

November 13, 2008

Dear Lawmaker,

We are writing to encourage you to stand up for citizens in our state. With state budget cuts waiting in the wings and more economic pain for Michigan looming in the next year, now is not the time to eliminate revenue in the state budget by ending the surcharge on the Michigan Business Tax.

Ending the surcharge without finding a way to replace the revenue would be a terrible mistake that will further hurt our state. We need to make higher education affordable, improve our K-12 system, pay for medical services and prevention programs for poor children and the elderly and make sure our communities have the police and fire protection they deserve. We cannot invest in Michigan and continue to cut revenue at the same time.

In 2007, the surcharge was added in order to eliminate a much-maligned sales tax on services. The revenues from the surcharge were used to balance last year's budget and the budget that began Oct. 1. Budgets now in place and approved by this legislative body were based on that revenue. The Senate Fiscal Agency estimates that eliminating the surcharge over three years, as proposed in SB 1242, would cost \$119.5 million this year alone, rising to \$660 million in Fiscal Year 2012.

Now, with the Wall Street meltdown, the national economic crisis has further threatened to blow another hole in revenue projections. By ending the MBT surcharge, we would compound our already considerable problems.

We know there will be sacrifices and program cuts, even if we do not end the surcharge.

The 2007 tax increases were a balance between temporary increases on individual taxpayers – restoring some of the income tax cuts that were decided in better economic times – and adding a temporary surcharge on the MBT. It was a good compromise that came at an extremely difficult time in our state's history.

Gov. Jennifer Granholm has suggested she may support repealing the surcharge in exchange for Corrections reform that will reduce length of stay and free up some of the money spent on prisons. We all need to recognize that savings will not be immediate and will not replace lost MBT surcharge revenues.

Further, if we expect to reduce our disproportionately high incarceration rate, we will have to strengthen community oversight and support services and eliminate employment barriers for those remaining in and returning to the community. To be successful, we will need the business community to assist in this effort.

We can look forward to a day when Michigan prospers again. But we cannot afford to eliminate services as we struggle to reach that goal.

Please, invest in our future.

Sincerely,

AARP Michigan
AFT-Michigan
Center for Civil Justice
Comprehensive School Health Coordinators' Association
Justin King
William Long
Michigan AFL-CIO
Michigan AFSCME Council 25
Michigan Association for Infant Mental Health
Michigan Association of School Administrators
Michigan Association of School Boards
Michigan Coalition for Children and Families
Michigan Council for Maternal and Child Health
Michigan Council on Crime and Delinquency
Michigan County Social Services Association
Michigan Environmental Council
Michigan League for Human Services
Michigan Long Term Care Ombudsman Program
Michigan Municipal League
Michigan Nonprofit Association
Michigan Nurses Association
Michigan Primary Care Association
Michigan UAW/CAP
Michigan's Children
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