

# 2-party tax compromise shaping up in Senate

By Tim Richard  
staff writer

A State Senate committee later today is expected to report out an income tax increase bill smaller than Gov. James J. Blanchard is asking but with bipartisan support.

"A one percent increase for no more than 18 months could get a majority of both party caucuses," said Sen. Richard Posthumus, R-Lowell, minority vice-chairman of the tax writing Senate Finance Committee.

"We will make sufficient adjustments to get some Republican support," added Sen. Philip Mastin, D-Pontiac, majority vice-chairman of the committee. "We may not get 15 or even 10 Republican votes. Maybe four or five."

If they are correct, a bipartisan Senate vote for a tax increase would be in stark contrast to the House of Representatives, which on March 2 supported one by 59-51, with all 47 Republicans opposing it.

In the Senate, Democrats have a bare 20-18 majority, but at least two Democrats would likely oppose Blanchard's proposal. Thus, any tax increase will need support from both parties.

The first-term senators Friday addressed a government relations round table of the Greater Detroit Chamber of Commerce, held in the headquarters of K Mart Corp. in Troy.

THEIR GUESSES of bipartisan support came only a day after Senate Republican Leader John Engler of Mt. Pleasant announced a majority of the 18 Republicans would support a scaled-down version of the Democratic governor's plan. The GOP would:

- Increase the state personal income tax by 1 percent for nine months — from last Jan. 1 to the end of the fiscal year Sept. 30. (Blanchard asked a temporary debt retirement increase of 0.25 percent and a permanent operating increase of 1.5 percent.) The current rate is 4.6 percent.

## 'Good old days' talk topic

A lecture entitled "What Happened to the Good Old Days?" will be presented to older persons at 1:30 p.m. Tuesday, March 22, in Room 110 of the Student Center Building at Highland Lakes campus of Oakland Community College, 7350 Cooley Lake Road, Union Lake.

Marie Gormley, who holds a master's degree in guidance and counseling, will review changes in our lives and how those changes have affected technology, society and the family unit.

Admission is \$1. Registration information is available from Carol Lubin, 360-3041.

• Make "improvements" in the single business tax (SBT), which is essentially a payroll tax. Posthumus gave three examples: taking workers' compensation charges out of the tax base, taking unemployment comp taxes out of the base and allowing a credit for low-profit firms. He did not elaborate. (Blanchard's plan does not address the SBT.)

Posthumus said Republicans are concerned that the tax be levied only as long as necessary, and that the long-term business climate be the prime concern. After nine months, he said, Republicans would be willing to consider whether the tax needed extension.

THE ECONOMIC outlook divided the Democratic and Republican tax spokesmen more than their tax views.

Said Democrat Mastin, a three-term state representative and Pontiac city manager before his victory over incumbent Donald Bishop last year:

"Sen. Engler supported a short-term (six months) tax last year. It may be Sen. Engler is incapable of learning from past mistakes. There has been a consistent overestimation of revenue and underestimation of expenses. We have a tradition of guessing wrong. Every time. I tend to be pessimistic about the immediate economic future."

Said Republican Posthumus, who carried a "conservative Dutch" agricultural district east of Grand Rapids:

"I would disagree significantly. State Treasurer Bob Bowman is the only one predicting a billion-dollar deficit. It's out there by himself. We don't believe the deficit is as bad as Treasurer Bowman says."

BLANCHARD'S Office of Management and Budget bases its prediction of a \$900 million current year deficit on an economy that sells eight million autos, a zero increase in the gross national product and an unemployment rate of 16.5 percent.

But the Senate Fiscal Agency, a staff arm of the Senate, forecasts a \$656 million deficit, 8.9 million auto sales, a 1.6 percent increase in the GNP and an unemployment rate dropping to 15 percent, according to Republicans.

As they were speaking, the Greater Detroit Chamber of Commerce was sending out a news release reporting a 10.1 percent increase in retail sales in metropolitan Detroit for the month of February compared with February of 1982.

THE HOUSE bill gave Blanchard his 0.25 percent increase to retire the accumulated debt and 1.5 percent led to unemployment. For each 0.75 percent the jobless rate falls, the tax rate would drop 0.1 percent.

Mastin, in a recent letter, said spending cuts must be made before or simultaneously with an income tax increase, and that spending cuts alone won't resolve the deficit. Mastin added a tax increase should be only temporary, and that there must be guarantees the state won't spend any "windfall" from larger-than-expected revenues.

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