



**Metropolitan Affairs Coalition
Tax Issues Board Advisory Team
Opinion on Tax Reform Proposals**

As a coalition of business, labor and government leaders in Southeast Michigan, MAC demonstrates that problems are best addressed when all parties are at the table. The MAC Board acknowledges the historic depths of the state's financial crisis. Its Tax Issues Advisory Team has reviewed the tax reform proposal recently presented by the Governor and has prepared this response, consistent with the MAC State Issues Platform and representing consensus of the group.

MAC recognizes the Governor's bold actions to resolve the state budget crisis and return Michigan to fiscal stability. We agree with an approach that is simple, fair, and efficient; and support the creation of an environment that is conducive to job growth, leading to reductions in the state's unemployment rate. MAC supports the need for shared sacrifice.

MAC also believes that effective tax reform needs to be sustainable; provide a predictable revenue model for the state; and generate sufficient revenues to adequately invest in essential services, including the long-term maintenance of the state's infrastructure and education systems.

Within this framework, MAC offers the following perspective around key provisions of the Governor's tax reform proposal:

Incentives

MAC supports the basic concept of reducing reliance on targeted credits/incentives through the tax system, with the following cautions and recommendations:

- Avoid sending inconsistent messages to global/national industry sectors.
- Incentives which have been awarded to companies must be honored in full – based on the economic incentive awards, companies have made substantial investments and commitments to Michigan stakeholders as part of the development agreements.
- Balance cost savings with the ability to incentivize important state objectives (revitalizing cities/older urban areas) and economic development experiments/pilot programs that may have a strong likelihood of future economic benefit (e.g., Aerotropolis, Medical Main Street, film industry, advanced manufacturing and technology, etc.).

Business Income Tax

MAC supports elimination of the MBT in favor of a simplified business income tax, with the following caveats:

- The tax climate for business should be compellingly competitive – for all business taxes, including personal property taxes.
- Special care should be taken to avoid creating loopholes or special deductions.
- While partnerships, LLCs, "S" corps, and those with out-of-state headquarters should not be double-taxed, they should pay their fair share. Form of legal organization should not determine an enterprise's tax liability.
- Companies that make major investments in capital equipment and research and development should have an opt-in to the MBT until personal property tax costs are reformed to be competitive with other states. (This is of particular importance to manufacturing and our auto companies which are the backbone of the state's economy.)

Taxing Pensions

MAC does not take a position, but encourages that every effort be made to protect our lower fixed-income senior population.

Earned Income Tax Credit

MAC does not take a position, but encourages that every effort be made to protect the working poor and financially vulnerable populations.

Sales-Related Taxes

Consider sales-related taxes to fill-in revenue gaps. For example, restructuring gas taxes (no increase since 1997) may be necessary to adequately fund Michigan's deteriorating roads and public transportation; modifications to other consumer taxes, while unpopular, may be necessary to help fund public expenditures essential to Michigan's long-term economic prosperity.

Note: MAC's Tax Opinion Paper was approved by a majority vote of its Board of Directors, but does not necessarily reflect the opinions of all members, who may disagree or hold stronger positions on certain points, or have abstained due to business conflicts.