SFA BILL ANALYSIS

Senate Fiscal Agency • Lansing, Michigan 48909 • (517) 373-5383

Senate Bill 911
Sponsor: Senator Norman D. Shinkle
Committee: Finance

Date Completed: 9-28-88

SUMMARY OF SENATE BILL 911 as introduced 6-2-88:

The bill would amend the Single Business Tax Act to allow savings and loan associations to deduct from their tax base an amount for bad debts that would exceed the deduction for bad debts that is currently allowed by the Act. The bill provides that, for purposes of calculating the single business tax (SBT) only, a savings and loan could, in determining its business income, deduct, for amounts that qualify as bad debt, 32% of taxable income, rather than 8% as is allowed under the Internal Revenue Code for determining Federal tax.

Prior to the 1986 Federal Tax Reform Act, savings and loans could deduct under the Internal Revenue Code, with certain restrictions, amounts that qualified as bad debt, up to 40% of taxable income. After 1986, the deduction was reduced to 8%. This lesser deduction, in effect, increased the "business income" of savings and loans (since "business income" for financial institutions is defined under the SBT Act as Federal taxable income) thus increasing the "tax base" upon which single business taxes are calculated. (The "tax base" is business income plus or minus adjustments as provided in the Act.)

MCL 208.21 Legislative Analyst: G. Towne

FISCAL IMPACT

There is no fiscal information available on the bill at this time.

Fiscal Analyst: N. Khouri

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