

Legislative Analysis



PURCHASES FROM OTHER FIRMS

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4481

Sponsor: Rep. Marc Corriveau

Committee: Tax Policy

Complete to 12-1-09

A SUMMARY OF HOUSE BILL 4481 AS INTRODUCED 3-3-09

Under one element of the recently enacted Michigan Business Tax, firms are subject to a tax of 0.8 percent on a firm's modified gross receipts, less its purchases from other firms. (The other component of the tax is a tax on business income.)

House Bill 4481 would amend the definition of "purchases from other firms" in the MBT Act as it applies to general freight trucking firms and specialized freight trucking firms. (These are described in the bill as firms "classified under the 2002 North American Industrial Classification System number 484" as compiled by the federal Department of Management and Budget.)

For those companies, the definition of "purchases from other firms" would apply to "payments to subcontractors to transport freight by motor vehicle under a contract specific to that freight . . ." These payments would, then, not be counted in the gross receipts tax base. This amendment would reduce the gross receipts tax base and overall MBT tax liability for the eligible firms.

This would not apply if a firm qualified for a small business credit under Section 417 of the act. The small business credit applies to firms with gross receipts of not more than \$20 million and adjusted business income of not more than \$1.3 million; there is also a limit on officer income.

MCL 208.1113

FISCAL IMPACT:

The bill would reduce MBT, and General Fund revenue, by an indeterminate amount.

Legislative Analyst: Chris Couch

Fiscal Analyst: Jim Stansell

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.