

MI Lawmakers May Curb Business Equipment Tax

Tim Martin, Associated Press

LANSING, Mich. (AP) — Republicans who control the Michigan Legislature sought to again lower the tax burden on businesses by introducing legislation Tuesday that would phase out a tax on industrial machinery and some other equipment.

Senate hearings begin this week on the long-anticipated legislation to repeal part of the state's personal property tax for businesses, which could be finalized as early as this summer. Republicans expect about \$470 million in annual tax revenue eventually would be phased out as changes take place over a decade, but 81 percent of that lost revenue would be replaced or offset with expiring tax credits.

Local governments, schools and libraries rely on money from the personal property tax. A coalition including the Michigan Municipal League wants full replacement of lost revenue guaranteed in the state Constitution, but the legislative plan does not call for that.

"We're not looking at a 'full replacement' kind of proposal," Senate Majority Leader Randy Richardville, a Republican from Monroe, said after the bills were introduced.

Richardville noted some aspects of the eight-bill package could change as it moves through the Legislature.

Republicans say they want to curb the personal property tax because it discourages some businesses from investing in equipment and technology needed to preserve and create jobs in Michigan. Republicans say other Midwest states already have abandoned the personal property tax, and the fact that Michigan still has one leaves the state at a competitive disadvantage.

Overall, the personal property tax raises about \$1.2 billion each year in Michigan. The impact of the tax varies widely by community.

Some revenues from the personal property tax would remain unaffected by the new proposal. But starting in 2013, there would be an exemption for businesses with industrial and commercial personal property with a taxable value of less than \$40,000. Republicans estimated that would eliminate the personal property tax for roughly 75 percent of all industrial and commercial taxpayers.

Exemptions for companies with larger-scale manufacturing and industrial equipment would begin in 2016.

Democrats criticized the Republican proposal in part because it comes on the heels of overall business tax reductions that likely are worth more than \$1 billion for the current fiscal year, while raising income taxes on some individuals and cutting school funding.

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The Senate's top-ranked Democrat, Gretchen Whitmer of East Lansing, said the personal property tax proposal takes the state "back down that same misguided road" by hurting local governments, schools and families.

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