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To: The Honorable Members of the House Tax Committee
Date: February 24, 2022
From: Amanda Fisher, NFIB Michigan State Director
Re: Small Business Supports HB 5838 – Income Tax Cut

On behalf of the 10,000 NFIB members in Michigan, I am writing to ask for your support of SB 5838, which, among other things, would provide tax relief to small businesses in Michigan.

With the budget surpluses continuing to grow, we are pleased that the legislature is looking at returning that money to the taxpayers. NFIB has always advocated for tax reductions that are broad-based and avoid picking winners and losers, which is why we are enthusiastic in our support of this bill and have made it one of our priorities for 2022.

Right now, small businesses in Michigan are struggling. In addition to the government shutdowns of the past two years, they are dealing with labor shortages, supply chain issues, inflation, and increased government regulations that continue to drive up costs in all areas. Unlike big companies, small businesses often do not have the margin in order to survive such large cost increases so quickly.

By providing tax relief to these businesses – the legislature can provide real help and alleviate the some of the burden these businesses are facing.

There is a myth that if businesses don't pay the Corporate Tax, they are not required to pay businesses taxes – this is simply not true. Approximately 60% of small businesses in Michigan are “flow-through” entities and taxed on their business income through their individual income tax. This is why a reduction in the personal income tax is important.

Finally, when the income tax rate was increased to 4.35% to cover budget shortfalls in 2007, the legislation included phasing the rate back to 3.9%. After 15 years, HB 5838 would fulfill the intent of that Legislature.

We would also encourage legislators to look at a rate reduction in the Corporate Tax. While many believe that only large corporations pay the C-Tax, approximately 40% of Michigan's small businesses are organized as C corporation.

Thank you for your support of small business.