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June 14, 2007

Dear Michigan Legislators:

I am writing you on behalf of the Associated General Contractors of Michigan (AGC), which represents Michigan's leading general contractors, construction managers and specialty contractors. AGC appreciates your leadership in seeking a meaningful and equitable solution to replacing the single business tax.

We are concerned, based on what we have seen in the conceptual agreement, about the calculation of the gross receipts tax. As currently outlined, the tax is calculated on sales minus purchases of tangible property. The majority of purchases made by construction companies are subcontracts for services by other firms and therefore not tangible property. As it is written now, construction firms would be paying tax on both sales and purchases.

This also creates the pyramid effect often associated with gross receipts taxes whereby multiple companies end up paying the same tax on the same good or service. With the many business to business transactions involved in construction, that could be quite a pyramid!

Construction makes a major contribution to our economy and allows for our quality of life. Be it an office building where you work each day, your children's school, wastewater treatment facilities for the clean water we expect, and safe roads and bridges to drive on – construction helps us enjoy our quality of life. Construction is already suffering in this state and increasing the cost of construction would further hurt the industry. At a time when Michigan begs for economic opportunity and needs construction's strong economic ripple effect, we need to bolster and not restrict this ailing industry.

The attached document provides additional details on our concern with the gross receipts calculation and we appreciate your giving it due consideration.

Sincerely,

A handwritten signature in black ink that reads 'Bart Carrigan'. The signature is written in a cursive, flowing style.

Bart Carrigan
President