



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 1422 (Substitute S-3 as reported by the Committee of the Whole)

Sponsor: Senator Jason E. Allen

Committee: Commerce and Tourism

CONTENT

The bill would amend the Michigan Business Tax (MBT) Act to do all of the following:

- Allow a qualified taxpayer to claim an anchor company MBT credit equal to the sum of up to 100% of each qualified supplier's and qualified customer's payroll attributable to employees performing qualified new jobs (rather than an amount up to 100% of the qualified supplier's or customer's payroll attributable to those employees).
- Prohibit a qualified taxpayer from claiming an anchor company MBT credit for a tax year before designation as an anchor company (rather than before certification as a qualified taxpayer).
- Delete a provision that, if a qualified taxpayer is awarded an anchor company MBT credit, any subsequent credits awarded to that taxpayer are not included in determining the yearly limit of five new credits.
- Revise a provision excluding a qualified taxpayer's sales to a qualified supplier or customer from the MBT sales factor, and redefine "qualified sales to a qualified supplier or customer".
- Specify that an anchor company MBT credit could be taken after all other nonrefundable credits allowed under the Act.
- Define "qualified supplier" and "qualified customer", rather than "qualified supplier or customer", and revise the current definition; and add a definition of "tax rate".

The bill would be effective for tax years beginning after December 31, 2008.

MCL 208.1431a

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

Not enough information is available to be able to provide a meaningful estimate of the fiscal impact of this bill. In fact, it is not clear if this bill would have a net positive or negative impact on Michigan business tax revenue. The proposed change in how an anchor company would calculate its sales factor and the proposal to tighten the current limit on the number of credits that may be issued each year would have a positive impact on Michigan business tax revenue; however, the proposed change that would allow a business to claim the anchor company compensation credit after it had claimed all nonrefundable credits for which the business qualified and the proposal to expand the base of the credit up to 100% of the sum of each supplier's *and* customer's payroll paid to qualified new jobs, rather than up to 100% of the supplier's *or* customer's payroll paid to qualified new jobs, would have a negative impact on Michigan business tax revenue. Any change in MBT revenue would have a direct impact on General Fund revenue. This bill would not have any direct impact on local government.

Date Completed: 9-23-08

Fiscal Analyst: Jay Wortley

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

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.