Grand Rapids Business Journal
The Business Newspaper of Metro Grand Rapids, Holland, Muskegon & West Michigan

PPT repeal now as obsolete as Michigan 1.0

Published: May 21, 2012

Michigan Department of Technology, Management & Budget reported to the legislature last week during the state conference on state revenue that fiscal year-to-date revenue is up more than $3 million, bolstered by increases in income taxes and by sales and use tax revenue.

The University of Michigan Research Center on Quantitative Economics analysis provided even better news in a review of a drop in the unemployment rate to 8.3 percent and job gains. The center noted high-wage industries saw a 6.9 percent jump, while low-wage growth was at just 2.9 percent. April reports offer the fourth consecutive month of such job growth, and the state budget director noted corresponding decreases in Medicaid and welfare payments — all providing the framework for projections of continued increases in state revenue through 2014.

It should also provide a new framework for state budgeting decisions, as it is intended, chiefly for K-12, college and university education funding which offers the single greatest business asset: an educated work force of talent.

Projections of continued growth and higher paying “knowledge economy” jobs also call into question the wisdom of legislation to repeal the personal property tax. A recent meeting of a group gathered by the Grand Valley Metro Council with state Sens. Dave Hildenbrand, R-Lowell, and Mark Jansen, R-Gaines Township, and then with Lt. Gov. Brian Calley was ill-fated, on the eve of the Senate’s surprise fast-track approval of the package of tax repeals May 10. Kent County Administrator Daryl Delabbio said the meeting with Calley was better than that with Hildenbrand and Jansen. Ottawa County Administrator Al Vanderberg told the Business Journal, “The governor’s office wants to work with us, and the Senate wants to work us over.”

The state Senate package of eight bills begins to phase out the tax on industrial and commercial equipment in a few years — but offers no thought as to replacement revenue. In January, SB 1070 would abate the tax on machinery that costs $40,000 or less. SB 1069, sponsored by Hildenbrand would provide an exemption that would begin Dec. 31, 2015, for eligible manufacturing equipment purchased after Dec. 31, 2011. The Senate sees the bills as an economic development incentive, one that Gov. Rick Snyder has pressed for speedy approval.

Snyder's want to eliminate the tax during his election campaign two years ago is as dated as the old economy numbers. Even as the governor wants to steer Michigan to a "3.0 economy" the business leaders in this state are forging ahead of any such legislative incentives yet to be proffered and firing into recovery. It is their relentless positive action that is seeding economic recovery — and their No. 1 concern is recruitment and availability of an educated work force.

Grand Rapids City Commissioner Walt Gutowski noted in the Business Journal in January that firms usually cut jobs when new equipment is purchased, rather than add new employees, because modern machinery is less labor intensive and more technology driven.

The greatest tool for Michigan business owners is a 3.0 labor force. That message must be delivered and understood before the state House follows the same misbegotten course of brethren in the Senate.