

# HOUSE BILL No. 5810

March 19, 2002, Introduced by Reps. Vander Roest, Cassis, Stewart, Mead, Kuipers, Ehardt, Vear, Voorhees, Rocca, Julian, Cameron Brown, Ruth Johnson, Drolet, Hummel and Patterson and referred to the Committee on Tax Policy.

A bill to amend 1975 PA 228, entitled  
"Single business tax act,"  
by amending section 31 (MCL 208.31), as amended by 1999 PA 115.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 31. (1) Except as provided in subsections (5) and (6),  
2 there is levied and imposed a specific tax upon the adjusted tax  
3 base of every person with business activity in this state that is  
4 allocated or apportioned to this state at the following rates for  
5 the specified periods:

6       (a) Before October 1, 1994, 2.35%.

7       (b) After September 30, 1994 and before January 1, 1999,  
8 2.30%.

9       (c) Beginning January 1, 1999 and each January 1 after 1999,  
10 the rate under this subsection shall be reduced as provided in  
11 subsection (5).

1       (2) As used in this section, "adjusted tax base" means the  
2 tax base allocated or apportioned to this state pursuant to chap-  
3 ter 3 with the adjustments prescribed by sections 23 and 23b and  
4 the exemptions prescribed by section 35. If the adjusted tax  
5 base exceeds 50% of the sum of gross receipts plus the adjust-  
6 ments provided in section 23b(a) to (g), apportioned or allocated  
7 to Michigan with the apportionment fraction calculated pursuant  
8 to chapter 3, the adjusted tax base may, at the option of the  
9 taxpayer, be reduced by that excess. If a taxpayer reduces the  
10 adjusted tax base under this subsection, the taxpayer is not  
11 entitled to the adjustment provided in subsection (4) for the  
12 same taxable year. This subsection does not apply to an adjusted  
13 tax base under section 22a.

14       (3) The tax levied under this section and imposed is upon  
15 the privilege of doing business and not upon income.

16       (4) In lieu of the reduction provided in subsection (2), a  
17 person may elect to reduce the adjusted tax base by the percen-  
18 tage that the compensation divided by the tax base exceeds 63%.  
19 The deduction shall not exceed 37% of the adjusted tax base. For  
20 purposes of computing the deduction allowed by this subsection,  
21 as effective for the respective tax year, compensation does not  
22 include amounts of compensation exempt from tax under section  
23 35(1)(e). This subsection does not apply to an adjusted tax base  
24 under section 22a.

25       (5) If the comprehensive annual financial report of this  
26 state for a state fiscal year, published pursuant to section 494  
27 of the management and budget act, 1984 PA 431, MCL 18.1494,

1 reports an ending balance of more than \$250,000,000.00 in the  
2 countercyclical budget and economic stabilization fund created  
3 under section 351 of the management and budget act, 1984 PA 431,  
4 MCL 18.1351, for that state fiscal year, the tax rate under this  
5 section shall be reduced by 0.1 percentage point on the January 1  
6 following the end of the state fiscal year for which the report  
7 was issued. ON THE JANUARY 1 FOLLOWING THE JANUARY 1 ON WHICH  
8 THE TAX RATE WAS REDUCED TO 0.5% AND ON WHICH THE CRITERIA UNDER  
9 THIS SUBSECTION ARE MET, THE TAX RATE SHALL BE REDUCED TO 0%.

10 (6) The department shall annualize the rate under this sec-  
11 tion as necessary, and the applicable annualized rate shall be  
12 imposed.