

Legislative Analysis



MBT COMPENSATION CREDIT: ALLOW TO ALL INSURANCE COMPANIES

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House Bill 5327 (Substitute H-1)

Sponsor: Rep. Steve Bieda

Committee: Tax Policy

Complete to 3-10-07

A SUMMARY OF HOUSE BILL 5327 AS REPORTED FROM COMMITTEE

The bill would amend the new Michigan Business Tax Act (MCL 208.1239), which took effect January 1, 2008, to allow insurance companies to claim the compensation credit found in Section 403 in the same manner as other companies under the act. The compensation credit is equal to 0.296 percent of compensation in the state for tax year 2008 and 0.37 percent of compensation in the state for tax year 2009 and beyond. The bill would be retroactive to January 1, 2008.

The compensation credit is found in Section 403 and must be taken before any other credit and, in combination with an investment tax credit, is limited to 50 percent of tax liability (before the MBT surcharge) for the 2008 tax year and 52 percent of the tax liability (before the MBT surcharge) for the 2009 tax year and beyond. (Insurance companies, however, do not pay the MBT surcharge.)

[Compensation includes wages, salaries, fees, bonuses, and other payments made for the benefit of employees, officers, or directors, and any self-employment net earnings (as defined in the federal Internal Revenue Code).]

Until the passage of Public Act 145 of 2007, which took effect January 1, 2008, the MBT Act said an insurance company could only claim the compensation credit if it did not make any payments to the Worker's Compensation Placement Facility, the Basic Property Insurance Association, the Automobile Insurance Placement Facility, or the Property and Casualty Guaranty Association. This meant life and health insurance companies were eligible for the credit but not property and casualty insurance companies. This provision was removed with the passage of Public Act 145 (House Bill 5408), which took effect at the same time the new MBT tax took effect.

FISCAL IMPACT:

The fiscal impact is being examined, and the summary will be updated as more information becomes available.

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