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BILL ANALYSIS

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Senate Bill 361 (as enacted)
Sponsor: Senator Jud Gilbert, II
Senate Committee: Finance
House Committee: Tax Policy

PUBLIC ACT 200 of 2010

Date Completed: 1-19-11

CONTENT

The bill amended the Michigan Business Tax Act to allow certain taxpayers to claim a one-time refundable credit for their gross receipts tax liability on excise taxes paid on cigarettes and tobacco products in the 2008 and 2009 tax years.

The Act requires a taxpayer to pay the modified gross receipts tax on amounts it received in the transaction of business, including certain taxes collected by the business on behalf of the State. A 2008 amendment provided for the gross receipts tax to be phased out on amounts a wholesale dealer, retail dealer, distributor, manufacturer, or seller collected to pay the State and Federal excise taxes on cigarettes and other tobacco products. The amounts excluded from gross receipts are as follows:

-- 60% of the excise taxes collected in the 2008 tax year.
-- 75% of the excise taxes collected in the 2009 tax year.
-- 100% of the excise taxes collected in the 2010 tax year and each subsequent tax year.

Under the bill, for the taxpayer's first tax year beginning after 2010 only, a wholesale dealer, retail dealer, distributor, manufacturer, or seller that had receipts from the sale of cigarettes or other tobacco products and paid the State and Federal excise taxes on or for those products during the 2008 and 2009 tax years, may claim a credit against the tax imposed by the Act equal to the sum of the following:

-- The difference between the taxpayer's modified gross receipts tax liability for the 2008 tax year and what the liability would have been if the taxpayer could have deducted 100% of the State and Federal excise taxes on cigarettes or other tobacco products, rather than 60%.
-- The difference between the taxpayer's modified gross receipts tax liability for the 2009 tax year and what the liability would have been if the taxpayer could have deducted 100% of the State and Federal excise taxes on cigarettes or other tobacco products, rather than 75%.

If the amount of the credit exceeds the tax liability of the taxpayer for the tax year, the excess must be refunded.

MCL 208.1471

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill will reduce Michigan Business Tax revenue by an estimated $3.4 million in FY 2010-11 and $2.1 million in FY 2011-12. This loss in revenue will reduce the General Fund. The bill will have no direct fiscal impact on local governments.

Fiscal Analyst: David Zin

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