



## **Capitol Corner**

### **An ECIC Legislative Update**

### **October 19, 2007**

#### **Business Groups Target New Service Tax**

The “Ax the Tax” Coalition has formed to repeal the newly passed use tax on services in Michigan. The service tax that was part of the budget deal reached on October 1, 2007. The business groups, 39 of them so far, want the legislature to repeal the service tax or if that fails they will try to launch a petition drive to place the question before the voters. Either way a repeal of the tax would produce a sizable hole in the state’s budget. The expanded service tax, if repealed, would cause a \$600 million to \$750 million hole in the budget. The legislature would then have to either find more revenue or make additional cuts to the departments. Neither option seems likely.

The business groups, trade associations, and corporations that make up the coalition are upset that the tax was passed in the “dead of night”, with no public input. They are also worried about how much of the service tax will fall on Michigan businesses especially those that utilize a lot of outside consultants. Several manufacturers and their representatives are fearful that the beneficial changes in the new Michigan Business Tax will be erased by the new service tax.

Business groups are meeting with the Governor and key legislative leaders to see what can be accomplished before the tax comes into effect. The Governor has stated that she is agreeable to looking at changes, but it must be revenue neutral.

To get the issue before the voters, the coalition would have to collect 304, 101 voter signatures. This would place the repeal in front of the legislature, and if it failed to act on the initiative, the issue would go before the voters on the November, 2008 ballot.

#### **Will Budgets Get Done By End of October**

The major question around the Capitol this week is whether or not the legislature can pass the necessary appropriation bills by the end of the month to prevent another possible government shutdown. Current thinking is that it is getting to be better than 50/50 that a

shutdown or another continuation budget will have to be passed. Though the legislative leader still state that they will get the work done in time to prevent a shutdown.

## **SCHIP Veto Override Fails**

On Thursday, October 18, 2007, the US House of Representatives failed to override the Presidential veto of the SCHIP reauthorization bill. The attempt to override the veto fell thirteen votes short. Michigan's Congressional delegation had all of the Democrats, Rep. Conyers, Dingell, Kildee, Kilpatrick, Levin, and Stupak voting to override the veto and three Republicans joining them, Rep Ehlers, Miller, and Upton. Six Michigan Republicans voted not to override the veto; they were Rep. Camp, Hoekstra, Knollenberg, McCotter, Rogers and Walberg.

The President and Congressional leaders plan to work on passing new legislation that will hopefully gain the President's signature.

## **Ward Resigns as House Minority Floor Leader**

Rep. Chris Ward (R-Brighton) resigned his position as House Minority Floor Leader after members of his caucus circulated a letter to gather support for his ouster. Rather than put the caucus through a divisive vote, Rep. Ward decided over the weekend to resign. The dispute came after Rep. Ward voted in favor of increasing the state income tax to help resolve the budget crisis.

On Thursday, the House Republicans elected Rep. Dave Hildenbrand (R-Lowell) as their new floor leader.