



Senate Fiscal Agency  
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**BILL ANALYSIS**

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Senate Bill 634 (Substitute S-1 as reported)  
Sponsor: Senator Nancy Cassis  
Committee: Finance

**CONTENT**

The bill would amend the Single Business Tax Act to provide that, for tax years beginning after December 31, 2006, all of the tax base, other than the tax base derived principally from transportation, financial, or insurance carrier services or specifically allocated, would have to be apportioned to this State by multiplying the tax base by the sales factor.

Presently, all of the tax base, other than the tax base derived principally from transportation, financial, or insurance carrier services or specifically allocated, must be apportioned to the State by multiplying the tax base by a percentage, which is the sum of the following:

- The property factor multiplied by 5%.
- The payroll factor multiplied by 5%.
- The sales factor multiplied by 90%.

Under the bill, this would apply to tax years beginning before January 1, 2007.

Under the Act, "tax base" means business income, before apportionment or allocation, even if zero or negative, subject to adjustments. The sales factor is a fraction whose numerator is the total sales of the taxpayer in the State during the tax year, and whose denominator is the total sales of the taxpayer everywhere during the tax year. The payroll and property factors are determined in the same manner as the sales factor.

MCL 208.45a

Legislative Analyst: J.P. Finet

**FISCAL IMPACT**

The bill would reduce single business tax revenue by an estimated \$44 million on a full year basis. All of this loss in revenue would affect the General Purpose portion of the General Fund.

Date Completed: 6-28-05

Fiscal Analyst: Jay Wortley