

Legislative Analysis



MBT: CREDIT FOR PRIVATE EQUITY FUND

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House Bill 5412

Sponsor: Rep. Steve Bieda

Committee: Tax Policy

Complete to 12-4-07

A SUMMARY OF HOUSE BILL 5412 AS INTRODUCED 11-7-07

The bill would amend the Michigan Business Tax Act (MCL 208.1101-1601) to provide a credit to private equity funds based on the ratio of a fund's activity conducted in the state for the tax year to its total activity conducted everywhere. The newly enacted Michigan Business Tax takes effect on January 1, 2008, as would this bill.

Specifically, the bill would provide a credit equal to the taxpayer's tax liability for the tax year (after claiming other credits) multiplied by a fraction, the numerator of which is the total activity of the private equity fund manager conducted in Michigan during the tax year and the denominator of which is the total activity of the fund manager conducted everywhere during the tax year.

The location of the activity of the fund manager would be based on the location of the office from which the fund manager conducts management activity for the private equity fund.

The bill applies specifically to a taxpayer that is a private equity fund that serves as a conduit for the investment of private securities not listed on a public exchange by accredited investors or qualified purchasers (both terms found in the federal Internal Revenue Code).

FISCAL IMPACT:

The bill is still being examined. A fiscal impact will be determined as more information becomes available.

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