



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 545 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Senator Dale L. Shugars
Committee: Finance

CONTENT

The bill would amend the Single Business Tax (SBT) Act to allow a firm to deduct the cost of certain tangible assets if the assets were physically located in Michigan and used for a business activity; allow a firm to deduct the cost of mobile tangible assets (that is, rail rolling stock equipment used to transport freight or passengers, and equipment used directly in the completion of or construction contracts for planning, design, construction, or improvement of property); expand the small business credit; and require the Department of Treasury to implement policies to maximize collections from all actual and potential taxpayers and use the broadest interpretation of nexus under Federal provisions.

The bill provides that, for tax years after 1997, a firm could deduct the cost (including fabrication and installation) paid or accrued in a taxable year for tangible assets that were or would become eligible for depreciation, amortization, or accelerated capital cost recovery for Federal income tax purposes, provided the assets were physically located in Michigan for use in a business activity and were not mobile tangible assets. The bill would provide a similar deduction for mobile tangible assets, except that the cost paid or accrued would have to be multiplied by a fraction that contained payroll plus property divided by two.

Currently, a business that complies with certain requirements in the Act is eligible to claim the small business credit if compensation to officers or shareholders is less than \$95,000. The bill provides that a firm would remain eligible for the credit if it exceeded the \$95,000 ceiling, but only if it paid an additional tax of 18% on amounts determined under the bill to be in excess of \$95,000.

The bill is tie-barred to Senate Bill 342, which would amend the SBT Act to change the Act's apportionment formula.

MCL 208.23 et al.

Legislative Analyst: G. Towne

FISCAL IMPACT

Please see Senate Fiscal Agency memorandum of June 7, 1995.

Date Completed: 6-8-95

Fiscal Analyst: J. Wortley