Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 342 (as enrolled)	**PUBLIC ACT 282 of 1995**
Senate Bill 472 (as enrolled)	**PUBLIC ACT 291 of 1995**
Senate Bill 545 (as enrolled)	**PUBLIC ACT 285 of 1995**
House Bill 4358 (as enrolled)	**PUBLIC ACT 284 of 1995**
House Bill 4404 (as enrolled)	**PUBLIC ACT 230 of 1995**
House Bill 4605 (as enrolled)	**PUBLIC ACT 283 of 1995**

Sponsor: Senator William Van Regenmorter (S.B. 342)
Senator Walter H. North (S.B. 472)
Senator Dale L. Shugars (S.B. 545)
Representative Kirk A. Profit (H.B. 4358)
Representative Barbara Dobb (H.B. 4404)
Representative Charles Perricone (H.B. 4605)
Senate Committee: Finance
House Committee: Tax Policy

Date Completed: 2-8-96

RATIONALE

The Single Business Tax (SBT) Act imposes a tax on business based upon a measure of a firm's activity in Michigan. A business that conducts all of its activities in Michigan must include all of those activities in its tax base. While a large majority of SBT payers are firms that operate only in Michigan, a large portion of total SBT revenue is paid by a small number of "multistate" firms; that is, businesses located outside the State that do business in the State, or businesses headquartered in Michigan that do business here and elsewhere. The Act requires a multistate firm doing business in Michigan, whether or not headquartered here, to "apportion" its tax base by determining how much of its business activity is attributable to Michigan. This is accomplished by using a three-factor formula that requires the firm to calculate the ratio of its property, payroll, and sales in Michigan to its entire property, payroll, and sales, and apply this ratio to its nationwide (or worldwide) tax base, resulting in its apportioned tax base. The property, payroll, and sales factors of the apportionment factor are weighted; that is, the Act requires the use of 25% of the property factor, 25% of the payroll factor, and 50% of the sales factor. The apportionment formula is determined in the following manner:

$$.25 \times \frac{\text{Property in MI}}{\text{All Property}} + .25 \times \frac{\text{Payroll in MI}}{\text{All Payroll}} + .50 \times \frac{\text{Sales in MI}}{\text{All Sales}}$$

It has been argued that the structure of the apportionment formula favors multistate companies located outside Michigan over multistate companies located in Michigan, in effect giving outside companies a competitive advantage. For example, a Michigan-based company with significant property and payroll in Michigan must include those under the apportionment formula, while an outside company that sells products here but has no physical presence in Michigan can exclude property and payroll from the calculation. If the two companies have similar sales factors, the outside company pays less SBT. Some people feel that this works as a disincentive for multistate companies to invest in Michigan. It has been suggested that the payroll and property factors should be substantially reduced, and that the apportionment be based largely on sales.

Further, once the tax base has been apportioned, it is subject to certain adjustments. The major adjustment a firm can make is to use the capital acquisition deduction (CAD). Under this deduction, a business calculates the total cost of all its purchases of tangible assets, both in and out of Michigan, during the tax year, and then apportions this amount using the same factors used to apportion its tax base. This amount is then subtracted from the firm's Michigan tax base to arrive at the adjusted tax base. Under current law, because a business's total purchases of tangible assets are apportioned to arrive at its CAD, it is possible for a multistate company not to make any new purchases of tangible assets in Michigan but still receive a CAD. It is also possible for a multistate business that makes substantial new physical investments in Michigan to receive a CAD that is less than its total investments in Michigan. It has been suggested that, to provide an incentive for investment in the State, the CAD be available only for capital investments made in Michigan.

In addition, under current law, the SBT Act provides a credit to small businesses. In order to qualify for this credit, a business must meet the following three criteria: 1) gross receipts must be less than $10 million; 2) adjusted business income must be less than $475,000; and 3) any shareholder or officer may not be allocated income over $95,000. Under these criteria, a business that pays a shareholder or officer $95,001, is not eligible for the credit and might realize a significant increase in its SBT liability. If the income is under the limit, however, the full credit is available. Some people feel that the $95,000 "cliff" should be raised, and that a gradually reduced credit should be available up to the maximum allowable compensation.

Finally, under the Income Tax Act, public pension income is not subject to the tax. Prior to 1994 private pensions beyond $7,500 for a single return or $10,000 for a joint return were subject to the income tax. Public Act 269 of 1994 raised the limits to $30,000 for a single return and $60,000 for a joint return. (The amounts are reduced by the amount of any deductions the taxpayer claims for public retirement or pension benefits.) It was argued that private pension income, compared with public pension income, had long been treated unfairly and that raising the limit to $30,000/$60,000 would put the treatment of private pension income on an equal footing with the treatment of public pension income, since few public pensions exceed those limits. Further, Public Act 268 of 1994 allowed senior citizens without public or private pensions to deduct interest and dividend income up to $1,000 for a single and $2,000 for a joint return. It was argued at the time that the allowance of the deduction for interest and dividend income was only a step toward equal tax treatment of all retirement income. It has been suggested that the deduction limits for seniors' interest and dividend income should be raised, and capital gains income should be included in the deduction.

CONTENT

Senate Bills 342 and 545 and House Bills 4358 and 4605 amended the Single Business Tax Act to alter the SBT formula that a multistate firm must use to apportion its tax base; change the capital acquisition deduction to provide that the deduction may be claimed only for purchases of tangible assets located in Michigan; and increase the maximum compensation allowed for a business to qualify for the small business credit. Senate Bill 472 and House Bill 4404 amended the Income Tax Act to raise the amount of interest and dividend income a senior may deduct from taxable income, and to allow the deduction of capital gains income. All of the amendments begin to apply in the 1997 or 1998 tax year, as provided in the bills.

All of the bills were tie-barred to each other. Following is a detailed description of each bill.

Senate Bill 342 and House Bill 4605

Apportionment Formula and the CAD

The bills alter both the apportionment formula and the CAD, and continue the link between the formula and the CAD. Currently, the tax base of a multistate taxpayer is determined by calculating its gross tax base (its total business activity in and outside of Michigan), and then apportioning the tax base to Michigan using an apportionment factor of 25% property, 25% payroll, and 50% sales. After apportionment, the business adjusts its apportioned tax base by applying the CAD; it must total the cost of all its purchases of tangible assets both in and outside the State, apportion the amount using the apportionment formula above, and subtract the amount from its tax base.

House Bill 4605 increases the weight of the sales factor and decreases the weights of the property and payroll factors, by providing that for tax years 1997 and 1998 the apportionment formula will be 10% payroll, 10% property, and 80% sales. Senate Bill 342 changes the formula to 5%-5%-90% in 1999 and thereafter. Senate Bill 342 also changes the current CAD to a "Michigan-only" CAD; that is, for 1997 and thereafter a firm may deduct the cost of tangible assets, *provided that* *the assets are physically located in Michigan*, if the assets are used in a business activity in Michigan and are not "mobile tangible assets" (described below). The deduction then must be multiplied by the apportionment factor that is in effect for that tax year. House Bill 4605 provides that if the new CAD is *not* in effect for tax year 1997, the current 25%-25%-50% apportionment formula will apply; for 1998 the formula will be 20%-20%-60%. Senate Bill 342 provides that if the new CAD is not in effect, the formula in 1999 and thereafter will be 15%-15%-70%. The following table shows the apportionment factors.

	New CAD in Effect	New CAD not in Effect
1997	10-10-80	25-25-50
1998	10-10-80	20-20-60
1999	5-5-90	15-15-70

(Senate Bill 342 contains a provision that if any portion of the new CAD is declared unconstitutional in a decision rendered by an appellate court, and if the decision is not under appeal, the sections of the bill that amend the CAD will not be effective.)

Temporary Tax Credit

Senate Bill 342 creates a credit to limit any tax increase, resulting from changes to the apportionment formula and CAD, to $5 million per year. The bill provides that for the 1997, 1998, and 1999 tax years, if the new CAD is in effect, a firm may claim a credit (equal to a positive amount) as calculated using the formula in the bill. In short, a firm will have to:

A) Calculate its SBT liability for the tax year, without the credit, using the new CAD and apportionment factors.
B) Calculate its SBT liability for the tax year as if the previous CAD and apportionment factors were in effect and the new CAD and apportionment factors were not.
C) Subtract the B) result from the A) result, and subtract $5 million from that result.

The credit may not be claimed against the tax base of insurance companies, or by a firm that has an adjusted tax base in excess of 50% of its gross receipts and elects to reduce its tax base by the excess (the gross receipts reduction, as allowed in Section 31 of the Act).

Other Provisions

Senate Bill 342 makes several additional changes to the CAD. The bill provides that if the new CAD is in effect, a firm, in the 1997 tax year and thereafter, may claim the CAD for "mobile tangible assets" not necessarily physically located in the State; the deduction must be multiplied by the apportionment formula applicable to the tax year. "Mobile tangible assets" includes motor vehicles with a gross vehicle weight rating of 10,000 pounds or more that are used to transport persons for compensation or property; rolling stock, aircraft, and watercraft used by the owner to transport persons or property for compensation or used by the owner to transport the owner's property for sale, rental, or further processing; or equipment used directly in completion of or in construction contracts for the construction, alteration, repair, or improvement of property.

For tangible assets in tax year 1997 and thereafter, a firm may deduct the Federal basis used for determining gain or loss (as of the date a tangible asset was physically located in the State for use in a business activity) plus the cost of fabrication and installation of the tangible asset, if: the new CAD is in effect; the tangible asset is other than a mobile tangible asset; and the asset is purchased for use outside the State and physically located in the State after the asset is purchased or acquired for use in a business activity. The deduction must be multiplied by the apportionment factor applicable to the tax year. If assets other than mobile tangible assets are eligible for the CAD and are transferred out of the State, the firm must *add* to its tax base the Federal basis used for determining gain or loss as of the date of transfer. The addition then must be multiplied by the appropriate apportionment factor.

If the new CAD is in effect, these provisions do not apply, and the current CAD provisions do apply, to a retailer that meets the following criteria: the taxpayer is headquartered in Michigan; the taxpayer's date of incorporation, as filed with the Corporation and Securities Division of the Department of Commerce, is on or before the effective date of the bill; the taxpayer's retail sales of prescriptions are more than 2% and less than 10% of the taxpayer's total retail sales; the taxpayer sells at retail, and more than 50% of its total retail sales comprise sales of, fresh, frozen, or processed food, food products, or consumable necessities, household products, prescriptions, health and beauty care products, cosmetics, pet products, carbonated beverages, and beer, wine, or liquor.

Senate Bill 545 and House Bill 4358

Among the current criteria used for a firm to qualify for the small business credit is that the compensation and fees of any shareholder partner or officer of the firm not exceed $95,000; if this amount is exceeded, the credit is unavailable. House Bill 4358 raises the allowable compensation or fees to $115,000 for tax year 1998 and thereafter, and subjects the credit to a percentage reduction for annual compensation or fees between $95,001 and $115,000. The credit is reduced by 20% for compensation between $95,001 and $100,000; 40% for compensation between $100,001 and $105,000; 60% for compensation between $105,001 and $110,000; and 80% for compensation between $110,001 and $115,000. Senate Bill 545 provides that the following apply in determining the reduction percentage:

- -- The reduction percentage for a partnership or subchapter S corporation is based on the distributive share of adjusted gross income minus loss adjustment of the partner or shareholder with the greatest distributive share of adjusted gross income, minus loss adjustment.
- -- The reduction percentage for a corporation other than a subchapter S corporation is the greater of the reduction percentage based on the compensation and directors' fees of the shareholder or officer with the greatest amount of compensation and directors' fees, or the reduction percentage based on the sum of compensation and directors' fees of a shareholder plus the shareholder's percentage of outstanding stock multiplied by the difference between the firm's business income and adjustments minus the loss adjustment.

Senate Bill 472 and House Bill 4404

Currently, senior citizens with no pension income may deduct from taxable income up to $1,000 for a single return and $2,000 for a joint return of interest and dividend income. House Bill 4404 increases the deduction, for the 1997 tax year, to $3,500/$7,000, and provides that capital gains income may be included in those amounts. Senate Bill 472 increases the allowable deduction for interest, dividend, and capital gains income to $7,500/$15,000 for the 1998 tax year and thereafter. (Like the current allowable deduction, the increased deduction will be adjusted each year by the rate of inflation.) House Bill 4404 provides that the maximum amounts allowed to be claimed for interest, dividend, and capital gains income must be reduced by the amount of any deduction a senior citizen claims for private or public pension income. (For example, for the 1998 tax year, if a senior couple claimed a deduction of $14,000 in pension income, they would have $1,000 available to deduct against interest, dividend, or capital gains income: $15,000 - $14,000 = $1,000.)

MCL 208.23 et al. (S.B. 342)
206.30c (S.B. 472)
208.4 & 208.36d (S.B. 545)
208.36 (H.B. 4358)
206.30 (H.B. 4404)
208.45 (H.B. 4605)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The package of SBT bills will result in substantial tax relief for Michigan-based multistate corporations that sell their products nationwide and worldwide, and will offer needed relief for small businesses. When discussing the SBT it must be remembered that in any given year well over half of all Michigan businesses do not pay any SBT, while a small percentage of large companies pay a large percentage of the total revenue. Recent SBT changes have benefitted small businesses (by raising the filing threshold), or have had across-the-board benefits (by lowering the tax rate, and removing Social Security, workers' compensation, and unemployment insurance from the tax base). The change in the apportionment formula under the bills will provide tax relief to Michigan-based companies that carry a large SBT burden, and makes those multistate companies that exploit the State's markets and compete with Michigan companies, but that have little or no investment in Michigan, pay more. The SBT bills basically make two fundamental changes to the SBT Act for a multistate firm that must apportion its total tax base to determine its Michigan tax base: decrease greatly in the tax base the firm's property and payroll factors and increase greatly the firm's sales factor; and specify that the firm's CAD may be claimed only for purchases of tangible assets located in Michigan, and that it must be apportioned. In effect, the bills shift the State's tax burden away from investment in labor and property and toward consumption, and reward Michigan-based businesses by removing penalties for hiring workers and investing in capital improvements. This will have a positive, long-term effect on the State's economy. By making the tax system attractive to Michigan-based companies, the bills can be viewed as a strong economic development tool for the State, because they will encourage businesses to locate here instead of elsewhere.

Supporting Argument

By including payroll and property in the SBT apportionment formula, multistate firms headquartered in Michigan have found themselves at a competitive disadvantage relative to multistate businesses located outside the State. For instance, a Michigan-based business with sales here and in other states or countries tends to have a greater percentage of its total business activity reflected in Michigan-based property and payroll than does an outside business with sales in Michigan. A Michigan-based business has to include the payroll, property, and sales factors in determining its apportioned tax base, while an outside business with little or no physical presence in Michigan has little or no in-State payroll and property to include in its calculation. Thus, the calculation of the business activity apportioned to Michigan under the SBT falls more heavily on the Michigan-based business than on the outside firm. This has led to many negative ramifications for Michigan-based multistate businesses.

In effect, the current tax structure provides a disincentive for multistate firms to maintain or increase their physical presence in Michigan, since if they merely sell products here, rather than producing or storing them here, they avoid including payroll and property in their tax bases. Basing the apportionment formula on a greatly increased sales factor will level the playing field for Michigan-based firms; that is, multistate firms will be taxed on substantially the same single factor regardless of the point of manufacture. This will make the tax climate in Michigan much more attractive to job providers because they will no longer be penalized under the tax for locating here. Further, significantly removing payroll and property from the apportionment calculation will reduce the taxes of some firms, thus rewarding those business that already have sizable in-State property and payroll.

Supporting Argument

The SBT provides a credit to small business, provided a business meets the criteria specified in the Act. One of the criteria for qualifying for the small business credit has been that any shareholder or officer of the business may not be allocated income over $95,000. This has created a "cliff" problem; if one officer or shareholder is allocated $95,001, the entire business is not eligible for the credit, and likely experiences a significantly higher tax liability. Under the bills, the limit will be raised to $115,000, with a phased-out credit for amounts over $95,000. This will eliminate the cliff problem and allow additional small businesses to qualify for the credit.

Supporting Argument

In 1994, the Legislature enacted amendments to the Income Tax Act aimed at putting private pension and retirement income on a more equal footing with income from public sector pensions. Prior to the amendments public pensions were not taxed, but income from private pensions beyond $7,500 for single returns and $10,000 for joint returns was subject to the State income tax. The exemptions for private pensions were increased to $30,000 for a single return and $60,000 for a joint return. (Very few public pensions, it was said, exceed these limits.) At the same time, some people argued that senior taxpayers who had no pension income whatsoever but who had income from savings and investments or from the sale of businesses or farms should get similar consideration. For such senior citizens, the 1994 legislation provided an exemption for interest and dividend income up to $1,000 for single filings and $2,000 for joint filings. Proponents described this at the time as only a small step in the right direction. The bills take the next step, by providing similar treatment for income of a senior citizen from interest, dividends, and capital gains. (Income earned by senior citizens will still be subject to the income tax.) A great many people do not receive a pension (or receive minuscule pensions) but provide for their retirement through savings or through the sale of businesses. People who have saved throughout their working lives should not be taxed on their retirement income when those fortunate enough to receive pensions (whether public or private) do not have to pay State income taxes.

Opposing Argument

The bills choose winners and losers; some firms will benefit greatly while others will experience a tax increase. A Michigan-based company with significant property and payroll in-State relative to its sales will be helped considerably by the change to a 90% sales factor, while a company with significant sales in Michigan but little physical presence will experience a substantial tax increase. While it is easy to say that the tax structure should favor in-State companies, should this be done at the expense of out-of-State companies? The issue of favoring in-State companies must be looked at in context. Though the current SBT apportionment formula appears to favor an outside firm over an in-State firm if those firms have similar sales levels, it must be remembered that the out-of-State firm is paying taxes in its home state, and anywhere else it has sales or presence. Thus, while the tax burden imposed under the SBT may be greater for the Michigan-based company, the total tax burden imposed on the outside firm might be as great or greater, and not reflect any advantage at all. Further, though the Michigan-based firm may have a heavier SBT burden, it also uses and enjoys the benefits of the State's services and infrastructure. The bills might have a significant negative impact on an out-of-State firm with substantial Michigan sales, and thus increase costs for its local distributors and customers.

Opposing Argument

The State has cut taxes, including business taxes, several times in recent years. The bills will have a major impact on SBT revenues, and will reduce income tax revenues. These cuts, combined with earlier tax cuts, could result in significant reductions in State revenue. This, in turn, could jeopardize the stability of school funding, since, for the most part, schools can no longer raise money on their own from property taxes but must rely heavily on State funding. This, then, could put tremendous pressure on all the other State budgets.

The SBT has been changed in several ways to favor small business; for instance, the gross receipts filing threshold has been raised and the alternative tax rate has been reduced. If the State experiences an economic downturn in the future and finds itself short of revenue, the changes made by the bills will exacerbate the revenue problem. If such a situation developed, and the State needed to raise funds, it would be unacceptable to reverse the gains that small businesses have made, while letting big multistate businesses enjoy the changes in the apportionment formula.

Response: The revenue implications will not be as severe as expressed. First, the bills phase in the change to a 90% sales factor over a period of three years, so the State will have a chance to adjust to any reduced revenues. Further, the increased taxes on some out-of-State firms combined with the revenue implications of a CAD specific to Michigan only, may greatly reduce any drop in SBT revenues caused by the bills. In addition, simply saying that the bills will reduce revenue is simplistic, and fails to account for increased economic activity, and thus greater application of existing taxes to a more vigorous economy fueled by more and better jobs.

Opposing Argument

The bills, by adopting a 90% sales apportionment formula, in effect change the nature of the SBT, to the point that it no longer resembles a value-added tax. If important elements involved in adding value to a product-- payroll and property--are removed in favor of a fully weighted sales factor, then the tax no longer reflects changes in value. In fact, under the bills a company could locate in Michigan and produce goods and, if it sold its product only outside the State, not apportion any of its tax base to the State. Instead of adopting this idea, the State should repeal the SBT Act in its entirety. Since its inception, the tax has been a detriment to business in the State and a disincentive for employers to locate here.

Opposing Argument

The income tax bills do not apply, strictly speaking, to retirement income, as previous legislation regarding the tax status of pensions did. The tax exemption applies to dividends, interest, and capital gains of senior citizens no matter what their status, whether retired or working, whether the income is needed to live on or not. Perhaps the best way to provide "equal treatment" is to tax all income from all sources (regardless of the age of the taxpayer).

Response: Some people continue to work while receiving pensions ("retirement income") from one or more sources. In fact, people who do not qualify as senior citizens can do this, so there is nothing unusual or unfair about the approach taken by the bills.

Legislative Analyst: G. Towne

FISCAL IMPACT

It is estimated that these bills will reduce State government revenue by $9.5 million in FY 1996-97, $53.6 million in FY 1997-98, $128.4 million in FY 1998-99, and $153.6 million when fully implemented in FY 1999-2000. The fiscal impact of these bills is summarized in Table 1. These tax cuts will mostly affect General Fund/General Purpose (GF/GP) revenue but also will reduce revenue going to the School Aid Fund (SAF) and revenue sharing. In FY 1996-97, GF/GP revenue will fall by an estimated $4.2 million, SAF revenue by $4.0 million, and revenue sharing by $1.3 million. When the provisions of these bills are fully implemented in FY 1999-2000, GF/GP revenue will be lower than it otherwise would have been by an estimated $124.9 million, SAF

revenue will be down by $14.5 million, and revenue sharing will be reduced by $14.1 million.

SBT Apportionment and CAD Changes. Phasing in the change in the apportionment factor from the current 50% weighted sales factor to a 90% weighted sales factor will reduce SBT revenue, while the change to a Michigan-only apportioned capital acquisition deduction will increase revenue. In FY 1996-97 and FY 1997-98, the revenue gained from the change in the CAD will be greater than the loss in revenue resulting from the change in the apportionment factor. As a result, it is estimated that the apportionment and CAD changes to the SBT will increase SBT revenue by $8.1 million in FY 1996-97 and $11.2 million in FY 1997-98. Beginning in FY 1998-99, it is estimated that the revenue loss due to continuing the phase-in of the 90% weighted sales factor will be greater than the revenue gain due to the CAD change. As a result, the apportionment and CAD changes will reduce SBT revenue by an estimated $46.3 million in FY 1998-99 and $67.8 million in FY 1999-2000.

Backup Apportionment and CAD Changes. If the new apportioned CAD, which can be claimed only for investments in Michigan, is ruled unconstitutional by the courts, then a backup plan automatically will go into effect. As explained earlier, this backup plan includes phasing in a sales factor with a weight of 70% and an apportioned CAD based on investment both in and out of Michigan. It is estimated that this backup plan would reduce SBT revenue by $44 million in FY 1997-98, $107 million in FY 1998-99, and $128 million when fully implemented in FY 1999-2000.

SBT Small Business Credit. Expanding and phasing out the small business credit beginning in 1998 will be in effect for nine months of FY 1997-98 and will reduce SBT revenue by an estimated $15.5 million. In FY 1998-99 and FY 1999-2000, the expanded credit will be in effect for the entire year and will result in a tax reduction of an estimated $21.6 million and $22.6 million, respectively.

Income Tax Senior Dividend and Interest Exemption. Increasing the exemption granted to senior citizens with dividend, interest, and capital gains income in two steps in 1997 and 1998, as explained earlier, will reduce income tax revenue by an estimated $17.6 million in FY 1996-97 and $49.3 million in FY 1997-98. In FY 1998-99, when the new exemption levels are fully phased in, it is estimated that the revenue loss will total $60.5 million.

Fiscal Analyst: J. Wortley

Table 1
ESTIMATED FISCAL IMPACT OF SB 342, SB 472, SB 545, HB 4358, HB 4404 & HB 4605 AS ENACTED
(dollars in millions)

Tax Change	Bill	Estimated Revenue Impact FY96-97	FY97-98	FY98-99	FY99-00
Single Business Tax:					
Phase In 90% Sales Factor & Capital Aquisition Deduction Changes	SB 342, SB 545 & HB 4605	$8.1	$11.2	($46.3)	($67.8)
Increase and Phase Out Small Business Credit	HB 4358	0.0	(15.5)	(21.6)	(22.6)
Income Tax:					
Increase Senior Dividend & Interest Exemption	SB 472 & HB 4404	(17.6)	(49.3)	(60.5)	(63.2)
TOTAL FISCAL IMPACT		($9.5)	($53.6)	($128.4)	($153.6)
Fiscal Impact By Budget Area:					
General Fund/General Purpose		(4.2)	(39.8)	(109.5)	(124.9)
School Aid Fund		(4.0)	(11.3)	(13.9)	(14.5)
Revenue Sharing		(1.3)	(2.5)	(5.0)	(14.1)

Addendum:
ENACTED TAX CHANGES

Calendar Year	1996	1997	1998	1999	2000
Single Business Tax					
Apportionment Factor Weights					
Payroll Factor	25%	10%	10%	5%	5%
Property Factor	25%	10%	10%	5%	5%
Sales Factor	50%	80%	80%	90%	90%
Capital Aquisition Deduction					
Michigan Investment Only	No	Yes	Yes	Yes	Yes
Apportioned	Yes	Yes	Yes	Yes	Yes
Small Business Credit					
Officer/Shareholder Income Limit	$95,000	$95,000	$115,000	$115,000	$115,000
Phase out Credit for Officer Income Between $95,000 & $115,000	No	No	Yes	Yes	Yes
Income Tax					
Dividend & Interest Exemption					
Single Returns	$1,000	$3,500	$7,500	$7,500	$7,500
Joint Returns	$2,000	$7,000	$15,000	$15,000	$15,000
Includes Capital Gains	No	Yes	Yes	Yes	Yes
If taxpayer also has pension income:					
Exemption May Not Be Claimed	Yes				
Exemption Is Reduced		Yes	Yes	Yes	Yes

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