



## Sales Tax Hike Could Affect Families

One option to fund the Governor's request for more money to maintain Michigan's roads is raising the state sales tax from six to eight percent, and it could have some major financial consequences for families in Michigan.

For instance, gymnastics class in Jackson means a lot to Matt Laura's two daughters.

"To see them grow from week-to-week and month-to-month, and the things that they do at home, it's been really good for their confidence," Laura said.



But classes can also cost a lot, making it something parents might have to say 'No' to if Michigan's sales tax is raised 2 percent. It's an idea that has All-Around Gymnastics owner Gale Weck concerned, especially on payment day.

"Things have finally turned around for us," Weck said. "So, hopefully they can save somewhere else and keep their kids involved in a program that's really good for them."

Experts say that might not be possible for many Michigan families if the sales tax increases.

"They're going to have to cut something," Michigan State University Professor of Economics Charles Ballard said. "Does it mean that they skip a car payment? Does it mean that they don't have Christmas this year? I'm not sure what it means, but it's not an easy choice."

He estimates it will cost the average family about \$400 a year if the sales tax goes up. While almost everyone agrees the roads need improvement, Ballard said increasing the existing sales tax to raise the money isn't the answer.

"It's a very discriminatory tax," Ballard said. "It hits the low-income folks disproportionately hard."

Instead, he would prefer the sales tax now be broadened to more services and entertainment - like hiring an accountant or concert tickets - but any tax idea is a tough one to sell.

"You go into this understanding that there is no tax that everybody's going to say, 'Oh yea, that's wonderful, let's raise it,'" Ballard said.

Even parents who use the deteriorating roads to get their kids to gymnastics.

"I think the roads need to be fixed, I think that's important, but I don't know that this is necessarily the answer," Laura said. "I've never met anyone who wants to pay more taxes."

The last time Michigan's sales tax went through a major change was in 1994. It was raised from four to the current six percent.

This proposal is part of a package of legislation introduced by Senate Republicans last week. The sales tax increase is coupled with the elimination of the 19 cents a gallon gas tax. There's also a separate proposal to replace the per-gallon gas tax with a tax on the wholesale price of gasoline, and a big increase in vehicle registration fees.

The proposal would still have to make it through committee meetings and floor debate, but it could be on the May ballot for voters to decide.

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