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Senate Bill 1051 (as reported without amendment) *(as passed by the Senate)*  
Senate Bills 1052 and 1056 (as reported by the Committee of the Whole) *(as passed by the Senate)*  
Sponsor: Senator Jud Gilbert, II (S.B. 1051)  
          Senator Mark C. Jansen (S.B. 1052)  
          Senator Mike Prusi (S.B. 1056)  
Committee: Finance

## **CONTENT**

The bills would amend the Michigan Business Tax Act to delete references to the Commonwealth of Puerto Rico from the definitions of "commercial domicile", "foreign operating entity", and "state".

Senate Bill 1051 would amend the definition of "commercial domicile", which means the headquarters of the trade or business, that is the place from which the trade or business is principally managed and directed, or if a financial institution is organized under the laws of a foreign country, of the Commonwealth of Puerto Rico, or any territory or possession of the United States, the financial institution's commercial domicile must be deemed for the purposes of Chapter 2 (which imposes a business income tax) to be the state of the United States or the District of Columbia from which the financial institution's trade or business in the United States is principally managed and directed.

Senate Bill 1052 would amend the definition of "foreign operating entity", which means a United States person that satisfies each of the following:

- Would otherwise be a part of a unitary business group that has at least one person included in the unitary business group that is taxable in this State.
- Has substantial operations outside the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or a political subdivision of any of the foregoing.
- At least 80% of its income is active foreign business income as defined in Section 861(c)(1)(B) of the Internal Revenue Code.

Under the bill, the definition would include any territory or possession of the U.S. except for the Commonwealth of Puerto Rico.

Senate Bill 1056 would amend the definition of "state", which means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, and any foreign country, or a political subdivision of any of the foregoing. Under the bill, the definition would include any territory or possession of the U.S. except for the Commonwealth of Puerto Rico.

MCL 208.1261 (S.B. 1051)  
208.1109 (S.B. 1052)  
208.1115 (S.B. 1056)

Legislative Analyst: Craig Laurie

## **FISCAL IMPACT**

The bills would have no fiscal impact on State or local government.

Date Completed: 2-6-08

Fiscal Analyst: David Zin

[floor\sb1051](#)

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

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.