



## SALES TAX BACKLASH

Extension of the six-percent sales tax to several “discretionary” services created a furor within the business community; the average taxpayer is not excited about it, either.



Thirty-nine business groups from all sections of the State teamed up with “Ax the Tax Coalition” to repeal the expanded tax on services taking effect December 1st. The coalition says it will work to gather petition signatures to place a repeal on the ballot if the Legislature does not repeal the tax by December 1st.

Meanwhile, Senator Cameron Brown (R-Fawn River Twp.) and Representative Dan Acciavatti (R-Chesterfield) introduced bills (SB 0624 and HB 4882) repealing the tax. Senator Bruce Patterson (R-Canton) will draft legislation to do the same. Any chance of an outright repeal of the tax coming by the Legislature is not likely in the near future.

In reaction to strong opposition from the business community, House Speaker Andy Dillon (D-Redford Twp.) floated the idea of giving voters a ballot alternative to increase the sales tax from the current six-cents to seven-cents in exchange for a rollback of some of the new sales tax on services.

Governor Jennifer Granholm’s response to the sales tax brouhaha is: “As far as I’m concerned, we are done. Now if others want to adjust it, they need to come to us” and any changes must be bi-partisan, fair and must not subtract dollars from the deficit deal.

## RECALLS AND A RESIGNATION

Increasing the State income tax from 3.9 percent to 4.3 percent and expanding the sales tax on some services triggered a barrage of recall efforts against some lawmakers who voted for the tax hikes and the resignation of Representative Larry Ward (R-Brighton) as House Minority Floor Leader.

The resignation comes as a result of 16 of his GOP caucus colleagues signing a letter calling for a new leadership election for his post, because of his vote in favor of the income tax increase and his failure to inform the caucus he was working on a deal.



The House Republican Caucus elected Representative Dave Hildenbrand (R-Lowell) to replace Representative Ward. Representative Arlan Meekhof (R-West Olive) was elected to take Representative Hildenbrand’s assistant floor leader position.

While the Republican infighting plays itself out in the House, the Michigan Tax Alliance (MTA), headed by former Republican Representative Leon Drolet of Macomb County, is targeting several lawmakers for recall. Ten lawmakers have been targeted by the group and recall paperwork has already been requested for House Speaker Andy Dillon (D-Redford Twp.), Reps. Steve Bieda (D-Warren), Mark Corriveau (D-Northville), Ed Gaffney (R-Grosse Pointe Park), Mary Valentine (D-Muskegon) and Sen. Gerald Van Woerkom (R-Norton Shores).

*Continued on page 2*

*Continued from page 1*

Also on MTA's target list are: Reps. Robert Dean (D-Grand Rapids), Chris Ward (R-Brighton), and Sens. Valde Garcia (R-Howell) and Wayne Kuipers (R-Holland).

Governor Jennifer Granholm said she is ready to help those facing recalls by getting help to raise money and campaign for those who want her help, but conceded in some areas she could be a liability.

## BUDGET BATTLE RESULTS

**Governor Jennifer Granholm** – Initially, the Governor requested a two cent tax on services for the 2008 fiscal year budget proposal. In the end, a State income tax increase was passed along with a six cent tax on certain services.

**Lt. Governor John Cherry/Senator Wayne Kuipers** – The trust between these two leaders throughout budget negotiations molded the final agreements and garnered the necessary votes to come to a budget resolution.

**Senate Majority Leader Mike Bishop/Senate Republicans** – They insisted on the need for a 30-day continuation budget and reforms to teacher benefits and teacher insurance, and received both.

**Golfers** – Links lovers escaped the sand traps and will not have to pay the six-cent sales tax on services.

**Michigan taxpayers** – Taxpayers will pay an increased State income tax and will see the six-cent sales tax on expanded services passed through to them.

**MESSA/MEA** – The Michigan Education Association's insurance arm, (MESSA) must provide its health claims data to school districts allowing the districts greater ability to shop for better insurance rates.

**Michigan teachers** – Teachers must pay a portion of their health insurance premiums, on a sliding scale.

**Skiers** – Skiing was added as a taxable service under the extension of the sales tax.

## AGREEMENT REACHED ON TRIBAL HUNTING/FISHING RIGHTS

As long as Michigan Indian tribes do not engage in commercial hunting and fishing, they will be allowed to fish on designated land, per an agreement reached



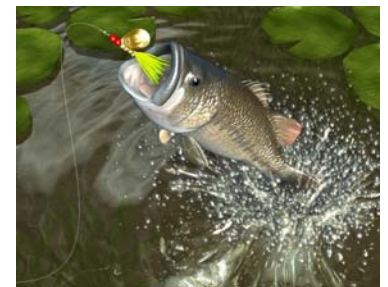
between the State, federal government and five tribes in a longstanding dispute over hunting and fishing rights dating back to the 1970's.

The tribes cited the 1836 Treaty of

Washington as grounds they did not have to follow State fishing and hunting laws. They adopted their own guidelines for tribal members. The State sought a clarification.

Key aspects of the agreement allow the Department of Natural Resources (DNR) to accomplish its resource management goals, while allowing the tribes subsistence hunting and fishing. However the agreement bars tribal commercial harvest.

The agreement also sets the hunting season for tribes and spells out the number of elk and bear permits tribes can issue, which are above the number the state issues.



All parties are going through their approval processes. The agreement in *U.S. v Michigan* also has to be approved by the U.S. District Court for the Western District of Michigan.

## GRANHOLM, DEMS PROPOSE FORECLOSURE AID

Governor Jennifer Granholm and Democratic lawmakers are touting legislation that provides help to families facing foreclosures on their homes.



One plan allows homeowners with household incomes less than \$72,250 a year to adjust their Adjustable Rate Mortgage (ARM) payment plan to a lower-interest, fixed-rate loan, through the Michigan State Housing Development Authority (MSHDA). A second opportunity establishes a "Rescue Refinance Program" to aid individuals with a delinquency on their mortgages.

Taxable bonds fund both initiatives. In September, the number of foreclosures in Michigan ranked the State fourth highest in the nation.

## SENATE DEMS PRESS FOR ENERGY REFORM ACTION

Senate Democrats, joined by green builders, are urging the Legislature to pass legislation to create energy mandates and other clean energy policies, which they contend would help bring jobs to the State.

Several Democrats introduced legislation requiring the State to meet renewable fuels portfolio standards targets similar to those of neighboring states.

## LONGER TERM LIMITS TIED TO PART-TIME LEGISLATURE

Representative Gabe Leland (D-Detroit) introduced House Joint Resolution BB allowing voters to create a part-time Legislature in the Constitution and expand legislative term limits.

Specifically, the resolution adopts a part-time legislative body with members earning \$40,000 a year, with an expansion of term limits to six two-year terms in the House and three four-year terms in the Senate. The part-time Legislature meets between the second Wednesday in

January and April 30th, unless the Governor calls the Legislature into special session.

## STEM CELL BALLOT COMMITTEE FORMED

Several Michigan residents formed the Stem Cell Research Ballot Question Committee, asking voters to overturn a long-standing ban on stem-cell research in Michigan.

Fraser Consulting Lobbyist Rick Johnson, along with former U.S. Representative Joe Schwarz, former Blue Cross and Blue Shield President Dick Whitmer and Birmingham Attorney Linda E. Bloc formed the committee.

## STATE ECONOMY LAGS, UNEMPLOYMENT RATE UP

There were widespread declines in Michigan's economy in July, according to a Senate Fiscal Agency. Housing starts declined to their lowest levels since January 1997 and light

vehicle sales were off from the previous month, as well as the same period a year ago. In addition, there was a decline in the employment rate.



Michigan's jobless rate jumped to 7.5 percent in September, up one-tenth of one percent from the August rate and four-tenths of one percent higher than for the same period a year ago.

The 7.5 percent figure qualified Michigan as the state with the highest unemployment rate in the nation. The September national jobless rate stood at 4.7 percent.

## NEW MOTORCYCLE HELMET LAW HEADED FOR VETO

A second piece of legislation, HB 4749, repealing the law requiring



*Continued on page 4*

*Continued from page 3*

motorcyclists to wear a helmet, is expected to crash on Governor Jennifer Granholm's desk again. Governor Granholm's spokeswoman Liz Boyd stated, "We support the current helmet law."

Amendments were added to the latest bill requiring riders wishing to ride without a helmet to take safety classes and to pay an annual fee to support police officer salaries.

## GRANHOLM SIGNS FAS 109

Governor Jennifer Granholm signed into law the "FAS 109" bills fixing a perceived accounting problem with the new Michigan Business Tax (MBT).



Business groups believed that if left unchanged it would cost them big bucks on Wall Street, because businesses that calculate

depreciation deductions on paper look as though they owe more taxes than they actually do.

According to Treasury, the fix allows smaller businesses to claim roughly \$1 billion more over time.



## TWO NEW FACES AT CIVIL SERVICE COMMISSION

Andrew Abood of Okemos and Thomas "Mac" Wardrop of Grand Rapids were appointed to the Michigan Civil Service Commission. Mr. Abood succeeds Thomas Lewand, who resigned, for a term expiring December 31, 2012. Mr. Wardrop succeeds Susan Munsell, who resigned, for a term expiring December 31, 2008. The appointments do not require Senate confirmation.

## AHMED AND ISIOGU CONFIRMED

The Senate gave unanimous approval to the appointments of Ismael Ahmed as Director of the Department of Humans



Services (DHS) and Orjiakor Isiogu as a member of the Michigan Public Service Commission (MPSC). Mr. Ahmed replaces Marianne Udow, who resigned. Mr. Isiogu succeeds Laura Chappelle, who resigned and replaced Peter Lark as Chair of the Commission. Mr. Lark also resigned.



## LANNOYE AND WATTERS TO LEAVE

Governor Jennifer Granholm's Chief of Staff, Mary Lannoye, and Office of Financial and Insurance Services (OFIS) Commissioner Linda Watters are departing the Granholm administration.

Ms. Lannoye did not announce her future plans other than to say she is going to take some time to play golf. Governor Granholm has not named a replacement for Ms. Lannoye. There are rumors that she may split the Chief of Staff spot into two positions.

Ms. Watters is taking a position with the financial risk management practice of KPMG in Chicago. Ken Ross, Ms. Watters's Chief of Staff, was named acting Commissioner.