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# Survey: Tax, cut to close deficit

## Michiganians polled back extending sales tax, slashing budget

**Karen Bouffard / Detroit News Lansing Bureau**

*Lansing* -- Budget cuts and increased taxes are needed to close the gaping state budget deficit, about half of Michiganians said in a statewide survey. Still, a third say the state should cut its way to fiscal health.

Increasing taxes on alcohol and tobacco were the most popular ways to raise revenue, according to the results of an exclusive Detroit News/WXYZ poll by EPIC-MRA. A majority also said they would favor extending the sales tax to some services, provided the tax was cut from 6 percent to 5 percent.

When asked if they'd consider a graduated income tax, where wealthier people would pay a higher tax rate, 54 percent favored the idea. But participants flatly rejected an overhaul of the state's tax system such as completely eliminating the Michigan Business Tax, and replacing that revenue with a combination of tax increases on consumers.

"When they realize there's a \$1.7 billion deficit, they say both budget cuts and tax increases should be part of the solution," said Bernie Porn, president of EPIC-MRA in Lansing. A majority of participants, 53 percent, would oppose expanding the 6 cent sales tax to services, excluding food and drugs. But 52 percent said they would favor extending the tax to services if the rate was reduced to 5 cents.

When asked if they'd support a graduated income tax, 54 percent favored it.

"I think graduated tax is a good idea, because it takes more of the burden off the lower and middle class and more tax on those who can best afford it," said survey participant Peter Mel, 61, of Ferndale.

Raising taxes as the state's economic troubles mount and it faces a deficit in the fiscal year that starts Oct. 1 is vehemently opposed by business interests and the Michigan Chamber of Commerce, which vows to fight all efforts to raise taxes.

Rich Studley, president and CEO of the Michigan Chamber, vowed to fight any tax increase. "The graduated tax in Michigan would lead to higher taxes on people who work and save and invest and result in (those people) voting with their feet to leave Michigan," Studley said. "(They'll) go to other states that have a flat rate tax, for instance Indiana, which is a tough competitor for jobs and has a flat rate tax."

Participants in the survey taken June 23-25, 27 and 28 said they wouldn't favor reducing or eliminating taxes paid by businesses if the end result was a loss in revenue for the state. They were presented with three scenarios that would partially offset that loss by expanding sales tax to some services, imposing a graduated income tax or a combination

of both, but not enough to make up the difference.

Michigan State University economics professor Charles Ballard said voters are getting used to the idea that it will take more than budget cuts to solve Michigan's immediate budget problem. But he said it will take more than a sales or income tax to fix the state's long-term economic outlook.

"The Republicans are going to have to bend on increasing revenues and the Democrats will have to give in on some of the things they want to protect if there's going to be a compromise to balance the budget," Ballard said.

The poll has a margin of error of 4 percentage points.

[kbouffard@detnews.com](mailto:kbouffard@detnews.com) (517) 371-3660

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## Taxing options

How Michigianians feel about various tax proposals, according to a statewide poll:

Key  
Favor  
Oppose

Increase income tax by 1 percentage point from 4.35 percent to 5.35 percent



Expand 6 percent sales tax to include services, but still exempt food and drugs



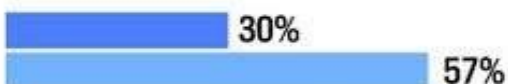
Expand sales tax to services, but reduce it from 6 percent to 5 percent.



Change income tax from a single flat rate percentage tax rate that applies to everyone, to a graduated state income tax which taxes upper income residents at a higher tax rate



Eliminate the business tax surcharge and reduce the base gross receipts rate from 0.8 percent to 0.5 percent, eliminate the film industry tax credit and reduce the sales tax rate from 6 percent to 5 percent, but extend the sales tax to include most services



Eliminate the taxes paid by businesses on personal property, eliminate the film industry tax credit and reduce the sales tax rate from 6 percent to 5 percent, but extend the sales tax coverage to include most services



Eliminate the Michigan Business Tax, eliminate the film industry tax credit, reduce the sales tax rate from 6 percent to 5 percent, but extend the sales tax coverage to include most services, and establish a graduated income tax



Source: EPIC/MRA statewide poll of voters in June. Margin of error: +/- 4 percentage points.

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