

HOUSE BILL No. 5864

April 9, 2002, Introduced by Reps. Callahan, Plakas and Switalski and referred to the Committee on Tax Policy.

A bill to amend 1975 PA 228, entitled
"Single business tax act,"
by amending section 31 (MCL 208.31), as amended by 1999 PA 115.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 31. (1) Except as provided in subsections (5) and (6),
2 there is levied and imposed a specific tax upon the adjusted tax
3 base of every person with business activity in this state that is
4 allocated or apportioned to this state at the following rates for
5 the specified periods:

6 (a) Before October 1, 1994, 2.35%.

7 (b) After September 30, 1994 and before January 1, 1999,
8 2.30%.

9 (c) ~~Beginning~~ EXCEPT AS PROVIDED IN SUBSECTION (6),
10 BEGINNING January 1, 1999 and each January 1 ~~after 1999~~ BEFORE

1 JANUARY 1, 2003, the rate under this subsection shall be reduced
2 as provided in subsection (5).

3 (2) As used in this section, "adjusted tax base" means the
4 tax base allocated or apportioned to this state pursuant to chap-
5 ter 3 with the adjustments prescribed by sections 23 and 23b and
6 the exemptions prescribed by section 35. If the adjusted tax
7 base exceeds 50% of the sum of gross receipts plus the adjust-
8 ments provided in section 23b(a) to (g), apportioned or allocated
9 to Michigan with the apportionment fraction calculated pursuant
10 to chapter 3, the adjusted tax base may, at the option of the
11 taxpayer, be reduced by that excess. If a taxpayer reduces the
12 adjusted tax base under this subsection, the taxpayer is not
13 entitled to the adjustment provided in subsection (4) for the
14 same taxable year. This subsection does not apply to an adjusted
15 tax base under section 22a.

16 (3) The tax levied under this section and imposed is upon
17 the privilege of doing business and not upon income.

18 (4) In lieu of the reduction provided in subsection (2), a
19 person may elect to reduce the adjusted tax base by the percen-
20 tage that the compensation divided by the tax base exceeds 63%.
21 The deduction shall not exceed 37% of the adjusted tax base. For
22 purposes of computing the deduction allowed by this subsection,
23 as effective for the respective tax year, compensation does not
24 include amounts of compensation exempt from tax under section
25 35(1)(e). This subsection does not apply to an adjusted tax base
26 under section 22a.

1 (5) If the comprehensive annual financial report of this
2 state for a state fiscal year, published pursuant to section 494
3 of the management and budget act, 1984 PA 431, MCL 18.1494,
4 reports an ending balance of more than \$250,000,000.00 in the
5 countercyclical budget and economic stabilization fund created
6 under section 351 of the management and budget act, 1984 PA 431,
7 MCL 18.1351, for that state fiscal year, the tax rate under this
8 section shall be reduced by 0.1 percentage point on the January 1
9 following the end of the state fiscal year for which the report
10 was issued FOR EACH JANUARY 1 BEFORE JANUARY 1, 2003.

11 (6) The department shall annualize the rate under this sec-
12 tion as necessary, and the applicable annualized rate shall be
13 imposed.