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House speaker: Utility tax could generate \$500M for state

By Amy Lane

2:42 pm, March 29, 2007

House Speaker Andy Dillon said Thursday that a utility tax that might generate around \$500 million is part of a comprehensive budget solution being developed by House Democrats.

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Dillon, D-Redford Township, also told *Crain's* he is "shooting for" a complete elimination of Michigan's personal-property tax in the Democrats' plan, details of which he said would be unveiled next week.

Dillon said a complete repeal of Michigan's electric customer-choice law is "on the table" with the utility tax. He described the tax as a "significant" part of House Democrats' budget solution, but said "it is not the panacea for all the revenue that needs to be raised in the state."

Sources familiar with the idea said a 6 percent utility tax is being discussed, along with elements like credits for customers.

At a Capitol press conference, Dillon said the utility tax could provide the state with considerable revenue, while changing Michigan's regulatory structure could help provide Michigan electric utilities with the certainty they need to build new power plants.

"There are a lot of reasons why this can be a very attractive solution," Dillon said.

Both **CMS Energy Corp.** and **DTE Energy Co.** are considering new plants, but have said that before they proceed far down the new-plant road, they want changes in Michigan's regulatory structure — a partially competitive, partially regulated system that allows utility customers to move to alternate-electricity suppliers.

As *Crain's Detroit Business* has reported, DTE and CMS executives have said the state should consider repealing the elements of the 2000 Michigan law that allows customers of their electric utilities, **Detroit Edison Co.** and **Consumers Energy Co.**, to purchase electricity from alternate suppliers.

However, the **Customer Choice Coalition**, a group encompassing large- and small-business groups, consumer interests and alternative-electricity suppliers, has said electric choice was part of a compromise between utilities and customers, and the 2000 laws included separate financial benefits for the utilities. The coalition has said the state needs choice and competition to ensure low electricity rates.

Dillon said more details of the plan will be forthcoming, but he does not envision that all the utility tax would be passed on to customers.

Senate Majority Leader Mike Bishop, R-Rochester, said that while he is "not torpedoing" the utility-tax idea, he is familiar only with broad elements and is concerned it could be a "veiled tax increase."

"When you're talking about a tax of this size, it's hard to believe that it's not going to be passed along to the consumer," Bishop said.

As for other parts of Democrats' plan, House Democrats said the budget plan would focus on cuts and reforms, the latter including reforms to state and local government and education.

Committees will meet over the next two weeks during Legislature's spring break, and Dillon said he hopes to have the framework for a comprehensive budget solution approved by the House by the end of April.

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