

Drink to fair taxes

The liquor-not-beer tax hike highlights some questions about who bears the costs

February 11, 2007

BY RON DZWONKOWSKI

FREE PRESS COLUMNIST

Gov. Jennifer Granholm promised a "simple, fair and progressive" solution to the state's budget problem but delivered a package that is complex, regressive in the sense that none of her proposed new taxes take into account ability to pay, and unfair to folks who prefer hard liquor over beer.

Why should liquor drinkers pay another buck for a \$20 bottle when beer drinkers pay less than 2 cents a bottle and have not been tapped for any added taxes since the 1960s? The governor, who has to sell this package, told the Free Press that "there is a reluctance to tax the things that a lot of people use" -- and she puts beer in that category. Hmm. We tax the heck out of gasoline ... but then, we don't tax groceries, so maybe beer is now a vegetable.

I don't imbibe, so the booze taxes won't affect me, but the beer-spirits disparity is one of the things in this plan that makes me wonder how it was all put together. I assume there will be plenty of maneuvering and adjusting before the Legislature gives Granholm anything to sign or veto. And taxpayers had better keep an eye on the details, because this is going to be one fast-moving train.

It needs to be. The current situation has gone on for too long, and if it persists well into spring, Wall Street will punish Michigan with higher interest rates on state borrowing. And if there's one thing you hate to see tax dollars being used for, it's interest. Besides that, if the financial markets deem Michigan's fiscal house to be falling apart, that will send a terrible signal to all those businesses Granholm is courting. Nobody wants to set up shop in a screwed up state.

I do hope, too, but am not optimistic, that whatever emerges from the coming debate is truly the "once and for all" solution Granholm touted in her State of the State speech. I'd be a happy camper if I never had to type the phrase "structural deficit" in another editorial. I think my keyboard has forgotten how to spell "surplus."

I have no doubt that the state's structural deficit is real and has been for some time. This term means that if the state collects every dollar of every tax it is owed, there is still not enough money to cover all the state's obligations, from funding public schools to prisons to supporting universities and community colleges to maintaining Michigan's environment and providing a safety net of services for the needy.

This deficit could only be whispered about when it began during the reign of Gov. John Engler. Then came the stalemate over what to do about it in Gov. Granholm's first term -- and a series of Band-Aid solutions: a windfall from Washington, moving up a tax collection, moving out thousands of state employees. Now, even the Band-Aid box is empty.

In days of old, Michigan could always count on an upturn in the economy to get its factories humming again, and the state's budget problem would solve itself. Those days are done. Short-term layoffs have given way to permanent buyouts, early retirements and plant closings. There is no prospect of restoring anytime soon the economic base that has been lost.

Given that reality, there are only three options to meet the state Constitution's requirement for a balanced budget: Increase income, reduce obligations, or some combination of the two. But all that gets us is back to

status quo. Does anybody think that's good enough? Where is the future in that if all the states and, yes, nations, that are competing with Michigan for employers are moving forward?

"Every day that Michigan is not advancing, we are retreating," Granholm declared at the outset of her State of the State speech Tuesday.

So Granholm also wants new money to invest in a better future for Michigan, chiefly through education.

There is no question this is needed. The states in this country with the highest percentage of college degrees are also those with the highest per capita incomes -- Connecticut, Massachusetts, Maryland, New Jersey. That's not a coincidence. Money follows brains.

Michigan, the 10th largest state in population, ranks 31st in college graduates and 24th in per-capita income. The generally conservative editorial page of the Chicago Tribune last week endorsed a \$3-billion tax increase for Illinois "for an aggressively reformed system of public education." Illinois is one of Michigan's chief competitor states for jobs.

So I accept the need to invest -- and the reality that it won't happen without some additional tax revenue. But I hope the next few weeks produce a truly simpler, more fair and less regressive way to get there.

Meantime, those of you who like the hard stuff had better stock up.