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BILL ANALYSIS

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Senate Bill 671 (as reported without amendment)
Sponsor: Senator Nancy Cassis
Committee: Finance

CONTENT

The bill would amend the Michigan Business Tax (MBT) Act to provide that, if a taxpayer restructured as a financial institution on or after January 1, 2008, and before the restructuring qualified to apportion its tax base based on its sales factor calculated under Section 307, the taxpayer could elect to continue to have its business activities that are subject to the MBT both within and outside the State apportioned to the State by multiplying its tax base by its sales factor calculated in accordance with Section 307.

In this case, the bill would make an exception to the requirement that a financial institution apportion its tax base to Michigan by multiplying the tax base by the "gross business factor" (which usually is the total gross business of the financial institution in this State during the tax year, divided by its total gross business everywhere during the tax year).

(Under the Act, except as otherwise provided, a multistate business must apportion its tax base to Michigan by multiplying the tax base by the "sales factor", which equals sales in Michigan divided by total sales everywhere. Section 307 provides for a separate calculation of the sales factor for certain "spun off corporations". Essentially, the section allows some previously affiliated taxpayers to exclude sales between the entities from the calculation of their tax base for a limited number of years.)

MCL 208.1267   Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would allow GMAC to apportion its Michigan Business Tax base using the sales factor, instead of the gross business factor used by financial institutions. The fiscal impact of this proposed change is not known, but any fiscal impact would affect the General Fund. The bill would have no direct impact on local units of government.

Date Completed: 9-18-09   Fiscal Analyst: Jay Wortley