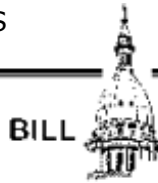




Senate Fiscal Agency  
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Lansing, Michigan 48909-7536

**BILL ANALYSIS**

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House Bill 5413 (Substitute H-3 as passed by the House)

Sponsor: Representative Steve Bieda

House Committee: Tax Policy

**CONTENT**

The bill would amend the Michigan Business Tax (MBT) Act to expand exceptions to the definition of "gross receipts". Currently, for a sales finance company directly owned in whole or in part by a motor vehicle manufacturer as of January 1, 2008, gross receipts do not include the following:

- Amounts realized from the repayment, maturity, sale, or redemption of the principal of a loan, bond, or mutual fund, certificate of deposit, or similar marketable instrument.
- The principal amount received under a repurchase loan agreement or other transaction properly characterized as a loan.

Under the bill, this exception also would apply for a person that was a broker or dealer as defined under the Securities Exchange Act, or a person included in the unitary business group of that broker or dealer that buys and sells for its own account contracts that are subject to the Commodity Exchange Act. The exception would apply provided the instruments were not held as inventory.

Also, for a person that was a broker or dealer or a person included in the unitary business group of that broker or dealer that buys and sells contracts for its own account, gross receipts would not include the cost of securities and commodities as defined under the Internal Revenue Code, excluding interest expense other than that related to repurchase agreements.

MCL 208.1111

Legislative Analyst: Craig Laurie

**FISCAL IMPACT**

The bill would reduce State General Fund revenue by an unknown and potentially significant amount. The bill would narrow the definition of "gross receipts" by essentially excluding amounts reflecting the principal of various financial transactions, which for most taxpayers would reduce their liability under the MBT Act. The amount of the reduction would depend upon the specific characteristics of the transaction affected by the bill. Previously, these amounts would have generally been included in the definition of "gross receipts" under the Single Business Tax Act and thus would have been included in the revenue estimates for the Michigan business tax. While the initial estimates for the MBT attempted to exclude such amounts, thus minimizing the impact of the bill, the Department of Treasury estimates that the exclusions may not have been sufficient to account for the changes in the bill. As a result, the bill would reduce General Fund revenue.

The bill would have no fiscal impact on local government.

Date Completed: 12-12-07

Fiscal Analyst: David Zin

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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.