DetroitRegionalChamber
Powering the economy for Southeast Michigan

One Woodward Avenue • Suite 1900 • Detroit, Michigan • 48226

December 2, 2015

The Honorable Jeff Farrington
Chairman, House Tax Policy Committee
S-985 House Office Building
Lansing, MI 48909

The Honorable Michael Shirkey
Chairman, Senate Michigan Competitiveness Committee
320 Farnum Building
Lansing, MI 48909

Dear Chairmen Farrington and Shirkey:

Serving the business community for more than 100 years, the Detroit Regional Chamber takes pride in advocating on behalf of businesses throughout the city and region. As one of the most influential chambers of commerce in the country, our members look for us to collaborate with government partners in support of Michigan's reinvention and continued economic growth. We accomplish this through our four pillars of economic development, regional collaboration, education reform, and providing value to our members.

The continued growth and diversification of the Michigan economy is a top priority of the Chamber. The economic comeback of this state will be sustained by continuing to cultivate an attractive business market, encouraging talent development, and investing in emerging markets.

There is no doubt that the technology fields will play a major role in any state strategy in the coming decades. Technology has gone from a niche market to a part of every major industry in America, to the extent that even the automotive industry – the mainstay of the Michigan economy – has been quipped as the newest technology field, which happens to make automobiles.

Data centers are the utility of technological innovation, no longer a luxury but instead a necessity in order for a new generation of inventors and entrepreneurs to succeed in creating a truly connected world. As Michigan competes to maintain its place as the center of the automotive industry and break into other emerging technological fields, the presence of large-scale data center campuses in Michigan will raise this state's reputation as an eminent cloud computing destination in the eastern United States. The opportunity to attract a top-tier data center operator (such as Switch) is an incredible opportunity to help launch this industry in Michigan.

In order to succeed, Michigan must eliminate the competitive disadvantages currently hindering the progress of this field. The application of the sales and use tax put Michigan at a competitive disadvantage. Without a sales and use tax exemption, potential clients will not choose to locate their data services at a campus in Michigan, since they can instead locate in a different state at a lower cost. This barrier incredibly reduces Michigan's ability to attract data center expansion, despite the successful reforms by this legislature over the past few years.

To be clear, the Chamber does not believe in "by invitation only" economic development. The best model for success is a tax and regulatory climate which is fair and attractive to all companies, and the Chamber has vocally supported many of the initiatives by this administration and legislature to accomplish that very mission.

The legislation you are considering, however, does not promote that type of development. House Bills 5074-5076 and Senate Bills 616-618 strive in their intent to create an equal opportunity for all potential investment in this unique field, while recognizing the necessity of offering a tax structure which is competitive with other states. Albert Einstein once said "you have to learn the rules of the game. And then you have to play better than anyone else."

Improvements should be made to the legislation to ensure that these ideals are achieved to the greatest extent possible. Michigan should not be choosing "winners and losers"; this legislation should incentivize the development and expansion of this industry regardless of the company, their size, or the type or extent of their other business interests. Limitations based on anything beyond the purpose of investment are an ill-conceived, arbitrary application of this new incentive. The Chamber strongly encourages the committees to amend this legislation to reflect these priorities.

The Chamber supports the successful location of a Switch SuperNAP center in Michigan, as well as reasonable legislative changes to make Michigan a competitive location for companies like Switch – and any other potential venture – to invest. The bills as introduced are a well-intentioned and promising starting point towards this admirable goal, and the Chamber looks forward to working with legislators and stakeholders as the process continues.

Sincerely,

Jason Puscas
Director, Government Relations

CC: The Honorable Rick Snyder
Governor, State of Michigan

Members of the Tax Policy Committee
Michigan House of Representatives

Members of the Michigan Competitiveness Committee
Michigan Senate