



Senate Fiscal Agency
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**BILL ANALYSIS**

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House Bill 5940 (as reported without amendment)
Sponsor: Representative Kathy Angerer
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the Michigan Business Tax (MBT) Act to revise a formula that a taxpayer may use to compute the MBT for the 2008 tax year, if the taxpayer's 2008 tax year is less than 12 months.

Currently, if a taxpayer's tax year to which the Act applies ends before December 31, 2008, or if a taxpayer's first tax year is less than 12 months, then a taxpayer subject to the Act may elect to compute the MBT for the portion of that tax year to which the Act applies or that first tax year in accordance with one of the following methods: 1) The MBT may be computed as if the Act were effective on the first day of the taxpayer's annual accounting period and the amount computed must be multiplied by a fraction, the numerator of which is the number of months in the taxpayer's first tax year and the denominator of which is 12; or 2) the MBT may be computed by determining the business income tax base and modified gross receipts tax base in the first tax year in accordance with an accounting method satisfactory to the Department of Treasury that reflects the actual business income tax base and modified gross receipts tax base attributable to the period.

Under the bill, a taxpayer subject to the Act could elect to compute the MBT by one of these methods for the 2008 tax year. The numerator of the fraction used to calculate the MBT under the first method would be the number of months in the taxpayer's annual accounting period that fell within the 2008 calendar year, or the number of months in the taxpayer's first tax year that fell within the 2008 calendar year, and the denominator would be the number of months in the taxpayer's annual accounting period.

MCL 208.1503

Legislative Analyst: Craig Laurie

FISCAL IMPACT

This bill would clarify how taxpayers that have a tax year that does not coincide with the calendar year, would prorate their Michigan business tax liability for the initial 2008 tax year. This proposed change is technical in nature and therefore would not have any fiscal impact.

Date Completed: 12-5-08

Fiscal Analyst: Jay Wortley