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JENNIFER M. GRANHOLM
GOVERNOR

JOHN D. CHERRY, JR.
LT. GOVERNOR

December 21, 2010

Michigan Senate
State Capitol
Lansing, Michigan 48909-7536

Ladies and Gentlemen

I have vetoed and return with objections Enrolled Senate Bill 192, as provided under Section 33 of Article IV of the Michigan Constitution of 1963. The bill would amend the Michigan Business Tax Act ("MBT") to allow taxpayers engaged in freight trucking to deduct payments to subcontractors from the modified gross receipts tax base under the MBT.

Under the MBT, payments to subcontractors generally are not deducted from the modified gross receipts tax base. Three years ago, when the 94th Legislature was debating the MBT, there was an opportunity to adjust the modified gross receipts tax base and rate while including a broad deduction for subcontractor and other service costs. The Legislature did not adopt such an approach. Three years later, rather than addressing the resulting structural concerns with the MBT in a comprehensive and fair manner, Senate Bill 192 would instead single out and alter the deductibility of a narrow range of payments in a piecemeal and inequitable manner that I cannot support. The bill also would reduce state revenue by \$14 to \$15 million in the current fiscal year.

For these reasons, I return Enrolled Senate Bill 192 without signature. This issue is best dealt with as part of a comprehensive restructuring of business taxes by the new administration and the next legislature.

Respectfully,


Jennifer M. Granholm
Governor