

March 21, 2007

THE BUDGET & SBT REPLACEMENT PLAN

The State Budget Office has notified lawmakers this week that a second budget-balancing Executive Order (EO) will be presented on Thursday, March 22, 2007. It is speculated that Senate Majority Leader Mike Bishop (R-Rochester) and Speaker Andy Dillon (D-Redford) will sign off on the roughly \$400 million in accounting changes and one-time fixes the Administration proposed to balance the nearly \$1 billion hole in the Fiscal Year (FY) 2007 budget. Those one-time changes include how public employee pension contributions are calculated for this year only and pushing the final state university payments into FY 2008.

House Democrats have been eyeing a temporary income tax hike as an alternative to the Governor's excise tax. Speaker Dillon is working on a third revenue enhancement option, but keeping it confidential. Meanwhile, House Minority Leader Craig DeRoche (R-Novi) does not think the families of Michigan can afford an income tax increase. Representative DeRoche has been attempting to discharge the Governor's excise tax bill from the House Tax Policy Committee so that the bill could pass the House and move onto the Republican-controlled Senate.

Senate Republicans discharged Governor Jennifer Granholm's tax plan including the excise tax, her plan to replace the Single Business Tax (SBT) and the cigarette tax from the Senate Finance Committee on Thursday, March 15, in an attempt to force Democrats to vote on the bills. Senate Majority Leader Mike Bishop (R-Rochester) "wanted to put it on the floor to see what kind of votes are out there." Senator Bishop said he plans to bring the bills up for a vote this week.

The Mackinac Center for Public Policy's recent research shows that Governor Jennifer Granholm's proposed 2 percent excise tax on most services could result in the loss of up to 19,000 jobs in its first 16 months. Economists at the Beacon Hill Institute in Massachusetts were asked to research the impact of the 2 percent tax on Michigan's economy. They estimate that revenue from the excise tax will fall short of the official projections of \$221 million through fiscal year 2008. It is also projected to lower state personal income by \$1.1 billion and reduce total investment in Michigan by more than \$248 million. The analysis does not attempt to measure job or income changes resulting from other components of the Governor's tax and budget plan.

REAL ESTATE & LOCAL ISSUES

House Democrats were successful this week in getting the chamber to approve an 18-month moratorium to the "pop-up" tax that occurs when a homestead is sold, as well as an increase in the real estate transfer tax for the duration of that moratorium. But they failed to get the votes on another municipal finance measure aimed at softening the blow to local governments for losing pop-up revenue.

The pop-up measure, House Bill 4440, passed on a 77-31 vote, and House Bill 4441, the transfer tax provision, received a vote of 58-50. It was House Bill 4442 that caused the most consternation in the Tax Policy Committee. Because this bill alters the way the Headlee rollback millages are determined by including the pop-up taxable value in the equation, it would be a significant tax increase to homeowners. The rollback on property tax rates is required when property value rises above the rate of inflation or 5 percent, whichever is less from year to year.

House Bill 4440 is now tie-barred to House Bill 4215, which allows homeowners to claim a principal residence exemption on their current domicile as well as their previous principal home for no more than three years as long as no one else is living in the second home and it is still for sale.

House Bill 4441 also includes language specifying that local governments could not use the additional revenues in the transfer tax to offset what they are already spending on public safety so money can be spent somewhere else, but are to be used in addition to what appropriations already go to those services.

The Michigan Association of Counties requested an amendment to give some monies to counties that don't receive real estate transfer funds but are affected by the loss of the pop-up. It was added on the floor so counties would get 25 percent while the local tax collection units would get the remaining 75 percent. The Michigan Association of Home Builders also got an exemption for new homes on the temporary increase in the transfer tax on the floor.

STEM CELL RESEARCH

According to a new survey, 65 percent of Michigan voters would support a ballot proposal to permit stem cell research. The survey, conducted by Denno-Noor Research asked the question to 600 likely Michigan voters. Sixty-five percent said they would vote for this amendment compared to 23 percent of likely voters who said they would vote no. Eleven percent indicated they were unsure about their vote.

In another recent survey by the same research firm, Michigan voters are opposed to any changes in road funding. When asked which state service cut would have the greatest impact to the voter and his or her family, more than a third said "limiting road repairs" over "consolidating school districts," "eliminating townships," and "a freeze on state spending on new college buildings and land expansions."