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**SFA****BILL ANALYSIS**

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Senate Bill 117 (as enrolled)  
Sponsor: Senator Glenn D. Steil  
Senate Committee: Finance  
House Committee: Commerce

Date Completed: 7-10-02

### **CONTENT**

**The bill would amend the Single Business Tax Act to reduce to \$50,000 the minimum balance needed in the Countercyclical Budget and Economic Stabilization Fund (BSF) to continue the annual reduction of the single business tax (SBT) rate; and would double the annual reduction under certain circumstances.**

Currently, if the State's comprehensive annual financial report for a fiscal year reports that the BSF contains an ending balance of more than \$250 million, the SBT rate is reduced by .1% on January 1 following the end of the State fiscal year for which the report is issued. Under the bill, the BSF would have to have an ending balance of more than \$50,000 to reduce the SBT rate by .1% on January 1.

Further, the bill provides that if the State's comprehensive annual financial report for a State fiscal year reported an ending balance of more than \$1.2 billion in the BSF, or if deposits in excess of \$250 million were made into the BSF in a State fiscal year, the SBT rate would be reduced by .1% in addition to the .1% annual reduction (required under the Act), on the January 1 following the end of the State fiscal year for which the report was issued.

MCL 208.31

### **BACKGROUND**

Under the Act, the SBT rate is to be reduced by .1% on January 1 each year. The reduction began when the rate was 2.3%. The rate was lowered to 2.2% in 1999, 2.1% in 2000, 2.0% in 2001, and 1.9% in 2002.

The rate is scheduled to be lowered to 1.8% in 2003, unless the BSF balance falls below \$250 million. In this case, under current law, the SBT rate will remain at the 2002 level (1.9%).

Legislative Analyst: George Towne

### **FISCAL IMPACT**

The balance in the Budget Stabilization Fund is expected to decline from \$994 million at the end of FY 2000-01, to very close to \$250 million at the end of FY 2001-02, and to \$33 million, or less, at the end of FY 2002-03. As a result, under the current link between the single business tax rate and the BSF balance, which is described above, it is very likely that the SBT rate will not be reduced on January 1, 2003, or January 1, 2004. Under this bill, however, the link between the BSF balance and the single business tax rate would be effectively eliminated, and the SBT rate would be reduced each January 1, unless the BSF balance fell below \$50,000. Reducing the single business tax rate 0.1 percentage point on January 1, 2003, and January 1, 2004, would reduce SBT revenue an estimated \$87 million in FY 2002-03 and \$211 million in FY 2003-04.

Fiscal Analyst: Jay Wortley

#### S0102\s117es

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