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Cut tax load to win jobs race

Lowering tax burden for businesses is one thing officials can control

Patrick L. Anderson

Everyone in Michigan, it seems, is either worried about their job or worried about finding another one. With the nation's highest unemployment rate for much of the past three years, Michigan needs to get serious about attracting and retaining jobs.

That means changing things that don't work and preserving those that do. There is definitely one thing that doesn't work, and it is in our power to change: the tax burdens we impose on employers.

If you ask business executives which states have the worst reputation for doing business, they consistently put Michigan near the bottom. We know from careful studies, such as the 50-state study that our firm prepares annually for the State Economic Handbook, that Michigan's tax burdens are actually not among the highest in the nation. They're just mediocre and headed for worse.

But in today's economy, "mediocre" is not a winning strategy. Especially when your competitors -- states like North Carolina, Tennessee, Ohio, and Minnesota -- are not standing still.

We need a game-changing strategy to attract and retain jobs. Such a strategy cannot rely upon a few technologies, companies or tax incentives to succeed. It must rely on the enterprise and resources of our investors, entrepreneurs and workers. What are we doing for them?

We have a mind-numbing array of tax incentives. However, whether you qualify for them or not (and most employers do not), you are stuck paying business taxes that are significantly higher than those in any of the states listed above. That cannot help us in the competition for jobs.

In Fiscal Year 2006, Michigan businesses paid more than \$13 billion in state and local taxes, including personal property taxes, real property taxes, Single Business Tax (now replaced by the Michigan Business Tax), and individual income tax. That tax burden represents 15

percent of all business profits in the state -- well above the 12 percent of profits paid by businesses in competing "top 10" states.

What has Michigan done since 2006? The citizens repealed the Single Business Tax, but the state replaced that tax with a more expensive one, and added a "surcharge" to it. Even when you take into account some smaller reductions in taxes and increases in credits, the state is still moving farther away from the frontrunners in the race for jobs.

Of course, some elected officials argue that taxes aren't the most important factor in business location decisions. They are right; tax burdens are just one of many important factors. They are also one factor that is under direct control of our elected officials, and one that we can and should work to improve.

In an age where 1 percent profit margins are often just enough to keep a firm afloat, can Michigan really afford to charge its employers 3 percentage points more in taxes than our competitors? Not if we want to win the race for jobs.

Improving our tax structure would not just be "good for business," it would be good for workers, and for those who rely on government services like schools, parks, police and prisons. Continuing to allow our economy to decline, and arguing about whether our business climate is truly bad, or just mediocre, does not position us to have a first-class state in the future.

We need to make it easier to hire a worker here, and make it easy to say "build your business in Michigan" with a straight face.

We're in the soup, and we know it. Now we need to decide whether to do something about it.

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