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SBT: REVISE NEW INVESTMENT TAX CREDIT

House Bill 5394
Sponsor: Rep. Valde Garcia
Committee: Tax Policy

Complete to 2-18-00

A SUMMARY OF HOUSE BILL 5394 AS INTRODUCED 2-17-00

The bill would amend the Single Business Tax Act to revise the way in which the new investment tax credit is calculated so as to increase the amount of the credit for businesses with adjusted gross receipts of \$5 million or less.

The investment tax credit was created by Public Act 115 of 1999 and is effective for tax years beginning after December 31, 1999. It replaces the capital acquisition deduction (CAD). The SBT act contains a formula for determining the allowable costs of tangible assets that are used in calculating the credit and requires that the assets be physically located in the state for use in a business activity in the state. Once the costs have been calculated, they are to be multiplied by a percentage determined by dividing the SBT tax rate (which began declining one-tenth of one percent per year as of the 1999 tax year) for the year in which the credit is being claimed by 2.3 percent and multiplying that result by 0.85 percent. House Bill 5394 would alter the calculation by multiplying the result as follows:

For taxpayers with adjusted gross receipts for the tax year of \$1 million or less, 2.3 percent;

For taxpayers with adjusted gross receipts of more than \$1 million up to \$2.5 million, 1.5 percent;

For taxpayers with adjusted gross receipts of more than \$2.5 million up to \$5 million, 1.5 percent*; and

For taxpayers with adjusted gross receipts for the tax year of more than \$5 million, 0.85 percent.

(*An amendment is anticipated to reduce this percentage to 1.0 percent.)

The bill also would provide a definition of “adjusted gross receipts” for the purpose of calculating the investment tax credit, and would specify that a member of an affiliated group as

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defined in the SBT act, a controlled group of corporations under specified federal laws, or an entity under common control as defined by the Internal Revenue Code would determine adjusted gross receipts for purposes of the credit on a consolidated basis.

MCL 208.35a

Analyst: C. Couch

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.