

# Governor signs bills to phase out Single Business Tax

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## STATE NEWS

Once it counted as "reform," but today lawmakers are reforming the Single Business Tax.

Criticized back in the 1970s for the hurried manner in which it was adopted — in one of the Legislature's final late-night sessions — the Single Business Tax is now slated to be phased out over the next 23 years.

And detractors are criticizing the "fast track" manner in which that decision was made.

Gov. John Engler signed three bills July 14 that would phase out the SBT and adjust sales and use taxes in a special ceremony at a small business in Southfield. Vetterstorations, a family owned business specializing in the restoration of vintage Corvettes, hosted the event.

Getting much of the credit from Gov. Engler were the sponsors of the bills, State Rep. Nancy Cassis (R-Now) and Sen. Mike Rogers (R-Brighton).

"As we all know, when the cost of doing business is higher than it should be, it's the consumers who end up paying the bill," Engler said. "This phase-out is another important step to the long-term strength of Michigan's economy. By phasing out the SBT, we are removing the last significant business barrier and positioning Michigan for an even

brighter future."

Talk about turbo-charging our economy, eliminating the SBT puts Michigan on the fast track to more jobs and continued prosperity," Cassis said of the measure at the signing ceremony. "Everyone, from families to family owned businesses, will enjoy the ride. . . . We're getting rid of one of the most onerous, anti-competitive taxes in Michigan."

And just when opponents of the phase out were claiming that it would benefit only a minority of companies and provide minimal relief, Cassis said the owners of Vetterstorations announced that the phase out will allow them to hire one additional employee. That's one additional family with a salary and benefits, Cassis said.

House Bill 4745, the first of those signed, will drop the SBT by 0.1 percent each year, starting with Jan. 1 of this year, until it is phased out in the next 22 years. The bill contains wording that will suspend the phase out should Michigan's economy dip and the state's "rainy day fund" be depleted.

It also amends the SBT, until it is phased out, to treat all companies doing business here the same. Previously, foreign firms

were taxed.

House Bill 4744 and Senate Bill 544, Rogers' bill, mainly make technical adjustment to sales and use taxes needed as a result of the SBT phase out and making collections more fair. Among the changes was exempting all "rolling stock" from sales tax collection.

Ben Kohrman, Deputy Director of Media Relations for the House Democratic caucus, said his party has four main concerns with the SBT repeal plan.

For one, Democrats don't believe the measure will provide real tax relief. Only about a third of Michigan businesses pay Single Business Taxes, due to the exemptions that have been placed on the tax. Most of those are larger corporations.

Indeed, Public Sector Consultants confirms that about 76 percent of SBT revenue comes from roughly 6 percent of companies in the state, the largest 6 percent of corporations.

Under the phase out, some firms will pay even more single business taxes until it is eventually eliminated, Kohrman said.

Democrats also argue that if, as Engler contends, the state's economy is competitive and growing, then elimination of the tax isn't needed.

"I thought we already were competitive," Kohrman said. Corporate profits are up in

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John Engler  
— Governor

Michigan. In fact, Kohrman argues, they are reaching record levels. Personal and family incomes are stagnant however, he argued. So any tax relief provided by the state should have come from personal income taxes, he argues.

Cassis argues the state has already dropped the income tax once this year, from 4.4 percent to 3.9 percent.

Finally, Democrats say an error in the wording of the bills would have applied the SBT to Canadian firms for business done elsewhere as well as business done in Michigan. With some \$83 billion in trade with Canada, it would be a mistake

for Michigan to "start a trade war with Canada," Kohrman said.

Republicans agree there was an error, but argue the verbiage was fixed in the state Senate during passage so that Canadian firms will only pay taxes on business done here.

"I'm not convinced. How wording is intended and how it actually works when applied to an individual's or a company's taxes aren't always the same thing. We'll see when this is put in effect how it really works," Kohrman said.

"And that is the problem, really, with fast tracking the process. Had the Canadians not been on the ball, this might have been enacted. It still could have a number of unintended consequences."

Lyn Jondahl, former chair of the House Taxation Committee, also came out in opposition to the phase-out.

"Perhaps the only thing worse than the decision was the manner in which it was made," he said. Jondahl pointed out that the tax presently produces about \$2.7 billion annually, which is about 30 percent of the state's general fund budget. Mainly, lawmakers heard from the Senate Fiscal Agency.

What would you do, Jondahl stated, if you were in a position to decide what to do with the

state's \$88 million surplus?

"What would you propose? . . . I would hope that you would ask for a major public policy debate . . . and the participants in the discussion should include more than the Canadian business and government interests."

Yes, the bill was fast tracked, Cassis agrees. But she argues that the content of the bill did not change significantly during the legislative debate. She believes other complaints about the process aren't valid.

Had the state waited for more debate, she said, it either could not have enacted the cut for this year or would have had to go through a costly refund process.

The SBT, Michigan's main business tax, was a 2.3 percent levy on the value a business adds to its product during production. The main components used to compute that value are labor, interest paid, depreciation and profit.

The SBT took effect in 1976 as a replacement for seven business taxes. The SBT returned the state to a value-added tax form of business taxation, which was used from 1953-67 in the form of a business activity tax. Corporate income taxes, used from 1967-76, proved unsatisfactory to the state because of instability in producing revenues due to severe cyclical fluctuations in the economy.

# Numerous cases of Hepatitis A prompt public education effort

BY PAT MURPHY  
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Cases of Hepatitis A are down by more than 40 percent in the first six months of 1999, compared to last year's record high levels, according to the Oakland County Health Department.

But cases of Hepatitis A are still so numerous that state and local health officials are preparing a public campaign to educate residents about the importance of good hygiene in combating the disease generally transmitted by person to person contact.

"We can't pinpoint a reason," said Carolyn W. Bird, M.D., chief of medical services for Oakland County. But Oakland, like other communities in southeast Michigan, has experienced a substantial increase in Hepatitis A, she said.

As of June 30, Oakland had 57 reported cases of Hepatitis A. That compares favorably to the middle of last year, when 100 cases were reported. But the mid-year level for 1999 is more than 30 percent higher than the number reported for the same period in 1997.

No fatalities involving Hepatitis A have been reported this year, compared to one each in 1998 and 1997. But the usually nonfatal disease can lead to death in some cases, said the physician, particularly in combination with Hepatitis B or C.

Hepatitis A is a swelling and tenderness of the liver caused by a virus. Its symptoms include abdominal pain, fever, tiredness, loss of appetite and nausea followed by yellowing of the skin and eyes.

The most common way of spreading Hepatitis A is person-to-person contact.

Summer is a particularly bad time," said Bird, "because there are so many cookouts, picnics and family reunions."

Outbreaks — like the one in the fall of 1997 eventually traced to a deli in West Bloomfield — may be linked to water or food being contaminated with feces or food not being cooked long enough at the correct temperature.

The 1997 outbreak sickened more than 50 people including an elderly West Bloomfield resident who died. Health department investigators were able to trace the outbreak to a deli, where coleslaw was identified as the source.

"We went as far as we could (with the investigation)," said Bird. "But we were unable to determine if the actual source of the contamination was an employee who hadn't washed his hands thoroughly or the product shipped in for making the coleslaw."

Last year's outbreak — when 333 people were sickened, including one middle aged man who died — was significantly different than most of the 1997 cases, said Bird.

In 1997, she said, a good portion of the year's total were traced to a single source — the deli. Last year and so far in 1999, there is no single source. "We don't have it characterized real well," the physician said, "but so far, it appears that people are simply infecting other people."

State health officials are tak-

ing the lead in efforts to identify and deal with the problem, said Bird. They are pushing for better reporting techniques and closer contacts with labs, she said.

"State health officials in the near future will also launch the public education campaign to alert residents to the problem,"

Bird said.

At least part of the emphasis will be on preventive measures, the physician said.

While good sanitation and proper hygiene are key to preventing Hepatitis A, specific precautions include hand washing with soap and warm water:

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- Before eating or preparing food.
- After using the bathroom.
- After diapering or toileting a small child.

There is no specific treatment for Hepatitis A. But health officials say it is still important to see a doctor who can follow the course of the infection and recommend symptomatic measures such as rest and diet.

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