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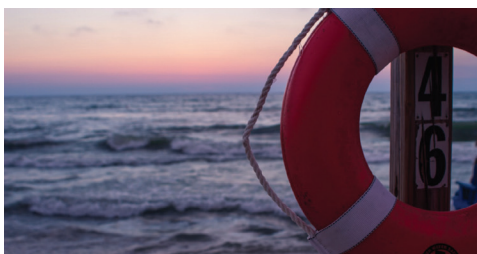
Michigan Entered 2020 Stronger

By Michael D. LaFaive

Summary

Michigan's legislators and governors have changed laws and regulations in recent years in ways that will help the state respond to the COVID-19 coronavirus.

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Reforms undertaken in the last few years will help Michigan now.

While the COVID-19 coronavirus has harmed Michigan's economy, some state government reforms of the last few years will help us recover from the pandemic.

1. Our overall business tax climate is considerably better.

Recall that Michigan businesses were once stymied by a burdensome and complex Single Business Tax. That was scrapped in favor of another burdensome and complex tax called the Michigan Business Tax, which was imposed in early 2007. A 22% surcharge was piled on the new MBT in December of the same year, literally the same month America's Great Recession began. It is hard not to think that this tax hike (and its continued complexity) helped spike Michigan's unemployment rate to 14.6% by June 2009.

In 2011 the business tax and surcharge were scrapped in favor of a low, flat and transparent corporate income tax, with a rate of just 6%. That helped lower the overall tax burden on many businesses.

During the latter half of the 2000s, the Washington, D.C.-based Tax Foundation consistently ranked our business tax at or near the bottom of its annual State Business Tax Climate Index. The reforms brought in 2011 meant a leap upward, and today our corporate tax ranks 18th-best in the nation.

2. The personal property tax system has been reformed.

Proposal 1 of 2014 relied on a vote of the people to minimize the damage caused by the inefficient personal property tax. The proposal created exemptions in the tax on businesses that owned less than \$80,000 worth of equipment, as well as for manufacturing equipment. There was also a phase-in for the tax on existing equipment. It was estimated at the time that — when fully phased-in — the reduction in personal property taxes would amount to \$500 million per year in net savings.

3. Our labor climate is more flexible and market friendly.

Adopting a right-to-work law gave Michigan a terrific economic development tool. And the recent repeal of the prevailing wage law should help the state save money on valuable, publicly financed construction work. Mackinac Center research shows that right-to-work laws boost personal income growth rates by 0.8% points over what they would have been

otherwise. In other words, if personal income would have grown by 2% without such a law, it will instead grow at 2.8%, or 40% faster.

Repealing prevailing wage laws means that government-financed construction projects need not pay higher than market wages, which should drive down the cost of building more and better state roads and bridges. Once the current pandemic passes and Michigan's construction season reopens, it may be comforting to know we are likely stretching each dollar of construction work further.

4. Lawmakers are reconsidering occupational licensure requirements.

This arena has also undergone reforms, with some people now able to operate with more flexibility in their chosen profession. There is a growing bipartisan concern among policymakers that occupational licensing laws do more harm than good, especially to the economically disadvantaged. Gov. Whitmer is relaxing some of these mandates to help control the coronavirus during this state of emergency.

5. Wasteful corporate welfare spending has been curtailed.

When the state was still only beginning its recovery from the Great Recession, Gov. Rick Snyder reined in corporate welfare, shuttering the expensive and failed Michigan Economic Growth Authority and ultimately the state's film production incentive program, too. Since then, lawmakers have trimmed state budget appropriations for the agencies that oversee jobs programs. Funding for the state's tourism promotion program has been eliminated, and another subsidy program — misnamed "Good Jobs for Michigan" — lapsed.

6. Detroit is no longer in bankruptcy proceedings or living under an emergency financial manager.

Michigan's biggest city is no longer suffering through a painful financial remake and is unlikely to require another state-imposed one as a result of current events. That should be one less worry for our current governor and legislators.

Gov. Whitmer has made some sound decisions regarding the coronavirus crisis and deserves credit for doing so. These will lead to quicker approval of Certificate of Need applications, which will help expand health services. She has also moved to increase the scope of practice permitted by particular health care workers, and the opportunity for telemedicine to help in this crisis has also been expanded.

All these developments represent just a few reasons to be optimistic. Not only is Michigan in a much better place to recover economically from our current setback, but policymakers are taking steps to improve public health and economic opportunity going forward.

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