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## Snyder brightens biz outlook -- Survey: 75% expect he'll have positive impact

By [Nancy Kaffer](#)

Michigan business owners still aren't happy with the economy, but for the first time in years, some see a light at the end of the tunnel -- and that may have something to do with Gov.-elect Rick Snyder.

In a recent survey of 300 metro Detroit business owners, operators or managers conducted by Lansing-based **Epic-MRA** for *Crain's Detroit Business* and **Honigman Miller Schwartz and Cohn LLP**, an overwhelming 75 percent of respondents said they expected Snyder, a technology entrepreneur and venture capitalist, to have a positive effect on the economy.

"I'm thrilled Rick Snyder got into office because he really understands the challenges facing businesses," said survey respondent Eudora Adolph, a founding principal and financial growth engineer with Novi-based **Avertrust Advisors LLC**.

Adolph, like 60 percent of survey respondents, doesn't like the Michigan Business Tax.

"Get rid of it," she said. "The reason we're losing businesses to Texas and the Carolinas is because they have a much friendlier climate for businesses from a tax perspective. We're still running as if we were one of the wealthier states in the nation. We haven't adjusted to our new finances, and we're still trying to provide a lot of things that being one of wealthiest states in the nation allowed."

Snyder has said he would like to scrap the MBT, replacing it with a flat 6 percent corporate income tax, an idea that 60 percent of survey respondents favor and 14 percent oppose. However, 34 percent of respondents said that with a 6 percent flat tax, their tax bills would remain the same. Only 22 percent said they would expect taxes to decrease.

"I think the results indicate that people are just as confused and just as uncomfortable with the MBT as they were with (Single Business Tax)," said Richard Barr, partner in the environmental law department and co-chairman of the investment incentives and tax savings group at Honigman. "It continues to be a tax people don't understand and fear more than they embrace."

But, Barr noted, 26 percent were undecided or declined to answer.

### SURVEY HIGHLIGHTS

- Seventeen percent of respondents said lack of customers was their biggest concern about their business. Eleven percent reported that taxes were their biggest concern, and 9 percent said the economy. Cash flow, loan-credit availability and funding were the responses of 5 percent of those surveyed.
- Most survey respondents planned to maintain current staffing levels -- 68 percent -- while 25 percent planned to hire new employees in 2011. Only 5 percent said they might lay off employees
- Businesses reported using a variety of strategies to attract new employees: 18 percent said they were using more advertising, 15 percent said word of mouth, 12 percent said they were offering good wages and benefits, 8 percent recruiting. Just 4 percent reported using social networking or Michigan Works. Ten percent said they were doing nothing to attract new employees.
- Forty-seven percent of respondents said their business strategy for 2011 focused on increasing revenue with existing products or services. Twenty-one percent said they'd work to contain costs, and 16 percent and 14 percent planned to focus on marketing and/or advertising and developing new products and/or services, respectively.
- Sixty-seven percent of employers planned to leave wages unchanged in 2011; 28 percent planned to increase wages.
- Eighty-two percent of respondents said taxes are too high; 13 percent said taxes were about right.
- Sixty-eight percent of respondents said that taxes should be kept as low as possible, even if that means cutting state services and programs; 27 percent said maintaining existing state programs and services was important, even if that means raising taxes.
- When it comes to diversifying Michigan's economy, the state isn't doing a great job, 73 percent of respondents said; 41 percent said that a low, understandable and predictable business tax

"I think people have not yet heard what that means to them," he said. "They don't know what it means, but I think the idea of something different, something that sounds simple, is something people want to look at. I don't think people have focused on what (the poor economy) has done to the overall budget. They still think government can cut more -- until you ask them what to cut. I interpret these results as people are open to something different."

Government regulations for business need to become more consistent and less complex, said respondent J.T. Pedersen, who is in the process of mothballing his real estate investment company.

"Consistency, simplicity, lack of redundancy," he said.

Fifty-nine percent of those surveyed said they expect prospects for their businesses to improve, 34 percent were expecting about the same and 6 percent thought their prospects were declining.

Fifty-five said they thought the economy will improve next year, compared to just 5 percent who expect it to get worse.

Pedersen is one of the pessimistic ones.

"Realistically I think we have a second real estate bubble pending out there," he said. "We've got a couple hundred thousand people who will run out of unemployment soon. I think the second wave has been held off for a while, but I think we're going to have a protracted bottom on the U (-shaped slump). I think we're at the bottom of the slump. The question is: Is it going to be a bumpy ride before we pull up?"

Respondents also said they'd like to see a review of state and local tax breaks provided to businesses, with reduction or elimination of those that don't create jobs.

That's fair, Barr said.

"I think that everybody believes that tax incentives should be an incentive, creating a result; you're reducing taxes and getting something in exchange," he said. "You're incentivizing business to act in a way the government wants them to act, whether it's to hire people, buy equipment, or engage in things that are good for community."

Adolph said that if government is going to offer incentives, it should be reliable about it.

"Look at what happened with film credits," she said. "I have heard ... that some of the projects have slowed down because of uncertainty if the credit will continue. If we're going to give them, we need to do it. One of the biggest problems in business is uncertainty, business doesn't know where it should be investing its dollars. We want a sure thing and there isn't a sure thing right now."

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rate for all businesses would have the greatest impact on re-establishing jobs.

- Forty-seven percent of respondents strongly disapprove of the new health care law, with 40 percent saying it will require them to increase or improve coverage.

- When it comes to cutting the cost of government, 80 percent of respondents felt that tax breaks to businesses should be reviewed, 84 percent felt that state employees should pay higher health insurance premiums, and 66 percent said Michigan's criminal sentencing laws should be changed to resemble other states, reducing the state corrections budget.

- Twenty-six percent of respondents said high-tech manufacturing was best suited to create growth and jobs in the state economy. Alternative energy and general research and development were chosen by 19 percent.

- Lack of political leadership is the biggest obstacle to economic progress in Michigan, 37 percent of respondents said. Thirty-one percent blamed an economy dominated by the auto industry, and 12 percent named a lack of entrepreneurial culture.

- Fifty-three percent of respondents said they expect area business leaders to provide a blueprint for economic development

- Respondents identified cultivating a competitive economy with a diverse business base, reforming the state's tax system and protecting Michigan's natural resources as their top priorities from Gov.-elect Rick Snyder's 10-point plan to reinvent Michigan.

**READ THE ENTIRE SURVEY**

**[Click here to read the Epic/MRA survey in its entirety.](#)**