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BILL ANALYSIS

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Senate Bill 1222 (as reported without amendment)
Sponsor: Senator Nancy Cassis
Committee: Finance

CONTENT

The bill would amend the Michigan Business Tax Act to allow freight haulers to deduct payments to subcontractors from the modified gross receipts tax base.

Under the Act, the modified gross receipts tax is imposed on a taxpayer's gross receipts, subject to certain adjustments, less purchases from other firms.

The bill would amend the definition of "purchases from other firms" to include, for a person classified under the 2002 North American Industrial Classification System (NAICS) number 484, payments to subcontractors to transport freight by motor vehicle under a contract specific to that freight. (The NAICS 484 classification consists of truck transportation, which includes industries that provide over-the-road transportation of cargo using motor vehicles, such as trucks and truck tractors.)

The proposed deduction would not be available to a taxpayer that qualifies for the small business credit under the Act (which may be taken by taxpayer with gross receipts that do not exceed $20.0 million and with adjusted business income minus a loss adjustment that does not exceed $1.3 million, as adjusted annually for inflation).

MCL 208.1113 Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would reduce State General Fund revenue by an unknown amount. The bill would have no effect on local unit revenue or expenditure. The magnitude of the effect would depend upon the number of firms affected and the share of gross receipts used to compensate subcontractors to transport freight. Based on national data, gross receipts for Michigan for firms in the affected industry total $4.7 billion. It is unknown how many out-of-State firms would be affected by the bill. If the subcontracting provisions in the bill affected 5% of the estimated gross receipts for Michigan, the bill would reduce General Fund revenue by approximately $1.4 million per year; if it affected 20%, the reduction would be $5.7 million.

Date Completed: 3-18-10 Fiscal Analyst: David Zin

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.