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UPDATE 10849

Michigan service tax repealed

EVIDENCE OF ITS NEGATIVE IMPACT ON LOGISTICS AND WAREHOUSING SERVICES HELPED PERSUADE LEGISLATORS TO REPEAL THE TWO-MONTH-OLD TAX.

BY TOM ANDEL, EDITOR IN CHIEF

JOEL ANDERSON is a happy man. The Michigan "inventory tax" is dead. *Modern* reported last month that Anderson, CEO of the International Warehouse Logistics Association (www.iwla.com), was on a mission to kill a tax bill in Michigan that would effectively raise the cost of third-party logistics services performed in the state.

Governor Jennifer Granholm signed a repeal of the 6% service tax just two months after it was enacted as part of an Oct. 1 deal to solve the state budget crisis. With the repeal comes an accommodation in the form of a 22% surcharge on the Michigan corporate business income tax, which is capped at \$6 million. The language includes terms to eventually sunset this tax by 2017.

Anderson credits an IWLA-commissioned study conducted by Michigan State University that proved the 3PL industry is a job creator and that penalizing it would effectively drive business to neighboring states.

"We needed intellectual rigor in this study, and that's why we spent \$70,000 on it," Anderson told *Modern*. "We wanted credibility when we approached the legislature."

Credibility he got. One of the



legislators who helped make the case against the service tax was Senator Mark Jansen (R-Grand Rapids). Jansen told *Modern* it was the logistics contingent more than any other business group that really drove the point home.

"I was brought into these facilities, and what struck me the most and what I used in my debating on the Senate floor was a recording one warehouse service provider played for me of an Indiana real estate broker who said 'Come on down to Northern Indi-

ana—I hear you have a service tax.' The other piece is, according to the Michigan State study, there are 30,000 logistics jobs in Michigan, and 45% would be gone by the end of the year. The logistics people made this real."

Anderson says this argument isn't over. He contends that the point that needs to be made every time there's a change in legislature is, "Logistics is local."

"State legislators love to tax the foreigner," Anderson says. "Hotel taxes, car rental taxes, all of that is