

Bill would give tax credit to minority-owned firms

By Tim Richard
staff writer

Investments in minority-owned businesses would get a hefty credit against the single-business tax under a bill that passed the Michigan Senate.

Adopted earlier by the House, the bill goes to Gov. James J. Blanchard for his signature.

Senators gave it 35-2 approval last week after rejecting amendments to place time limits on the tax credits.

"It's a very selective kind of program... a drain on our already limited (tax) resources," said Sen. Jack Faxon, D-Farmington Hills. He joined Sen. Gary Corbin, D-Clio, in voting against the measure.

SUPPORTING IT were area Sens. Doug Cruce, R-Troy; William Faust, D-Westland; Robert Geake, R-Northville; Patrick McCollough, D-Deerborn; and Rudy Nichols, R-Waterford.

Absent was Sen. Richard Fessler, R-West Bloomfield.

The measure (House Bill 4275) provides that a person may claim a 50 percent credit against the single business tax for a "qualified investment" in a certified "minority" company.

The bill's sponsor, Rep. Carolyn Cheeks Kilpatrick, D-Detroit, reportedly worked on it three years.

State treasury and commerce officials would be required to report annually to the Legislature on how many credits were sought and how much SBT revenue was lost.

CORBIN, RANKING Democrat on the Senate Finance Committee, sought to put a Jan. 1, 1990, "sunset" on the measure, meaning the Legislature would have to renew the tax credit or it would expire.

He was supported by Democrats Faust and Faxon and Republican Geake, but lost on an 18-16 vote.

"This could be an open-ended giveaway of enormous proportions," said Corbin.

"I don't think it's a good idea to put a sunset on it," said Republican Cruce. "Venture capital firms have a need to know there's a long-term commitment (by the state). A sunset would cast a chill across the entire project."

"We don't have a sunset date in the Michigan Strategic Fund," Cruce said, adding, "We want to send a strong message" to investors.

FAXON FAILED to win passage of amendments capping the revenue loss at \$10 million and individual tax credits at \$1 million.

Faxon argued that far from being a measure to aid minority businesses, the bill granted a SBT credit to anyone — black or white — who invests in a minority business.

"The venture capital firm is not the minority firm," he said.

But Sen. Jackie Vaughn III, D-Detroit, said Rep. Kilpatrick "wants the bill as is. This is one of the few times we (blacks) get something that would help substantially."

Business execs optimistic

Business executives in Michigan are optimistic about prospects for their companies in 1988, according to results of a statewide survey.

"In nearly every significant category — from sales and earnings to hiring and capital expenditures — respondents' views were positive, which is an important barometer for the state's economy," said Joseph Yarbek, a partner with the Michigan Practice of Touche Ross.

Nearly 1,100 of the 3,500 business executives surveyed in April and May responded to the 1988 Michigan Business Survey conducted by Touche Ross in conjunction with Crain's Detroit Business magazine. Some 60 percent were located in Detroit and the suburbs.

survey. Examples:

- 79 percent expect their sales to increase in 1988.
- 67 percent expect their net income to increase in 1988.
- 61 percent plan to add employees in 1988, and 83 percent of those anticipating increases in the range of 1-10 percent.
- 73 percent feel the number of small business startups will increase in 1988, but 56 percent felt the number of small business failures would increase in 1988.

Some optimism may stem from positive feelings about the nation's economy, Yarbek said.

For example, 91 percent feel the inflation rate will be 5 percent or less one year from now, and 83 percent believe the prime interest rate

will be 10 percent or below one year from now.

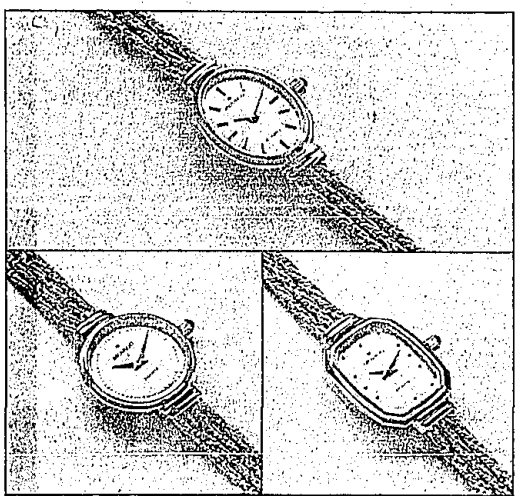
"Despite the positive results in key categories, there are still key problem areas that must be addressed before business executives feel even more comfortable about the long-term outlook for their businesses," Yarbek said.

Businessmen are most concerned about the cost of liability insurance (25 percent), taxes (19 percent) and labor costs (16 percent).

The survey was conducted during April and May. Demographics of survey respondents include: 69 percent reported annual sales between \$2.6 million and \$20 million; 50 percent have 25 to 100 employees; and 20 percent have more than 150 employees.

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