

Legislative Analysis



MULTISTATE TAX COMPACT: APPORTIONMENT OF BUSINESS INCOME

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**House Bill 4479 as enacted
Public Act 40 of 2011
Sponsor: Rep. Jud Gilbert, II
House Committee: Tax Policy
Senate Committee: Reforms, Restructuring and Reinventing
Complete to 8-29-12**

A SUMMARY OF HOUSE BILL 4479 AS ENROLLED

The bill amended the 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. This provision applies as of January 1, 2011.

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 is also true under the recently enacted corporate income tax, 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 makes the MBT or state Income Tax Act apportionment provisions apply rather than those in the Multistate Tax Compact.

This bill was passed in conjunction with the comprehensive tax changes found in Public Acts 38 and 39 of 2011 (House Bills 4361 and 4362).

MCL 205.581

FISCAL IMPACT:

This bill was passed in conjunction with the comprehensive tax changes found in Public Acts 38 and 39 of 2011 (House Bills 4361 and 4362). For the overall fiscal impact of these changes, see the HFA analysis of those bills.

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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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.