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BILL ANALYSIS

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Senate Bill 957 (as introduced 1-11-06)
Sponsor: Senator Nancy Cassis
Committee: Finance

Date Completed: 1-18-06

CONTENT

The bill would amend the Single Business Tax (SBT) Act to decrease from 2% to 1% the percentage of adjusted business income used to calculate the alternate credit for businesses with gross receipts of \$10 million or less, beginning January 1, 2006.

The Act allows what is called a small business credit for a taxpayer whose gross receipts do not exceed \$10 million for a tax year, if the taxpayer's adjusted business income minus a loss adjustment does not exceed \$475,000, subject to certain limits on payments to individuals, partners, directors, officers, and shareholders.

A taxpayer may use two methods to calculate the small business credit. The standard method is to subtract from 100% the percentage computed by dividing adjusted business income by 45% of tax base. The alternative method produces what is referred to as the alternative credit.

Currently, the alternative credit is the amount by which the SBT exceeds 2% of a taxpayer's adjusted business income. The bill would reduce that percentage to 1% beginning January 1, 2006.

MCL 208.36

Legislative Analyst: J.P. Finet

FISCAL IMPACT

This bill would reduce single business tax revenue by an estimated \$16 million in FY 2005-06 and \$21 million in FY 2006-07. All of the loss in revenue would affect the General Fund budget and would have no direct impact on local governments.

Fiscal Analyst: Jay Wortley

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