

Legislative Analysis



ELIMINATE HEALTH CARE BENEFITS FROM SBT BASE

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4342

Sponsor: Rep. Tim Moore

Committee: Tax Policy

Complete to 2-22-05

A SUMMARY OF HOUSE BILL 4342 AS INTRODUCED 2-17-05

The bill would amend the Single Business Tax Act to exclude from the SBT tax base 100 percent of the health care benefits (and related administrative costs) provided to Michigan residents for tax years that begin after December 31, 2005.

Under the SBT Act, the tax base includes federal taxable income, compensation, and several additions and subtractions to federal taxable income. For the purposes of determining the SBT base, compensation includes salaries, wages, and employee benefits, such as health insurance plans. Public Acts 240 and 241 of 2003 recently amended the SBT Act to exclude from the compensation portion of the tax base a percentage of health care benefits (and related administrative costs) provided to Michigan residents.

The 2003 acts exclude the following percentages of health care benefits (including related administrative costs) provided to Michigan residents: 20 percent in 2005; 40 percent in 2006; and 50 percent in 2007, 2008, and 2009. (The entire SBT act is due to be repealed for tax years that begin after December 31, 2009.)

As noted above, House Bill 4342 would, instead, exclude 100 percent of the health care benefits (and related administrative costs) provided to Michigan residents for tax years that begin after December 31, 2005.

MCL 208.4 and 208.4a

FISCAL IMPACT:

The bill would reduce General Fund/General Purpose revenue by an estimated \$30 million to 35 million in each of Fiscal Years 2006 and 2007.

Legislative Analyst: Mark Wolf
Fiscal Analyst: Jim Stansell

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