



**House
Legislative
Analysis
Section**

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SBT: CLARIFY FILING THRESHOLD

**House Bill 4678 (Substitute H-1)
First Analysis (5-2-95)**

**Sponsor: Rep. Willis Bullard, Jr.
Committee: Tax Policy**

THE APPARENT PROBLEM:

Public Act 246 of 1994 (House Bill 5090) amended the Single Business Tax Act to increase the filing threshold from \$100,000 to \$137,500 for 1994 and to \$250,000 for tax years beginning after December 31, 1994. Businesses with gross receipts below this amount do not have to file a return or pay the tax. The act also specified that an affiliated group or a controlled group of corporations or an entity under common control would have to consolidate the gross receipts of the entities to determine if the group was required to pay a tax or file return. The aim of the provision is to prevent larger companies from splitting into smaller ones to avoid the tax. According to tax specialists, one unintended result of this provision has been that some taxpayers who did not have to file and pay the SBT under the \$100,000 threshold are now subject to the tax at the new threshold because they must now combine their gross receipts with other firms under common control. Legislation has been introduced to address this.

THE CONTENT OF THE BILL:

The bill would amend the Single Business Tax Act (MCL 208.73) to specify that an individual member of an affiliated group or controlled group of companies with apportioned or allocated gross receipts of less than \$100,000 (plus certain adjustments) would not be required to file a return or pay a tax. The bill would modify the existing provision requiring the consolidation of gross receipts of companies in an affiliated group or in a controlled group of corporations or an entity under common control for tax years ending after July 6, 1994. It would require the consolidation of gross receipts of the members of the affiliated group, member corporations of the controlled group, or entities under common control that have apportioned or allocated gross receipts of \$100,000 or more (plus adjustments) to determine if the group or entity had to pay a tax or file a return.

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the revenue loss from this bill is indeterminate because data from SBT returns filed under current law are not yet available. (Fiscal Note dated 4-25-95)

ARGUMENTS:

For:

The stated aim of the bill is to correct an unintended consequence of Public Act 246 of 1994. That bill raised the filing threshold for the single business tax, yet it resulted in some small companies that previously had not met the lower threshold exceeding the higher threshold. This was due to a provision that required affiliated or commonly controlled companies to aggregate receipts for purposes of the threshold. The bill would return those companies to their prior status by exempting them from the consolidation of assets requirement.

POSITIONS:

The Small Business Association of Michigan has indicated its support for the bill. (4-27-95)

The National Federation of Independent Business has indicated its support for the bill. (4-27-95)

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