

Legislative Analysis



MBT GROSS RECEIPTS TAX BASE: "PURCHASES FROM OTHER FIRMS"

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House Bill 4169
Sponsor: Rep. Kurt Heise
Committee: Tax Policy

Complete to 4-12-11

A SUMMARY OF HOUSE BILL 4169 AS INTRODUCED 2-1-11

The bill, generally speaking, would reduce the gross receipts tax base and overall Michigan Business Tax liability for eligible freight trucking firms.

Under one element of the Michigan Business Tax, firms are subject to a tax of 0.8 percent on a firm's modified gross receipts, less its purchases from other firms. (The other component of the MBT is a 4.95 percent tax on business income.)

House Bill 4169 would amend the definition of purchases from other firms in the MBT Act (MCL 208.1113) as it applies to general freight trucking firms and specialized freight trucking firms.

(These are described in the bill as firms "classified under the 2002 North American Industrial Classification System number 484" as compiled by the federal Department of Management and Budget.)

For those companies, the definition of "purchases from other firms" would apply to "payments to subcontractors to transport freight by motor vehicle under a contract specific to that freight . . ." These payments would, then, not be counted in the gross receipts tax base. As noted above, this amendment would reduce the gross receipts tax base and overall MBT tax liability for the eligible firms.

This amendment would not apply to a firm that qualifies for the small business credit under Section 417 of the act. The small business credit applies to firms with gross receipts of not more than \$20 million and adjusted business income of not more than \$1.3 million; there is also a limit on officer income. The credit under this subsection is the amount by which the tax imposed exceeds 1.8% of adjusted business income.

FISCAL IMPACT:

In 2009, the Department of Treasury estimated a full-year impact for FY 2009-10 of \$7 million (a reduction in MBT revenue). This will be updated if additional information becomes available.

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