

HOUSE BILL NO. 4737

July 15, 2025, Introduced by Reps. Carra, Green, Pavlov, DeSana, Maddock, Hoadley, Fox, Martin and Schriver and referred to Committee on Finance.

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending section 623 (MCL 206.623), as amended by 2021 PA 135.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 623. (1) Except as otherwise provided in this part, there
2 is levied and imposed a corporate income tax on every taxpayer with
3 business activity within this state or ownership interest or
4 beneficial interest in a flow-through entity that has business
5 activity in this state unless prohibited by 15 USC 381 to 384. The
6 corporate income tax is imposed on the corporate income tax base,

1 after allocation or apportionment to this state, at the ~~rate of~~
2 following rates in the following circumstances:

3 (a) For business activity occurring before October 1, 2025,
4 6.0%.

5 (b) For business activity occurring during the 2025-2026 state
6 fiscal year, 5.5%.

7 (c) For business activity occurring during the 2026-2027 state
8 fiscal year, 5.25%.

9 (d) For business activity occurring during the 2027-2028 state
10 fiscal year, 5.0%.

11 (e) For business activity occurring during the 2028-2029 state
12 fiscal year, 4.75%.

13 (f) For business activity occurring during the 2029-2030 state
14 fiscal year, 4.5%.

15 (g) For business activity occurring on and after October 1,
16 2030, 4.25%.

17 (2) The corporate income tax base means a taxpayer's business
18 income subject to the following adjustments, before allocation or
19 apportionment, and the adjustment in subsection (4) after
20 allocation or apportionment:

21 (a) Add interest income and dividends derived from obligations
22 or securities of states other than this state, in the same amount
23 that was excluded from federal taxable income, less the related
24 portion of expenses not deducted in computing federal taxable
25 income because of sections 265 and 291 of the internal revenue
26 code.

27 (b) Add all taxes on or measured by net income including the
28 tax imposed under this part to the extent that the taxes were
29 deducted in arriving at federal taxable income including any direct

1 or indirect allocated share of taxes paid by a flow-through entity
2 under part 4.

3 (c) Add any carryback or carryover of a net operating loss to
4 the extent deducted in arriving at federal taxable income.

5 (d) To the extent included in federal taxable income, deduct
6 dividends and royalties received from persons other than United
7 States persons and foreign operating entities, including, but not
8 limited to, amounts determined under section 78 of the internal
9 revenue code or sections 951 to 965 of the internal revenue code.

10 (e) Except as otherwise provided under this subdivision, to
11 the extent deducted in arriving at federal taxable income, add any
12 royalty, interest, or other expense paid to a person related to the
13 taxpayer by ownership or control for the use of an intangible asset
14 if the person is not included in the taxpayer's unitary business
15 group. The addition of any royalty, interest, or other expense
16 described under this subdivision is not required to be added if the
17 taxpayer can demonstrate that the transaction has a nontax business
18 purpose, is conducted with arm's-length pricing and rates and terms
19 as applied in accordance with sections 482 and 1274(d) of the
20 internal revenue code, and 1 of the following is true:

21 (i) The transaction is a pass through of another transaction
22 between a third party and the related person with comparable rates
23 and terms.

24 (ii) An addition would result in double taxation. For purposes
25 of this subparagraph, double taxation exists if the transaction is
26 subject to tax in another jurisdiction.

27 (iii) An addition would be unreasonable as determined by the
28 state treasurer.

29 (iv) The related person recipient of the transaction is

1 organized under the laws of a foreign nation ~~which~~**that** has in
 2 force a comprehensive income tax treaty with the United States.

3 (f) To the extent included in federal taxable income, deduct
 4 interest income derived from United States obligations.

5 (g) Eliminate all of the following:

6 (i) Income from producing oil and gas to the extent included in
 7 federal taxable income.

8 (ii) Expenses of producing oil and gas to the extent deducted
 9 in arriving at federal taxable income.

10 (h) For a qualified taxpayer, eliminate all of the following:

11 (i) Income derived from a mineral to the extent included in
 12 federal taxable income.

13 (ii) Expenses related to the income deductible under
 14 subparagraph (i) to the extent deducted in arriving at federal
 15 taxable income.

16 (3) For purposes of subsection (2), the business income of a
 17 unitary business group is the sum of the business income of each
 18 person included in the unitary business group less any items of
 19 income and related deductions arising from transactions including
 20 dividends between persons included in the unitary business group.

21 (4) Deduct any available business loss incurred after December
 22 31, 2011. As used in this subsection, "business loss" means a
 23 negative business income taxable amount after allocation or
 24 apportionment. For purposes of this subsection, a taxpayer that
 25 acquires the assets of another corporation in a transaction
 26 described under section 381(a)(1) or (2) of the internal revenue
 27 code may deduct any business loss attributable to that distributor
 28 or transferor corporation. The business loss shall be carried
 29 forward to the year immediately succeeding the loss year as an

1 offset to the allocated or apportioned corporate income tax base,
2 then successively to the next 9 taxable years following the loss
3 year or until the loss is used up, whichever occurs first.

4 (5) As used in this section: ~~"oil~~

5 (a) "Oil and gas" means oil and gas that is subject to
6 severance tax under 1929 PA 48, MCL 205.301 to 205.317.

7 (b) "State fiscal year" means the annual period commencing
8 October 1 of each year and ending on September 30 in the
9 immediately succeeding year.