

The SBT: A real political football

We all enjoy a good football game, particularly in which the results remain in doubt until the final moments. Each year's annual battle between the Wolverines and Spartans provide great entertainment and diversion for the residents of our state. However, when the game ends, there is a clear winner and loser.

Unfortunately, the residents of Michigan are now witnessing another football game in which the results remain in doubt. Instead of the Wolverines and Spartans doing battle, it's the Democrats and Republicans, Patterson and Granholm, job killers and responsible legislators, etc.

In what has become an annual ritual, the Single Business Tax is first criticized by each team and then they agree that Michigan's tax system needs reform; however, in the end, neither team prevails and we are all losers.

In March, the Republican-controlled Legislature passed a bill repealing the SBT, effective December 31, 2007. The SBT is a \$1.8 billion revenue generator for Michigan. Gov. Jennifer Granholm vetoed the bill because the teams were unable to agree upon a replacement for the lost revenue.

Republicans have argued that immediate action is needed and that the teams can use the next 20 months to find a palatable solution. Gov. Granholm and the Democrats skeptically counter that when the game is



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over, either the tax burden will fall on families, or services will be curtailed.

The game, which has traditionally been played at the State Capitol in Lansing, now is moving to a new venue. Oakland County Executive L. Brooks Patterson's petition drive to place the repeal on the ballot and circumvent the governor's veto is ongoing.

The game being played reminds us of the classic riddle, "Which came first – the chicken or the egg?" In our case, it's "Which comes first – repealing the SBT tax or agreeing upon its replacement?"

The right answer to the chicken-or-egg riddle really doesn't matter because we have both. The answer to repeal-versus-replacement does, because we have neither.

The game is drawing closer to a conclusion. The SBT will expire at the end of 2009 if no action is taken. Michigan's economy appears to be in an accelerating

tailspin.

While all the players agree that the SBT is a "bad tax," it is clear that the replacement revenues must come from businesses, individuals, consumers or some combination. Presumably, the replacement tax should be equitable, easy to administer and provide a consistent revenue stream. The form of the tax will likely be a new business tax, an increased or broader sales tax, or a progressive enhancement of our income tax.

Each constituent advocates why a tax that is borne by someone else is fair, simple, predictable and adequate. It would appear, however, that none of the constituencies are clearly correct or have the political muscle to prevail.

Unfortunately, the residents of our state must continue to endure the uncertainty of the game's conclusion.

How will the game conclude? In all likelihood, the teams will eventually find a compromise through the legislative process. Budgets will be tightened. The tax burdens will be borne by the families, businesses and consumers of the state. The inevitable will occur. It just needs to be sooner rather than later.

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