



Olds Plaza Building, 10th Floor
Lansing, Michigan 48909
Phone: 517/373-6466

SBT: CLARIFY FILING THRESHOLD

House Bill 4678 as enrolled
Public Act 80 of 1995
Second Analysis (6-29-95)

Sponsor: Rep. Willis Bullard, Jr.
House Committee: Tax Policy
Senate Committee: Finance

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 to specify that when an individual member of an affiliated group or controlled group of corporations or an entity under common control has apportioned or allocated gross receipts of less than \$100,000 (plus certain adjustments), it is not required to file a return or pay a tax. The bill would modify the existing provision that requires the consolidation of gross receipts of such companies for tax years ending after July 6, 1994. It would require the consolidation of gross receipts only of companies with 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. (The bill cites the federal Internal Revenue Code definitions of a controlled group of corporations and an entity under common control.

The SBT act contains a definition of an affiliated group.)

MCL 208.73

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 previously exempted from filing and paying the SBT being required to file and pay under the new 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.

House Bill 4678 (6-29-95)