

Business tax complaints dry up

By TIM RICHARD

There was much moaning and gnashing of teeth among small businessmen when the so-called "single business tax" took effect this year—so much so that one would have thought repeal was just around the corner.

Gov. Milliken named Lt. Gov. James Demman, a hardware merchant in private life, to head a 27-member blue ribbon panel to review the act and recommend changes.

Metaphorically, Demman's panel sent out 400 questionnaires to a dozen different kinds of businesses across the state. And nothing is happening.

"THERE HAS BEEN only a six per cent return," reported State Rep. Ruth McNamee (R-Birmingham), who added she has provided forms in her 6th House District to get their replies back to Lansing.

"This is not sufficient data to accomplish the kinds of adjustments they had hoped to formulate. They had hoped for a 20 per cent response."

Rep. W.V. (Sandy) Brotherton (R-Farmington), a strong opponent of the SBT, added, "I want to find out what firms in my area were sent questionnaires." His district includes the Farmington community and western Southfield. Brotherton said response has been so poor that he has heard any decisions relating to any change have been put off until spring by the study committee.

PROFESSIONALS SUCH as Dr. Hugh Wren, former president of the Redford Township Chamber of Commerce, admitted "shed a few tears" when they saw their first SBT forms. Why, then, did business opposition suddenly die out?

Brotherton and Mrs. McNamee both agreed the questionnaire's forms were so complicated they may have been brushed aside. Some businessmen told Mrs. McNamee they gave the forms to their accountants, but whether the accountants completed them and returned them to Lansing is questionable.

Brotherton thought the Demman task force should first have sent questionnaires to businessmen who complained to their legislators about the SBT, on the theory that those who complained would be certain to respond to such a formal survey.

There's still another possibility, Brotherton said. "They may have found the bill wasn't so bad."

THE SBT WAS designed to replace eight other taxes. One was the so-called "personal property tax," a local property tax on business inventory and equipment.

It's possible he said, that once some businesses studied the full impact of the SBT, they may have decided they weren't hurt on balance. Besides the personal property tax, SBT eliminated the income tax on corporations and financial institutions, the capital stock tax, the intangibles tax for persons subject to SBT, the tax on materials and supplies

of public utilities and the domestic insurance company privilege fee.

ON GENERAL, SBT was designed to do several things:

1) Provide a more stable source of revenue than the existing corporate income tax, which behaves like a roller coaster over the business cycle; 2) provide tax breaks for firms investing in new plant and equipment, thus encouraging new investment in Michigan; and 3) dip deeper into the coffers of service-related businesses, which were argued weren't carrying their share of the load.

SBT is a specific tax of 2.5 per cent on (roughly) the value added to a product by a firm. Thus, a non-manufacturing firm with little capital equipment to depreciate would get kicked fairly hard.

THE BILL didn't work out quite that way, Brotherton said.

For one thing, the flow of new capital into plant and equipment doesn't seem to be occurring. And it won't, he said, until Michigan improves its unemployment compensation and workers' compensation laws and speeds up paperwork under the Environmental Protection Act.

For another, it isn't producing all the revenue it was supposed to. "There were topologies that resulted in less revenue than anticipated," he said.

Can it be amended piecemeal? "People here are afraid a bill will be so saturated with amendments that it won't correct the inequities," said Brotherton, who has offered his own HB 638 to exempt some income.

Sen. Robert Davis (R-Gaylord) has proposed SB 1228 to reduce the tax liability for small firms—those whose gross receipts are \$1.5 million or less.

But Sen. Carl Pursell (R-Plymouth) points out the Davis bill would reduce state revenue by \$50 million, which will make it unpopular with the Milliken Administration.

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As drafted, it would apply to general governments (cities and townships), but Crim questioned whether school districts shouldn't be included.

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Crim backs Forbes on reimbursement

A bill by State Rep. Joseph Forbes (D-Oak Park) to reimburse local governments for new state-mandated programs has won the endorsement of House Speaker Bobby D. Crim (D-Detroit).

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ing projects from the SBT. He contends co-ops are really homeowners' groups and shouldn't be taxed as businesses.

A SIX PER cent response to the survey means only about 240 replies have been received. Realistically, generally, any they need at least 1,000 responses to draw any valid conclusions from a random survey.

Mrs. McNamee said the Demman task force "can't rely on conversations. It must have data if it's to make any recommendations for revising SBT."

Businesses' responses will be held in strict confidence. No taxpayer will be identified," she said.

She urged businesses and accountants who may be having trouble with the complicated survey to seek help from their nearby district office of the state treasury department.

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