

2020

# TAX POLICY TASK FORCE

 **SMALL BUSINESS**  
Association of MICHIGAN

[www.SBAM.org](http://www.SBAM.org)

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## PRELUDE

Taxes are necessary to fund government's efforts to create an environment of safety and opportunity for all citizens. Unnecessarily high or complex taxes damped the entrepreneurial spirit and stifle economic growth. Tax dollars should be spent in an efficient and effective manner, providing real value to taxpayers.

Small businesses are significant investors in state government. While we are proud of our economic success that enables us to create opportunities for others and contribute toward the operation of government, we expect the burden to be shared fairly by all who benefit from government services. Michigan should aim to have a simple yet equitable taxation system that promotes economic growth and prosperity while cultivating an environment friendly to entrepreneurs and innovation.

## Meet the Chairman

Jeff currently serves as the Area President for FocusCFO. FocusCFO works with small and medium sized business owners to provide strategic support of an on-site Chief Financial Officer (CFO) at a fraction of the cost of a full time CFO.

Prior to FocusCFO, Jeff served six years in the Michigan State House of Representatives where he served two terms as the Chairman of the House Tax Policy Committee.



Jeff Farrington  
Area President  
FocusCFO

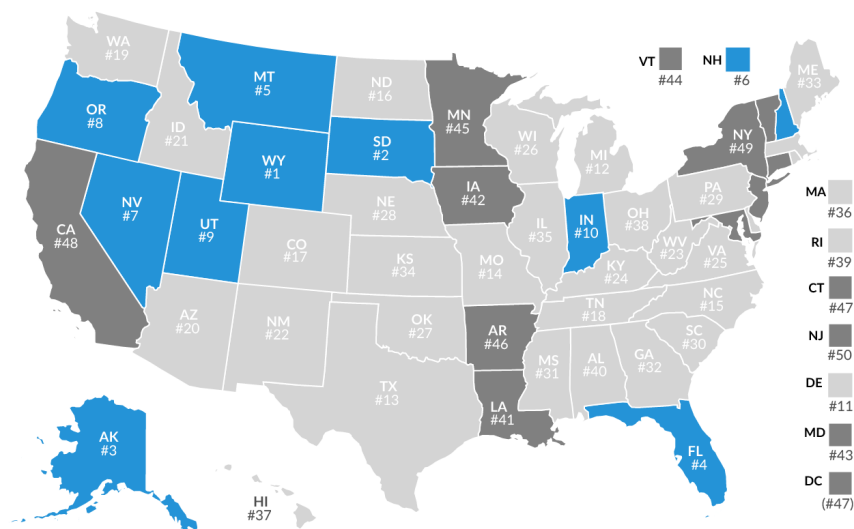
# BUSINESS TAXES

- When making business taxation decisions, policy makers should take the overall tax burden faced by small businesses (including federal, state, and local) into consideration.
- Michigan should strive to be ranked a top 10 state when compared to other states (according to the Tax Foundation Rankings) so that small businesses can compete effectively in the national and global marketplaces.
- Michigan's tax system should encourage growth and attraction of small businesses and encourage entrepreneurial business start-ups.
- Income taxes should be imposed on individual, or business income, only once.
- Gross receipts should not be used as the basis for taxation.
- The business taxation system should be simple and predictable to allow for advanced planning of tax expenses.
- Business specific taxes should be assessed at the statewide level, not in a patchwork of locally enacted taxes.
- When a business changes ownership, the Michigan tax code should not penalize keeping investment within Michigan.



## Michigan's Current Rankings

### 2020 State Business Tax Climate Index



Note: A rank of 1 is best, 50 is worst. D.C.'s score and rank do not affect other states. The report shows tax systems as of July 1, 2019 (the beginning of Fiscal Year 2020). Source: Tax Foundation.

■ 10 Best Business Tax Climates  
■ 10 Worst Business Tax Climates

OVERALL RANK	12
CORPORATE TAX RATE	18
INDIVIDUAL INCOME TAX	12
SALES TAX RATE	9
PROPERTY TAX RATE	24
UNEMPLOYMENT INSURANCE	17

# PROPERTY TAXES

- Real property (real estate) should be assessed on the true cash value in strict accordance with constitutional uniformity requirements.
- The true cash value of real property should be based on the conventional valuation methods of sales comparison, income, and cost approached to value, not intangible or ongoing business valuations.
- Personal property classifications for taxing purposes should be based on the use of the property, not the zoning or classification of the real property it sits upon.
- Personal property tax exemptions for commercial parcels should be systematically increased until the entire commercial personal property tax base is exempt, matching industrial personal property exemptions.

## SALES AND USE TAX

- To avoid cascading of tax liabilities, business to business transactions should be exempt from sales tax.
- Sales and Use Taxes should be uniformly applied, regardless if the transaction occurs in person or online.
- The Sales Tax Base should not be extended further to encompass services.

# INDIVIDUAL INCOME TAX

- Pass-through income apportionment for businesses operating in multiple states should match that of the Corporate Income Tax so as to treat smaller businesses no worse than larger businesses.
- Michigan should strive to be a top 10 state when compared to other states (according to the Tax Foundation rankings) so that small businesses with pass-through income can compete effectively in the national and global marketplaces.
- Income taxes should be imposed on individual or business income only once. Pass-through income should not be subjected to any other tax.
- The Individual Income Tax rate should be flat and competitive with other states.

## TAX INCENTIVES

- Tax incentives should not be used to move jobs from one Michigan community to another.
- To the extent that abatements, credits, or exemptions are available, they should be made available to small businesses on an equal basis with larger businesses.
- Performance by any company receiving tax incentives must be reviewed, with the abatement being revoked if the company does not comply with the promised performance standards. Further, incentives should only be given after required job growth or investment performance is complete, not in advance.
- Tax incentives should be used to encourage remediation and cleanup of environmental contamination.