

HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 863

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
(MCL 206.1 to 206.532) by adding section 51f.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 51f. (1) For tax years that begin after December 31,  
2 2004, a taxpayer that is a qualified start-up business that does  
3 not have business income attributable to that qualified start-up  
4 business for 2 consecutive tax years may claim a credit against  
5 the tax imposed under this act for the second of those 2  
6 consecutive tax years and each immediately following consecutive  
7 tax year in which the taxpayer does not have business income  
8 attributable to that qualified start-up business equal to that  
9 portion of the taxpayer's tax liability attributable to that  
10 qualified start-up business for the tax year. If the taxpayer  
11 has business income attributable to the qualified start-up

1 business in any tax year after the credit under this section is  
2 claimed, the taxpayer shall claim the credit under this section  
3 for any following tax year only if the taxpayer subsequently has  
4 no business income for 2 consecutive tax years. The taxpayer may  
5 claim the credit for the second of those 2 consecutive tax years  
6 and each immediately following consecutive tax year in which the  
7 taxpayer does not have business income attributable to that  
8 qualified start-up business. A credit under this section shall  
9 not be claimed for more than a total of 5 tax years.

10 (2) If a taxpayer that took the credit under this section  
11 has no business activity related to the qualified start-up  
12 business in this state and has any business activity related to  
13 the qualified start-up business outside of this state for any of  
14 the first 3 tax years after the last tax year for which it took  
15 the credit under this section, the taxpayer shall add to its tax  
16 liability the following amounts:

17 (a) If the taxpayer has no business activity in this state  
18 related to the start-up business for the first tax year after the  
19 last tax year for which a credit under this section is claimed,  
20 100% of the total of all credits claimed under this section.

21 (b) If the taxpayer has no business activity in this state  
22 related to the start-up business for the second tax year after  
23 the last tax year for which a credit under this section is  
24 claimed, 67% of the total of all credits claimed under this  
25 section.

26 (c) If the taxpayer has no business activity in this state  
27 related to the start-up business for the third tax year after the

Senate Bill No. 863 (H-2) as amended April 27, 2004

1 last tax year for which a credit under this section is claimed,  
2 33% of the total of all credits claimed under this section.

3 (3) As used in this section, "business income" and "qualified  
4 start-up business" mean those terms as defined in section 31a of  
5 the single business tax act, 1975 PA 228, MCL 208.31a.

[Enacting section 1. This amendatory act does not take effect unless  
House Bill No. 5331 of the 92nd Legislature is enacted into law.]