

Insurers hit Blanchard on paying premium tax

By Tim Richard
staff writer

Once again the Michigan insurance industry and Gov. James J. Blanchard are on a collision course. Two years ago the insurers won. In the state Senate, they beat down Blanchard's effort to tax premiums 2.3 percent.

This time the governor is more confident. "We subsidize them by paying more taxes," Blanchard told an enthusiastic crowd of senior citizens in Royal Oak last week. He predicted "we will get this, or something like it, through the Legislature."

THE INSURANCE premium tax is a little noticed part of Blanchard's "10/20" program. The governor spends most of his time talking about giving \$100-a-year income tax rebates to 2.1 million homeowners at a cost of \$200 million.

The biggest single chunk of the \$200 million replacement revenue would come from \$55 million in premium taxes on "domestic" insurance companies — those headquartered in Michigan.

"Foreign" companies — those headquartered outside Michigan — already pay \$105 million in premium taxes.

"The governor is saying we don't pay taxes at all," said Tim Ritter, spokesman for Alexander Hamilton Life Insurance Co. of Farmington Hills. He accused Blanchard of "ingesting out Michigan life insurance companies for punitive action."

Ritter cited a study showing Michigan life insurance companies pay real estate taxes, license fees, income and payroll taxes, single business tax (SBT) and special assessments "equivalent to 1.79 percent of all Michigan premiums. That's al-



'Domestic insurance companies don't pay SBT — well, the combined entire industry hardly pays \$1 million in SBT. Half the companies don't pay SBT at all.'

— Robert Bowman
state treasurer

ready very close to what the governor is proposing."

"THE SINGLE business tax was set up to provide relief to industries which are expanding the economic base," Ritter went on.

From 1981 to '86 domestic life insurance companies expanded employment from 2,700 jobs to 4,500; saw compensation rise from \$39 million to \$80 million; and invested \$42 million worth of capital, he said.

"For that it got capital acquisition deductions on the SBT," Ritter said in a telephone interview.

Ritter characterized an insurance premiums tax as "ultimately a tax on savings" in an era where government has tended to tax consumption rather than capital formation.

STATE TREASURER Robert Bowman, in Royal Oak last week

with Blanchard, had his numbers memorized:

"Domestic insurance companies don't pay SBT — well, the combined entire industry hardly pays \$1 million in SBT. Half the companies don't pay SBT at all."

"SBT was adopted in 1974. It's a value-added tax. But how do you measure the value added of an insurance premium? The Legislature didn't know. I don't know. It's a loophole big enough to drive a Mack truck through. SBT doesn't lend itself well to taxing insurance companies."

Foreign insurers are taxed on policies paid by Michiganians at the rates of 2 percent on life, property and casualty premiums and 3 percent on fire premiums. Domestic companies' premiums are untaxed.

"That competitive benefit is not passed on to consumers," said Bow-

man, chief architect of Blanchard's program.

SCOFFING AT the charge that small Michigan companies would be placed at a competitive disadvantage if their premium revenue were taxed, Bowman replied, "Out-of-state companies already write 70

percent of the premiums."

As for a tax on premiums being a tax on capital, Bowman said Blanchard, though pro-business, "is not a strict, doctrinaire, supply-side economist."

And he noted that federal income tax reform legislation supported by President Ronald Reagan taxes cap-

ital gains — a form of capital taxation.

The insurance premium tax was first passed by the Legislature in 1869. It is administered by the department of Licensing and Regulation rather than Treasury. In fiscal 1985 it yielded \$104.3 million out of \$8,337 million.

Home Furnishings of Distinction Since 1927

The Umbrellas of Summer...



6-Piece Set
SPECIAL \$499.
(Items may be purchased separately)

Gentle Reminder of Wonderful Days to Come!

For a relaxing summer...order this charming Wrought Iron set in your choice of 12 collection colors, and have it delivered in time for your first Sunday Brunch in the sun! (We can deliver it to you NOW in delicious "vanilla" wrought iron). Our 6-piece set from Woodard, America's finest wrought iron maker, consists of: 42" mesh-top Wrought Iron Umbrella Table, 4 Wrought Iron Arm Chairs and 7 1/2 ft. crank Umbrella. All are impervious to Michigan's capricious weather. Till mechanism, mesh vinyl Umbrella can be yours in any of 50 sun-repellent colors. ENJOY PATIO SHOP SAVINGS NOW!

We guarantee quality, service, price **Scott-Shuptrine** ...the best available anywhere!
18550 Mack Avenue, near Moross (7-Mile), Grosse Pointe Farms • 886-5200
Visa, MasterCard, Scott's Revolving Charge Open daily 9:30 to 5:30; M, TH, F 'til 9:00

GOP event will feature Allen speech

Richard V. Allen, former national security adviser to President Reagan, will be guest speaker at an Oakland County Republican function the afternoon of Thursday, April 30.

It's the Spring Event of the 300 Club from 5:30 to 7:30 in Knollwood Country Club, 5050 W. Maple, West Bloomfield Township.

Cost for 300 Club members is \$25 a person or \$40 a couple; for non-members, \$50 and \$75, said county Republican chairman Larry Dickerson. Hors d'oeuvres are covered. There will be a cash bar.

For ticket reservations, call Republican headquarters in Pontiac at

338-1133.

Allen is president of the Richard V. Allen Co., a Washington-based international consulting firm. At the Heritage Foundation in Washington, he is a distinguished fellow, chairman of its Asian Studies Center and chairman of its defense assessment

project.

Allen was Reagan's national security adviser in the first year of his administration and advised him during his campaign for the White House. He also held foreign policy positions in Richard Nixon's campaign and presidency.

50th Anniversary Sale

Smiley Brothers

"A TRUSTED NAME IN MUSIC"

Kimball Grand \$2995 new, made in USA
Detroit 875-7100 Birmingham 647-1177
5510 Woodward 1010 N. Hunter
Daily 9-5, Closed Sun. Open Sun. 1-5

The Best Things In Life Aren't Free ...
... but they ARE ON SALE.

Best carpets & area rugs

N. Woodward Ave. Just S. of 12 Mile • Royal Oak • 543-5200

CONTEMPORARY
CONCEPTS
CONSTRUCTION
WOOD DECKS
Wolmanized • Redwood • Cedar
Residential • Commercial
Specializing in Hot
Tub Installation
526-1629

Now she's
cooking with

Taste

EVERY MONDAY IN THIS, YOUR HOMETOWN NEWSPAPER

The gently tailored summer
—the soft and easy sportswear
you can mix and match endlessly
25% to 30% off*



Unconstructed blazers, regularly \$60.00 to \$134.00, **44.99 to 99.99**

Luxe silk noile or crisp blends of rayon-silk, polyester-rayon in wonderful colors. 4 to 16

Easy-pleated pants, regularly \$4.00, **39.99**

Our own relaxed pull-on style in black, taupe or white polyester-rayon. 4 to 14

Beautiful blouses, regularly \$6.00 to \$8.00, **32.99 to 42.99**

Classic collar and jewel-neck styles, many in prints that match the skirts for a dress look.

Gently full skirts, regularly \$8.00 to \$8.00, **32.99 to 65.99**

Soft pleats and dandies in solid turquoise, white, black, taupe, plus vibrant prints.

Selected collections, not every style in every size and color. *Percentages off regular and original prices; intermediate reductions may have been taken prior to this sale.

Sale ends April 29th Lord & Taylor, Fairlane—338-3100 Lakeside—247-4500
Twelve Oaks—348-3400 Riverwood Mall—668-4500 All open daily 10 to 9 Sunday 12 to 5