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## BILL ANALYSIS

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Senate Bill 1217 (as introduced 3-18-08)  
Sponsor: Senator Nancy Cassis  
Committee: Finance

Date Completed: 3-27-08

**CONTENT**

**The bill would amend the Michigan Business Tax (MBT) Act to include in the definition of "purchases from other firms", for certain builders and contractors, direct material costs for a construction project under a contract specific to that project.**

Except as otherwise provided, the Act imposes a modified gross receipts tax on every taxpayer with nexus in the State, as determined under Section 200. The modified gross receipts tax is imposed on the modified gross receipts tax base, after allocation or apportionment to the State at a rate of 0.8%. The modified gross receipts tax base is a taxpayer's gross receipts less purchases from other firms before apportionment under the Act. (Under Section 200, a taxpayer has substantial nexus in this State and is subject to the modified gross receipts tax if the taxpayer has a physical presence in this State for a period of more than one day during the tax year or if the taxpayer actively solicits sales in this State and has gross receipts of \$350,000 or more sourced to this State.)

The definition of "purchases from other firms" includes, for a person included in Major Groups 15, 16, and 17 under the Standard Industrial Classification Code as compiled by the United States Department of Labor that does not qualify for a credit under Section 417, payments to subcontractors for a construction project under a contract specific to that project. Under the bill, "purchases from other firms" would include, for a person included in Major Group 15, 16, or 17 that did not qualify for a credit under Section 417, amounts paid or accrued to subcontractors for a construction project under a contract specific to that project and direct material costs for a construction project under a contract specific to that project. "Direct material costs" would mean the amount paid or accrued by the taxpayer during the tax year for materials that are deductible on the taxpayer's Federal income tax return as purchases under the cost of goods sold.

(Major Groups 15, 16, and 17 include general building contractors, heavy construction contractors, and construction special trade contractors.

Section 417 allows a credit against the MBT for any taxpayer with gross receipts that do not exceed \$20.0 million and with adjusted business income minus the loss adjustment that does not exceed \$1.3 million as adjusted annually for inflation. The credit is sometimes called the alternate tax.)

MCL 208.1113

Legislative Analyst: Craig Laurie

## **FISCAL IMPACT**

The data needed to make a reasonable estimate of the fiscal impact of this bill are not available at this time. Therefore, an estimate of the fiscal impact of this bill can not be made at this time.

Fiscal Analyst: Jay Wortley

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.