



Senate Fiscal Agency
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BILL  ANALYSIS

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Senate Bill 473 (as reported without amendment)
Sponsor: Senator Jack Brandenburg
Committee: Finance

CONTENT

The bill would amend the Income Tax Act to make an exception to withholding requirements for a flow-through entity if the withholding would violate certain restrictions pertaining to housing assistance programs.

Part 3 of the Income Tax Act prescribes withholding requirements for flow-through entities and others. As a rule, a flow-through entity (e.g., a partnership, S corporation, or limited liability company) is required to withhold a tax from each member's distributive share of business income.

Under the bill, a flow-through entity would not be required to comply with these requirements if the withholding would violate any of the following:

- Housing Assistance Payment Programs distributive restrictions under Federal regulations 24 CFR Part 880, 881, 883, or 891.
- Rural Housing Service return on investment restrictions under Federal regulation 24 CFR 3560.68 or 3560.305.
- Articles of incorporation or other documents of organization adopted pursuant to Section 83 or 93 of the State Housing Development Authority Act.

(Sections 83 and 93 of the State Housing Development Authority Act govern limited dividend housing corporations and limited dividend housing associations, respectively.)

MCL 206.703

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Date Completed: 9-25-13

Fiscal Analyst: David Zin