



Senate Fiscal Agency
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BILL



ANALYSIS

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House Bill 5990 (Substitute H-2 as reported without amendment)
Sponsor: Representative Barbara Dobb
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the Single Business Tax Act to specify that the tax base and adjusted tax base of an insurance company would be 25% of its adjusted receipts. Further, the bill specifies that a refund for taxes paid for tax years before the 1996 tax year could not be paid if the refund claim were made after June 30, 1997, and were based on the Act's section concerning the computation of the tax base of insurance companies as it existed on the effective date of the bill. The bill specifies that it would be retroactive and effective beginning January 1, 1991. Currently, the tax base and adjusted tax base of an insurance company is 25% of its gross receipts, excluding receipts on the sale of annuities and receipts on all reinsurance transactions.

The bill would define "adjusted receipts" as the sum of all of the following: gross rental and royalty receipts; gross direct premiums received for insurance on property or risk, deducting premiums on policies not taken and returned premiums on canceled policies; receipts from administrative services only contracts with a person who was not an affiliated insurance company or an affiliated nonprofit corporation; receipts from business activity other than the business of insurance; charges not including interest charges attributable to premiums paid on a deferred or installment basis; and receipts from servicing carrier fees received from the Michigan Auto Insurance Placement Facility. Adjusted receipts would not include any of the following: receipts from interest, dividends, or proceeds from the sale of assets; receipts on the sale of annuities; receipts on all reinsurance transactions; or receipts from an affiliated insurance company, an affiliated nonprofit corporation, an employee of the taxpayer, or a licensed insurance agent of the taxpayer.

MCL 208.22a

Legislative Analyst: L. Burghardt

FISCAL IMPACT

This bill would reduce single business tax revenue by less than \$1 million a year beginning with 1996 taxes, which will be filed and reported in FY 1996-97. In addition, refunds estimated at \$2 million to \$4 million would have to be paid in FY 1996-97, because this change to the single business tax would be retroactive to January 1, 1991. All of the single business tax revenue that would be foregone under this bill would reduce General Fund/General Purpose revenue.

Date Completed: 12-10-96

Fiscal Analyst: J. Wortley