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House Bill 5295 (as passed by the House)  
Sponsor: Representative Kate Ebli  
House Committee: Tax Policy  
Senate Committee: Finance

Date Completed: 6-30-10

### **CONTENT**

The bill would amend Chapter 2B of the Michigan Business Tax Act to include a federally chartered Farm Credit System institution in the definition of "financial institution". The present definition includes a bank holding company, national bank, State-chartered bank, thrift institution, and savings and loan holding company.

Under Chapter 2B, every financial institution with nexus to the State is subject to a franchise tax in lieu of the business income tax and the modified gross receipts tax. The franchise tax is imposed upon the financial institution's tax base (net capital) after allocation or apportionment to the State, at a rate of 0.235%.

MCL 208.1261

### **BACKGROUND**

The Farm Credit System (FCS) is a government-sponsored enterprise created by Congress in 1916 to provide a source of credit to those in the agriculture industry. The FCS is a nationwide network of cooperatively organized banks and associations that are owned and controlled by their borrowers. Farm credit institutions are chartered by the Federal government and must operate within the limits of the Farm Credit Act. The FCS is regulated by an independent Federal agency, the Farm Credit Administration.

The FCS provides credit and other services to agricultural producers and farmer-owned agricultural and aquatic cooperatives. It also makes loans for agricultural processing and marketing activities, rural housing, farm-related businesses, rural utilities, and foreign and domestic companies involved in international agricultural trade.

Legislative Analyst: Suzanne Lowe

### **FISCAL IMPACT**

The bill would likely reduce MBT revenue to the General Fund by an unknown, but minimal, amount. The actual impact would depend upon the specific characteristics of the affected taxpayers. The bill would not affect local revenue or expenditures.

Fiscal Analyst: David Zin

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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.