

**MIRS Capitol Capsule**  
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**Dillon Plan Touches Utilities, Graduated Income Tax**

House Speaker Andy **DILLON** (D-Redford Twp.) is considering a plan under which the state would tap utilities for additional revenues in return for giving the utilities back their monopoly status. In addition, *MIRS* has learned that House Democrats are considering a move to put a graduated income tax on the statewide ballot in 2008. Ending townships is another piece being considered.

The utility plan would be a deal under which the state would increase taxes on utilities in exchange for rescinding, or significantly changing PA 141, a law that provides for more competition in the state's energy market.

The plan could allow the Speaker to claim he'd come up with a revenue enhancement that doesn't immediately increase taxes, since the utilities couldn't pass on the cost of the higher taxes, unless or until the Michigan Public Service Commission (MPSC) approved rate increases.

However, it would be expected that at some point the utilities would pass the added cost onto their customers. In fact, one of the plans supposed selling points is that it could ultimately help the utilities enough to help them pay for the new power plant experts say the state will soon need.

Utility sources tell *MIRS* they have been unable to model any of the numbers from the House Democratic proposal because the information supplied by Dillon's office so far has been "very vague."

Nonetheless, Detroit Edison and Consumers Energy say they're interested in the repeal of P.A. 141 and developing what one source suggested was a "new regulatory blueprint" for the industry.

More details of the plan could be available soon.

Dillon has scheduled a press conference for just prior to House session Thursday morning at which he will discuss his "strategy to fix Michigan's budget." At this point it's not clear whether the Speaker will bring up the "utility" plan or not. However, other news media sources are aware of the plan, which often signals that an official announcement is imminent — if not, reporter questions will likely speed up the process.

Another plan that's likely to generate questions at the press conference Thursday would involve letting Michigan voters turn thumbs up or down on a graduated income tax in 2008.

A graduated tax is based on income instead of a flat rate for everyone. Under the plan, the more you earn, the more you would pay. This concept has been a long time favorite of the Michigan Democratic Party, which has flirted with the tax for years but the suggestion never went beyond the flirtation stage. Now behind closed doors Dillon and his colleagues are reportedly serious about moving on it.

One source at the Capitol suggests the graduated tax is "expected" to be part of the overall budget-balancing package that Dillon has under wraps. Democrats are also

discussing a plan to lower the sales tax rate while expanding it to services, figuring the lower rate could be the selling point the Governor's two-percent plan was missing.

House Democrats are described as being "excited" at the prospects of developing their own plan to solve the state's complicated fiscal mess. "There is a feeling that we are part of something important," suggested a source familiar with closed-door discussions on the issue.

It would take a two-thirds vote in each House to place any legislative proposal on the ballot.

The graduated tax was debated in the early 1960s when the Constitution was being rewritten, but the GOP-dominated constitutional convention rebuffed the efforts by Democrats to include that in the new document.