

HOUSE BILL No. 4974

June 16, 2005, Introduced by Rep. Baxter 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~~

1 **THROUGH JANUARY 1, 2005**, the rate under this subsection shall be
2 reduced as provided in subsection (5).

3 **(D) BEGINNING JANUARY 1, 2006 AND BEFORE JANUARY 1, 2007,**
4 **1.7%.**

5 **(E) BEGINNING JANUARY 1, 2007, 1.6%.**

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

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

21 (4) In lieu of the reduction provided in subsection (2), a
22 person may elect to reduce the adjusted tax base by the percentage
23 that the compensation divided by the tax base exceeds 63%. The
24 deduction shall not exceed 37% of the adjusted tax base. For
25 purposes of computing the deduction allowed by this subsection, as
26 effective for the respective tax year, compensation does not
27 include amounts of compensation exempt from tax under section

1 35(1)(e). This subsection does not apply to an adjusted tax base
2 under section 22a.

3 (5) If the comprehensive annual financial report of this state
4 for a state fiscal year, published pursuant to section 494 of the
5 management and budget act, 1984 PA 431, MCL 18.1494, reports an
6 ending balance of more than \$250,000,000.00 in the countercyclical
7 budget and economic stabilization fund created under section 351 of
8 the management and budget act, 1984 PA 431, MCL 18.1351, for that
9 state fiscal year, the tax rate under this section shall be reduced
10 by 0.1 percentage point on the January 1 following the end of the
11 state fiscal year for which the report was issued.

12 (6) The department shall annualize the rate under this section
13 as necessary, and the applicable annualized rate shall be imposed.