

SUBSTITUTE FOR
HOUSE BILL NO. 6010

A bill to amend 2007 PA 36, entitled
"Michigan business tax act,"
by amending section 111 (MCL 208.1111), as amended by 2007 PA 207.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 111. (1) "Gross receipts" means the entire amount
2 received by the taxpayer from any activity whether in intrastate,
3 interstate, or foreign commerce carried on for direct or indirect
4 gain, benefit, or advantage to the taxpayer or to others except for
5 the following:

6 (a) Proceeds from sales by a principal that the taxpayer
7 collects in an agency capacity solely on behalf of the principal
8 and delivers to the principal.

9 (b) Amounts received by the taxpayer as an agent solely on
10 behalf of the principal that are expended by the taxpayer for any
11 of the following:

1 (i) The performance of a service by a third party for the
2 benefit of the principal that is required by law to be performed by
3 a licensed person.

4 (ii) The performance of a service by a third party for the
5 benefit of the principal that the taxpayer has not undertaken a
6 contractual duty to perform.

7 (iii) Principal and interest under a mortgage loan or land
8 contract, lease or rental payments, or taxes, utilities, or
9 insurance premiums relating to real or personal property owned or
10 leased by the principal.

11 (iv) A capital asset of a type that is, or under the internal
12 revenue code will become, eligible for depreciation, amortization,
13 or accelerated cost recovery by the principal for federal income
14 tax purposes, or for real property owned or leased by the
15 principal.

16 (v) Property not described under subparagraph (iv) that is
17 purchased by the taxpayer on behalf of the principal and that the
18 taxpayer does not take title to or use in the course of performing
19 its contractual business activities.

20 (vi) Fees, taxes, assessments, levies, fines, penalties, or
21 other payments established by law that are paid to a governmental
22 entity and that are the legal obligation of the principal.

23 (c) Amounts that are excluded from gross income of a foreign
24 corporation engaged in the international operation of aircraft
25 under section 883(a) of the internal revenue code.

26 (d) Amounts received by an advertising agency used to acquire
27 advertising media time, space, production, or talent on behalf of

1 another person.

2 (e) Notwithstanding any other provision of this section,
3 amounts received by a taxpayer that manages real property owned by
4 a third party that are deposited into a separate account kept in
5 the name of that third party and that are not reimbursements to the
6 taxpayer and are not indirect payments for management services that
7 the taxpayer provides to that third party.

8 (f) Proceeds from the taxpayer's transfer of an account
9 receivable if the sale that generated the account receivable was
10 included in gross receipts for federal income tax purposes. This
11 subdivision does not apply to a taxpayer that during the tax year
12 both buys and sells any receivables.

13 (g) Proceeds from any of the following:

14 (i) The original issue of stock or equity instruments.

15 (ii) The original issue of debt instruments.

16 (h) Refunds from returned merchandise.

17 (i) Cash and in-kind discounts.

18 (j) Trade discounts.

19 (k) Federal, state, or local tax refunds.

20 (l) Security deposits.

21 (m) Payment of the principal portion of loans.

22 (n) Value of property received in a like-kind exchange.

23 (o) Proceeds from a sale, transaction, exchange, involuntary
24 conversion, or other disposition of tangible, intangible, or real
25 property that is a capital asset as defined in section 1221(a) of
26 the internal revenue code or land that qualifies as property used
27 in the trade or business as defined in section 1231(b) of the

1 internal revenue code, less any gain from the disposition to the
2 extent that gain is included in federal taxable income.

3 (p) The proceeds from a policy of insurance, a settlement of a
4 claim, or a judgment in a civil action less any proceeds under this
5 subdivision that are included in federal taxable income.

6 (q) For a sales finance company, as defined in section 2 of
7 the motor vehicle sales finance act, 1950 (Ex Sess) PA 27, MCL
8 492.102, and directly or indirectly owned in whole or in part by a
9 motor vehicle manufacturer as of January 1, 2008, and for a person
10 that is a broker or dealer as defined under section 78c(a)(4) or
11 (5) of the securities exchange act of 1934, 15 USC 78c, or a person
12 included in the unitary business group of that broker or dealer
13 that buys and sells for its own account, contracts that are subject
14 to the commodity exchange act, 7 USC 1 to 27f, amounts realized
15 from the repayment, maturity, sale, or redemption of the principal
16 of a loan, bond, or mutual fund, certificate of deposit, or similar
17 marketable instrument provided such instruments are not held as
18 inventory.

19 (r) For a sales finance company, as defined in section 2 of
20 the motor vehicle sales finance act, 1950 (Ex Sess) PA 27, MCL
21 492.102, and directly or indirectly owned in whole or in part by a
22 motor vehicle manufacturer as of January 1, 2008, and for a person
23 that is a broker or dealer as defined under section 78c(a)(4) or
24 (5) of the securities exchange act of 1934, 15 USC 78c, or a person
25 included in the unitary business group of that broker or dealer
26 that buys and sells for its own account, contracts that are subject
27 to the commodity exchange act, 7 USC 1 to 27f, the principal amount

1 received under a repurchase agreement or other transaction properly
2 characterized as a loan.

3 (s) For a mortgage company, proceeds representing the
4 principal balance of loans transferred or sold in the tax year. For
5 purposes of this subdivision, "mortgage company" means a person
6 that is licensed under the mortgage brokers, lenders, and servicers
7 licensing act, 1987 PA 173, MCL 445.1651 to 445.1684, or the
8 secondary mortgage loan act, 1981 PA 125, MCL 493.51 to 493.81, and
9 has greater than 90% of its revenues, in the ordinary course of
10 business, from the origination, sale, or servicing of residential
11 mortgage loans.

12 (t) For a professional employer organization, any amount
13 charged by a professional employer organization that represents the
14 actual cost of wages and salaries, benefits, worker's compensation,
15 payroll taxes, withholding, or other assessments paid to or on
16 behalf of a covered employee by the professional employer
17 organization under a professional employer arrangement.

18 (u) Any invoiced items used to provide more favorable floor
19 plan assistance to a person subject to the tax imposed under this
20 act than to a person not subject to this tax and paid by a
21 manufacturer, distributor, or supplier.

22 (v) For an individual, estate, partnership organized
23 exclusively for estate or gift planning purposes, or trust
24 organized exclusively for estate or gift planning purposes, amounts
25 received other than those from transactions, activities, and
26 sources in the regular course of the taxpayer's trade or business,
27 including the following:

1 (i) Receipts from tangible and intangible property if the
2 acquisition, rental, management, or disposition of the property
3 constitutes integral parts of the taxpayer's regular trade or
4 business operations.

5 (ii) Receipts received in the course of the taxpayer's trade or
6 business from stock and securities of any foreign or domestic
7 corporation and dividend and interest income.

8 (iii) Receipts derived from isolated sales, leases, assignment,
9 licenses, divisions, or other infrequently occurring dispositions,
10 transfers, or transactions involving property if the property is or
11 was used in the taxpayer's trade or business operation.

12 (iv) Receipts derived from the sale of a business.

13 (v) Receipts excluded from gross receipts under this
14 subsection for an individual, estate, partnership organized
15 exclusively for estate or gift planning purposes, or trust
16 organized exclusively for estate or gift planning purposes include,
17 but are not limited to, the following:

18 (A) Personal investment activity, including interest,
19 dividends, and gains from a personal investment portfolio or
20 retirement account.

21 (B) Disposition of tangible, intangible, or real property held
22 for personal use and enjoyment, such as a personal residence or
23 personal assets.

24 (W) TO THE EXTENT NOT DEDUCTED AS PURCHASES FROM OTHER FIRMS
25 UNDER SECTION 203, IN THE CASE OF RECEIPTS FROM THE SALE OF
26 CIGARETTES OR TOBACCO PRODUCTS BY A WHOLESALE DEALER, RETAIL
27 DEALER, DISTRIBUTOR, MANUFACTURER, OR SELLER, AN AMOUNT EQUAL TO

1 THE FEDERAL AND STATE EXCISE TAXES PAID BY ANY PERSON ON OR FOR
2 SUCH CIGARETTES OR TOBACCO PRODUCTS UNDER SUBTITLE E OF THE
3 INTERNAL REVENUE CODE OR OTHER APPLICABLE STATE LAW.

4 (2) "Insurance company" means an authorized insurer as defined
5 in section 106 of the insurance code of 1956, 1956 PA 218, MCL
6 500.106.

7 (3) "Internal revenue code" means the United States internal
8 revenue code of 1986 in effect on January 1, 2008 or, at the option
9 of the taxpayer, in effect for the tax year.

10 (4) "Inventory" means, except as provided in subdivision (e),
11 all of the following:

12 (a) The stock of goods held for resale in the regular course
13 of trade of a retail or wholesale business, including electricity
14 or natural gas purchased for resale.

15 (b) Finished goods, goods in process, and raw materials of a
16 manufacturing business purchased from another person.

17 (c) For a person that is a new motor vehicle dealer licensed
18 under the Michigan vehicle code, 1949 PA 300, MCL 257.1 to 257.923,
19 floor plan interest expenses for new motor vehicles. For purposes
20 of this subdivision, "floor plan interest" means interest paid that
21 finances any part of the person's purchase of new motor vehicle
22 inventory from a manufacturer, distributor, or supplier. However,
23 amounts attributable to any invoiced items used to provide more
24 favorable floor plan assistance to a person subject to the tax
25 imposed under this act than to a person not subject to this tax is
26 considered interest paid by a manufacturer, distributor, or
27 supplier.

1 (d) For a person that is a broker or dealer as defined under
2 section 78c(a)(4) or (5) of the securities exchange act of 1934, 15
3 USC 78c, or a person included in the unitary business group of that
4 broker or dealer that buys and sells for its own account, contracts
5 that are subject to the commodity exchange act, 7 USC 1 to 27f, the
6 cost of securities as defined under section 475(c)(2) of the
7 internal revenue code and the cost of commodities as defined under
8 section 475(e)(2)(b), (c), and (d) of the internal revenue code,
9 excluding interest expense other than interest expense related to
10 repurchase agreements.

11 (e) Inventory does not include either of the following:

12 (i) Personal property under lease or principally intended for
13 lease rather than sale.

14 (ii) Property allowed a deduction or allowance for depreciation
15 or depletion under the internal revenue code.

16 (5) "Officer" means an officer of a corporation other than a
17 subchapter S corporation, including all of the following:

18 (a) The chairperson of the board.

19 (b) The president, vice president, secretary, or treasurer of
20 the corporation or board.

21 (c) Persons performing similar duties to persons described in
22 subdivisions (a) and (b).

23 Enacting section 1. This amendatory act is retroactive and
24 effective January 1, 2008 and applies to all business activity
25 occurring after December 31, 2007.