



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 1104 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Senator Mark C. Jansen
Committee: Reforms, Restructuring and Reinventing

CONTENT

The bill would Part 3 of the Income Tax Act, which prescribes withholding requirements for flow-through entities, employers, and people who disburse pension or annuity payments, to do the following:

- Make an exception to the withholding requirements for a person who disbursed annuity payments under the terms of a qualified charitable gift annuity.
- Provide that a flow-through entity that received an exemption certificate from a corporation could not withhold a tax on the distributive share of the business income of that corporation, if specified conditions were met.
- Describe how a flow-through entity's business income would be apportioned to the State for purposes of calculating a \$200,000 business income threshold.

If a flow-through entity received an exemption certificate from a corporation, the entity could not withhold a tax on the distributive share of the business income of that corporation, if the corporation certified that it would do the following:

- File Corporate Income Tax (CIT) or the Michigan Business Tax (MBT) returns.
- Pay the CIT or the MBT on the distributive share of the business income received from any flow-through entity in which the corporation was a member or in which it had an ownership or beneficial interest.
- Submit to the State's taxing jurisdiction for purposes of collection of the CIT or the MBT, together with related interest and penalties under the revenue Act imposed on the corporation with respect to the distributive share of its business income.

The Department of Treasury could revoke this election if it determined that the corporation or a flow-through entity was not abiding by the terms of the certificate or the proposed requirements.

MCL 206.703

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have a negligible impact on State revenue by changing the timing of when certain tax payments are made by affected taxpayers. The amount of revenue affected by the changes is unknown but generally would not affect many the State's largest taxpayers, which account for a substantial portion of State withholding tax revenue.

Date Completed: 5-9-12

Fiscal Analyst: David Zin