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Senate Bills 1051, 1052, and 1056 (as introduced 1-23-08)

Sponsor: Senator Jud Gilbert, II (S.B. 1051)  
Senator Mark C. Jansen (S.B. 1052)  
Senator Mike Prusi (S.B. 1056)

Committee: Finance

Date Completed: 1-24-08

### **CONTENT**

**The bills would amend the Michigan Business Tax Act to delete references to the Commonwealth of Puerto Rico from the definitions of "commercial domicile", "foreign operating entity", and "state".**

The bills are described in detail below.

#### **Senate Bill 1051**

Under the Act, "commercial domicile" means the headquarters of the trade or business, that is the place from which the trade or business is principally managed and directed, or if a financial institution is organized under the laws of a foreign country, of the Commonwealth of Puerto Rico, or any territory or possession of the United States, the financial institution's commercial domicile must be deemed for the purposes of Chapter 2 (which imposes a business income tax) to be the state of the United States or the District of Columbia from which the financial institution's trade or business in the United States is principally managed and directed.

The bill would delete the reference to the Commonwealth of Puerto Rico.

#### **Senate Bill 1052**

Under the Act, "foreign operating entity" means a United States person that satisfies each of the following:

- Would otherwise be a part of a unitary business group that has at least one person included in the unitary business group that is taxable in this State.
- Has substantial operations outside the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or a political subdivision of any of the foregoing.
- At least 80% of its income is active foreign business income as defined in Section 861(c)(1)(B) of the Internal Revenue Code.

The bill would delete the reference to the Commonwealth of Puerto Rico.

(Under Section 861(c)(1)(B) of the Internal Revenue Code, "active foreign business income" means gross income that meets both of the following:

- Is derived from sources outside the United States or, in the case of a corporation, is attributable to income so derived by a subsidiary of such corporation.
- Is attributable to the active conduct of a trade or business in a foreign country or possession of the United States by the individual or corporation or by a subsidiary.)

### **Senate Bill 1056**

The Act defines "state" as any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, and any foreign country, or a political subdivision of any of the foregoing.

The bill would delete the reference to the Commonwealth of Puerto Rico.

MCL 208.1261 (S.B. 1051)  
208.1109 (S.B. 1052)  
208.1115 (S.B. 1056)

Legislative Analyst: Craig Laurie

### **FISCAL IMPACT**

Fiscal information is not available at this time.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.