

Legislative Analysis



"PURCHASES FROM OTHER FIRMS" FOR CONTRACTORS UNDER MICHIGAN BUSINESS TAX

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Senate Bill 1217

Sponsor: Sen. Nancy Cassis
Senate Committee: Finance
House Committee: Tax Policy

Complete to 5-13-08

A SUMMARY OF SENATE BILL 1217 AS PASSED BY THE SENATE

Under one element of the recently enacted Michigan Business Tax, firms are subject to a tax of 0.8 percent on a firm's gross receipts, less its purchases from other firms.

Senate Bill 1217 would amend the Michigan Business Tax (MBT) Act (MCL 208.1113) to amend the definition of "purchases from other firms" as it applies to general building contractors, heavy construction contractors, and construction special trade contractors that do not qualify for a small business credit under Section 417. For those companies, the definition would apply to "payments for materials deducted as purchases in determining the cost of goods sold for the purpose of calculating total income on the taxpayer's federal income tax return." These payments would, then, not be counted in the gross receipts tax base.

(The bill specifically refers to firms included in Major Groups 15, 16, and 17 under the standard industrial classification code compiled by the U.S. Department of Labor.)

(The small business credit applies to firms with gross receipts of not more than \$20 million and adjusted business income of not more than \$1.3 million; there are also limits on officer income.)

The bill specifies that it would be retroactive and effective for taxes levied after December 31, 2007.

FISCAL IMPACT:

The fiscal impact is indeterminate.

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