Associated Builders and Contractors of Michigan

House Tax Policy Committee
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Associated Builders and Contractors of Michigan

Good morning Mr. Chairman and members of the Committee. Thank you for the opportunity to be here today. My name is Chris Fisher and I am the Executive Director of Associated Builders and Contractors of Michigan. I appear before this committee to express our strong support for a complete and total repeal of the services tax.

I would also like to address the notion of once again re-opening up the Michigan Business Tax and creating a surcharge, by stating that like much of the business community throughout our state, our membership strongly opposes this proposal.

Concerning a repeal of the services tax, our membership greatly appreciates the willingness of this committee and others to address the need to repeal this ill-conceived job-killing tax. In terms of how the services tax affects the construction industry, we have members, those involved in the installation of burglar and fire alarms in particular, who are directly and adversely impacted by this tax.

The fact that the state building code requires fire alarm installation before an occupancy permit can ever be issued speaks to this tax being anything but "discretionary."

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Indeed, anything short of a repeal would have devastating consequences and result in a distinct and definite loss of jobs in Michigan. Moreover, the recent passage of the services tax has also resulted in some of our members looking for office space in Indiana instead of Michigan.

As you proceed with repeal of this tax, we would only caution that you seek a true repeal of the enacted bill as opposed to a partial repeal. Especially with alternative revenue options being explored, there is no need to once again pick winners and losers.

In addressing the $750 million question that the repeal of this tax brings to the forefront, our members overwhelmingly support this committee and the legislature being more aggressive in seeking out efficiencies and cuts to balance the budget.

If, at the end of the day the legislature is unwilling or unable to pursue this option, we would not oppose increasing the state sales tax half a cent to a penny as the next-best option and we would also not oppose an increase in the state income tax.

Opening up the Michigan Business Tax to a surcharge, however is simply something our membership cannot support. This tax was deliberately and carefully crafted over the course of several months. To unravel the delicate balance and outcome of the Michigan Business Tax is nearly as unappealing as the Services tax itself.

The MBT surcharge affects businesses large and small. It taxes any firm that has an employee with income in excess of the $160,000 - $180,000 alternative profits tax threshold created by the MBT. Moreover, the surcharge isn't even indexed to the rate of inflation.

Having to choose between a services tax and an MBT surcharge a lose-lose proposition for many of our members. Equally distressing is the fact that this doesn't have to be the case.

Among the revenue replacement options before you are ones which are far more practical, eminently more dependable and much easier to understand than a surcharge on the MBT. These options include rate increase in either the sales tax or the state income tax. As members of the business community, either of these options would not be opposed by our membership.

Mr. Chairman, I'd like to thank you for the opportunity to share these concerns and am happy to answer any questions you or any committee members may have.