



**Senate Fiscal Agency**  
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House Bill 5011 (Substitute H-1 as passed by the House)  
Sponsor: Representative Harold Haugh  
House Committee: Tax Policy  
Senate Committee: Finance

Date Completed: 1-15-14

### **CONTENT**

**The bill would amend the Income Tax Act to revise the calculation of the amount that must be added back to a taxpayer's Corporate Income Tax (CIT) liability when the taxpayer sells or otherwise disposes of a tangible asset for which the taxpayer claimed a credit under the former Single Business Tax (SBT) Act or the Michigan Business Tax (MBT). The current calculation subtracts the gain from the sale or other disposition that is added to the CIT base; the bill would eliminate that language, and make other revisions.**

Currently, a taxpayer that has claimed a credit under Section 35a of the SBT Act (which provided for an investment tax credit) or Section 403 of the MBT Act (which provided for a compensation and depreciation credit) for a tangible asset that the taxpayer has sold, transferred out of the State, or otherwise disposed of during the current tax year must have an amount added back to the taxpayer's Corporate Income Tax (CIT) liability for the same tax year, "to the extent the credit was used, and at the rate at which the credit was used under former 1975 PA 228 [the SBT Act] or at the rate at which the credit was used under section 403 of the Michigan business tax act". The bill would delete the quoted language, and reinsert it as described below.

The amount to be added back is the sum of amounts calculated as follows:

- Calculate the gross proceeds or benefit derived from the sale or other disposition of tangible assets, except mobile 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 in Section 623.
- Calculate the gross proceeds or benefit derived from the sale or other disposition of mobile tangible assets, minus the gain and plus the loss from the sale or other disposition reflected in Federal taxable income, and minus the gain from the sale or other disposition added to the CIT base in Section 623, and minus the gain from the sale or other disposition added to the CIT base in Section 623.
- Calculate the Federal basis used for determining gain or loss as of the date of the transfer of tangible assets, other than mobile tangible assets.

In the first two provisions, the bill would delete the subtraction of the gain from the sale or other disposition added to the CIT base in Section 623. (That section imposes the CIT and provides for the calculation of the CIT base.)

The bill also would require the amount resulting from each of the three calculations to be multiplied by the rate at which the credit was used and to the extent to which it was used under the SBT Act or Section 403 of the MBT Act, as applicable.

In the third provision, 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.

The bill states, "This amendatory act is 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.

Fiscal Analyst: David Zin