

But SBT is here to stay

Damman hearings search for equity

By TIM RICHARD

As of right now, Lt. Gov. James J. Damman will give out only one solid clue how the new and controversial single business tax (SBT) will be revised.

The No. 1 priority is relief for a person taking out of his business an ordinary income—the kind of income he'd make working for someone else," said the politician-businessman who heads the Governor's Advisory Task Force on the Single Business Tax.

The 31-member task force Damman

heads this week wound up a series of nine hearings, including two last week in Pontiac and Detroit.

Damman attends most himself, usually spending six hours taking the heat from of angry businessmen who use the hearings to vent their frustration at government in general as much as to detail what's wrong with the 2.35 per cent value-added tax which this year replaced seven other business taxes on the Michigan lawbooks.

A NUMBER OF the business persons.

however, are later complimentary to Damman. They tell the former hardware merchant they think he's really listening to their problems. "I'm glad to see you don't have horns," quipped one.

Damman appreciated that, because it came at a time when The Detroit Free Press was running a political column saying that Gov. William G. Milliken was more to tell Damman he would be dumped as No. 3 man on the 1978 Republican ticket.

Damman is considered a political liability because of the ethical questions raised by his land dealings while he was a Troy city official.

Mesquite, Damman continues to work on SBT. He told people at the hearing, "This panel's job is to structure a state tax system. This task force is the first one in my memory composed of business people."

So legislators and some university economists are part of the panel, but the bulk are people from all kinds of business. Attending the Pontiac hearing with Damman were, for example, John Hodge of Chrysler Corp., William G. Boney Jr., who heads the stock brokerage firm with his name, Ralph Staley, chairman of Acme Building Maintenance, Donald Brown of Michigan Bell, Henry A. Montague of the Michigan Restaurant Association, headquartered in Southfield, Paul E. Weiss II, chairman of Mt. Clemens Home Gardens, and Robert E. Smith of the Michigan Farm Bureau.

DAMMAN IS FIRM on one point: "A system like SBT is with us to stay. We should think in terms of how to improve equity."

That's a clear, sharp answer to the many speakers who urge total repeal of a tax that brings in a quarter of the state's income.

The hardest hit appear to be very small business operators who make a salary-sized living as dry cleaning operators, professionals and manufacturers' representatives, for example.

"Beyond that, we want to look at some of the dislocations—in construction and insurance," Damman said. Some of the strongest testimony came from independent insurance agents, whose rates are set by the insurers and the state and who can't pass on the SBT to buyers, and from all phases of the construction industry.

"LOTS OF THEIR problems are external to SBT," Damman said of the business persons.

Soaring malpractice insurance costs are hurting the healing professionals, property insurance is a drain for firms in high-crime areas, unemployment compensation and workers' compensation costs are enormous problems, especially to companies which must compete with firms from other states.

Yet Damman's task force has defined some of SBT's problems and outlined some alternative solutions. Ironically, mending one section of the act may make other parts more onerous.

IN A NUTSHELL, SBT is a value-added tax. It is levied on a firm's payroll, fringe benefits, profits, interest paid, and some depreciation.

A task force interim report noted many small and new firms have big debts and high interest costs because of their low equity.



LT. GOV. DAMMAN

uty. So removing interest paid as one item in the tax base would seem to be of some help.

But others complain that taxing the payroll discourages hiring. Thus, if interest is eliminated from the tax base, the SBT would fall all the more heavily on the payroll portion.

Another possibility is to eliminate a percentage of labor costs from the tax base. In the aggregate, labor represents 77 per cent of the SBT tax base, but the Michigan law already has a 60 per cent deduction—that is, labor costs which exceed 60 per cent of a firm's base are deducted. So, most firms are already getting a break.

Still another possibility is to allow a one-time deduction of the total annual compensation paid new employees who are an addition to a firm's total employment. The problem is the monstrous difficulty of determining which positions are really new in a dynamic economy where the job mix is constantly shifting and workers get new titles.

Sentiment among businessmen at the hearings was strong for restoring profit as the tax base. But state officials in general

and school leaders in particular are adamant about wanting to eliminate the roller coaster effect on tax returns that a roller coaster item like profit causes in Michigan's highly cyclical economy.

There will be modifications, but Damman made it clear that SBT or something like it is here to stay.

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Republicans to elect officers

When Oakland County Republican Party officers are elected Wednesday, there will be just one contested post.

Both Marg Thomas of Birmingham and Eleanor Blum of West Bloomfield are vying for the county vice-chairmanship. The post is being vacated by Pat Warren of Troy. There is no one else named for each of the other leadership posts.

Executive committee members will meet at 8 p.m. in the county commissioners' auditorium, 1200 N. Telegraph, Pontiac for the election.

Arthur Elliott will be unopposed in his attempt to retain the chairmanship of the county GOP. Elliott was appointed a year ago to fill the vacancy created by the resignation of former chairman Sheldon Smith.

Incumbent secretary Sheila Davery of Bloomfield Hills will not seek re-election. Nancy McConnell of Bloomfield Hills is unopposed for Mrs. Davery's post.

Also unopposed is George Haller of Troy, who is seeking election to the treasurer's post being vacated by incumbent Joseph Harding.

All incoming officers will take office Jan. 1 for two-year terms.

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