



HOUSE BILL No. 4962

October 6, 1999, Introduced by Reps. Koetje, Kowall, Gosselin, Law, DeVuyst, Garza, Rick Johnson, Caul, Bishop, Richner, Mead, Hager, Allen, DeWeese, Ehardt, Birkholz and Raczkowski and referred to the Committee on Tax Policy.

A bill to amend 1975 PA 228, entitled "Single business tax act," by amending sections 7 and 31 (MCL 208.7 and 208.31), section 7 as amended by 1982 PA 376 and section 31 as amended by 1999 PA 115.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 7. (1) "Sale" or "sales" means the gross receipts
2 arising from a transaction or transactions in which gross
3 receipts constitute consideration FOR 1 OR MORE OF THE
4 FOLLOWING:

5 (a) ~~for the~~ THE transfer of title to, or possession of,
6 property that is stock in trade or other property of a kind
7 ~~which~~ THAT would properly be included in the inventory of the
8 taxpayer if on hand at the close of the tax period or property

1 held by the taxpayer primarily for sale to customers in the
2 ordinary course of its trade or business. ~~, or~~

3 (b) ~~for the~~ THE performance of services ~~, which~~ THAT
4 constitute business activities other than those included in
5 SUBDIVISION (a). ~~, or from any combination of (a) or (b).~~

6 (2) "State" means any state of the United States, the
7 District of Columbia, the Commonwealth of Puerto Rico, any terri-
8 tory or possession of the United States, and any foreign country,
9 or political subdivision of any of the foregoing.

10 (3) "Gross receipts" means, EXCEPT AS OTHERWISE PROVIDED IN
11 SECTION 31, the sum of sales, as defined in subsection (1), and
12 rental or lease receipts. Gross receipts ~~does~~ DO not include
13 the amounts received in an agency or other representative capac-
14 ity, solely on behalf of another or others but not including
15 amounts received by persons having the power or authority to
16 expend or otherwise appropriate ~~such~~ THOSE amounts in payment
17 for or in consideration of sales or services made or rendered by
18 themselves or by others acting under their direction and control
19 or by ~~such~~ fiduciaries as guardians, executors, administrators,
20 receivers, conservators, or trustees other than trustees of taxes
21 received or collected from others under direction of the laws of
22 the federal government or of any state or local governments.

23 Sec. 31. (1) Except as provided in subsections (5) and (6),
24 there is levied and imposed a specific tax upon the adjusted tax
25 base of every person with business activity in this state that is
26 allocated or apportioned to this state at the following rates for
27 the specified periods:

1 (a) Before October 1, 1994, 2.35%.

2 (b) After September 30, 1994 and before January 1, 1999,
3 2.30%.

4 (c) Beginning January 1, 1999 and each January 1 after 1999,
5 the rate under this subsection shall be reduced as provided in
6 subsection (5).

7 (2) As used in this section, "adjusted tax base" means the
8 tax base allocated or apportioned to this state pursuant to chap-
9 ter 3 with the adjustments prescribed by sections 23 and 23b and
10 the exemptions prescribed by section 35. If the adjusted tax
11 base exceeds 50% of the sum of gross receipts plus the adjust-
12 ments provided in section 23b(a) to (g), apportioned or allocated
13 to Michigan with the apportionment fraction calculated pursuant
14 to chapter 3, the adjusted tax base may, at the option of the
15 taxpayer, be reduced by that excess. If a taxpayer reduces the
16 adjusted tax base under this subsection, the taxpayer is not
17 entitled to the adjustment provided in subsection (4) for the
18 same taxable year. This subsection does not apply to an adjusted
19 tax base under section 22a.

20 (3) The tax levied under this section and imposed is upon
21 the privilege of doing business and not upon income.

22 (4) In lieu of the reduction provided in subsection (2), a
23 person may elect to reduce the adjusted tax base by the percen-
24 tage that the compensation divided by the tax base exceeds 63%.
25 The deduction shall not exceed 37% of the adjusted tax base. For
26 purposes of computing the deduction allowed by this subsection,
27 as effective for the respective tax year, compensation does not

1 include amounts of compensation exempt from tax under section
2 35(1)(e). This subsection does not apply to an adjusted tax base
3 under section 22a.

4 (5) If the comprehensive annual financial report of this
5 state for a state fiscal year, published pursuant to section 494
6 of the management and budget act, 1984 PA 431, MCL 18.1494,
7 reports an ending balance of more than \$250,000,000.00 in the
8 countercyclical budget and economic stabilization fund created
9 under section 351 of the management and budget act, 1984 PA 431,
10 MCL 18.1351, for that state fiscal year, the tax rate under this
11 section shall be reduced by 0.1 percentage point on the January 1
12 following the end of the state fiscal year for which the report
13 was issued.

14 (6) FOR TAX YEARS THAT BEGIN ON OR AFTER JANUARY 1, 2000, A
15 TAXPAYER MAY ELECT TO CALCULATE GROSS RECEIPTS FOR PURPOSES OF
16 SUBSECTION (2) BY ADDING THE TAXPAYER'S GROSS RECEIPTS FOR THE
17 TAX YEAR AND FOR THE 2 IMMEDIATELY PRECEDING TAX YEARS AND DIVID-
18 ING THAT SUM BY 3.

19 (7) ~~(6)~~ The department shall annualize the rate under this
20 section as necessary, and the applicable annualized rate shall be
21 imposed.