

# Snyder's budget plan takes a load off business

Mike Wilkinson / The Detroit News

Gov. Rick Snyder has proposed a historic shift in the state's tax burden, using a \$1.7 billion increase on individual taxpayers to fund \$1.8 billion in cuts to businesses, a shift the governor said is designed to improve the state's future by making it more attractive for job-creating companies.

Almost everyone and every company will feel the effect of the proposed changes, if adopted. Retirees will pay more in income taxes, the poor will lose a tax credit and many corporations will be asked to pay 6 percent on profits. And businesses that had been paying the Michigan Business Tax will be relieved of that burden if it is repealed, as Snyder has proposed.

"It is a very large shift of tax burden in the state ... from business to individuals," said Gary Olson, who recently retired after 20 years directing the non-partisan Senate Fiscal Agency.

Chris Edward, director of tax policy studies at the Cato Institute in Washington, agreed with the move to shift taxes from businesses to individuals. Corporations can avoid taxes or pass them along to workers and consumers, he said. "All individuals pay all taxes," he said.

Perhaps the most obvious of the proposed changes is the call to eliminate the exemptions on taxing pensions: all public pension dollars were exempt from the income tax, while \$45,120 of private retirement income — \$90,240 for joint-filing couples — was exempt. Those taxpayers would now be subject to a 4.25 percent income tax, reduced from the current 4.35 percent.

Many other exemptions, including the one on income taxes paid to municipalities, could be eliminated. Snyder is also proposing reductions in the personal exemption for higher-wage earners and a phased-in reduction in the homestead credit.

But what will draw the biggest howls is the move to tax pensions and retirement income more heavily.

Citing the state's declining population and increasing senior population, Snyder said Michigan "can no longer afford" to exempt pensions from paying "an equitable share" of the state's public services.

"We need a system that is simple, fair and efficient," he told a joint legislative panel Thursday.

Robert Kleine was the state treasurer under Gov. Jennifer Granholm and he applauds Snyder for going after some of the same tax credits the Granholm administration wanted to eliminate.

But Kleine said he was troubled by the proposal to eliminate the Earned Income Tax Credit, which could amount to \$800 for lower income working families.

"It does penalize folks who are least able to afford it," said Gilda Z. Jacobs, president and CEO of the Michigan League of Human Services. By eliminating tax credit, 14,000 more children will fall below the poverty line in Michigan, she said.

Kleine said a sweeping proposal was necessary given the state's budget woes, but it will come with a cost, including one for him, a recent retiree.

"The basic thrust of it is good," he said. "But some people are going to get hurt."

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