

**SENATE BILL NO. 118**

January 27, 1999, Introduced by Senators STEIL, ROGERS,  
MC COTTER, BULLARD, GOSCHKA, SIKKEMA, SHUGARS, GOUGEON,  
MC MANUS, SCHUETTE, BENNETT and HAMMERSTROM and referred  
to the Committee on Finance.

A bill to amend 1975 PA 228, entitled  
"Single business tax act,"  
by amending sections 4 and 49 (MCL 208.4 and 208.49), section 4  
as amended by 1995 PA 285.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 4. (1) "Casual transaction" means a transaction made  
2 or engaged in other than in the ordinary course of repeated and  
3 successive transactions of a like character, except that a trans-  
4 action made or engaged in by a person that is incidental to that  
5 person's regular business activity is a business activity within  
6 the meaning of this act.

7       (2) "Commissioner" means the state commissioner of revenue.

8       (3) Except as otherwise provided in this section,  
9 "compensation" means all wages, salaries, fees, bonuses,  
10 commissions, or other payments made in the taxable year on behalf

1 of or for the benefit of employees, officers, or directors of the  
2 taxpayers and subject to or specifically exempt from withholding  
3 under ~~chapter 24,~~ sections 3401 to 3406 of the internal revenue  
4 code. Compensation includes, on a cash or accrual basis consis-  
5 tent with the taxpayer's method of accounting for federal income  
6 tax purposes, payments to state and federal unemployment compen-  
7 sation funds, payments under the federal insurance contribution  
8 act and similar social insurance programs, payments, including  
9 self-insurance, for worker's compensation insurance, payments to  
10 individuals not currently working, payments to dependents and  
11 heirs of individuals because of current or former labor services  
12 rendered by those individuals, payments to a pension, retirement,  
13 or profit sharing plan, and payments for insurance for which  
14 employees are the beneficiaries, including payments under health  
15 and welfare and noninsured benefit plans and payments of fees for  
16 the administration of health and welfare and noninsured benefit  
17 plans. Compensation does not include any of the following:

18 (a) Discounts on the price of the taxpayer's merchandise or  
19 services sold to the taxpayer's employees, officers, or directors  
20 that are not available to other customers.

21 (b) Payments to an independent contractor.

22 (c) For tax years beginning after December 31, 1994, pay-  
23 ments to state and federal unemployment compensation funds.

24 (d) For tax years beginning after December 31, 1994, the  
25 employer's portion of payments under the federal insurance  
26 ~~contribution~~ CONTRIBUTIONS act, CHAPTER 21 OF SUBTITLE C OF  
27 CHAPTER 1 OF THE INTERNAL REVENUE CODE OF 1986, 26 U.S.C. 3101 TO

1 3128, the railroad retirement tax act, chapter 22 of title 26 of  
 2 the United States Code, 26 U.S.C. 3201 to 3233, and similar  
 3 social insurance programs.

4 (e) For tax years beginning after December 31, 1994, pay-  
 5 ments, including self-insurance payments, for worker's compensa-  
 6 tion insurance or federal employers liability act insurance pur-  
 7 suant to chapter 149, 35 Stat. 65, 45 U.S.C. 51 to 60.

8 (F) FRINGE BENEFITS. AS USED IN THIS SUBDIVISION, "FRINGE  
 9 BENEFITS" MEANS MONEY USED BY THE TAXPAYER TO PURCHASE OR FUND  
 10 HEALTH COVERAGE AND COMPENSATION DUE AND PAID TO AN EMPLOYEE  
 11 UNDER A WRITTEN CONTRACT OR WRITTEN POLICY FOR ANY OF THE  
 12 FOLLOWING:

13 (i) A PAID HOLIDAY.

14 (ii) TIME OFF FOR SICKNESS OR INJURY.

15 (iii) TIME OFF FOR PERSONAL REASONS OR VACATION.

16 (iv) A BONUS.

17 (v) AUTHORIZED EXPENSES INCURRED DURING THE COURSE OF  
 18 EMPLOYMENT.

19 (vi) CONTRIBUTIONS MADE ON BEHALF OF AN EMPLOYEE.

20 (4) "Department" means the revenue division of the depart-  
 21 ment of treasury.

22 Sec. 49. The payroll factor is a fraction, the numerator of  
 23 which is the total wages paid in this state during the tax year  
 24 by the taxpayer and the denominator of which is the total wages  
 25 paid everywhere during the tax year by the taxpayer. For the  
 26 purposes of this chapter only, "wages" means ~~wages~~ THAT TERM as

1 defined in section 3401 of the internal revenue code — BUT DOES  
2 NOT INCLUDE ANY OF THE FOLLOWING:

3 (A) FRINGE BENEFITS AS DEFINED IN SECTION 4.

4 (B) PAYMENTS TO STATE AND FEDERAL UNEMPLOYMENT COMPENSATION  
5 FUNDS.

6 (C) EMPLOYER'S PORTION OF PAYMENTS UNDER THE FEDERAL INSUR-  
7 ANCE CONTRIBUTIONS ACT, CHAPTER 21 OF SUBTITLE C OF CHAPTER 1 OF  
8 THE INTERNAL REVENUE CODE OF 1986, 26 U.S.C. 3101 TO 3128, THE  
9 RAILROAD RETIREMENT TAX ACT, CHAPTER 22 OF TITLE 26 OF THE UNITED  
10 STATES CODE, 26 U.S.C. 3201 TO 3233, AND SIMILAR SOCIAL INSURANCE  
11 PROGRAMS.

12 (D) PAYMENTS, INCLUDING SELF-INSURANCE PAYMENTS, FOR  
13 WORKER'S COMPENSATION INSURANCE OR FEDERAL EMPLOYERS LIABILITY  
14 ACT INSURANCE PURSUANT TO CHAPTER 149, 35 STAT. 65, 45 U.S.C. 51  
15 TO 60.