



MBA Advocacy Report

Michigan Bankers Association • 517-485-3600

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Business Tax Proposal Affects Banks

Governor Granholm is promoting her plan to restructure Michigan's Single Business Tax, a plan that would have an overwhelmingly negative effect on the banking industry. Calling it the "Michigan Jobs and Investment Act," her proposal would shift more than 60 percent of the tax's burden among taxpayers. A 37 percent rate cut masks the most significant aspects of the proposal: subjecting profits to triple taxation, eliminating several provisions of the tax code that benefit employers, and doubling the tax on insurance premiums. These massive tax increases will buy tax relief for companies with high equipment and employment costs and little or no profits, including large manufacturers. Bills have been introduced in both the House and the Senate. [Click here](#) to read one of the bills. Legislative hearings are expected to begin shortly, and will likely be held at locations around the state. See below for more.

Town Halls to Discuss Governor's Economic Plan

Legislative Democrats have announced a series of "town hall" meetings around the state to seek input on Governor Granholm's economic plan. Key components include the proposed SBT restructuring, the acceleration of state spending to front-load \$800 million in public works projects, and \$2 billion worth of borrowing with which state officials would make equity investments in high technology firms. Times and specific locations haven't been announced, but the schedule is as follows: Lansing on April 19, Grand Rapids on April 21, Waterford and Monroe on April 25, Bedford on April 28, Saginaw on May 2, Jackson on May 4, Ann Arbor and Livonia on May 5, Woodhaven on May 6, Dearborn on May 9, Sterling Heights on June 3, Muskegon on June 6, Alma on June 13, Midland on June 17, Escanaba on June 20 and Port Huron on June 27.

MBA will be contacting bankers to ask them to represent our industry as we communicate the impact of the SBT changes. Those who would like to volunteer to be an industry leader in this regard should contact Matt Hanley at 517-342-9068 or mhanley@mibankers.com.

More Tax Changes Offered as Budget Fix

The governor also proposed the elimination of nine tax exemptions worth \$112 million to help plug a budget hole. Of potential concern to banks is the proposed imposition of use tax on data lines and toll-free calls. Legislation to implement these changes is not yet available.

And Now, Some Good Tax News

The Michigan House has passed legislation fully phasing employee health care costs out of the base of the SBT. Current law phases out half those costs over a multi-year period. MBA supports the bill, which would accelerate the phase out and culminate in a complete elimination of the base add-back in 2006. The Senate has not indicated when or if it will act on the legislation.

House Set to Act on Bankruptcy Reform

Having finally cleared the U.S. Senate after years of attempts, the House is expected to give its approval to a bankruptcy reform bill supported by the banking industry. Key provisions include a requirement that filers with income higher than the statewide median utilize Chapter 13 repayment, rather than Chapter 7 cancellation. The bill was slated to be voted on this week, but action was postponed to allow members of Congress to attend the funeral of Pope John Paul II.

OCC Guidance on Predatory Lending

The standards on residential real estate lending practices are intended to help national banks guard against becoming involved in predatory lending practices. The guidelines are effective April 8. [Click here](#) to read the guidelines.

Federal Agencies Seek Comment on CRA Proposal

The Fed, FDIC, and OCC are seeking comment on a joint proposal to raise the streamlined CRA exam threshold from \$250 to \$1 billion, regardless of holding company affiliation. The rule would require a community development test for banks between \$250 million and \$1 billion. The lending test and community development test would be equally weighted, but a satisfactory rating on each would be required for a satisfactory rating overall. [Click here](#) to read the proposal. Comments are due May 10.

OTS Also Proposes CRA Changes

A new rule effective April 1 changes the weighting requirements for thrifts above \$1 billion in assets, giving them greater flexibility in demonstrating CRA compliance. Under old regulations, lending activities were weighted at 50 percent, with 25 percent going to investments and services each. The new rule allows lending to be given a higher weight, depending on the needs of the institution's community. [Click here](#) to read the rule.

Federal Agencies Advise on Data Security Breaches

The federal banking regulators have issued guidance on how banks should respond to unauthorized access to customer information. Banks are encouraged to assess the likelihood that the breach will result in misuse of the information, notify customers, and notify its federal regulator. For more information [click here](#).

Know of Any Unnecessary Regulations?

The federal banking agencies are asking bankers for ways to reduce the regulatory burden. A total of 28 regulations pertaining to money laundering, safety and soundness, and securities are fair game. Deadline for comments is May 4. [Click here](#) for more.

HMDA Data FAQs Available

In light of the public availability of lender data, the federal banking agencies issued a series of Frequently Asked Questions about the information reported under HMDA. The FAQs caution on the appropriate use of the data, explaining that they are not sufficient to draw conclusions about unlawful discrimination in mortgage lending. A summary of the data is expected from FFEIC in September. Bankers are encouraged to review the [document](#) and be prepared to answer questions from media and consumer groups.

SEC Delays Action on Bank Broker Rules

The Securities and Exchange Commission will further delay implementation of proposed changes to Regulation B, pushing the effective date back to September 30. The banking industry has argued that the proposed rules go beyond the regulatory scheme Congress intended when it adopted Gramm-Leach-Bliley and would subject banks to an additional regulatory scheme unnecessarily. Fourteen members of the Senate Banking

Committee, including Michigan's Debbie Stabenow, wrote a letter to SEC Chair William Donaldson arguing that the proposal is "inconsistent with congressional intent." [Click here](#) for more.

Bill to Expand Criminal Record Concealment Moves

A State House committee has reported a bill that expands the ability of those with criminal records to make some convictions nonpublic. Current law allows, in certain circumstances, a court to grant a criminal's request to hide one conviction from their public record. Under the bill, a person could hide up to two convictions, if they were misdemeanor offenses. The MBA is currently analyzing the bill's implications for bank hiring practices.

Fingerprints Allowed as Signature Under Bill

A House committee has approved a bill that would allow an individual who cannot write to use his or her fingerprint as a legal substitute to a signature or other mark. [Click here](#) for an explanation of the bill.

Spyware Bills Pass Senate

The Michigan Senate has passed a package of bills aimed at prohibiting the use of spyware – computer programs that track a user's activity and transmit it to another computer, often without the individual's knowledge or consent. Some spyware programs enable online companies to track a person's activities on a website and tailor pop-up advertising to the person's choices. Other programs are capable of monitoring the person's keystrokes and online screenshots, thus revealing personal information such as login names, passwords, and social security, credit card, and bank account numbers. [Click here](#) to read an analysis of the bills.

Bill Would Increase Agricultural Apprenticeship Tax Credit

The Senate has passed a bill increasing the SBT credit available to agricultural and food processing companies that train apprentices. The existing credit is \$2,000, despite the fact that the amount was increased in 2003 to \$4,000 for manufacturing industries only. The bill would extend the increase to food processors. [Click here](#) for an analysis.

House Passes Payroll Outsourcing Bill

A bill passed by the House would require state government to conduct a study to determine the "true cost" of the state's payroll system and to outsource the service if it can achieve at least 5 percent savings. Amendments adopted on the House floor require a potential vendor to have a presence in the state and employ Michigan residents. [Click here](#) to read the bill.

If you are interested in past issues of the Advocacy Report –
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FOR MORE INFORMATION, or if you have any questions about any items mentioned in this report, please contact [Matt Hanley](#) at (517) 342-9068.