

Michigan legislature slashes taxes for business

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The Michigan legislature has passed legislation entailing a huge shift in the tax burden from businesses to workers and retirees. The tax bill passed both chambers of the Republican-controlled state legislature this week. It is now awaiting the signature of Republican Governor Rick Snyder.

The tax bill represents a huge handout to business at the expense of some of Michigan's most vulnerable citizens. It comes under conditions where the state already faces a projected deficit of more than \$1 billion.

The legislation will eliminate about \$1.7 billion in business tax revenue while raising taxes on retirees, whose pensions will lose tax-free status, and ending most tax credits for individuals. The earned income credit for the working poor will be cut by two thirds and many homeowners will see a cut in their property tax credit.

Retirees will see a \$538 million increase in their taxes because of the reduction or elimination of tax exemptions on pension income other than Social Security and military pensions. Currently, retirees aged 59-and-a-half and older who draw a pension are exempt from the state's regressive flat 4.35 percent income tax up \$90,240 per couple. That exemption is being phased out and will be replaced by a \$40,000-per-couple exemption for those aged 67 and older.

On the other hand, most companies will now pay no state business tax. The number of businesses paying the state tax is anticipated to fall from 136,000 to 41,000. The overall impact will be an 86 percent tax cut for businesses. Michigan businesses will now pay for just 2 percent of school operations, the lowest percentage in the United States.

The cuts in business taxes are expected to eat up projected increases in state revenues this year. The House Fiscal Agency recently projected the state will take in an additional \$426.7 through September 30, largely due to increases in auto production.

The passage of the tax bill required the acquiescence of Senate Democrats, who could have blocked passage if even one senator had simply abstained. With only 19 of 26 Republican state senators committed to support the massively unpopular tax bill, it still lacked one vote to achieve the 20 votes needed for enactment. However, with the Senate deadlocked 19-19, Lieutenant Governor Brian Calley was able to use his tiebreaking vote to provide the needed margin.

The new tax plan is expected to drain some \$670 million from the state school fund in the next fiscal year, amounting to some \$440 per pupil. The Michigan House and Senate are still finalizing plans for spending cuts, and school officials are anticipating devastating reductions of up to \$450 per pupil in state funding for grades K-12.

School districts across the state, long battered by budget cuts, are preparing to deal with huge deficits by eliminating still more programs, closing schools and laying off teachers.

In an effort to sow divisions between university and K-12 educators, Snyder is proposing that up to \$900 million be taken from the school aid fund for grades K-12 and handed to Michigan community colleges and university.

Experts have calculated that the cumulative effect of all the various cuts being proposed for public education will amount to a per-pupil cut of some \$700.

As a result of huge deficits caused by the slashing of state aid, Governor Snyder has announced that as many as 23 financially strapped districts could be placed under emergency financial managers. Under a state law enacted earlier this year, emergency financial managers have the power to tear up union contracts, remove elected officials and sell off public assets.

On top of the funding cuts, Snyder is calling for the application of "free market" principles to public education. Among other proposals, the governor wants

to remove the cap on charter schools in districts that have at least one academically “failing” school, and to force districts to compete for state funding by meeting academic improvement targets. These policies will further victimize school districts with the most meager financial resources and the poorest student bodies.

Snyder is directly targeting teachers, calling for the removal of seniority protections and imposing annual reviews. Further, the governor is calling for teachers to pay 20 percent of their health care costs. All non-teaching jobs, such as school bus drivers, maintenance and janitorial services, are to be opened to private bidding.

In addition to K-12 funding, the proposed budget also slashes aid to individual universities at least 15 percent. State support to universities has already fallen 25 percent in the past decade. Under a version of the bill recently passed by the Michigan House, the state would add an additional 5 percent cut to universities that provide domestic partner benefits to their employees. Among the institutions affected would be the University of Michigan in Ann Arbor.

The Snyder administration also proposes to cut 30 percent of a state-mandated municipal aid fund totaling \$659 million. Aid to cities will be linked to the slashing of pay and benefits of municipal workers, who will be blackmailed into surrendering concessions by the threat of the appointment of emergency financial managers.

Still other cuts are being planned, including a strict four-year lifetime limit for residents to receive welfare payments, the elimination of \$10 million in aid to the Detroit Institute of Arts, \$20 million in cuts to local transit systems, a \$9 million reduction in the clothing allowance for poor children and a 40 percent cut in funding for libraries.



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