

Legislative Analysis



MULTISTATE TAX COMPACT: APPORTIONMENT OF BUSINESS INCOME

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House Bill 4479

Sponsor: Rep. Jud Gilbert, II

Committee: Tax Policy

Complete to 3-29-11

A SUMMARY OF HOUSE BILL 4479 AS INTRODUCED 3-23-11

The bill would amend Multistate Tax Compact Act to specify that a business entity subject to the Michigan Business Tax Act or the Income Tax Act must apportion and allocate income for tax purposes in accordance with the provisions of one of those acts rather than under the provisions of Article IV of the Multistate Tax Compact.

Generally speaking, businesses that operate in more than one state typically are required to apportion income based on certain factors to determine their tax liability in any one state. Under the Michigan Business Tax, tax liability is based solely on the sales factor, without regard to property and payroll. (This would also be true under the corporate income tax proposed by Governor Snyder, which is intended to replace the MBT.) However, under Article IV of the Multistate Tax Compact, business income is to be apportioned based equally on three factors: property, payroll, and sales. House Bill 4479 would make the MBT or state Income Tax Act apportionment provisions apply rather than those in the Multistate Tax Compact.

MCL 205.581

FISCAL IMPACT:

According to the Department of Treasury, House Bill 4479 would increase MBT revenue by approximately \$50 million per year. This would all be General Fund/General Purpose (GF/GP) revenue.

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