



The Voice of Small Business

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Testimony on Personal Property Tax Reform Proposals Before the Senate Finance Committee Wednesday, April 18, 2012

My name is Charlie Owens and I am the State Director for the National Federation of Independent Business, an advocate for Michigan small businesses owners since 1943. We are here today to support Senate Bills 1065 – 1072 that would make significant changes to the Personal Property Tax in Michigan.

The Personal Property Tax is a levy on equipment, furniture, tools, computers etc. used by a business in their operations. While both businesses and individuals pay real property taxes, in Michigan, only businesses pay the personal property tax (PPT). As this committee is aware, many states that compete with Michigan for jobs have eliminated or reduced their Personal Property Tax.

In short, the proposed legislation would eliminate the personal property tax on a phased in basis for industrial and manufacturing businesses and exempt all personal property tax on commercial and manufacturing property with a taxable value of less than \$40,000 per parcel. It has been estimated that, under this proposal, 75 to 80 percent of Michigan businesses would be exempted from the personal property tax entirely and would not have to file at all under this proposal.

The legislature and Governor Snyder are to be commended for putting forth a serious proposal that does not involve simply changing the mix of who pays what while leaving the tax untouched from a revenue perspective. Past efforts have always proceeded from the approach that the tax revenue raised by the personal property tax had to remain the same. This was a failed approach that only resulted in fighting among job providers with no real economic and jobs benefit overall.

This proposal would reform a tax that creates a great disincentive for business to invest in capital and equipment. Combined with the recent move away from the Michigan Business Tax to the new Corporate Income Tax, it would give our state a powerful “one-two punch” in the competition for jobs.

Efforts to minimize the impact on local governments through revenue replacement from expiring tax credits under the old Michigan Business Tax are also a beneficial aspect of the proposal. We feel strongly that this proposal is a ‘win-win’.

We do note that, as currently proposed, businesses with commercial personal property above the proposed \$40,000 per parcel exemption would continue to pay personal property tax. We would like to explore ways that we can extend the tax changes to more business in the commercial sector, but make no mistake that this is a bold proposal that needs to keep moving forward as discussions continue.

To conclude, we urge members of the Committee to support Senate Bills 1065-1072 so Michigan can continue to move forward and improve our economy.

Thank you for your support of small business.