

SENATE BILL No. 775

October 23, 2001, Introduced by Senator BULLARD and referred to the Committee on Finance.

A bill to amend 1975 PA 228, entitled
"Single business tax act,"
by amending section 19 (MCL 208.19), as added by 1999 PA 115.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 19. (1) ~~For~~ EXCEPT AS OTHERWISE PROVIDED IN THIS
2 SECTION, FOR tax years that begin on or after January 1, 2000,
3 except for a taxpayer that calculates tax base under section 22a,
4 the tax base of a foreign person includes the sum of business
5 income and the adjustments under section 9 that are related to
6 United States business activity, whether or not the foreign
7 person is subject to taxation under the internal revenue code.

8 (2) A foreign person shall calculate business income under
9 this section.

10 (3) A foreign person shall calculate compensation by
11 reporting total compensation paid to employees, officers, and

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1 directors of the foreign person for services performed in the
2 United States.

3 (4) Except as otherwise provided in this section, the tax
4 base of a foreign person is subject to all adjustments and other
5 provisions of this act.

6 (5) As used in this section:

7 (a) "Business income" means, for a foreign person, gross
8 income attributable to the taxpayer's United States business
9 activity and gross income derived from sources within the United
10 States minus the deductions allowed under the internal revenue
11 code that are related to that gross income. Gross income
12 includes the proceeds from sales shipped or delivered to any pur-
13 chaser within the United States and for which title transfers
14 within the United States; proceeds from services performed within
15 the United States; and a pro rata proportion of the proceeds from
16 services performed both inside and outside the United States,
17 based on cost of performance.

18 (b) "Compensation" means, for a foreign person, the daily
19 compensation paid to each employee, officer, and director of the
20 foreign person multiplied by the number of days that the employ-
21 ee, officer, or director has physical contact with the United
22 States in the tax year. Physical contact with the United States
23 for part of a day equals 1 day.

24 (c) "United States person" means that term as defined in
25 section 7701(a)(30) of the internal revenue code.

26 (6) FOR TAX YEARS THAT BEGIN AFTER DECEMBER 31, 1999 AND
27 BEFORE JANUARY 1, 2001, THAT PORTION OF THE TAX BASE THAT IS

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1 ATTRIBUTABLE TO THE INTERNATIONAL OPERATION OF AIRCRAFT BY A
2 FOREIGN CORPORATION WHOSE GROSS INCOME IS EXEMPT UNDER SECTION
3 883(a) OF THE INTERNAL REVENUE CODE IS EXEMPT FROM THE TAX
4 IMPOSED UNDER THIS ACT.

5 (7) ~~(6)~~ As used in this section and sections 46, 49, and
6 51, "foreign person" means either of the following:

7 (a) An individual who is not a United States resident,
8 whether or not the individual is subject to taxation under the
9 internal revenue code.

10 (b) A person formed under the laws of a foreign country or a
11 political subdivision of a foreign country, whether or not the
12 person is subject to taxation under the internal revenue code.