

## **April 2019 – Legislative Report**

The shock of Governor Gretchen Whitmer's proposal to nearly triple Michigan's fuel taxes and levy the Corporate Income Tax on 150,000 largely small businesses has already worn off in Lansing. The budget blueprint Whitmer presented to the Republican controlled legislature is likely to look very different by the time legislators send a fiscal year 2020 spending plan to the new Democratic governor's desk.

Legislative leaders quickly shot down Whitmer's long shot proposal to tax business profits of S-corporations, limited liability corporations and partnerships through the 6 percent Corporate Income Tax, instead of the lower 4.25 percent individual income tax. Whitmer proposed expanding the CIT as a means of generating \$280 million of the \$355 million needed to reinstate an income tax exemption on public sector pensions.

"Those kinds of actions would be doubling down on stupid," said Senate Majority Leader Mike Shirkey, R-Clarklake, a Jackson tool and die maker that would be subject to higher taxes under Whitmer's proposal. House Speaker Lee Chatfield, R-Levering, called Whitmer's proposed 45 cent fuel tax hike a "nonstarter", while Majority Leader Shirkey said it is simply too high of a burden for motorists and businesses to shoulder. "The citizens of Michigan that actually work for a living cannot absorb a 45 cent increase in the gas tax, they simply cannot do it", said Shirkey.

Though Whitmer's tax hikes as proposed are seen in Lansing as dead on arrival, Shirkey and other Republican legislators have left open the door for some form of tax increase to roads. "I probably will look at some type of revenue as we move forward," Senate Appropriations Committee Chairman Jim Stamas, R-Midland commented.

After years of debating road funding, Shirkey said there is consensus that the state needs to be spending \$2.5 billion more annually on roads. Both Shirkey and Stamas said they count the Legislature's 2015 road funding plan that is supposed to generate \$1.2 billion more annually for roads by 2021 to the \$2.5 billion goal. Whitmer's \$2.5 billion fuel tax hike would generate a net road funding increase of \$1.9 billion by the 2021 fiscal year because she plans to remove an earmark of \$600 million of income tax that was part of the 2015 funding plan for other projects, according to the analysis by the nonpartisan House Fiscal Agency.

The Legislature will return to Lansing to work on their spring agenda the week of April 9.