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BILL ANALYSIS

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Senate Bill 1 (Substitute S-1 as reported)
Sponsor: Senator Mark C. Jansen
Committee: Finance

CONTENT

The bill would amend the Michigan Business Tax (MBT) Act to decrease the MBT surcharge by 50% for tax years ending in 2009, and then eliminate it, for taxpayers other than financial institutions.

In addition to the taxes imposed and levied under the Act, an annual surcharge is imposed and levied on each taxpayer equal to a percentage of the taxpayer's tax liability under the Act after allocation or apportionment to this State but before calculation of various credits. The surcharge does not apply to a person subject to the tax under Chapter 2A (an insurance company) or to a person subject to the tax under Chapter 2B (a financial institution) that is authorized to exercise only trust powers. The amount of the surcharge levied on any taxpayer may not exceed $6.0 million for any single tax year. Under the bill, the amount of the surcharge could not exceed $6.0 million for the 2008 tax year and $3.0 million for the 2009 tax year.

For each taxpayer other than a person subject to the tax under Chapter 2B, the surcharge is equal to 21.99% of the taxpayer's liability. For a person subject to the tax under Chapter 2B, the percentage is equal to 27.7% for tax years ending during 2008, and 23.4% for tax years ending after 2008.

Under the bill, for each taxpayer other than a person subject to the tax under Chapter 2B, the surcharge would decrease to 11.0% of the taxpayer's liability for tax years ending in 2009 and would be eliminated for subsequent tax years.

Under the Act, if the Michigan personal income growth exceeds 0.0% in any one of the three calendar years immediately preceding the 2017 calendar year, then the surcharge may not be levied and imposed on or after January 1, 2017. Under the bill, this provision would apply only to a person subject to the tax under Chapter 2B.

MCL 208.1281 Legislative Analyst: Craig Laurie

FISCAL IMPACT

The bill would reduce Michigan Business Tax revenue an estimated $166.1 million in FY 2008-09, $457.5 million in FY 2009-10, and $593.4 million in FY 2010-11. All of this loss in revenue would reduce General Fund/General Purpose revenue. The bill would have no direct impact on local units of government.

Date Completed: 1-28-09 Fiscal Analyst: Jay Wortley
David Zin