

507 S. Grand Ave.

Lansing, MI 48933

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## New Sales Tax Raises Questions

The new six percent service tax takes effect December 7. Like every other business organization in the state, the banking industry was lobbying against the enactment of this tax. Although there was no public hearing and no opportunity to explain the economic ramifications, the MBA lobbied aggressively and successfully to hold this tax from traditional banking services.

The MBA is contributing to a thorough research of the service tax issue both from a legal standpoint and a public opinion perspective. As part of that initiative, the MBA is joining a coalition of business groups supporting a repeal of the tax. While traditional banking services are currently exempt from the services tax, that situation could easily change. Definitions are up in the air and even Treasury officials can't answer many of the questions being raised. Banks as businesses pay sales tax like every other business and will feel the affects of these increases. This tax is simply bad for business all around. Estimates predict this tax could hike the cost of doing business in Michigan by \$500 million to \$1 billion.

The MBA Tax Committee is creating a list of potentially taxed areas of business. The MBA is creating a clearing house of tax professionals led by Tax Committee Chair Ernie Antczak to address the list with Treasury. Since banks have a host of differing products and services, compiling a comprehensive list is a challenge. However, the list is expected to be completed by October 25. The MBA is also seeking clarification from Treasury and looking for pitfalls that banks could stumble into that would raise problems in the future.

This list of additional services taken from the Michigan Department of Treasury [Web site](#) are subject to the new six percent use tax.

- Carpet and upholstery cleaning services, as described in [NAICS industry code 56174](#).
- Business service center services, as described in [NAICS industry code 56143](#).
- Consulting services, as described in [NAICS subsector code 5416](#).
- Investigation, guard and armored car services, as described in [NAICS industry code 56161](#).
- Investment advice services, as described in [NAICS industry code 52393](#).
- Janitorial services, as described in [NAICS industry code 56172](#).
- Landscaping services, as described in [NAICS industry code 56173](#).
- Office administration services, as described in [NAICS subsector code 5611](#).
- Other personal services, as listed in [NAICS industry code 812990](#)
- Other travel and reservation services, as described in [NAICS industry code 56159](#).
- Scenic transportation services, as described in [NAICS subsector code 487](#).
- Skiing services, as described in [NAICS industry code 71392](#).
- Tour operator services, as described in [NAICS industry code 56152](#).

## Coming Soon *mba Banking*

The MBA is hard at work on it's newest communication vehicle, *mba Banking* magazine. The first issue premieres at the Bank Management and Directors Conference in December. If you would like your name added to the distribution list, e-mail your contact information to Renee Cullimore at [rcullimore@mibankers.com](mailto:rcullimore@mibankers.com).

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- Warehousing and storage services, as described in [NAICS subsector code 4931](#).
  - Packaging and labeling services, as described in [NAICS industry code 56191](#).
  - Specialized design services, as described in [NAICS industry group code 5414](#).
  - Transit and ground passenger transport services, as described in [NAICS industry group code 4853](#).
  - Courier and messenger services, as described in [NAICS subsector code 492](#).
  - Personal care services, as described in [NAICS industry group code 8121](#), except hair care services.
  - Service contract services.
  - Security system services, as described in [NAICS industry code 56162](#).
  - Document preparation services, as described in [NAICS industry code 56141](#).
  - Miniwarehouse services and self-storage unit services, as described in [NAICS industry code 53113](#).
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## Income Tax Rate Change

Effective October 1, 2007, Public Act 94 of 2007 raised the income tax rate to 4.35 percent. According to the Michigan Department of Treasury, income tax filers should use one of the following methods to calculate the fourth quarter estimate payment due January 15, 2008.

Calculate the income tax liability for the year 2007 using the annualized tax rate of 4.01 percent and subtract estimates already paid.

If income was not earned equally throughout the year, multiply income earned during the fourth quarter of 2007 by 4.35 percent.

Worksheets and instructions have been posted to Treasury's [Web site](#). A new supplemental income tax withholding guide is available on the Web site as well along with 2007 income tax forms containing the income tax rate using an annualized rate of 4.01 percent.

## Contact OFIS With Predatory Lending Issues

Peggy Bryson, Acting Chief Deputy Commissioner, OFIS, recently received communications from several bankers advising of potential fraudulent or predatory lending mortgage lending practices by private mortgage companies. This information is very valuable to OFIS in targeting its limited mortgage examination resources toward the bad actors in the private mortgage industry.

If you encounter situations where you observe any kind of fraudulent or predatory mortgage lending practices

by private mortgage companies, or your customers complain of such practices, please bring these matters directly to the attention of Peggy L. Bryson, Acting Chief Deputy Commissioner, Office of Financial & Insurance Services, P.O. Box 30220, Lansing, MI 48909-7720, 517-373-9552.

## Overdraft Bill Awaits U.S. Congress Consideration

The House Financial Services Committee may soon consider the ABA-opposed overdraft protection bill (H.R. 946). The ABA is encouraging House and Senate members to explore ways to inform and protect consumers without unduly burdening financial institutions. The legislation, among other things, would require consumers to consent in writing -- or opt-in -- to having overdrafts paid if more than three overdrafts are charged in a year; require banks to return checks and other consumer payments.

## U.S. House Passes Debt Forgiveness

The U.S. House passed by a bill (H.R. 3648) that would permanently exclude mortgage debt forgiveness from individual taxpayers' income. The legislation would also extend the deductibility of personal mortgage insurance until Jan. 1, 2015, and limit the ability of taxpayers to obtain multiple \$500,000 capital gains exemptions for the sale of personal residences. The Senate has not yet acted on a similar bill (S. 1394).

## House Passes Comprehensive FHA Reform

The U.S. House of Representatives passed H.R. 1852, the “Expanding American Homeownership Act of 2007,” which enables the FHA to serve more subprime borrowers at affordable rates and terms, recapture borrowers that have turned to predatory loans in recent years, and offer refinancing loan opportunities to borrowers struggling to meet their mortgage payments in the midst of the current turbulent mortgage markets.

## FDIC Approves Identity Theft Rules

The FDIC approved a rule requiring banks to adopt a written identity theft prevention program. The program may be tailored to the needs of an individual institution, but must be designed to detect, prevent, and mitigate identity theft associated with all consumer accounts and other accounts when the bank determines there is a reasonable identity-theft risk. Once approved by the other agencies, the rule will take effect on January 1, 2008, with mandatory compliance by November 1, 2008.

ABA is encouraging bankers to participate in the fakechecks.org public awareness campaign to combat financial fraud. ABA has posted materials on its Web site -- including posters, ads, brochures, a PowerPoint presentation and Web links -- that banks can use in lobbies, on their Web sites or in communications to customers. The materials seek to raise awareness about a range of fraud schemes, including phony postal money orders and foreign lottery scams. For more information call 1-800-BANKERS. Click [here](#).

## Fraudulent Employment Verification Service

A number of fraudulent, web-based services have been introduced recently that will provide a loan applicant with bogus pay stubs along with telephone verification of employment. An example may be found at [verifyemployment.net](#). Please be aware of this new threat and take appropriate measures to minimize potential losses.

## Credit Union Data Update

The MBA Credit Union Task Force is currently reviewing credit union data. As of October 5, 2007, there were 365 credit unions headquartered in Michigan 138 Federal CUs and 227 Michigan state-chartered CUs.

Credit union organization and structure: CUs are not-for-profit, cooperative associations owned by their members. Each member owns one share regardless of size or nature of the member's account. Credit unions have a choice of either state or federal charter. There are several references in federal legislative history about who Congress intended federal CUs to serve. However, there is no specific reference included as statutory requirements in the Federal CU Act.

For more information look for regular updates in your Advocacy Report or contact Credit Union Task Force staff liaison Dick Lavolette at 517-342-9071.

## Payroll Deduction Encouraged for 2008 MiBankPAC

Banks switching to the payroll deduction format for MiBankPAC contributions in 2007 saw a 25 percent average increase in dollars raised. The MiBankPAC will kick off its annual campaign in November. This change will allow time for banks offering payroll deduction contributions to set up the required infrastructure prior to January 1. If your bank is interested in joining the payroll deduction format, contact Jordan Kingdon at [jkingdon@mibankers.com](mailto:jkingdon@mibankers.com) or 517-342-9073 for more information.

## Tickets Available for HDCC Event This Thursday in Detroit

The MiBankPAC has received several complimentary tickets to the HDCC's Evening of Blues event this Thursday from 5:00-7:30 p.m. at the Renaissance Center in Detroit. Mayor Kwame Kilpatrick, Speaker of the House Andy Dillon and several State Representatives will be in attendance. If interested in attending, contact Jordan Kingdon at [jkingdon@mibankers.com](mailto:jkingdon@mibankers.com) or 517-342-9073.

## Grassroots News

For more grassroots news, click [here](#).