

# HOUSE BILL No. 6110

August 4, 2004, Introduced by Reps. Koetje, Vander Veen, Huizenga, Richardville, Palmer and Wenke and referred to the Committee on Tax Policy.

A bill to amend 1975 PA 228, entitled  
"Single business tax act,"  
by amending section 4 (MCL 208.4), as amended by 2003 PA 240.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 4. (1) "Casual transaction" means a transaction made  
2 or engaged in other than in the ordinary course of repeated and  
3 successive transactions of a like character, except that a  
4 transaction made or engaged in by a person that is incidental to  
5 that person's regular business activity is a business activity  
6 within the meaning of this act.

7       (2) "Commissioner" means the department.

8       (3) Except as otherwise provided in subsection (4),  
9 "compensation" means all wages, salaries, fees, bonuses,  
10 commissions, or other payments made in the taxable year on behalf  
11 of or for the benefit of employees, officers, or directors of the

1 taxpayers. Compensation includes, but is not limited to,  
2 payments that are subject to or specifically exempt or excepted  
3 from withholding under sections 3401 to 3406 of the internal  
4 revenue code. Compensation also includes, on a cash or accrual  
5 basis consistent with the taxpayer's method of accounting for  
6 federal income tax purposes, payments to state and federal  
7 unemployment compensation funds, payments under the federal  
8 insurance contribution act and similar social insurance programs,  
9 payments, including self-insurance, for worker's compensation  
10 insurance, payments to individuals not currently working,  
11 payments to dependents and heirs of individuals because of  
12 current or former labor services rendered by those individuals,  
13 payments to a pension, retirement, or profit sharing plan, and  
14 payments for insurance for which employees are the beneficiaries,  
15 including payments under health and welfare and noninsured  
16 benefit plans and payments of fees for the administration of  
17 health and welfare and noninsured benefit plans. Compensation  
18 does not include any of the following:

19 (a) Discounts on the price of the taxpayer's merchandise or  
20 services sold to the taxpayer's employees, officers, or directors  
21 that are not available to other customers.

22 (b) Payments to an independent contractor.

23 (c) For tax years beginning after December 31, 1994, payments  
24 to state and federal unemployment compensation funds.

25 (d) For tax years beginning after December 31, 1994, the  
26 employer's portion of payments under the federal insurance  
27 contributions act, chapter 21 of subtitle C of the internal

1 revenue code, 26 USC 3101 to 3128, the railroad retirement tax  
2 act, chapter 22 of subtitle C of the internal revenue code, 26  
3 USC 3201 to 3233, and similar social insurance programs.

4 (e) For tax years beginning after December 31, 1994,  
5 payments, including self-insurance payments, for worker's  
6 compensation insurance or federal employers' liability act  
7 insurance pursuant to chapter 149, 35 Stat. 65, 45 USC 51 to 60.

8 (f) For tax years beginning after December 31, 2003, the  
9 following payments under health and welfare and noninsured  
10 benefit plans for the benefit of persons who are residents of  
11 this state and payments of fees for the administration of health  
12 and welfare and noninsured benefit plans for the benefit of  
13 persons who are residents of this state for the specified years:

14 (i) For tax years that begin after December 31, 2003 and  
15 before January 1, 2005, 5%.

16 (ii) For tax years that begin after December 31, 2004 and  
17 before January 1, 2006, 20%.

18 (iii) For tax years that begin after December 31, 2005 and  
19 before January 1, 2007, 40%.

20 (iv) For tax years that begin after December 31, 2006, the  
21 percentage of payments as provided under section 4a.

22 (g) For tax years beginning after December 31, 2004,  
23 compensation paid to employees by a taxpayer that has a contract  
24 of \$2,000,000.00 or more with the federal department of defense  
25 or the federal homeland security department or a taxpayer that is  
26 a subcontractor of a taxpayer that has a contract of  
27 \$2,000,000.00 or more with the federal department of defense or

1 the federal homeland security department that has a subcontract  
2 of \$2,000,000.00 or more, for work or services by the taxpayer's  
3 employees that is directly related to the contract or  
4 subcontract.

5 (4) For tax years that begin after December 31, 2003, for  
6 purposes of determining compensation of a professional employer  
7 organization, compensation includes payments by the professional  
8 employer organization to the officers and employees of an entity  
9 whose employment operations are managed by the professional  
10 employer organization. Compensation of the entity whose  
11 employment operations are managed by a professional employer  
12 organization does not include compensation paid by the  
13 professional employer organization to the officers and employees  
14 of the entity whose employment operations are managed by the  
15 professional employer organization. As used in this subsection,  
16 "professional employer organization" means an organization that  
17 provides the management and administration of the human resources  
18 and employer risk of another entity by contractually assuming  
19 substantial employer rights, responsibilities, and risk through a  
20 professional employer agreement that establishes an employer  
21 relationship with the leased officers or employees assigned to  
22 the other entity by doing all of the following:

23 (a) Maintaining the right of direction and control of  
24 employees' work, although this responsibility may be shared with  
25 the other entity.

26 (b) Paying wages and employment taxes of the employees out of  
27 its own accounts.

1       (c) Reporting, collecting, and depositing state and federal  
2 employment taxes for the employees.

3       (d) Retaining the right to hire and fire employees.

4       (5) "Department" means the department of treasury.