

**SBT: EXCLUDE HEALTH CARE
COSTS FROM TAX BASE**

House Bill 5042
Sponsor: Rep. Craig DeRoche
Committee: Tax Policy

Complete to 12-8-03

A SUMMARY OF HOUSE BILL 5042 AS INTRODUCED 8-13-03

The bill would amend the Single Business Tax Act to exclude from the definition of “compensation”, for the 2007 tax year, 80 percent of the payments by the taxpayer made for health and welfare and noninsured benefit plans, and payments for fees for the administration of such benefit plans. Compensation is generally defined in the act to mean all wages, salaries, fees, bonuses, commissions, or other payments made in the tax year on behalf of or for the benefit of employees.

House Bill 5042 is tie-barred to House Bill 5041 and Senate Bills 672-674. Together those bills phase out health care costs as part of the SBT tax base over a five-year period. Senate Bill 672 would exclude 20 percent of the cost of health benefit plans in 2004; Senate Bill 673 would exclude 40 percent in 2005; House Bill 5041 would exclude 60 percent in 2006; House Bill 5042 would exclude 80 percent in 2007; and Senate Bill 674 would exclude 100 percent in 2008 and thereafter. The SBT itself is set to be repealed after the 2009 tax year.

[The starting point for determining the base of the SBT is federal taxable income (as defined in the federal Internal Revenue Code for the purposes of the federal corporate income tax). From that there are several additions and subtractions. Additions include depreciation and taxes, among others. Subtractions include dividends and interests, among others. Compensation is then added to determine the total tax base, which is then apportioned to determine the amount of the total tax base (business activity) that is applicable to Michigan.]

MCL 208.4b

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