



Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 5151 (Substitute H-1 as passed by the House)

Sponsor: Representative Steve Bieda

House Committee: Tax Policy

Senate Committee: Finance

Date Completed: 10-18-07

CONTENT

The bill would amend the Single Business Tax Act to specify that for tax years beginning on and after November 1, 2005, receipts derived by a mortgage company from the origination or sale of a loan secured by residential real property would be deemed a sale in this State only if one or more of the following applied:

- The real property was located in this State.
- The real property was located both within this State and one or more other states and more than 50% of its fair market value was located within this State.
- More than 50% of the property's fair market value was not located in any one state and the borrower was located in this State.

For purposes of these provisions, a borrower would be considered located in this State if the borrower's billing address was in Michigan. "Mortgage company" would mean a person that had greater than 70% of its revenue, in the ordinary course of business, from the origination, sale, or servicing of residential mortgage loans.

The bill would apply notwithstanding a provision of the Act stating that sales, other than sales of tangible personal property, are in this State if:

- The business activity is performed in this State.
- The business activity is performed both in and outside this State and, based on costs of performance, a greater proportion of the business activity is performed in this State than is performed outside the State.
- Receipts derived from services performed for planning, design, or construction activities within this State must be deemed Michigan receipts.

MCL 208.53

Legislative Analyst: Craig Laurie

FISCAL IMPACT

The bill would reduce State General Fund revenue in FY 2007-08 by approximately \$0.5 million. The fiscal year reduction reflects the impact on more than one tax year because the bill would apply to tax years beginning on or after November 1, 2005.

The bill would have no effect on local revenue or expenditure.

Fiscal Analyst: David Zin

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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.