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SFA BILL ANALYSIS

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House Bill 4910 (Substitute S-4 as reported)
Sponsor: Representative Kirk A. Profit
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend a provision in the Single Business Tax Act under which sales of tangible personal property (that is shipped from a place in Michigan) are in this State if the taxpayer is not taxable in the state of the purchaser. Under the bill, this provision would apply only to tax years beginning *before* January 1, 1998.

(This provision, commonly referred to as the "throwback rule", relates to the apportionment formula in the Act, which calculates the ratio of a firm's property, payroll, and sales in Michigan to its entire property, payroll, and sales. Under the rule, if sales are not taxable in another state where the property is purchased, they are considered to have been made in Michigan. In other words, the sales are "thrown back" to this State and taxed under the Act.)

In addition, the Act provides that sales of tangible personal property are in this State if the property is shipped or delivered to a purchaser, other than the United States government, within this State regardless of the free on board point or other conditions of the sales. Under the bill, this would apply for tax years beginning before January 1, 1998. For tax years beginning on or after that date, sales of tangible personal property would be in this State if the property were shipped or delivered to any purchaser within the State regardless of the free on board point or other conditions of the sales.

MCL 208.52 Legislative Analyst: S. Lowe

FISCAL IMPACT

According to the Department of Treasury, eliminating the sales "throwback" provision in the single business tax, as proposed in this bill, would reduce single business tax collections by an estimated $20 million annually. This loss in revenue would have an impact on General Fund/General Purpose revenue.

Date Completed: 6-1-98 Fiscal Analyst: J. Wortley