



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 1054 (Substitute S-1 as reported)
Sponsor: Senator John Pappageorge
Committee: Finance

CONTENT

The bill would amend the Michigan Business Tax Act to exclude services rendered by a partner to a partnership from the definition of "business activity"; and revise the definition of "business income" for a partnership or S corporation, and for a person conducting investment activity.

The current definition of "business activity" includes a transfer of title to property and the performance of services made with the object of gain, benefit, or advantage to the taxpayer or others, but does not include services rendered by an employee to his or her employer or services as a director of a corporation. The bill also would exclude services rendered by an individual to a partnership in which he or she is a partner.

"Business activity" currently means that part of Federal taxable income derived from business activity, subject to provisions for specific types of taxpayers. For a partnership or S corporation, business income includes payments and items of income and expense that are attributable to business activity of the partnership or S corporation and separately reported to the partners or shareholders. Under the bill, business income for a partnership or S corporation would include payments and items of income, *less expenses*, attributable to business activity of the partnership or S corporation.

MCL 208.1105

Legislative Analyst: Craig Laurie

FISCAL IMPACT

The bill would reduce General Fund revenue by an unknown amount. The changes regarding taxpayers engaged in estate planning likely would have a minimal impact. The changes affecting services rendered by members of a partnership could be significant.

The bill would have no fiscal impact on local government.

Date Completed: 2-5-08

Fiscal Analyst: David Zin