



Senate Fiscal Agency
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House Bill 5643 (Substitute H-1 as passed by the House)
Sponsor: Representative Philip LaJoy
House Committee: Commerce
Senate Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 6-2-04

CONTENT

The bill would amend the Single Business Tax Act to allow a taxpayer that is an affiliated group of United States corporations to file a consolidated or combined return (without the approval or mandate of the State Tax Commission), if the taxpayer met the criteria in the Act. The taxpayer's election would be effective for three tax years beginning with the tax year in which the election was made.

Currently, the Commission may require or permit an affiliated group of U.S. corporations to file a consolidated or combined return if all of the following conditions exist:

- All members of the consolidated group are Michigan taxpayers.
- Each member maintains a relationship with one or more members of the group that includes intercorporate transactions of a substantial nature other than control, ownership, and/or financing arrangements.
- The business activities of each member are subject to apportionment by a specific formula contained in the Act, which also applies to all other members of the group, and would apply to each member even if it were not a member of the affiliated group.

The bill would retain these criteria but permit a taxpayer to elect to file a consolidated or combined return.

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

MCL 208.77

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

This bill would reduce single business tax revenue by an unknown and potentially significant amount. Under current law, a business must receive permission from the State Treasurer in order to file a consolidated return, and as a result, fewer than 300 businesses are currently allowed to file a consolidated return. The bill would reduce single business tax revenue because the major reason that businesses want to file a consolidated return is to reduce their single business tax liability. The Senate Fiscal Agency does not have access to the data needed to estimate the impact of this bill. The loss in single business tax revenue that would result from the provisions in this bill would affect the General Fund budget.

Fiscal Analyst: Jay Wortley

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.