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March 30, 2007

## Editorial

# Dump new tax schemes in favor of real reforms

## The Detroit News

Michigan residents are clear that they don't support tax increases to fix the state's budget deficit. But for some reason that hasn't sunk in with some state Democrats, including House Speaker Andy Dillon and Gov. Jennifer Granholm.

Dillon, D-Redford Township, said Thursday he is working on a plan to shave about \$500 million of the state's \$940 million budget shortfall by fundamentally changing the state's utility market. Two major components of the plan, which Dillon says is still being drafted, include taxing utility companies and eliminating the competitive market that now exists.

Stability in the market, Dillon says, would provide incentive for utilities to build new base power plants, which ultimately could reduce costs. Ultimately, consumers will bear the burden of utility tax increases, despite Dillon's protests.

"It would be incorrect to assume that there would be an automatic pass through to consumers," Dillon says. "There would be for some, but not all."

He says details aren't yet available, but incentives would encourage consumers to reduce consumption. Tax credits would be applied as well, further lowering the impact.

But the fact that there are so many "moving parts," as Dillon characterized it Thursday, signals that this is just another shift-and-tax increase plan and not the structural change that's needed.

The plan is expected to place a 6 percent tax on the electricity (and potentially natural gas) that utilities sell. It would also eliminate personal property or business equipment taxes on firms to offset the increased costs they will face from the utilities passing the tax on to them. Utility companies would still pay personal property taxes, say people who were briefed on the plan by Dillon. Customers would get no relief.

Instead of the governor's plan to put a 2 percent tax on services, we get what amounts to a tax on everyone who pays for electricity. Given the state's already suffering economy and continued hostility toward businesses, it's hard to see how such a plan would be a recruiting tool. Nor would a graduated state income tax, which Dillon said he would be willing to consider. Michigan now has a flat-rate income tax.

Instead of attacking government spending and waste that still exists in programs ranging from teachers health care to prisons, Democrats have spent the last few weeks figuring out how to raise taxes. When one plan loses support, another arises.

This is no way to bring Michigan out of its recession. Only fundamental structural change will do that.

"Next week you'll see that there's real red meat reform coming," Dillon says. "You'll see it in all sectors."

Let's hope so. Because so far the Democrats have offered tax hikes as the only solution to a budget crisis that demands spending cuts and reform.

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