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BILL ANALYSIS

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Senate Bill 962 (as reported without amendment)
Sponsor: Senator Tom George, M.D.
Committee: Finance

CONTENT

The bill would amend the Michigan Business Tax Act to exempt from the definition of "gross receipts", for a taxpayer that provides health care management consulting services, amounts the taxpayer received as fees from its clients and spent to reimburse those clients for labor and nonlabor services that are paid by the clients and reimbursed to them pursuant to a services agreement.

Under the Act, taxpayers are subject to a modified gross receipts tax, as well as a business income tax. The modified gross receipts tax is imposed at the rate of 0.8% on a taxpayer's gross receipts, subject to certain adjustments. Gross receipts include the amount a taxpayer received from any activity in intrastate, interstate, or foreign commerce carried on for direct or indirect benefit to the taxpayer or others. The amount is phased in over a five-year period starting with 50% in the 2008 tax year and increasing to 60% in the 2009 and 2010 tax years, 75% in the 2011 tax year, and 100% in the 2012 tax year and beyond.

The Act makes a number of exceptions to the definition of "gross receipts". The bill would make an additional exception for fees received by a taxpayer that provides health care management consulting services, as described above.

MCL 208.1111 Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would reduce General Fund revenue by an unknown amount, depending upon several factors including the number of firms affected, the volume of business activity affected by the bill, and the interaction with other provisions of the Act. Michigan gross receipts in the sector that includes health care management consulting services likely exceed $2.0 billion, although it is unknown what share of those receipts would be affected by the bill because the sector includes firms that do not engage in health care management consulting and some firms in the sector may not have receipts affected by the bill. Based on testimony, the revenue reduction would be approximately $1.0 million.

Date Completed: 4-20-10 Fiscal Analyst: David Zin