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LANSING

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Agreement Reached on New Business Tax Keeps Michigan Competitive for Business, Encourages Job Creation

LANSING – Governor Jennifer M. Granholm, Senate Majority Leader Mike Bishop, and House Speaker Andy Dillon today said they have reached an historic agreement on a new Michigan Business Tax (MBT) to replace the Single Business Tax (SBT) that will expire at the end of the year. The new Michigan Business Tax will make Michigan's business climate competitive, serving as a tool to attract jobs and job providers.

"Today's announcement is a win for both businesses and citizens in Michigan," Granholm said. "With this agreement, another plank in Michigan's plan for economic growth is complete. This new structure makes Michigan more competitive, helping to attract and keep new job providers and, in turn, giving citizens the tools they need to be competitive. This agreement represents the progress that can be achieved when there is a commitment to do what is in the best interest of our state and our citizens."

The new structure provides tax cuts for more than seven out of ten Michigan businesses and provides tax cuts to both small businesses and Michigan's major manufacturers. It is a fair, simple tax that will provide the same amount of revenue as the SBT, while encouraging job creation in Michigan.

Bishop and Dillon emphasized that the MBT will help stimulate Michigan's economy by relying more on profit, providing tax credits to companies that locate or create new jobs in Michigan, and tax credits for entrepreneurial and R&D activities. In addition, a significant cut in the personal property tax will help the state's largest employers and commercial businesses.

Senate Majority Leader Michael D. Bishop (R-Rochester) said, "The Senate has been focused on a replacement to the Single Business Tax since January 1. A conclusion to this discussion is, without a doubt, a positive step for Michigan. I am encouraged by the bipartisan agreement we have reached with the House and the administration. This compromise reflects sound public policy for our state. I am confident this legislation creates a more manageable structure than its predecessor and will help set Michigan on the path to economic recovery."

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Bishop added, "I must single out for praise the members of our Senate workgroups who performed a great deal of the heavy lifting in these negotiations, as well as a special thank you to Senators Cassis, Gilbert and Jansen. They played a critical role in achieving bipartisan legislation that is in the best interest of our state."

"The new Michigan Business Tax rewards companies that invest in Michigan and create jobs here for our workers, and that's what Michigan needs to get our economy back on track," said House Speaker Andy Dillon (D-Redford Twp.). "Replacing the Single Business Tax with a plan that rewards investment and research and development is critical to making Michigan a magnet for 21st century job providers. This plan brings significant rewards to businesses that want to locate in Michigan and to our businesses that already support Michigan's economy. This is the right plan to move Michigan forward."

Under the new MBT, the personal property tax rate will be reduced to 12 mills for commercial property and 24 mills for industrial property with a 35 percent refundable credit. Qualifying small businesses will have the option to pay an alternative tax of 1.8 percent of adjusted business income. The insurance premiums tax will increase to 1.25 percent with credits. Seven out of ten businesses are expected to see a reduction in tax liability under this plan.

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