Comprehensive Economic Reform, Transformation, and Rejuvenation

Presentation by

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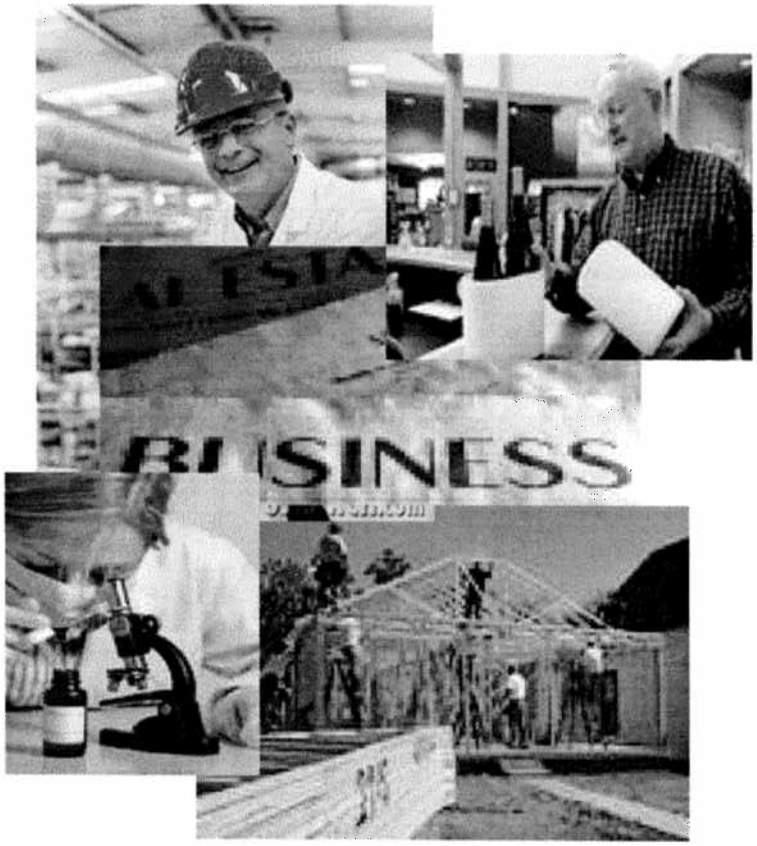
STIMULATING OUR ECONOMY

- To stimulate economic growth, business investment, and job growth, the Senate Republicans have a comprehensive plan to replace Michigan's Single Business Tax (SBT).



STIMULATING OUR ECONOMY

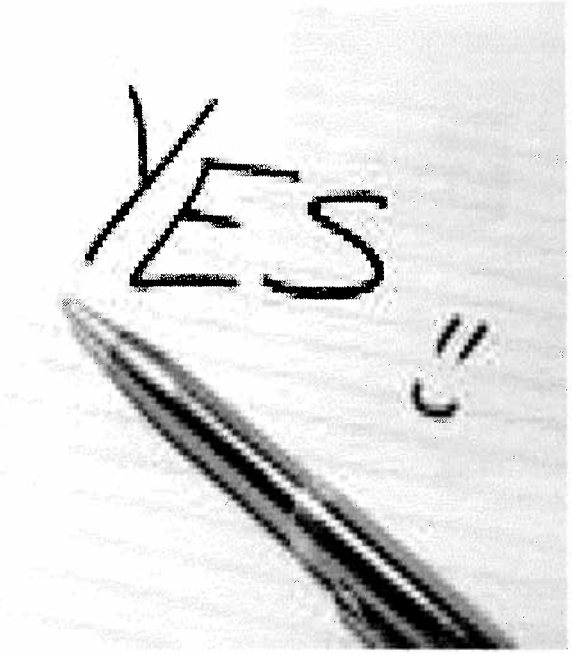
- While any tax plan should seek to provide fairness among taxpayers, efficiency, simplicity, and stability, this plan's focus is on the ***stimulation of the Michigan economy*** and, therefore, on job growth and investment.

SENATE FINANCE COMMITTEE

- Extensively reviewed a number of tax plans offered by the Michigan, Detroit, and Grand Rapids Chambers of Commerce; the Administration; and Professor Wolfram from Hillsdale College.
- All these plans have strengths and weaknesses.

SENATE REPUBLICAN PLAN

- Integrates the best elements into a plan that offers a substantial and competitive improvement from the current state of business taxation in Michigan.



SENATE REPUBLICAN PROPOSAL

- Gives businesses *a choice* as to which tax to pay.
- Focuses on stimulating small businesses that are growing quickly and adding jobs.

SENATE REPUBLICAN PROPOSAL (CONTINUED)

- Provides substantial personal property tax relief for investment in new equipment.
- Is low-rate and broad-based (this reduces distortions in markets).

WHAT THE PLAN INVOLVES

Two Components:

- A modest business income tax and a modified gross receipts tax.
- The main tax is a gross receipts tax less purchases from other firms (equivalent to a sales tax).

This plan offers an option to taxpayers to pay either the gross receipts tax or the income tax for firms with gross receipts under $15 million.

COMPONENTS OF THE PLAN

- Firms with sales over $15 million would pay the Gross Receipts Tax, less purchases from other firms, plus the Business Income Tax.

HIGHLIGHTS OF THE PLAN

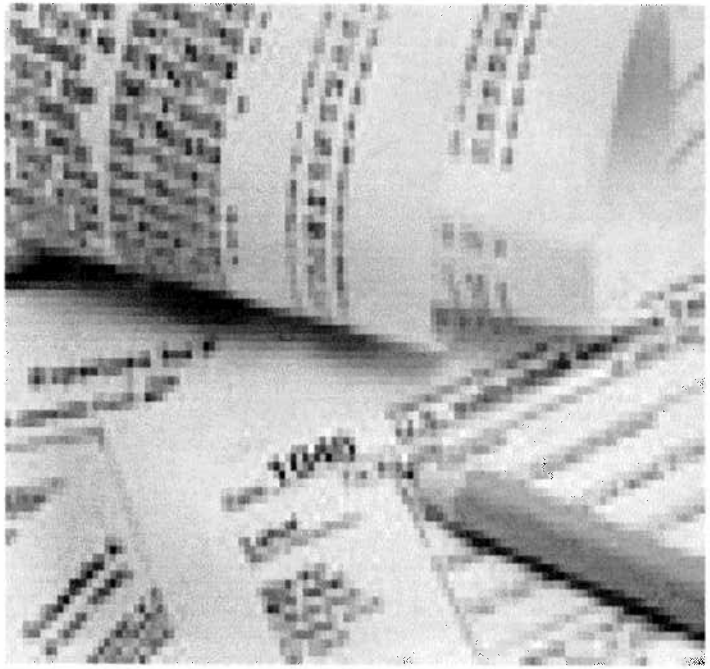
- The plan would reduce business taxes by approximately $600 million, which would stimulate Michigan's economy.

THE PLAN (CONTINUED)

- Approximately 75 percent of the revenue would be raised by the gross receipts tax while the remaining 25 percent, would be raised by a modest business income tax.

THE PLAN (CONTINUED)

- Firms electing to pay the business income tax would reduce their taxes while in the growth stage of development.

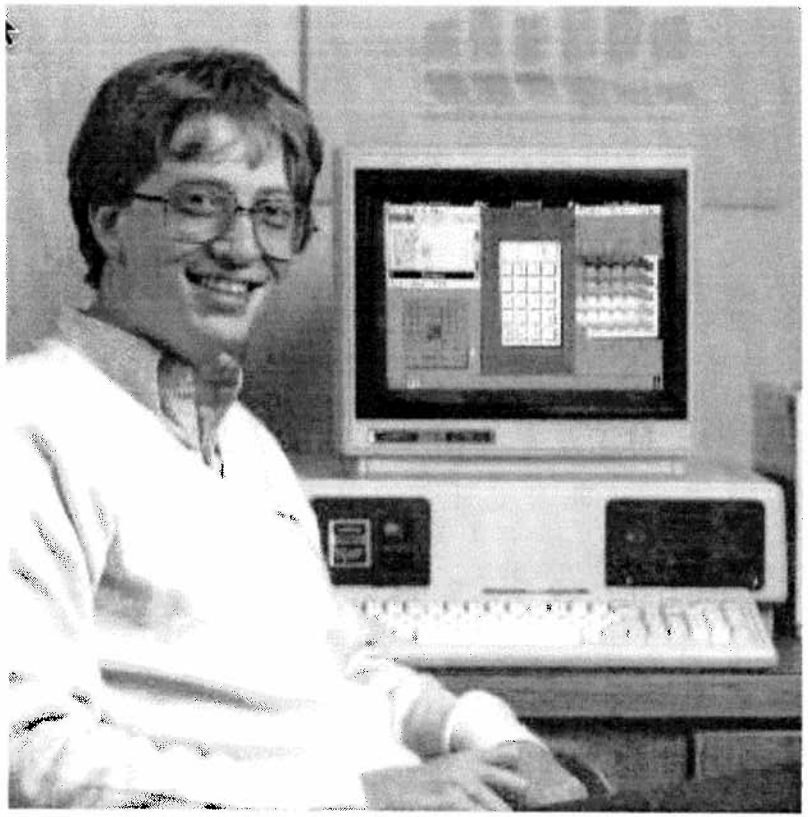


THE PLAN (CONTINUED)

- Firms with gross receipts (essentially sales broadly defined) less than $350,000 would have no tax liability.

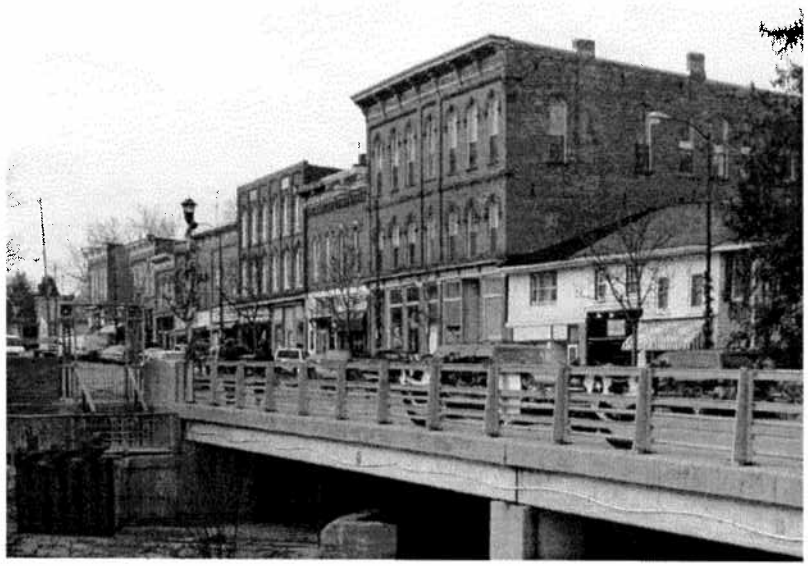
THE PLAN (CONTINUED)

- A "Michigan Entrepreneurial Exemption," or M-E 2, targets small businesses and would provide that firms under $25 million in gross receipts would *pay no taxes for up to five years* if the firm meets certain job growth and investment criteria.



OTHER ECONOMIC DEVELOPMENT INCENTIVES (CONTINUED)

- The tax would be apportioned 100 percent on sales in Michigan.
- The tax would ***completely exempt new industrial personal property*** and would provide a 25 percent PPT credit for recently acquired commercial and industrial personal property (property acquired within the previous five years).



OTHER ECONOMIC DEVELOPMENT INCENTIVES (CONTINUED)

- A circuit breaker so that if revenues from the taxes exceed $1.56 billion by more than inflation plus 1 percent, the rate of the gross receipts tax will be adjusted downward.