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Senate Bill 1009 (Substitute S-1 as reported by the Committee of the Whole)  
Sponsor: Senator Nancy Cassis  
Committee: Finance

## **CONTENT**

The bill would amend the Michigan Business Tax (MBT) Act to exempt from the tax a foreign person that was domiciled in a subnational jurisdiction that did not impose an income tax on a similarly situated person domiciled in this State whose presence in the foreign jurisdiction was the same as the foreign person's presence in this State.

"Foreign person" would mean either an individual who was not a U.S. resident, whether or not the individual was subject to taxation under the Internal Revenue Code, or a person formed under the laws of a foreign country or a political subdivision of a foreign country, whether or not the person was subject to taxation under the Internal Revenue Code.

Notwithstanding any other provision of the Act to the contrary, a foreign person subject to the MBT would have to calculate its business income tax base and modified gross receipts tax base under the Act. Except as otherwise provided, the modified gross receipts tax base of a foreign person would include the sum of gross receipts and the adjustments under the modified gross receipts tax in the Act that were related to United States business activity. The business income tax base would include the sum of business income and adjustments under the business income tax in the Act that were related to United States business activity. The sales factor would be a fraction, whose numerator was the total sales of the taxpayer in the State during the tax year and whose denominator was the total sales of the taxpayer in the U.S. during the tax year.

The bill states that it would be retroactive and effective January 1, 2008, and would apply to all business activity occurring after December 31, 2007.

MCL 208.1207

Legislative Analyst: Craig Laurie

## **FISCAL IMPACT**

The bill would likely reduce General Fund revenue in FY 2007-08 and FY 2008-09 by an unknown amount, depending upon the specific business characteristics of the affected taxpayers. The bill would modify the tax computations for certain foreign entities and potentially exempt certain others. The number of taxpayers affected and their liability are unknown. Unlike somewhat similar provisions contained in the former Single Business Tax Act, the bill's provisions would affect all foreign entities, not just those associated with a specific country.

The bill would have no fiscal impact on local government.

Date Completed: 2-5-08

Fiscal Analyst: David Zin

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Analysis available @ <http://www.michiganlegislature.org>

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