

**THE JACOBS REPORT**  
**GILDA Z. JACOBS**  
**MICHIGAN SENATE**  
**Assistant Democratic Floor Leader**  
**FOURTEENTH DISTRICT**

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**GRANHOLM UNVEILS PRO-GROWTH TAX PLAN**

**Michigan Businesses, Critical Programs Protected**

Governor Jennifer M. Granholm unveiled details of the Michigan Business Tax (MBT), her new plan to replace the Single Business Tax (SBT). The governor's goal was to make the state's business climate more competitive while ensuring that funding will be available for critical programs in public education, health care, and public safety.

Early reactions seem to indicate that she has succeeded in meeting these goals.

Charlie Owens, state director of the National Federation of Independent Business (NFIB), called the proposal a "vast improvement."

Rep. Fulton Sheen (R-Plainwell), the House Tax Policy Chair, concurred. "On first blush this seems to be more functional, simpler."

Even Senate Finance Committee Chair Nancy Cassis (R-Novi), an outspoken critic of the governor in the past, was highly complimentary during this week's committee hearing, saying that she was "encouraged" that the new tax proposal included elements of what she, herself, would propose.

"We're more together now than we are apart and that's good," Sen. Cassis said.

The plan is built on principles Granholm outlined earlier this year: a tax that is revenue neutral with a low rate and broad base that doesn't tax payroll or health care.

Under her proposal, 77 percent of businesses will pay less tax, and funding for critical programs citizens depend upon will be protected. Additionally, the plan provides a \$150 million tax cut to Michigan businesses.

"This new Michigan Business Tax is our next step toward a stronger state economy," said Senator Gilda Z. Jacobs (D-Huntington Woods). "It's a pro-growth tax that makes us more competitive with other states while protecting funding for critical programs like health care, public education, and public safety."

The MBT is based on the following principles:

- Create a business tax with the broadest base and the lowest tax rate possible

The MBT has three components in the base: gross receipts, assets which will be taxed at 0.125 percent and business income which will be taxed at 1.875 percent. These rates are among the lowest in the nation and well below the current SBT rate.

- Benefit Most Businesses

The apportionment formula under the MBT is based 100 percent on a firm's percentage of Michigan sales, compared to the current SBT which is based 92.5 percent on sales and 3.75 percent each on the percentage of payroll and property. Michigan businesses will receive a \$150 million tax cut.

77 percent of Michigan businesses will pay less under the MBT - a higher percentage of winners than under any current public plan.

- Provide substantial personal property tax relief to industrial and commercial taxpayers

Industrial and commercial businesses receive a 46 percent personal property tax cut

- Eliminate the tax on payroll, benefits, and health care

Wages and benefits, including health care are not part of MBT's base.

- Ensure revenue neutrality to protect citizens from higher taxes or huge cuts in education, health care, or public safety The MBT raises the same amount of revenue as the current tax to protect education, health care, and public safety from devastating cuts while preserving the \$600 million in tax cuts that start taking effect this year.

- Help Small Businesses

Businesses with less than \$350,000 in gross receipts are not subject to taxation. The MBT is phased in for companies with gross receipts between \$350,000 and \$700,000 to eliminate the "cliff" effect in the current law. Small businesses may also choose to pay an alternative tax of 1.8 percent of adjusted business income.

- Help High Tech Companies

Technology companies that form the heart of the Governor's 21st Century Jobs Fund will receive a \$125 million tax cut. Five of every six companies in these sectors will benefit. In addition, the MBT creates a new MEGA credit to encourage research and development innovation in Michigan.

- Protect Economic Development Tools

MBT retains the current MEGA compensation credit as well as the MEGA credit for high tech jobs, brownfield tax credits, historic preservation credits, and Renaissance Zones.

After presenting the new MBT, Gov. Granholm encouraged legislators to take up the legislation before they adjourn at the end of the year.

“For nearly two years, the Legislature has claimed tax reform as one of its top priorities,” said Granholm. “These leaders have a chance to make a true difference in Michigan’s future by creating a competitive tax climate that encourages businesses to locate and helps them thrive here. But they must act.”

Legislation to implement the MBT is expected to be introduced immediately.

### **SEN. JACOBS RECOGNIZED FOR REDEVELOPMENT EFFORTS** **MML Calls Senator a “Trailblazer for Local Government”**

Sen. Gilda Z. Jacobs (D-Huntington Woods) has been recognized by the Michigan Municipal League (MML) for authoring the Corridor Improvement Authority Act (CIA), which allows locals to create redevelopment districts along major commercial thoroughfares. She is also responsible for legislation that will improve local economies by increasing the number of liquor licenses communities can offer their downtown businesses. The award was announced at the MML Annual Meeting in Marquette and presented to Jacobs at last week’s Huntington Woods City Commission meeting.

It was Jacobs’ legislation, now known as Public Act 280, which created the CIA. Now older communities with business areas in need of restoration can obtain the economic development tools they need to make the necessary improvements—which in turn will help retain and attract good paying jobs. The CIA will provide communities with a means to fund public improvements such as new streets, lighting, and sidewalks—without raising taxes.

Governor Granholm signed the bill into law in December, 2005.

“I’m honored by this recognition,” said Sen. Jacobs. “The Corridor Improvement Authority Act not only provides an economic stimulus, but encourages a community team approach to those efforts. I’m proud to play a role in those efforts.”

The Authority uses tax increment financing to fund redevelopment efforts, similar to Downtown Development Authorities (DDAs). However, while only one DDA is allowed per community, multiple CIAs can be established for different targeted commercial areas, subject to certain requirements.

### **NEXT FOR REPAIRS: M-1** **MDOT to Improve Woodward Avenue**

Scheduled to begin in the spring of 2007, eight miles of M-1 (Woodward Avenue) will undergo extensive repair in Oakland County. The Michigan Department of Transportation (MDOT) announced that crews will rebuild the M-1 Loop in Pontiac, and then resurface Woodward Avenue from the M-1 Loop to Quarton Road at the Birmingham/Bloomfield Township border.

“While the project is scheduled to continue into the fall season, the contract requires that special accommodations are met for the Woodward Dream Cruise and Pontiac’s Arts, Beats and Eats Festival,” said Paul Ajegba, manager of MDOT’s Oakland County Transportation Service Center. “During Dream Cruise week, all construction work will be suspended, and the Woodward Loop must be completed by early August.”

Initially, crews will work to temporarily widen shoulders in the Woodward Loop in order to maintain two lanes of traffic in each direction. This work is scheduled to begin this fall. Upon completion of the shoulder widening, there will be a two-week period in 2007 when traffic will be restricted to a single lane for northbound and southbound drivers. Between South Boulevard and Quarton Road, two lanes will be maintained each way.

Weather permitting, this \$14 million project will begin in early March 2007.

## WIT, WISDOM, ETC . . .

### Quotables

“Good judgment comes from experience, and experience . . . well, that comes from poor judgement.”

-A.A. Milne

“If there is any great secret of success in life, it lies in the ability to put yourself in the other’s place and to see things from his point of view—as well as your own.”

-Henry Ford

Quote of the Week: Ed Bradley

“You know, I think I still have a sense that no matter what you do, no matter what you achieve, no matter how much success you have, no matter how much money you have, relationships are important.”

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State Senator Gilda Jacobs represents the 14th Senate District, which includes Beverly Hills, Bingham Farms, Farmington, Farmington Hills, Ferndale, Franklin, Hazel Park, Huntington Woods, Lathrup Village, Oak Park, Pleasant Ridge, Royal Oak Township, Southfield, and Southfield Township. She is the Minority Vice Chair of the Families & Human Services

Committee and the Economic Development, Small Business & Regulatory Reform Committee. She also serves on the Government Operations and Health Policy Committees.

Constituents of the 14th District may contact Senator Jacobs at [sengjacobs@senate.michigan.gov](mailto:sengjacobs@senate.michigan.gov) or toll-free at 1-888-937-4453.

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