

Legislative Analysis



SOURCING FOR MORTGAGE COMPANY RECEIPTS

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

House Bill 5151

Sponsor: Rep. Steve Bieda

Committee: Tax Policy

Complete to 9-4-07

A SUMMARY OF HOUSE BILL 5151 AS INTRODUCED 8-30-07

The bill would amend Section 53 of the Single Business Tax Act, which describes when sales that are not sales of tangible personal property are considered to be sales in Michigan. The bill would specify that, for tax years beginning on or after November 1, 2005, receipts derived by a mortgage company from the origination or sale of a loan secured by residential real property would be deemed a sale in the state only if one or more of the following apply:

-- The real property is located in Michigan.

-- The real property is located both within Michigan and one or more other states and more than 50 percent of the fair market value of the real property is located in Michigan.

-- More than 50 percent of the real property is not located in any one state and the borrower is located in Michigan. (A borrower would be considered to be located in Michigan if the borrower's billing address is in Michigan.)

Under the bill, a "mortgage company" would mean a person who has greater than 70 percent of its revenues, in the ordinary course of business, from the origination, sale, or servicing of residential mortgage loans.

[The provisions in the bill for mortgage companies would apply notwithstanding the current provisions in the SBT Act for deciding when a sale, other than a sale of tangible personal property, takes place in the state. The current criteria are: (1) the business activity is performed in Michigan; (2) the business activity is performed both in and outside the state and, based on costs of performance, a greater proportion of the business activity is performed in Michigan than is performed outside Michigan; and (3) receipts derived from services performed for planning, design, or construction activities within Michigan are deemed Michigan receipts.]

MCL 208.53

FISCAL IMPACT:

A fiscal analysis is in progress.

Legislative Analyst: Chris Couch
Fiscal Analyst: Rebecca Ross

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