



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 4840 (Substitute S-1 as reported)
Sponsor: Representative Beverly Hammerstrom
First House Committee: Tax Policy
Second House Committee: Commerce
Senate Committee: Economic Development, International Trade and Regulatory Affairs

CONTENT

The bill would amend the Single Business Tax Act to extend from December 31, 1996, to December 31, 1999, the deadline for the initial certification of authorized businesses by the Michigan Economic Growth Authority (MEGA) for tax credits. The bill also would require a farmers' cooperative corporation to exclude from adjusted tax the revenue and expenses attributable to business transacted with farmer or farmer cooperative corporation patrons to whom net earnings were allocated in the form of qualified written notices of allocation as defined in the Federal Internal Revenue Code. Further, the bill specifies that a farmers' cooperative corporation would not be exempt from the single business tax (SBT) if the total dollar value of its incidental and emergency purchases were equal to or greater than 5% of the total dollar value of its total purchases. Currently, a farmers' cooperative corporation is not exempt from the SBT if the total dollar value of its incidental and emergency purchases is equal to or greater than 5% of the total dollar value of its repurchases of commodities that it markets to nonproducer customers.

MCL 208.35 et al.

Legislative Analyst: L. Burghardt

FISCAL IMPACT

Extending the single business tax credits for businesses that qualify under the Michigan Economic Growth Authority (MEGA) would have a fiscal impact on State government; however, it is not possible to provide a meaningful estimate of the potential impact. In order to calculate the fiscal impact of extending the MEGA single business tax credits, estimates would have to be made on such important factors as 1) the number of businesses that would be granted these single business tax credits by MEGA, 2) the number of new jobs that these businesses would generate, 3) the amount of earnings that would be paid these new workers, and 4) the amount of business activity that would be generated by these new or expanded businesses. There is no way of knowing what any of these factors would be and therefore it is not possible to make a reasonable estimate. During 1995 and so far in 1996, 26 businesses have been made eligible for the MEGA single business tax credits and it is estimated that over a 20-year period these credits will collectively reduce these businesses' single business tax liabilities by \$165 million.

Granting a special exemption for farmer cooperative corporations would reduce single business tax revenue by less than \$200,000 in FY 1996-97, on a full year basis. All of this revenue loss would impact General Fund/General Purpose revenue.

Date Completed: 12-9-96

Fiscal Analyst: J. Wortley

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.