

Legislative Analysis



SBT: CONSOLIDATED RETURNS

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House Bill 5643

Sponsor: Rep. Philip LaJoy

Committee: Commerce

Complete to 3-17-04

A SUMMARY OF HOUSE BILL 5643 AS INTRODUCED 3-11-04

The bill would amend provisions in the Single Business Tax that determine when a taxpayer can file a consolidated or combined return.

Currently, the act says that the revenue commissioner can require or permit the filing of a consolidated or combined return by an affiliated group of U.S. corporations if three conditions exist: 1) all members of the group are Michigan taxpayers; 2) each member maintains a relationship with one or more other members of the group that includes intercorporate transactions of a substantial nature other than control, ownership, or financing arrangements, or any combination of those; and 3) the business activities of each group member are subject to apportionment by a specific formula in the SBT act that is also applicable to all other group members and would be applicable to them even if they were not members of the group.

House Bill 5643 would remove the second criterion listed above, and would specify that a taxpayer that was an affiliated group could file a consolidated or combined return if the two remaining criteria were met.

The bill would take effect for tax years beginning after December 31, 2004.

FISCAL IMPACT:

The fiscal impact cannot be determined because it is not known how many firms will take advantage of the opportunity to file consolidated returns. However, the reduction of SBT revenue could potentially be significant. All SBT revenue accrues to the General Fund.

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