



A NEW BUSINESS TAX FOR MICHIGAN

The State will have a new business tax beginning January 1, 2008 entitled the Michigan Business Tax (MBT). The MBT replaces the Single Business Tax (SBT) expiring at the end of this year.

As agreed to between the Granholm administration and Republican legislative leaders, the MBT will be revenue neutral, however, if income produced from the tax exceeds \$1.9 billion produced annually by the SBT in 2008, 2009 and 2010, one half of the excess income will be refunded to businesses. The remaining half will be placed into the Budget Stabilization Fund (BSF).

How will the new tax work?

Two thirds of the tax consists of a modified gross receipts tax with a rate under .8 percent, not including tangible property. The remaining one third is a business income tax.

Industrial corporations will obtain personal property tax relief of 24 mills and a 35 percent refundable credit on remaining industrial personal property. Commercial businesses will obtain 12 mills of personal property tax relief, equaling a 23 percent reduction.

Tax credits consist of up to 65 percent for investment and compensations, and another 75 percent for research and development.

Small businesses would be allowed to pay 1.8-percent in income tax in lieu of the MBT.

According to the Granholm administration, seven out of ten Michigan businesses are expected to enjoy a reduction in tax liability under the MBT.



Who are the winners and losers?

Manufacturers reap property tax relief as high as 67 percent with the MBT, and small business receives a \$300 million tax cut.

Banks, insurance companies, real estate firms and possibly accounting and law firms may not fare as well. Banks will pay a capital stock tax, the MBT increases the State's insurance tax to 1.25 percent, and out-of-state businesses will pay \$100 million more in taxes.

Politically, everybody wins

Governor Jennifer Granholm succeeded in implementing a new tax that is revenue neutral, she also wanted the tax to be "more fair" by shifting some of the liability from manufacturers to industries without tangible assets.

Senate Majority Leader, Mike Bishop (R-Rochester), and Senate Republicans succeeded in obtaining a new structure on the base of the tax, tax relief for small business and entrepreneurial credit. House Speaker, Andy Dillon (D-Redford Twp.), and House Democrats succeeded in implementing personal property tax relief and tax credits for investment and compensation.

THE 2008 FISCAL YEAR BUDGET STILL REMAINS

The Granholm administration and lawmakers are turning their attention to the looming \$1.8 billion deficit in the 2008 fiscal year, beginning October 1, 2007, now that a SBT replacement is in place.

It appears the House will move forward with tax increase legislation in mid-July at the earliest, following a scheduled

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two-week summer break. It is possible the legislation will not be introduced until August.

In late June, Governor Jennifer Granholm urged the House Democrats to move a “vehicle” income tax bill; however, there were either not enough total votes or not enough GOP votes joining with the Democrats to make it a bipartisan tax vote.

House Democrats may look at a temporary raise in the income tax from 3.9 percent back to 4.6 percent, thereby generating \$1.4 billion annually.

Senate Majority Leader, Mike Bishop (R-Rochester), says a tax increase will not be voted on until real reforms are first enacted.

Meanwhile, Senator Bruce Patterson (R-Canton) suggested the Legislature switch to a zero-based budget system as another way to make State government more fiscally responsible.

grants; oil, gas and forestry royalties or a special earmark carved out of any potential tax increase.

The full report is available on the Commission Web site at: www.renewablefuelscommission.org

The House Energy and Technology Committee is debating three versions of legislation (HB’s 4562, 4539, and 4319) to force power companies to use renewable energy sources.

The three bills vary, requiring a phase-in to a seven percent Renewable Portfolio Standard (RPS) requirement by 2015, a nine percent requirement in 2009, and up to 20 percent by the end of 2020.

Senate Energy Policy Chairman, Bruce Patterson (R-Canton), announced that two work groups dealing with the future of electric competition and energy efficiency will begin meeting this month and work throughout the summer.

One task force will look at energy efficiency, conservation, transmission and alternative energy; a second group will focus on electrical competition.

The issues are whether the State should eliminate the electric choice law; how to encourage new electric generation in the State; and what, if any, alternative energy standards should be written into law.

REPORT: \$200 MILLION NEEDED FOR RENEWABLE ENERGY

Recently, a report released by the Michigan Renewable Fuels Commission found State lawmakers should retain \$200 million over the next three years to encourage the development of renewable fuel projects.

The 76 page report contained 14 recommendations, including the creation of a “one-stop shop” to streamline the permit process for renewable fuel project developers.

A “nursery” of bred energy crops was also suggested, as was six renaissance zones encouraging the production of facilities that use plants for renewable fuel production.



The Commission report suggested \$50 million over the next two years come from the 21st Century Jobs Fund and the other \$150 million come from U.S. Department of Energy

SENATE PASSES CAFO BILLS

Legislation consisting of a five-bill package (SB's 0501, 0503, 0504, 0447 and 0448) allowing large farms to skip typical State environmental regulations as long they take part in a Department of Agriculture (MDA) run manure control program, recently passed in the Senate.

The measures give the concentrated animal feeding operations (CAFOs) the choice of participating in the Michigan Agriculture Environmental Assurance Program (MAEAP) or going through a state and federal run permitting process.



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Department of Environmental Quality Director, Steve Chester, called the bills purely special interest legislation making factory farms a unique, unregulated class of industries in Michigan, and essentially giving them a license to pollute.

USE OF MEDICAL MARIJUANA TO GO ON THE BALLOT?

The State Board of Canvasser approved a petition to place a proposal on the ballot that allows for the use of medical marijuana. The petition, pushed by the Michigan Coalition for Compassionate Care, contains language including a list of medical conditions for which doctors would be able to prescribe marijuana as a treatment.

Included in the list of medical conditions are: glaucoma, HIV, Hepatitis C, ALS, Crohn's Disease, as well as some forms of Alzheimer's and cancer.

Now that the petition form has been approved, advocates will need to obtain approximately 400 valid signatures to place the measure before Michigan voters.



RIGHT TO WORK LEGISLATION INTRODUCED

Senate Finance Committee Chair, Nancy Cassis (R-Novi), introduced Senate Bill 607 and 608, legislation opening employment to workers without a prerequisite of joining a union for employment. If the legislation is passed by the Senate, it is not likely to be considered in the House.

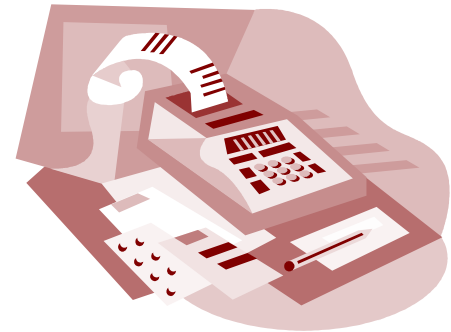
Twenty-two other states in the nation are right to work states.

HEALTH CARE COST COMMITTEE FORMED

A new Retiree Health Care Reforms Committee was created in the House to focus on addressing what House Speaker Andy Dillon (D-Redford) says are billions of dollars of unfunded liabilities for retiree health care.

The committee must discover methods for the State to shore up funding for health care and save the State money on health care costs for State retirees and employees.

Representative Mark Meadows (D-East Lansing) will Chair the committee. Other committee members are Representatives Andy Coulouris (D-Saginaw), Dudley Spade (D-Tipton), Lorence Wenke (R-Richland) and Brian Calley (R-Portland).



DEMS PROPOSE NEW REDISTRICTING METHOD

Democrats introduced a measure in the House changing the method of redrawing congressional and legislative districts. This measure is completed once every decade.

Under the proposal, the power to redraw district lines would be removed from the partisan Legislature and instilled in a nine-member independent redistricting commission.

Twelve states have independent redistricting commissions.

In the end, the courts will likely make the final redistricting decision.



NEW AUTO INSURANCE RATE GUIDE IS AVAILABLE

The 2007 Buyers Guide to Auto Insurance provided by the Office of Financial and Insurance Services (OFIS) is now available. The guide, which contains information and tips about purchasing auto insurance, can be reviewed at www.michigan.gov/ofis under the heading "Publications".



WISHING BROOKE THE BEST!

Congratulations are in order for Ms. Brooke Bearup. Brooke recently received her law degree from Michigan State University College of Law and has moved on to bigger and better things! Brooke will be sitting for the Michigan Bar Exam in July and then moving to tropical Hawaii where she accepted a position clerking for a district court judge in Honolulu. We wish Brooke the very best in her endeavors!



LARK TO LEAVE PSC

Michigan Public Service Commission (MPSC) Chair, J. Peter Lark, a Democrat, will leave his position in mid-July to become General Manager of the Lansing Board of Water and Light. He is the second commissioner to announce a departure in the last month. Republican Commissioner Laura Chappelle resigned June 7, 2007.

Governor Jennifer Granholm needs to quickly appoint at least one individual to the three-member Commission. With the departure of Commissioner Lark, only Commissioner Monica Martinez remains, and a minimum of two members are required to act on any energy issue before the Commission.



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FRASER CONSULTING WELCOMES KELLY DANCSOK

Ms. Kelly Dancsok joined Fraser Consulting in June 2007 as our new intern. Kelly is currently majoring in Communications at Michigan State University, and is set to graduate in May 2008. Please welcome Kelly to the firm!

For further information on our firm, please visit our website: www.fraserlawfirm.com