



# HOUSE BILL No. 5590

May 26 1994 Introduced by Rep Bullard and referred to the Committee on Taxation

A bill to amend section 9 of Act No 228 of the Public Acts of 1975, entitled

Single business tax act

as amended by Act No 105 of the Public Acts of 1993 being section 208 9 of the Michigan Compiled Laws

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT

1 Section 1 Section 9 of Act No 228 of the Public Acts of  
2 1975, as amended by Act No 105 of the Public Acts of 1993 being  
3 section 208 9 of the Michigan Compiled Laws is amended to read  
4 as follows

5 Sec 9 (1) Tax base means business income before appor-  
6 tionment or allocation as provided in chapter 3, even if zero or  
7 negative, subject to the adjustments in subsections (2) to (9)

8 (2) Add gross interest income and dividends derived from  
9 obligations or securities of states other than Michigan, in the

1 same amount that was excluded from federal taxable income, less  
2 the related portion of expenses not deducted in computing federal  
3 taxable income because of sections 265 and 291 of the internal  
4 revenue code

5 (3) Add all taxes on or measured by net income and the tax  
6 imposed by this act to the extent the taxes were deducted in  
7 arriving at federal taxable income

8 (4) Add the following, to the extent deducted in arriving at  
9 federal taxable income

10 (a) A carryback or carryover of a net operating loss

11 (b) A carryback or carryover of a capital loss

12 (c) A deduction for depreciation, amortization, or immediate  
13 or accelerated write-off related to the cost of tangible assets

14 (d) A dividend paid or accrued except a dividend that repre-  
15 sents a reduction of premiums to policyholders of insurance  
16 companies

17 (e) A deduction or exclusion by a taxpayer due to a classi-  
18 fication as or the payment of commissions or other fees to, a  
19 domestic international sales corporation or any like special  
20 classification the purpose of which is to reduce or postpone the  
21 federal income tax liability This subdivision does not apply to  
22 the special provisions of sections 805 809, and 815(c)(2)(A) of  
23 the internal revenue code

24 (f) All interest including amounts paid, credited or  
25 reserved by insurance companies as amounts necessary to fulfill  
26 the policy and other contract liability requirements of sections  
27 805 and 809 of the internal revenue code Interest does not

1 include payments or credits made to or on behalf of a taxpayer by  
2 a manufacturer, distributor or supplier of inventory to defray  
3 any part of the taxpayer's floor plan interest, if these payments  
4 are used by the taxpayer to reduce interest expense in determin-  
5 ing federal taxable income For purposes of this section floor  
6 plan interest means interest paid that finances any part of the  
7 taxpayer's purchase of automobile inventory from a manufacturer  
8 distributor, or supplier However, amounts attributable to any  
9 invoiced items used to provide more favorable floor plan assist-  
10 ance to a taxpayer than to a person who is not a taxpayer is con-  
11 sidered interest paid by a manufacturer, distributor or  
12 supplier

13 (g) All royalties except for the following

14 (i) On and after July 1, 1985 oil and gas royalties that  
15 are excluded in the depletion deduction calculation under the  
16 internal revenue code

17 (ii) Cable television franchise fees described in section  
18 622 of part III of title VI of the communications act of 1934, 47  
19 U S C 542

20 (iii) Except as provided in subparagraph (iv) for the tax  
21 years 1986 and after 1986 a franchise fee as defined by section  
22 3 of the franchise investment law Act No 269 of the Public Acts  
23 of 1974, being section 445 1503 of the Michigan Compiled Laws in  
24 the following amounts

25 (A) For the tax years 1986 1987, and 1988 20% of the fran-  
26 chise fee

1 (B) For the tax years 1989 and 1990, 50% of the franchise  
2 fee

3 (C) For the tax years 1991 and after 1991, 100% of the fran-  
4 chise fee

5 (iv) For the tax years ending before 1991, this subdivision  
6 does not apply to a fee for services paid by a franchisee that,  
7 with respect to a specific provision of a franchise agreement, a  
8 court of competent jurisdiction before June 5, 1985, has deter-  
9 mined is not a royalty payment under this act

10 (v) ~~Film~~ ON OR AFTER APRIL 1 1985 FILM rental payments  
11 made by a theater owner to a film distributor

12 (vi) ~~Royalties~~ ON OR AFTER APRIL 1 1985 ROYALTIES fees  
13 charges, or other payments or consideration paid or incurred by  
14 radio or television broadcasters for program matter or signals

15 (h) A deduction for rent attributable to a lease back that  
16 continues in effect under the former provisions of section  
17 168(f)(8) of the internal revenue code as that section provided  
18 immediately before the tax reform act of 1986 Public Law 99-514  
19 became effective or to a lease back of property to which the  
20 amendments made by the tax reform act of 1986 do not apply as  
21 provided in section 204 of the tax reform act of 1986

22 (5) Add compensation

23 (6) Add a capital gain related to business activity of indi-  
24 viduals to the extent excluded in arriving at federal taxable  
25 income

26 (7) Deduct the following to the extent included in arriving  
27 at federal taxable income

1 (a) A dividend received or considered received including  
2 the foreign dividend gross-up provided for in the internal reve-  
3 nue code

4 (b) All interest except amounts paid, credited, or reserved  
5 by an insurance company as amounts necessary to fulfill the  
6 policy and other contract liability requirements of sections 805  
7 and 809 of the internal revenue code

8 (c) All royalties except for the following

9 (i) On and after July 1, 1985 oil and gas royalties that  
10 are included in the depletion deduction calculation under the  
11 internal revenue code

12 (ii) Except as provided in subparagraph (iii) for the 1986  
13 tax year and after the 1986 tax year a franchise fee as defined  
14 in section 3 of the franchise investment law Act No 269 of the  
15 Public Acts of 1974, in the following amounts

16 (A) For the tax years 1986 1987 and 1988 20% of the fran-  
17 chise fee

18 (B) For the tax years 1989 and 1990 50% of the franchise  
19 fee

20 (C) For the tax years 1991 and after 1991 100% of the fran-  
21 chise fee

22 (iii) For the tax years ending before 1991 this subdivision  
23 does not apply to a fee for services paid by a franchisee that  
24 with respect to a specific provision of a franchise agreement a  
25 court of competent jurisdiction before June 5 1985 has deter-  
26 mined is not a royalty payment under this act

1       (1v) Film rental payments made by a theater owner to a film  
2 distributor

3       (v) Royalties, fees charges or other payments or consider-  
4 ation paid or incurred by radio or television broadcasters for  
5 program matter or signals

6       (d) Rent attributable to a lease back that continues in  
7 effect under the former provisions of section 168(f)(8) of the  
8 internal revenue code as that section provided immediately before  
9 the tax reform act of 1986 Public Law 99-514 became effective  
10 or to a lease back of property to which the amendments made by  
11 the tax reform act of 1986 do not apply as provided in section  
12 204 of the tax reform act of 1986

13       (8) Deduct a capital loss not deducted in arriving at fed-  
14 eral taxable income in the year the loss occurred

15       (9) To the extent included in federal taxable income add  
16 the loss or subtract the gain from the tax base that is attribut-  
17 able to another entity whose business activities are taxable  
18 under this act or would be taxable under this act if the business  
19 activities were in this state