




Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 4557 (Substitute S-1 as reported)
Sponsor: Representative Barbara Farrah
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the Income Tax Act to redefine "business income".

Currently, business income is income arising from transactions, activities, and sources in the regular course of the taxpayer's trade or business and includes income from tangible and intangible property if the acquisition, rental, management, or disposition of the property constitutes integral parts of the taxpayer's regular trade or business operations.

Under the bill, "business income" would mean all income arising from transactions, activities, and sources in the regular course of the taxpayer's trade or business, including the following:

- All income from tangible and intangible property if the acquisition, rental, management, or disposition of the property constituted integral parts of the taxpayer's regular trade or business operations.
- Gains or losses from stock and securities of any foreign or domestic corporation and dividend and interest income.
- Income derived from isolated sales, leases, assignment, licenses, divisions, or other infrequently occurring dispositions, transfers, or transactions involving property if the property were or had been used in the taxpayer's trade or business operation.
- Income derived from the sale of a business.

Within two years after the bill's effective date, the Department of Treasury would have to report the impact of the bill on the income tax liability of resident and nonresident taxpayers, to the House Tax Policy Committee and the Senate Finance Committee.

MCL 206.4

Legislative Analyst: George Towne

FISCAL IMPACT

This bill would increase income tax revenue an estimated \$6 million in FY 2003-04, of which an estimated \$4.5 million would go to the General Fund/General Purpose budget and \$1.5 million would go to the School Aid Fund.

Date Completed: 5-30-03

Fiscal Analyst: Jay Wortley