

The Michigan Chamber of Commerce Announces Two Proposals for the Replacement of Michigan's Single Business Tax

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As we previously reported, Michigan's Single Business Tax ("SBT") has been repealed and is set to sunset the end of 2007. In the wake of its recent repeal, many Michigan policymaking organizations have been engaged in reviewing which tax structure is the best for the state and have been drafting proposals for the replacement tax. The Michigan Chamber of Commerce issued its much-awaited proposals, both of which would replace the SBT with a two-tiered tax comprised of both a business income tax and business-licensing fee.

Under the Chamber's proposals, the net income tax would be calculated at a rate of 3.05%. The licensing fee would be capped at \$2 million per year and would be a flat \$150 for small businesses with gross revenues less than \$350,000. One of the proposals also includes a 50% credit for personal property tax paid by businesses. The overall effect of both proposals would result in a net business tax cut of \$500 million. Many Michigan lawmakers have been anticipating the Chamber's proposals.

The Detroit Regional Chamber and the Grand Rapids Chamber have also offered recommendations. The Detroit Regional Chamber suggests a business license fee while the Grand Rapids Chamber calls for the repeal of personal property tax and suggests a widely-applied gross receipts tax to replace SBT and personal property tax. However, neither of these proposals have undergone the extensive modeling of the Michigan Chamber's proposals.

We continue to monitor these proposals, and will provide further advice as details are forthcoming.