

Legislative Analysis



MBT: NEWSPAPERS ACQUIRING ADVERTISING SPACE ON BEHALF OF OTHER PERSONS

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House Bill 5797 (Substitute H-2)

Sponsor: Rep. Pam Byrnes

Committee: Tax Policy

Complete to 6-5-08

A SUMMARY OF HOUSE BILL 5797 AS REPORTED FROM COMMITTEE

Under the new Michigan Business Tax, generally speaking, firms are subject to a tax of 0.8% on a firm's modified gross receipts and a tax at a rate of 4.95% on business income after allocation and apportionment. There is also a surcharge imposed on top of the standard MBT calculation of 21.99 percent for most firms and of 27.7 percent for financial institutions (falling to 23.4 percent in 2009).

House Bill 5797 would amend the Michigan Business Tax Act so that the gross receipts tax base would not include amounts received by a newspaper to acquire advertising space not owned by that newspaper in another newspaper on behalf of another person. These receipts would then not be counted in the gross receipts tax base. The exemption would not apply to any consideration received by the newspaper for acquiring that advertising space.

The bill would be effective retroactive to January 1, 2008.

MCL 208.1111 and 208.1281

BACKGROUND INFORMATION:

According to committee testimony, the aim of the bill is to treat newspapers in the same manner as advertising agencies when they are carrying out similar functions as advertising agencies. For example, the Detroit Legal News serves as a clearinghouse for mandatory legal notices published by lawyers. These notices are distributed to newspapers throughout the state. In these instances, according to committee testimony, the paper is performing a service (like an ad agency) and has no ownership interest in the advertisements. The bill is considered clarifying legislation.

The MBT Act currently grants a gross receipts exemption to advertising agencies for gross receipts received and "used to acquire advertising media time, space, production, or talent on behalf of another person."

As introduced, the bill also contained a provision that would have exempted from the MBT surcharge the owner and publisher of a weekly, semi-weekly, or daily newspaper that (A) was printed on newsprint with recycled content; (B) has a circulation of less than

4,000; and (C) has the major part of its circulation within the county where it is published or within the counties contiguous to that county. However, this provision was dropped in the H-2 substitute reported by the House Tax Policy Committee.

FISCAL IMPACT:

The bill would have no fiscal impact on the state or local governments.

POSITIONS:

The Department of Treasury supports the substitute. (6-4-08)

Legal News Publishing supports the bill. (6-4-08)

The Michigan Press Association supports the bill. (6-4-08)

The Michigan Chamber of Commerce supports the bill. (6-4-08)

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