Legislative Analysis

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GOVERNOR'S FY 2008 BUDGET: TAX CHANGES

House Bill 4374
Sponsor: Rep. Joel Sheltrown

House Bills 4375, 4376, and 4386
Sponsor: Rep. Paul Condino

House Bill 4378
Sponsor: Rep. Hoon-Yung Hopgood

House Bill 4379
Sponsor: Rep. Barbara Farrah

House Bill 4380
Sponsor: Rep. Frank Accavitti

House Bills 4381 and 4382
Sponsor: Rep. Alma Wheeler Smith

House Bill 4383
Sponsor: Rep. Tim Melton

House Bill 4384
Sponsor: Rep. Mark Meadows

House Bill 4385
Sponsor: Rep. Doug Bennett

House Bills 4387 and 4388
Sponsor: Rep. Fred Miller

Committee: Tax Policy
Complete to 3-16-07

A SUMMARY OF THE BILLS AS INTRODUCED 3-1-07

As part of the Fiscal Year 2007-08 Executive Budget Recommendation, the Governor has proposed a number of changes to the state's laws. In general, the bills included in this summary have been categorized by proponents as closing "loopholes" in state tax law.

Included in the overall package of legislation, but summarized separately, are bills to impose a two percent tax on services, decouple the estate tax from the federal estate tax, increase the tax on tobacco products, allow for a trade-in allowance for sales taxes on motor vehicles, exempt personal property from the 24 school mills, and create a new business tax to replace the Single Business Tax, which is repealed as of the end of 2007.

The bills included in this summary are:

- **House Bill 4374:** Eliminates sales tax exemption for prison inmate purchases.
- **House Bill 4375 and 4376:** Puts in place a new method of taxing commercial rental property by exempting it from general ad valorem property taxes and levying a new specific tax on that property instead.
- **House Bills 4378-4380:** Taxes rolling stock in proportion to its use in Michigan.
- **House Bills 4381 and 4382:** Eliminates sales and use tax exemptions for food sold through vending machines.
- **House Bills 4383:** Eliminates use tax exemption for driver's education vehicles and certain telecommunication services.

- **House Bill 4384:** Eliminates property tax exemption for water softeners and water coolers.
- **House Bill 4385:** Revises penalties for failing to pay a tax or file a return by returning to the structure in place prior to 2002 PA 657.
- **House Bill 4386:** Imposes a nexus standard for out of state affiliates.
- **House Bills 4387 and 4388:** Requires expenses deducted on the federal income tax return for income subject to federal tax, but not Michigan tax, to be added back onto Michigan income tax return.

FISCAL IMPACT:

The estimated fiscal impact of the Executive Recommendation for the elimination of certain loopholes and tax expenditures is detailed in the table below. These changes would increase FY 2006-07 revenue by an estimated $25.0 million and increase FY 2007-08 revenue by an estimated $85.5 million. These revenue changes would primarily affect School Aid Fund (SAF) and General Fund/General Purpose (GF/GP) revenue. It is estimated that revenue sharing would be increased $6.8 million in FY 2007-08; FY 2007-08 revenue sharing payments are based on sales tax collections from July 2007 through June 2008.

Fiscal Year 2006-2007

	GF/GP	SAF	Revenue Sharing	Total
Purchases Made by Inmates (sales tax)	0.1	0.2	0.0	0.3
Commercial Rental Property (property tax/savings to SAF)	0.0	0.0	0.0	0.0
Rolling Stock (sales and use tax)	3.7	1.8	0.0	5.5
Vended Food (sales tax)	2.4	6.5	0.0	8.9
Telecommunications Services (use tax)	4.9	2.5	0.0	7.4
Water Softeners/Coolers (property tax/savings to SAF)	0.0	0.0	0.0	0.0
Penalties and Interest	1.7	0.0	0.0	1.7
Affiliate Nexus Standard (use tax)	0.8	0.4	0.0	1.2
Oil and Gas Expense Deduction (income tax)	0.0	0.0	0.0	0.0
Total	**13.6**	**$11.4**	**$0.0**	**$25.0**

Fiscal Year 2007-2008

	GF/GP	SAF	Revenue Sharing	Total
Purchases Made by Inmates (sales tax)	0.0	0.5	0.2	0.7
Commercial Rental Property (property tax/savings to SAF)	0.0	5.0	0.0	5.0
Rolling Stock (sales and use tax)	11.3	5.6	0.0	16.9
Vended Food (sales tax)	0.6	20.0	6.6	27.2
Telecommunications Services (use tax)	15.2	7.6	0.0	22.8
Water Softeners/Coolers (property tax/savings to SAF)	0.0	0.3	0.0	0.3
Penalties and Interest	5.1	0.0	0.0	5.1
Affiliate Nexus Standard (use tax)	2.4	1.2	0.0	3.6
Oil and Gas Expense Deduction (income tax)	2.9	1.0	0.0	3.9
Total	**$37.5**	**$41.2**	**$6.8**	**$85.5**

Note: Amounts in Millions

House Bill 4374: Sales Tax Exemption on Prison Inmate Purchases

The bill would amend the General Sales Tax Act to eliminate the exemption provided for the sale of tangible personal property to inmates in a penal or correctional institution purchased with scrip (or its equivalent) issued and redeemed by the institution, beginning June 1, 2007. The current exemption was added to the General Sales Tax Act with the enactment of Public Act 207 of 1971.

House Bill 4375 and 4376: Commercial Rental Property Specific Tax

Together, the bills would put in place a new method of taxing commercial rental property by exempting such property from general ad valorem property taxes under the General Property Tax Act, and levying a new specific tax on that property instead. House Bill 4376 would amend the General Property Tax to exempt commercial rental property beginning December 31, 2007. House Bill 4375 would create a new act, the Commercial Rental Property Specific Tax, to impose the specific tax on commercial rental property.

In general, the bills do not appear to treat commercial rental differently from current law. However, the bills appear to address the Michigan Supreme Court's May 2002 decision in *WPW Acquisition v. City of Troy* (466 Mich 117, Docket No. 118750), in which the court said that an increase in value in a property's occupancy rate could not increase the property's taxable value beyond the constitutional assessment cap.

House Bill 4375 (The Proposed Commercial Rental Property Specific Tax)

Under House Bill 4375, local assessors each year would be required to determine the value and adjusted taxable value of a parcel of commercial rental property by December 31st. Property would be assessed at 50 percent of its true cash value. In general, the adjusted taxable value of the property would be the lesser of the following:

- Current state equalized value (SEV)
- Adjusted taxable value in the previous years, adjusted for any losses and any occupancy loss, multiplied by five percent or the rate of inflation, and adjusted for any additions and any occupancy addition.

For 2008, a property's adjusted taxable value in the immediately preceding year would be the sum of (1) the taxable value the property would have had in 2008 if the property had been subject to general ad valorem property taxes and (2) any addition that would have been attributable to an increase in occupancy rate occurring after May 14, 2002 and before the bill's effective date, notwithstanding the State Supreme Court's *WPW* decision. Beginning in 2008, if a property's taxable value is adjusted to reflect an occupancy loss, the property owner would have to file, by January 15th, a copy of the rent roll or a sworn statement of the square footage of occupancy as of the immediately preceding December 31.

After 2008, a property's adjusted taxable value would "pop-up" to the state equalized value, and would then be subject to the assessment cap until the next transfer of ownership. Assessments could be appealed in the same manner as provided under the General Property Tax Act.

The tax rate would be the number of mills assessed in the local tax collecting unit as if that property were subject to the General Property Tax Act, and the base would be the adjusted taxable value. The tax would be payable in the same manner as taxes collected under the General Property Tax Act. Property located within a renaissance zone would be exempt from the specific tax, except for special assessments, debt millages, school enhancement millages, and school building sinking fund millages.

Tax revenue would be disbursed by the tax collecting unit to other taxing units in the same manner as provided under the General Property Tax. Unpaid taxes would be subject to foreclosure, forfeiture, and sale in the same manner as provided under the General Property Tax Act.

<u>House Bill 4376</u> (General Property Tax Act)

The bill would exempt commercial rental property from the General Property Tax Act if the owner previously claimed an occupancy loss and filed an affidavit with the local tax collecting unit claiming an exemption. The affidavit would have to be filed by (1) the December 31 of the year immediately after the year in which the bill becomes effective for property currently in existence; (2) the December 31 of the year in which new property is constructed; or (3) the December 31 of the year immediately following a year in which a transfer of ownership occurred, if an exemption was not previously claimed. Property owners would be required to file a form rescinding an exemption within 90 days from when that that property is no longer considered commercial rental property. Failure to file a rescission would be a penalty of $5 a day, up to $200, for each day after the 90-day period. The penalty would be deposited in the School Aid Fund.

Assessors could deny an exemption claim for the current year and the preceding three years. If an exemption is denied, the tax roll would be amended to reflect the denial and a corrected tax roll would be issued. Taxes levied would be delinquent on March 1st of the year immediately after the year in which the corrected tax bill is issued. If the property is transferred to a bona fide purchaser before a corrected bill is issued, the tax would not be a lien against the property and would not be billed to the purchaser, but would be assessed against the previous owner who claimed the exemption.

In addition, the bill would amend current law concerning occupancy losses and additions (MCL 211.34d) to specify that an occupancy loss may be taken prior to May 14, 2002 (the date of the *WPW* decision) and that an occupancy addition may be taken prior to December 31, 2007.

Background Information

Under the state constitution, as amended by Proposal A in 1994, year-to-year increases in the taxable value of a parcel of property are generally limited to five percent or the rate of inflation, whichever is lower. However, the value of property may be adjusted for certain additions and losses, irrespective of the assessment cap. Under the General Property Tax Act, the term "losses" includes, among other things, an adjustment in value because of a decrease in a property's occupancy rate. Similarly, the term "additions" includes an increase in the value attributable to an increase in the property's occupancy rate if a loss was previously allowed because of a decrease in occupancy rate or if the value of new construction had been reduced because of a below market occupancy rate.

In *WPW Acquisition v. City of Troy*, the State Supreme Court held that the additional value attributable to an increase in a property's occupancy rate was not consistent with Proposal A, and therefore was unconstitutional. At the time Proposal A was approved by the voters, the terms "additions" and "losses," as defined in the General Property Tax Act, did not encompass any increase or decrease in value because of a change in a property's occupancy rate. The current definitions, as applied to tax years after 1994, were added to the General Property Tax with the enactment of Public Act 415 of 1994, an act implementing Proposal A. The court noted that if the legislature were free to classify increases in value as "additions," it could undermine one of the intended purposes of Proposal A—to limit property taxes. As a result of the court's decision, under current law, a property's taxable value can be reduced because of a decrease in occupancy rate, but cannot increase when the occupancy rate subsequently increases.

House Bill 4378 – 4380: Rolling Stock

The General Sales Tax Act exempts from taxation, the sale of rolling stock (certain large trucks, trailer, and related parts) purchased by or rented or leased to an interstate motor carrier and used in interstate commerce. House Bill 4378 would eliminate this exemption beginning June 1, 2007. (MCL 205.54r)

The Use Tax Act similarly exempts the storage, use, or consumption of rolling stock purchased, rented, or leased by an interstate motor carrier fleet. House Bill 4379 would eliminate this exemption beginning June 1, 2007. (MCL 205.94k)

Under both acts, an interstate motor carrier is defined to mean a person engaged in the business of carrying persons or property—other than themselves, their employees, or their own property—for hire across state lines, and *whose fleet mileage was driven at least 10 percent outside of the state in the immediately preceding tax year.*

House Bill 4380 would amend the Streamlined Sales and Use Tax Revenue Equalization Act, beginning June 1, 2007, to provide interstate motor carriers with a credit against the sales and use taxes for sales or use taxes paid on the purchase, rental, lease, or use of rolling stock used in interstate commerce*, based on the miles driven outside of Michigan*. House Bill 4380 would essentially tax rolling stock in proportion to its use in Michigan.

The credit would be computed as follows:

$$6\% \times \frac{\text{Miles Outside Michigan}}{\text{Total Miles for Interstate Commerce}} \times \text{Price of Rolling Stock}$$

(Would not include exclusive intrastate miles)

In 1984, the Department of Treasury issued a position statement (SUW 84-003) on the sales and use tax treatment of interstate motor carriers. In accordance with SUW 84-003, the Department of Treasury, beginning January 1, 1985, provided interstate motor carriers domiciled in Michigan with a refund of sales and use taxes paid on rolling stock used in interstate commerce, based on their percentage of out of state mileage. In September 1989, the Court of Claims invalidated the refund provisions in SUW 84-003 finding those provisions to be without statutory authority. Following the court's decision, and a similar decision in 1992, rolling stock became subject to the sales and use taxes. In 1995, the Michigan Court of Appeals ruled in *Gainey Transportation Service, Inc. v. Department of Treasury* (209 Mich App 504) that the Department of Treasury did not have the authority under the Revenue Act or the General Sales Tax Act to provide a refund in SUW 84-003.

In response to the Gainey decision, Public Act 477 of 1996 provided a use tax exemption for the storage, use, or consumption of rolling stock used interstate commerce and purchased, rented, or leased outside of the state by an interstate motor carrier. Additionally, Public Act 576 of 1996 provided a sales tax exemption for certain trucks and trailers (though not affixed parts), based on the percentage of miles used out of state. The taxation of rolling stock, it was argued, placed Michigan trucking businesses at a competitive disadvantage compared to businesses domiciled in neighboring states that do not tax rolling stock. Public Acts 70 and 116 of 1999 extended indefinitely a sunset date of May 1, 1999 provided in the 1996 acts, and PA 116 also extended the sales tax exemption to include parts affixed to trucks and trailers.

House Bills 4381 and 4382: Food Sold Through Vending Machines

The bills would amend the General Sales Tax Act and Use Tax Act, respectively, to eliminate exemptions from those acts for food sold through vending machines, beginning June 1, 2007. (MCL 205.54g and 205.94d)

Specifically, both acts provide that food or drink that is heated or cooled to certain temperatures – except for milk, non-alcoholic beverages in sealed containers, and fresh fruit – and sold from a vending machine is subject to the sales and use taxes. (In other words, milk, non-alcoholic beverages, fresh fruit, and other food not heated or cooled – such as snack foods – sold from a vending machine are exempt from taxation under those acts.) Beginning June 1, 2007, all food sold from a vending machine would be subject to taxation.

In the 1974 General Election, voters approved Ballot Proposal C, which amended Article IX, Section 8 of the State Constitution to exempt from sales and use taxes, the sale or use of food for human consumption, except for prepared food intended for immediate consumption, as defined by law. Public Act 310 of 1974 amended the General Sales Tax Act to incorporate the constitutional provisions into statute and define "prepared food intended for immediate consumption" to mean, among other things, food or drink intended for immediate consumption sold from a vending machine or by a vendor from a mobile facility.

Since 1974, this section of the General Sales Tax Act has been amended on numerous occasions, apparently to address the disparate treatment of food that wouldn't be taxed when sold at a grocery or convenience store but would be taxed when sold through a vending machine. Public Act 275 of 1978 exempted from the sales tax the sale of milk, juices, fresh fruit, nuts, chewing gum, cookies, crackers, and chips from a vending machine. Public Act 63 of 1995 exempted bakery products sold from a vending machine from the sales tax. Public Act 576 of 1996 rewrote the vending machine provision to specify that carbonated beverages and other food or drink heated or cooled to certain temperatures – except for milk, noncarbonated beverages with a juice content of at least 10 percent juice content, and fresh fruit – are considered to be intended for immediate consumption and, as such, are subject to taxation. Public Act 417 of 2000 extended the exemption to all nonalcoholic beverages, rather than just certain noncarbonated beverages, sold through a vending machine.

Public Act 309 of 1974 exempted the purchase of food for human consumption from the use tax, although the act did not contain an exception for prepared food intended for immediate consumption. Provisions related to food from vending machines were finally added with the enactment of Public Act 172 of 2004, part of the Streamlined Sales Agreement amendments.

House Bill 4383: Driver's Education Vehicles and Telecommunication Services

The bill would amend the Use Tax Act to eliminate an exemption for a vehicle purchased for lending or leasing to a public or parochial school offering a driver's education course, beginning June 1, 2007.

The bill would also eliminate a use tax exemption for the use of wide areas telecommunication service or similar services, an interstate private network and related usage charges, and international calls (inbound or outbound). These telecommunication services would be taxed in the same manner as interstate telephone communications. (An 800 prefix service or similar service would still be exempt.)

House Bill 4384: Water Softeners and Water Coolers

The General Property Tax Act (MCL 211.9 and 211.9g[1]) exempts water softener equipment rented or leased for use in a residence and water coolers rented or leased for use in a residence or commercial business from personal property taxes imposed on

businesses. The exemption for water softeners would be repealed effective January 1, 2008, and the exemption for water coolers would be repealed effective on the bill's effective date (no date is specified).

The exemption for water softeners was added to the General Property Tax Act with the enactment of Public Act 582 of 1996, apparently at the request of companies that rent or lease out water conditioning systems to residential customers. Prior to the Public Act 582, these businesses had to report on and pay taxes in each local unit where they installed and leased or rented water conditioning systems for residential customers. It was contended that paying the taxes was an administrative burden. Additionally, it was noted that homeowners who purchased a system did not have to pay property taxes on that system.

Similarly, the exemption for water coolers was added with the enactment of Public Act 471 of 1998, because businesses that leased water coolers to residential and commercial customers had to report on and pay taxes in each local unit where it leased water coolers. Again, the personal property tax was believed to be burdensome on those businesses and an insignificant revenue source for the state and individual local units of government.

House Bill 4385: Penalties

The bill would revise the penalty structure for failing to file a return or pay a tax by, generally speaking, returning to the penalty system that had been in place prior to Public Act 657 of 2002. (These penalty revisions previously passed both houses of the Legislature and became Public Act 227 of 2005; however, that act did not take effect because it was tie-barred to a bill vetoed by the Governor.) The changes include,

- A penalty of 25 percent of taxes due for remitting a non-negotiable payment (e.g. insufficient funds check). This penalty is in addition to other penalties imposed by the Revenue Act. The current penalty is $50.
- A penalty for failure to file or pay income tax withholding, sales taxes, and use tax liabilities of at least $300 of $10 or five percent of the tax due, whichever is greater, for the first month, and five percent for each additional month, up to a maximum of 50 percent. The current penalty is five percent for the first two months and five percent for each additional month, up to a maximum of 25 percent.
- A maximum penalty of 50 percent for taxpayers who fail to pay state income tax withholding in the same manner as the federal withholding schedule (when required). The current maximum penalty is 25 percent.

Under the Revenue Act, if a taxpayer fails to file a return or make a payment or supplies insufficient information to make a determination on the tax due, the Department of Treasury first sends a letter of inquiry stating the amount of tax due and why it is due. If, after 30 days, the matter is not resolved, the department then must send a notice of its intent to assess the tax explaining the dispute, the appeals process, and the tax due. If, after 30 days, the matter is still not resolved the department must issue a bill for taxes due

(final assessment). After 35 days, the department must take certain enforcement actions to collect payment.

House Bill 4386: Affiliate Nexus Standard

The bill would amend the Revenue Act to provide for a nexus standard for out-of-state affiliates. The Governor's executive budget presentation argues that "[s]ome large businesses have organized their divisions into separate legal entities outside of Michigan to avoid Michigan taxes because they now have no insufficient connection to the state. For example, a large chain of stores that has retail outlets in Michigan but also sells on its website could reorganize and form a separate internet business located completely in another state and channel sales into Michigan without collecting sales or use tax."

The bill provides that person would have a substantial nexus for a tax administered under the act if that person and an in-state business are related parties if, notwithstanding any agency relationship (or lack thereof), the two:

- Use an identical or substantially similar name, trade name, trademark, or goodwill to develop, promote, or maintain sales;
- Pay for each other's services in whole or in part contingent upon the volume or value of sales; or
- Share a common business plan or substantially coordinate their business plans.

Two entities would be considered related parties if, with respect to one another:

- One entity is a corporation and the other entity and any party own directly, indirectly, beneficially, or constructively at least half of the value of the corporation's outstanding stock;
- One of the entities is a limited liability company, partnership, estate, or trust, none of which is treated as a corporation for federal income tax purposes, and that entity (and its members, partners, and beneficiaries) own directly, indirectly, beneficially, or constructively at least half of the profits, stock, or value of the other entity or both entities.
- One entity is a related taxpayer to the other entity under the federal Internal Revenue Code (26 USC 267).

An in-state business would be a business that maintains at least one employee within the state or that has at least one employees conducting business in the state. The bill further adds that the provisions of the bill are not exclusive, and should not be construed to limit the state's jurisdiction to impose a tax administered under the act, subject to the due process and commerce clauses of the U.S. Constitution.

House Bills 4387 and 4388: Oil and Gas Expense Deduction

House Bills 4387 and 4388 would essentially require expenses deducted on a federal income tax return for income subject to the federal income tax, but not the Michigan

income tax, to be added back onto the Michigan income tax form for tax years that begin after December 31, 2007.

House Bill 4387 would amend the Income Tax Act (MCL 206.36) to add to federal taxable income for resident estates and trusts, expenses incurred in the production of income that is not taxable under the act, although only to the extent that those expenses were deducted in determining federal taxable income.

House Bill 4388 would amend the Income Tax Act (MCL 206.30) to add to federal adjusted gross for persons other than corporations, estates, or trusts, expenses incurred in the production of income that is not taxable under the act, although only to the extent that those expenses were deducted in determining federal AGI.

Under the state Income Tax Act, the starting point for determining the tax liability for estates and trusts is federal taxable income, and the starting point for determining an individual's income tax liability is the federal adjusted gross income (AGI), both of which are then subject to various adjustments to determine state taxable income (See, generally, Michigan and IRS tax forms 1040 and 1041.) For federal taxation purposes, income levels include business income or losses, which include royalty income and related expenses from oil and gas wells. The state, however, imposes the severance tax on the gross proceeds of oil and gas "severed" from the earth in lieu of all other state and local taxes, including the income tax. [See Bauer v. Department of Treasury – 203 Mich App 97 (1993)]

According to the Department of Treasury's Revenue Administrative Bulletin 2001-5, for individual returns, a producer may claim a deduction for oil and gas receipts (gross income) that were subject to the severance tax, but only to the extent that the receipts were included in calculating AGI. With relevance to these bills, there is no statutory requirement that the expenses related to oil and gas income deducted on a federal return be added back onto a Michigan income tax return when determining state taxable income. [Taxpayers are not necessarily deducting these expenses again on the Michigan income tax return, but these expenses are used to determine Michigan taxable income to the extent that they are already included in federal taxable income or adjusted gross income.] The Department of Treasury has previously contended that since the oil and gas royalty income is not used to determine Michigan taxable income, those related expenses should also not be used to determine Michigan taxable income. By not adding back oil and gas expenses, they are, in theory, used to offset other types of income, such as wages, on the Michigan tax return. The bills are similar in concept to a provision in the federal Internal Revenue Code, 26 USC 265(a)(1a), that prohibits a deduction for expenses related to income that is exempt from taxation under the IRC.

In the past few years, state courts have issued several rulings on how oil and gas expenses and income are treated under the Severance Tax Act and the Income Tax Act. In *Elenbaas v. Department of Treasury* [231 Mich App 801 (1998) and 235 Mich App 372 (1999)] the court ruled that gross receipts, rather than net income, from the production of oil and gas may be deducted from adjusted gross income in determining state tax liability.

The court noted that the severance tax is paid on the gross receipts from oil and gas production, without allowing a deduction for related expenses and stated, "[i]f gross receipts are taxed under the severance tax act, then it necessarily follows that gross receipts, not net income, are exempt from taxation under the [Income Tax Act]."

In allowing a deduction from the Income Tax Act for oil and gas production expenses, the court stated, "[w]e also disagree with the [treasury department's] argument that allowing deductions for the expenses associated with oil and gas production amounts to allowing plaintiffs to take deductions without paying taxes on the income derived from the oil and gas ventures, which gave rise to the deductions. The Michigan severance tax is imposed on gross receipts, which include income derived from the production of oil and gas without any deductions being taken. Thus, we find it disingenuous for [the department] to argue that no tax is being paid on the income derived from the oil and gas ventures. More importantly, the fact that the gross receipts are taxed under the severance tax without an allowance for expenses under that act reinforces that the corresponding deduction for expenses should be taken under the [Income Tax Act]." [See the 1998 decision, *Elenbaas 1*.]

The court's decision in *Elenbaas 1* conflicted with a prior ruling in *Cook v. Department of Treasury* 229 Mich App 653 (1998) and, pursuant to court rules, the *Elenbaas* 1 panel was constrained to follow the *Cook* decision. Pursuant to Michigan court rules, a special panel was convened to resolve the conflict between the *Elenbaas I* and *Cook* decisions. The *Elenbaas 2* panel for the most part agreed with and adopted the reasoning of *Elenbaas I* and allowed deductions from the income tax for gross receipts from oil and gas production, as well as those related expenses. However, it did not allow a net operating loss deduction resulting from those expenses.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.