

# HOUSE BILL No. 4951

September 13, 2011, Introduced by Rep. Lyons and referred to the Committee on Tax Policy.

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
by amending section 651 (MCL 206.651), as added by 2011 PA 38.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 651. As used in this chapter:

2       (a) "Billing address" means the location indicated in the  
3 books and records of the financial institution on the first day of  
4 the tax year or on a later date in the tax year when the customer  
5 relationship began as the address where any notice, statement, or  
6 bill relating to a customer's account is mailed.

7       (b) "Borrower is located in this state" or "credit card holder  
8 is located in this state" means a borrower, other than a credit  
9 card holder, that is engaged in a trade or business which maintains  
10 its commercial domicile in this state, or a borrower that is not  
11 engaged in a trade or business or a credit card holder whose

1 billing address is in this state.

2 (c) "Commercial domicile" means the headquarters of the trade  
3 or business, that is the place from which the trade or business is  
4 principally managed and directed, or if a financial institution is  
5 organized under the laws of a foreign country, of the Commonwealth  
6 of Puerto Rico, or any territory or possession of the United  
7 States, such financial institution's commercial domicile shall be  
8 deemed for the purposes of this chapter to be the state of the  
9 United States or the District of Columbia from which such financial  
10 institution's trade or business in the United States is principally  
11 managed and directed. It shall be presumed, subject to rebuttal,  
12 that the location from which the financial institution's trade or  
13 business is principally managed and directed is the state of the  
14 United States or the District of Columbia to which the greatest  
15 number of employees are regularly connected or out of which they  
16 are working, irrespective of where the services of such employees  
17 are performed, as of the last day of the tax year.

18 (d) "Credit card" means a credit, travel, or entertainment  
19 card.

20 (e) "Credit card issuer's reimbursement fee" means the fee a  
21 financial institution receives from a merchant's bank because 1 of  
22 the persons to whom the financial institution has issued a credit  
23 card has charged merchandise or services to the credit card.

24 (f) "Financial institution" means any of the following:

25 (i) A bank holding company, a national bank, a state chartered  
26 bank, ~~an office of thrift supervision chartered bank or thrift~~  
27 ~~institution, a savings and loan holding company other than a~~

House Bill No. 4951 as amended September 20, 2011

~~diversified savings and loan holding company as defined in 12 USC~~

~~1467a(a)(F),~~ **A [STATE CHARTERED BANK, A STATE CHARTERED SAVINGS BANK, A]  
FEDERALLY CHARTERED SAVINGS ASSOCIATION,** or a

federally chartered farm credit system institution.

(ii) Any entity, other than an entity subject to the tax imposed under chapter 12, who is directly or indirectly owned by an entity described in subparagraph (i) and is a member of the unitary business group.

(iii) A unitary business group of entities described in subparagraph (i) or (ii), or both.

(g) "Gross business" means the sum of the following less transactions between those entities included in a unitary business group:

(i) Fees, commissions, or other compensation for financial services.

(ii) Net gains, not less than zero, from the sale of loans and other intangibles.

(iii) Net gains, not less than zero, from trading in stocks, bonds, or other securities.

(iv) Interest charged to customers for carrying debit balances of margin accounts.

(v) Interest and dividends received.

(vi) Any other gross proceeds resulting from the operation as a financial institution.

(h) "Loan" means any extension of credit resulting from direct negotiations between the financial institution and its customer, or the purchase, in whole or in part, of such extension of credit from another. Loans include participations, syndications, and leases

1 treated as loans for federal income tax purposes. Loans shall not  
2 include properties treated as loans under section 595 of the  
3 internal revenue code, futures or forward contracts, options,  
4 notional principal contracts such as swaps, credit card  
5 receivables, including purchased credit card relationships, non-  
6 interest-bearing balances due from depository institutions, cash  
7 items in the process of collection, federal funds sold, securities  
8 purchased under agreements to resell, assets held in a trading  
9 account, securities, interests in a real estate mortgage investment  
10 conduit, or other mortgage-backed or asset-backed security, and  
11 other similar items.

12 (i) "Loan secured by real property" means that 50% or more of  
13 the aggregate value of the collateral used to secure a loan or  
14 other obligation, when valued at fair market value as of the time  
15 the original loan or obligation was incurred, was real property.

16 (j) "Merchant discount" means the fee or negotiated discount  
17 charged to a merchant by the financial institution for the  
18 privilege of participating in a program whereby a credit card is  
19 accepted in payment for merchandise or services sold to the credit  
20 card holder.

21 (k) "Michigan obligations" means a bond, note, or other  
22 obligation issued by a governmental unit described in section 3 of  
23 the shared credit rating act, 1985 PA 227, MCL 141.1053.

24 (l) "Participation" means an extension of credit in which an  
25 undivided ownership interest is held on a pro rata basis in a  
26 single loan or pool of loans and related collateral. In a loan  
27 participation, the credit originator initially makes the loan and

1 then subsequently resells all or a portion of it to other lenders.  
2 The participation may or may not be known to the borrower.

3 (m) "Principal base of operations", with respect to  
4 transportation property, means the place of more or less permanent  
5 nature from which said property is regularly directed or  
6 controlled. With respect to an employee, the principal base of  
7 operations means the place of more or less permanent nature from  
8 which the employee regularly does any of the following:

9 (i) Starts his or her work and to which he or she customarily  
10 returns in order to receive instructions from his or her employer.

11 (ii) Communicates with his or her customers or other persons.

12 (iii) Performs any other functions necessary to the exercise of  
13 his or her trade or profession at some other point or points.

14 (n) "Real property owned" and "tangible personal property  
15 owned" mean real and tangible personal property respectively on  
16 which the financial institution may claim depreciation for federal  
17 income tax purposes or to which the financial institution holds  
18 legal title and on which no other person may claim depreciation for  
19 federal income tax purposes or could claim depreciation if subject  
20 to federal income tax. Real and tangible personal properties do not  
21 include coin, currency, or property acquired in lieu of or pursuant  
22 to a foreclosure.

23 (o) "Regular place of business" means an office at which the  
24 financial institution carries on its business in a regular and  
25 systematic manner and which is continuously maintained, occupied,  
26 and used by employees of the financial institution. The financial  
27 institution shall have the burden of proving that an investment

1 asset or activity or trading asset or activity was properly  
2 assigned to a regular place of business outside of this state by  
3 demonstrating that the day-to-day decisions regarding the asset or  
4 activity occurred at a regular place of business outside this  
5 state. Where the day-to-day decisions regarding an investment asset  
6 or activity or trading asset or activity occur at more than 1  
7 regular place of business and 1 such regular place of business is  
8 in this state and 1 such regular place of business is outside this  
9 state, such asset or activity shall be considered to be located at  
10 the regular place of business of the financial institution where  
11 the investment or trading policies or guidelines with respect to  
12 the asset or activity are established. Unless the financial  
13 institution demonstrates to the contrary, such policies and  
14 guidelines shall be presumed to be established at the commercial  
15 domicile of the financial institution.

16 (p) "Rolling stock" means railroad freight or passenger cars,  
17 locomotives, or other rail cars.

18 (q) "Syndication" means an extension of credit in which 2 or  
19 more persons finance the credit and each person is at risk only up  
20 to a specified percentage of the total extension of the credit or  
21 up to a specified dollar amount.

22 (r) "Transportation property" means vehicles and vessels  
23 capable of moving under their own power, such as aircraft, trains,  
24 water vessels, and motor vehicles, as well as any equipment or  
25 containers attached to such property, such as rolling stock,  
26 barges, or trailers.

27 (s) "United States obligations" means all obligations of the

1 United States exempt from taxation under 31 USC 3124(a) or exempt  
2 under the United States constitution or any federal statute,  
3 including the obligations of any instrumentality or agency of the  
4 United States that are exempt from state or local taxation under  
5 the United States constitution or any statute of the United States.

6 Enacting section 1. This amendatory act takes effect January  
7 1, 2012.