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Businesses preparing for service tax to become reality Saturday

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By **TIM MARTIN**

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LANSING, Mich. (AP) — Skiers will want to hit the slopes Friday, since a 6 percent tax on scores of services could raise prices Saturday.

At Crystal Mountain resort near Thompsonville, for instance, the cost of an adult ski lift ticket could rise from \$25 on opening day Friday to \$26.50 once the tax is figured in.

Resort workers were scrambling Thursday to line up enough quarters to provide change at lift-ticket windows, while resort accountants were trying to get answers on whether lessons and other skiing-related activities also would be subject to the tax.

"Customer service will be a key issue this weekend as we're explaining what's going on," said Brian Lawson, a Crystal Mountain spokesman.

Similar confusion could be in store for landscapers, consultants, hairdressers, astrologers and others affected by the services tax.

The scramble to get ready for the tax has been even more intense because many Michigan business owners thought lawmakers would repeal it and replace it with another source of revenue before it takes effect Saturday.

"It looked like it was going to be repealed, and a lot of businesses pulled back," said June Summers Haas, a partner with Honigman Miller Schwartz and Cohn LLP. "That's now a problem for those businesses."

Failing a quick repeal, many business owners thought lawmakers would at least push back the tax's implementation date to later in December. Lawmakers in both parties had made it clear soon after they passed the tax as part of a last-minute fix to avoid a government shutdown in the early hours of Oct. 1 that the tax should be ditched or restructured.

So far, no agreement has been reached. A group of Michigan businesses at a Lansing news conference Thursday afternoon urged the Legislature to fix the situation on Friday. Democratic Lt. Gov. John Cherry said there's a good chance a replacement can be crafted so the service tax is repealed in time.

But the GOP-led Senate and Democrat-controlled House remain divided, so a solution isn't certain. Both chambers have passed bills repealing the tax and replacing some or all of the more than \$600 million it's supposed to bring in with a surcharge on the state's new

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business tax that takes effect Jan. 1. But neither side likes the other's version, creating an impasse.

The Senate will be in session Friday and has named negotiators to a conference committee. But the House hasn't appointed its own negotiators and may show up Friday only if an agreement is reached.

Most business owners say that, if the tax takes effect, they'll have to pass the extra charge along to customers. That's something they fear could drive away customers and lead to even more lost jobs in Michigan's struggling economy.

"The current economy has hurt us a lot," said Peter Motz of Plum Line Landscape and Design in St. Johns. "This service tax would just add to the number of problems that we have and the difficulty of staying in business in the state of Michigan."

Aaron Samson, owner of Lush Lawn Inc. in Grand Blanc, already has spent \$500 researching the tax and trying to figure out how to implement it.

He's worried that adding 6 percent to lawn service bills would cause him to lose customers already on the fence about hiring out the work.

"We'll either have to eat some of that 6 percent, or lose a certain number of customers who are unhappy about paying it," Samson said. Lawn service "is one of the first things people eliminate when they have to cut back."

Warehouse operators said the tax has already cost them opportunities, and predicted Michigan jobs would be lost as customers moved their business to facilities in Ohio, Illinois and Indiana. Some owners said the move already has begun.

Landscapers said clients are asking to cut their service levels by at least 6 percent rather than face higher bills. Financial advisers and consultants said some clients will be priced out of services they need.

The Coalition to Ax the Tax, led by Oakland County Executive L. Brooks Patterson, plans to collect signatures to let voters decide in November 2008 whether the tax should be repealed if lawmakers don't do it first.

Talks resumed Thursday between Senate Republicans and the administration of Democratic Gov. Jennifer Granholm.

"Everybody wants to find a reasonable replacement to the service tax," Cherry said. "That's not going to happen unless there's meaningful conversation going on."

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