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Senate Bill 192 (as reported by the Committee of the Whole)  
Sponsor: Senator Nancy Cassis  
Committee: Finance

### **CONTENT**

The bill would amend the Michigan Business Tax (MBT) Act to remove from a taxpayer's modified gross receipts tax base, payments by a joint venture, formed to complete a construction project, for construction management, architectural, and engineering services billed to the joint venture under a contractual agreement specific to that project.

Except as otherwise provided, the Act imposes a modified gross receipts tax on every taxpayer with nexus in the State. The tax is imposed on the modified gross receipts tax base, after allocation or apportionment to the State, at a rate of 0.8%. The modified gross receipts tax base is a taxpayer's gross receipts, subject to certain adjustments, less purchases from other firms before apportionment under the Act.

Under the bill, "purchases from other firms" would include payments by a joint venture, formed for the purpose of completing a construction project, to a person included in Major Group 87 under the Standard Industrial Classification (SIC) Code, as compiled by the United States Department of Labor, for construction management, architectural, and engineering services billed to the joint venture under a contractual agreement specific to that construction project.

(Major Group 87 includes establishments that are primarily engaged in providing engineering, architectural, and surveying services; accounting, auditing, and bookkeeping services; research, development, and testing services; and management and public relations services.)

MCL 208.1113

Legislative Analyst: Suzanne Lowe

### **FISCAL IMPACT**

The bill would reduce General Fund revenue by an unknown amount, depending upon several factors, including how much business with affected groups is accomplished through joint ventures and the specific characteristics of affected agreements and projects. Assuming that joint ventures account for approximately 10% of activity referred to by the bill, and that firms classified under SIC 15-17 (Construction) do not reclassify themselves under SIC Group 87 (the group affected by the bill), the bill would reduce MBT revenue to the General Fund by approximately \$6 million per year.

Date Completed: 2-10-10

Fiscal Analyst: David Zin