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**BILL ANALYSIS**

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House Bill 6023 (as passed by the House)
Sponsor: Representative Jud Gilbert, II
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 12-3-12

CONTENT

The bill would amend the Michigan Business Tax Act to direct all money collected under the Act to the General Fund, beginning in fiscal year 2011-12.

Under the Act, revenue collected from the Michigan Business Tax (MBT) is split between the General Fund and the School Aid Fund. The distribution to the School Aid Fund is determined by a formula, and the remainder is deposited into the General Fund. The amount distributed to the School Aid Fund was specified to total \$341.0 million in fiscal year (FY) 2007-08 and \$729.0 million in FY 2008-09. According to the formula, the FY 2008-09 amount is adjusted each year by the growth in the U.S. consumer price index. Furthermore, beginning in FY 2008-09, the distribution is reduced by the amount of revenue collected under Section 3f of the Use Tax Act. (The revenue collected under Section 3f represented use taxes levied on health maintenance organizations and certain prepaid inpatient health plans in order to leverage additional Federal Medicaid matching funds. The assessment under that section was terminated March 31, 2012.)

After FY 2010-11, the bill would eliminate the earmark of MBT revenue to the School Aid Fund, as well as the associated reduction attributable to the revenue collected under the Use Tax Act. The bill also specifies that for fiscal years after FY 2010-11, revenue collected under the MBT Act would have to be deposited into the General Fund.

The bill would be retroactive and effective October 1, 2011.

MCL 208.1515

FISCAL IMPACT

While considered a technical change, the bill would reduce School Aid Fund revenue in FY 2011-12 by \$759.1 million, and FY 2012-13 revenue by an estimated \$778.8 million. The changes are already included in the May 2012 Consensus Revenue Estimates, and reflected in current budget appropriations, because when the tax reform (and eventual repeal of the MBT) was adopted in May 2011, the elimination of the earmark was generally considered to be included as part of the shift from the MBT to a Corporate Income Tax.

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