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**BILL ANALYSIS**

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Senate Bill 967 (Substitute S-1 as reported)  
Sponsor: Senator Nancy Cassis  
Committee: Finance

**CONTENT**

The bill would amend the Michigan Business Tax (MBT) Act to allow a taxpayer, for the 2008 tax year, to claim a credit against the MBT equal to the expenses incurred by the taxpayer during the immediately preceding tax year from October 2 through December 4 to comply with former Section 3d of the Use Tax Act. (Section 3d extended the use tax to certain services. Section 3d was enacted by Public Act 93 of 2007 and repealed by Public Act 145 of 2007.)

A taxpayer that claimed the credit under the bill would have to verify that the actual expenses incurred as a result of the enactment of Section 3d were the same number as used to calculate the credit. The taxpayer would have to attach the verification to its annual MBT return for the tax year in which the credit was claimed. If the amount of the credit exceeded the tax liability of the taxpayer for the tax year, the excess would not be refunded.

MCL 208.1450

Legislative Analyst: Craig Laurie

**FISCAL IMPACT**

The bill would reduce General Fund revenue in FY 2007-08 and FY 2008-09 by an unknown and potentially significant amount. The distribution of the impact would depend upon how much of the credit was reflected in estimated payments made for the 2008 tax year and during FY 2007-08. The amount of the revenue reduction would depend upon the expenses incurred by taxpayers and covered by the bill. Testimony regarding the bill suggested that the expenses across all businesses could range from \$75 million to more than \$900 million.

Also, the bill essentially would affect only those taxpayers with a 2008 tax year beginning after December 4, 2007. As a result, the bill apparently would not allow certain fiscal year taxpayers to claim the credit, because it would have to be claimed in tax year 2008 for expenses incurred during the preceding year. A taxpayer with a fiscal year running from July to June, for example, likely would have incurred the expenses only during tax year 2008. Approximately 80% of single business tax liability was paid by such fiscal year filers, suggesting that 80% of the expenses could be claimed as credits under the bill.

The proposed credit would not be refundable, which would reduce its cost to an unknown amount less than the total of the expenses. The amount of this reduction is unknown. Based on the limitations on the proportion of liability that could be reduced by the MBT compensation credit, research and development credit, and investment tax credit, it is possible that the nonrefundable nature of the proposed credit could reduce the cost by approximately 50%. Given the estimates above, a 50% reduction would suggest that the bill could reduce General Fund revenue by somewhere between \$30 million and \$360 million.

The bill would have no fiscal impact on local government.

Date Completed: 12-13-07

Fiscal Analyst: David Zin

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Analysis available @ <http://www.michiganlegislature.org>

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