8 percent.

"This bill — simply a variation of Governor's Blanchard's proposal — would set off a period of excessive growth in state government," Geake said.

The tax increase would raise \$1.05 billion during the fiscal year and \$787 million in the remainder of this fiscal year.

That would represent a 25-percent increase in the growth rate of state expenditures, Geake said. Under the House bill, general fund expenditures will rise from the current level of \$4.7 billion to almost \$7.5 billion in fiscal 1987, he said.

REPUBLICANS WILL attempt to make "substantive changes in this tax scheme so that at the very least the governor is able to saddle taxpayers with something less than his proposal on a temporary basis," said Sen. Doug Cruce, R-Troy.

Cruce already has introduced a bill to prevent the state from spending revenues from a tax increase once the unemployment rate — averaged over three months — dropped to 12 percent or lower.

Cruce's bill, now before the Senate Finance Committee, would increase

payments into the state's "rainy day fund" and automatically trigger tax rebates once the fund reached about \$1 billion.

But Cruce and other Republicans say they're hard-pressed to come up with alternatives to the House proposal because the governor has, so far, refused to release 1984 budget figures.

Sen. Richard Fessler, R-Union Lake, argued Republicans can't seriously discuss alternatives to the House proposal until they know what the governor intends to do with the money.

"It's a case of the cart before the horse," said Fessler, whose district includes Birmingham-Bloomfield and West Bloomfield. "He (Blanchard) is out trying to sell a tax package, but he's never given us his budget proposition."

SOME DEMOCRATS also say they'd like to know more about government spending once the fiscal crisis is alleviated.

"I'd like to get some commitment from the governor that we won't incur a whole new set of debts once we get our fiscal house in order," said Sen. McCollough, whose district includes

Garden City.

"I won't just sign a blank check for a tax increase."

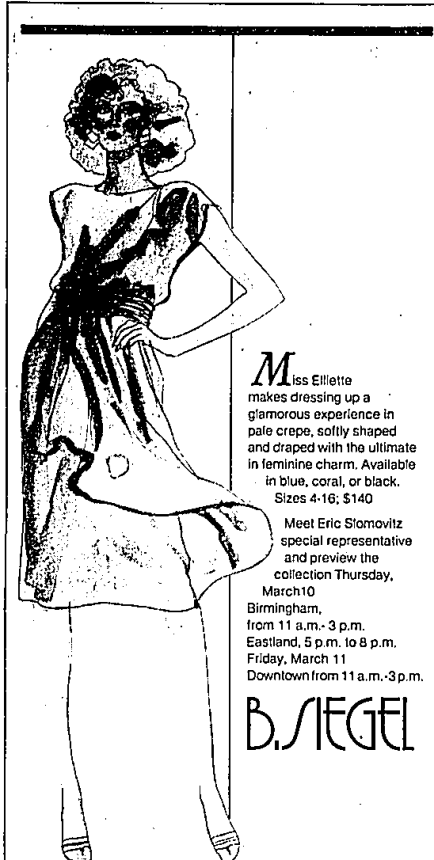
McCollough expects several alternatives to be considered in the Senate, including one requiring the tax increase to go into effect in June rather than Jan. 1 of this year.

"We may also be able to make further cuts, possibly in revenue sharing funds to local governments," he added. The Democratic senator criticized Republicans for "playing partisan politics with a serious issue."

"I'M DISTRESSED Republicans feel they need do nothing about the problem," McCollough said. "The only direction they're getting seems to be from their standard bearer (Dick Headlee), who says 'Let the state go bankrupt!'"

Sen. Gary Corbin, chairman of the Senate Finance Committee, said he hoped a solution would be reached by the end of the month.

"It's hard to make predictions about what will happen. I just hope they realize this is not just the governor's problem."



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