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SFA BILL ANALYSIS

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Senate Bill 486 (Substitute S-1 as reported)
Sponsor: Senator Bev Hammerstrom
Committee: Finance

CONTENT

The bill would amend the Single Business Tax Act to allow a taxpayer to exclude from its tax base--to the extent deducted in calculating Federal taxable income--royalties, fees, or other payments or consideration paid or incurred by a franchisee to a franchiser to establish or maintain the franchise relationship, other than payments for the sale or lease of inventory, equipment, fixtures, or real property at fair rental or fair market value.

Further, the bill would prohibit a taxpayer from deducting from its tax base--to the extent included in calculating Federal taxable income--royalties, fees, or other payments or consideration paid or incurred by a franchisee to a franchiser to establish or maintain the franchise relationship, other than payments for the sale or lease of inventory, equipment, fixtures, or real property at fair rental or fair market value.

The bill would apply to tax years beginning after December 31, 2000.

MCL 208.9 Legislative Analyst: G. Towne

FISCAL IMPACT

The bill would have a minimal impact on State General Fund revenues. The bill would change the composition of the single business tax base for businesses involved in a franchise relationship. Affected franchise fees and other similar payments would no longer be taxed at the franchise level, but would instead be taxed at the franchiser level. Single business tax revenues would be affected only to the extent that franchisers exhibit a different liability pattern than the smaller franchise operations.

Date Completed: 10-31-01 Fiscal Analyst: D. Zin