



**Senate Fiscal Agency**  
**P. O. Box 30036**  
**Lansing, Michigan 48909-7536**



**Telephone: (517) 373-5383**  
**Fax: (517) 373-1986**

House Bill 5011 (Substitute H-1 as reported without amendment)  
Sponsor: Representative Harold Haugh  
House Committee: Tax Policy  
Senate Committee: Finance

### **CONTENT**

The bill would amend the Income Tax Act to revise the calculation of the amount that must be added back to the Corporate Income Tax (CIT) liability of a taxpayer that claimed an investment tax credit under the former Single Business Tax (SBT) Act or a compensation and depreciation credit under the Michigan Business Tax (MBT) Act for tangible assets the taxpayer has sold, transferred out of State, or otherwise disposed of.

The amount to be added back includes the gross proceeds or benefit derived from the sale or other disposition of tangible assets, minus the gain and plus the loss from the sale or disposition reflected in Federal taxable income, and minus the gain from the sale or other disposition added to the CIT base (calculated separately for tangible assets other than mobile tangible assets, and for mobile tangible assets). The bill would eliminate the last component of that calculation (the subtraction of the gain added to the CIT base).

The add-back requirement also includes calculation of the Federal basis used for determining gain or loss as of the date of the transfer of tangible assets, other than mobile tangible assets. The bill specifies that transfer would mean removal from this State of tangible assets, other than mobile tangible assets, by means other than sale or other disposition.

Currently, the taxpayer is required to add back an amount "to the extent the credit was used, and at the rate at which the credit was used" under the SBT Act or the MBT Act. The bill would delete that language from the add-back requirement, but reinsert it in each of the calculations of the amount to be added back.

The bill would be retroactive and effective for tax years beginning after December 31, 2011.

MCL 206.673

Legislative Analyst: Suzanne Lowe

### **FISCAL IMPACT**

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

Date Completed: 1-21-14

Fiscal Analyst: David Zin