

# STATEMENT

**Curtis Hertel would make life more expensive for Michigan families; throughout his time in Lansing, he's supported numerous income and tax increases on hardworking families and would do the same in Washington.**

## *Verification*

**In 2018, State Lawmakers Passed SB 1097, Which Changed The Way Corporations Treat Business Interest Expenses For Corporate Income Tax Purposes.** “But the Democrats voted against a \$115-million corporate tax cut swiftly approved on the heels of the budget bill. Samantha Hart, a spokeswoman for the House Democrats, said when combined with the massive appropriations bill, the change in the way corporations treat business interest expense for corporate income tax purposes, approved by the House through Senate Bill 1097 in a 62-45 vote, would leave the state's books in the red.” (Paul Egan, “Michigan Lawmakers Approve \$1.3 Billion In Extra Spending For 2019,” [Detroit Free Press](#), 12/22/18)

- **The Bill Would Have Decoupled Interest Expense Deductions From Federal Limitations.** “SB 1097, sponsored by state Sen. Jack Brandenburg, would have decoupled state interest expense deductions from federal limitations. In his veto letter, Snyder wrote that the bill proposed amendments in a manner inconsistent with the sound budgetary practices this administration has followed during the past eight years.” (“Gov. Snyder Signs Legislation To Renew Michigan's Environment, Infrastructure,” [WLUC](#), 12/28/18)

**Hertel Voted Against Passage Of SB 1097.** (Senate Bill 1097, [Passed 27-11](#), 11/28/18, Hertel Voted Nay)

**In 2021, The State Senate Passed HB 5351, Which Doubled A Small Business Exemption On The Value Of Business Tools And Equipment Subject To Property Taxes.** “House Bill 5351, Cut small business tools-and-equipment tax: Passed 21 to 15 in the Senate To double a small business exemption on the value of business tools and equipment subject to property taxes (called the ‘personal property tax’), from \$80,000 to \$160,000, and also index this to inflation going forward. Sen. Dale Zorn, R-Ida, voted yes.” (Jack McHugh, “Billion Dollar Subsidy Program, Small Business Tax, Seizure Classes And More,” [Mackinac Center For Public Policy](#), 12/17/21)

**Hertel Voted Against Passage Of HB 5351.** (House Bill 5351, [Passed 21-15](#), 12/14/21, Hertel Voted Nay)

**In 2019, Gov. Whitmer Proposed Taxing “Pass-Through” Business Income At The Same Rate As Corporate Income Taxes As A Means Of Helping Pay For A Repeal Of The Pension Tax.** “Democratic Gov. Gretchen Whitmer is proposing a tax increase on some businesses to pay for potential repeal of the so-called pension tax created under a 2011 tax code overhaul spearheaded by her Republican predecessor. Whitmer said the plan is a viable way to fund tax relief for seniors, but critics argue it could hurt companies that have been vital to Michigan's economic comeback. It would impact an estimated 150,000 entities. Presented Tuesday as part of her 2020 executive budget, Whitmer's proposal would tax ‘pass-through’ businesses at the same rate as the Corporate Income Tax they were exempted from eight years ago. The 2011 law backed by then-Gov. Rick Snyder exempted S-corporations, partnerships and limited liability companies from the new corporate tax. Earning from those types of pass-through entities go directly to shareholders, who are then subject to the state's 4.25 percent income tax.” (Beth LeBlanc and Jonathan Oosting, “Whitmer Pitches Biz Tax Hike To Offset Pension Tax Repeal,” [The Detroit News](#), 3/5/19)

- **“Whitmer Proposes Boosting Taxes On 150,000 Corporations, Partnerships And Limited Liability Companies.”** (David Eggert, “Senate Leader Trashes Whitmer's 'Stupid' Business Tax Plan,” [Associated Press](#), 3/6/19)

**The Pension Tax Was Introduced By Gov. Snyder And Taxed Certain Pension Income – A Tax That Took In About \$300 Million Annually At The Time.** “Gov. Gretchen Whitmer sought to fulfill her campaign promises in her first budget Tuesday, calling for a massive hike in fuel

taxes to 'fix the damn roads,' major new spending on education, and repeal of the unpopular pension tax introduced by her predecessor. ... By eliminating the tax on certain pension income, which took in about \$300 million annually, more than 400,000 Michigan families will save an average of \$800, officials said. The corporate income tax, approved under former Republican Gov. Rick Snyder when the Michigan Business Tax was eliminated, is a 6 percent tax that applies only to 'C' corporations - ones with shareholders whose names usually end with 'Inc.' Thousands of other Michigan businesses, known as 'S' corporations or 'pass-through corporations,' including partnerships and LLCs, were exempted from the tax. Under Whitmer's proposal, owners of those types of businesses would be taxed only once on the income, but the income would generally be taxed at the 6 percent corporate income tax rate, rather than at the personal income tax rate of 4.25 percent, as it is now, officials said." (Paul Egan and Kathleen Gray, "Whitmer Reveals Michigan Budget Proposals: What To Know," [Detroit Free Press](#), 3/5/19)

**Whitmer's Proposal Allowed For An Income Tax Credit For Business Owners, But Still Resulted In A Total Tax Increase Of 1.75 Percentage Points By Increasing Pass-Through Taxes From 4.25 Percent (Individual Tax Rate) To 6 Percent (Business Tax Rate).** "Pass-through businesses in Michigan - such as partnerships, LLCs and S-corporations - are taxed at the individual income tax rate of 4.25 percent, instead of the business income tax rate of 6 percent. The goal of the 2011 tax code change was to exempt small business owners from being taxed twice via an individual income tax and business income tax. Whitmer's proposal would increase the business income tax to 6 percent but allow for an individual income tax credit for business owners, resulting in a total tax increase of 1.75 percentage points. Officials insist it would not amount to a new form of double taxation." (Beth LeBlanc and Jonathan Oosting, "Whitmer Pitches Biz Tax Hike To Offset Pension Tax Repeal," [The Detroit News](#), 3/5/19)

**"The Administration Estimates The Pass-Through Tax Will Generate \$280 Million In State Revenue In 2021, But The Net Tax Increase For Businesses Will Be Closer To \$105 Million Because Of Federal Deductions."** (Beth LeBlanc and Jonathan Oosting, "Whitmer Pitches Biz Tax Hike To Offset Pension Tax Repeal," [The Detroit News](#), 3/5/19)

**The State's Small Business Association And Chamber Of Commerce Opposed The Proposal As A Tax On Small Businesses.** "But the plan generated swift opposition from the Small Business Association of Michigan. 'This new small business tax will hurt small businesses and undo our economic growth,' said association President Brian Calley, the state's former lieutenant governor under Snyder. 'We should be sending small businesses a thank you note, not a substantially higher tax bill.' After taking time to review the proposal, the Michigan Chamber of Commerce voiced opposition Tuesday. The measure complicates the tax formula for businesses and results in an overall \$105 million tax increase on businesses, said Dan Papineau, the chamber's director of tax policy and regulatory affairs. 'At the end of the day, it's a tax increase on small businesses,' he said." (Beth LeBlanc and Jonathan Oosting, "Whitmer Pitches Biz Tax Hike To Offset Pension Tax Repeal," [The Detroit News](#), 3/5/19)

**Hertel Backed The Proposal, Claiming The Difference In Taxes For Different Businesses "Doesn't Make Any Sense."** "Democratic state Sen. Curtis Hertel Jr. of East Lansing backed the plan. 'I think the idea that we tax some businesses and don't tax others doesn't make any sense in Michigan,' he said, calling it a 'problem' created under Snyder, Hertel noted that business taxes account for only a small portion of state revenues. Michigan collected \$931 million in corporate income taxes in 2018 but paid out nearly \$600 million in refundable tax credits to businesses, some issued a decade ago." (Beth LeBlanc and Jonathan Oosting, "Whitmer Pitches Biz Tax Hike To Offset Pension Tax Repeal," [The Detroit News](#), 3/5/19)

- **Hertel: "We Should Actually Be Making Sure They're Paying Their Fair Share. ... They Should Pay The Costs Of Actually Investing In Michigan."** "'That's wrong,' Hertel said. 'We should actually be making sure they're paying their fair share. We all know that businesses drive on roads and businesses need an educated and talented workforce. They should pay the costs of actually investing in Michigan.'" (Beth LeBlanc and Jonathan Oosting, "Whitmer Pitches Biz Tax Hike To Offset Pension Tax Repeal," [The Detroit News](#), 3/5/19)

- **In 2021, Gov. Whitmer Vetoed HB 4288, Which Provided Tax Relief To Small Businesses By Allowing Flow-Through Entities—Such As LLCs And S-Corporations—To Maximize SALT Deductions On Federal Returns.** “Gov. Gretchen Whitmer on Tuesday vetoed a bill that would have given small businesses an option for a tax breaks. The governor wrote a letter explaining she vetoed the bill because it was too costly and would 'primarily benefit a small number of Michiganders.' House Bill 4288[1] aimed to allow S corporations, partnerships, and LLCs — known as flow-through entities — to maximize the state and local tax (SALT) deduction on their federal tax returns. While larger C corporations file their business income taxes as entities, flow-through entities file at the individual owner level. A 2017 federal tax code change capped individual SALT deductions at \$10,000, which disadvantaged small flow-through entities because large businesses can claim an uncapped deduction. Whitmer wrote in her veto letter: 'HB 4288 would require the state to spend nearly five million dollars to implement new IT systems to administer a tax break that would primarily benefit a small number of Michiganders.’” (Scott McClallen, “Gov. Whitmer Vetoes Business Tax Breaks A Day After Touting Small Businesses,” [The Center Square](#), 7/14/21)
- **“The Bill Received Supermajority Support In Both Houses: 29-6 In The Senate And 88-18 In The House.”** (Scott McClallen, “Gov. Whitmer Vetoes Business Tax Breaks A Day After Touting Small Businesses,” [The Center Square](#), 7/14/21)
- **Hertel Was One Of Just Six Senators Who Voted Against Passage Of HB 4288.** (House Bill 4288, [Passed 29-6](#), 6/23/21, Hertel Voted Nay)