

Tax hike passed

Senate Dems 'put it together'

By Tim Richard
staff writer

In the end, there was no compromise. On the kind of straight party-line votes that Michigan hadn't seen for years, the state Legislature last week passed a personal income tax increase close to the levels asked by Gov. James Blanchard.

"We put it together in there," said Sen. Philip O. Mastin, D-Pontiac, as he emerged from a Democratic caucus prior to the vote. "We sounded out a few of their guys to see what they can go for." Mastin said there were no party-to-party negotiations.

"We're going to gamble the Democrats don't have 20 votes," said Sen. Richard Fessler, R-Union Lake, the minority whip. "Then we'll try to amend it."

MASTIN WAS exactly right, and the GOP gamble lost. Senate Democrats picked up the one Republican vote they needed, and Blanchard's tax proposal became law.

The key vote came Thursday evening when 19 Democrats and Republican Harry DeMaso of Battle Creek provided a 20-18 state Senate majority over 17 Republicans and one Democrat — Gilbert DiNello of East Detroit. The majority passed two bills to raise the income tax rate to 6.35 percent from the current 4.6 percent.

Friday, the House concurred in the Senate version on a 58-50 vote. All 58 yes votes were Democrats. The 47 Republicans were joined by three Democrats in opposition. Abstaining were two Democrats, including Rep. Edward

Mahalak of Romulus.

A 1.5 percent increase in the operating rate and a 0.45 increase for debt retirement will be retroactive to Jan. 1. The operating rate will be adjusted downward as unemployment falls but cannot be adjusted upward if joblessness worsens.

The Legislature rejected bipartisan attempts to place a sales tax increase on the ballot. Legislators didn't even discuss on the floor such proposals as lowering property tax assessments and reducing the single business tax.

THE DISPLAY of old-fashioned party discipline came a week after Senate GOP Leader John Engler of Mt. Pleasant held out the olive branch of possible compromise. Engler announced a majority of his caucus would support a tax increase if Democrats would agree to modifications.

"I agreed with the majority of the Republican caucus," said Sen. R. Robert Geake, R-Northville. "We said that no income tax should be considered that doesn't have 1) a definite termination date and 2) some provision for business climate improvement."

"The Democrats didn't seem receptive to either," Blanchard is settling as his highest priority a tax that will last four years. Republicans also don't want to fund any budget we haven't seen, and we haven't seen his budget," said Geake.

Blanchard appealed to Republican senators to vote in favor of the bill finally approved. He said, "It is a lasting solution to our state's fiscal problems."

A major part of the GOP strategy was Geake's proposed bill to ease the

burden of the single business tax on small firms to the tune of \$175 million. The third-term senator credited the Livonia Chamber of Commerce for the idea.

Geake's bill called for removing workers' comp insurance premiums and unemployment comp taxes from the SBT base, allowing 100 percent of research and development expenses to be subtracted from the SBT obligation, and making a 1984 break for small firms retroactive to the first of 1983.

UNLIKE THE House battle of March 2 which was over quickly, the Senate vote was delayed by closed caucuses

and small meetings.

DiNello, the maverick Democrat, spent much time closeted with Sen. Patrick McCollough, D-Dearborn, on compromise amendments. McCollough, describing himself as "a conservative who doesn't want to see my state besmirched by bankruptcy," finally voted with his party.

There were other unsuccessful maneuvers to make the tax bite more palatable.

Sen. Jack Faxon, D-Southfield, joined Sen. John Kelly, D-Detroit, in proposing a public vote on raising the sales tax to 6 percent from 4 percent.

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