

**SINGLE BUSINESS TAX ACT (EXCERPT)**  
**Act 228 of 1975**

\*\*\*\*\* 208.7 THIS SECTION IS REPEALED BY ACT 325 OF 2006 EFFECTIVE DECEMBER 31, 2007  
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**208.7 Definitions; S; “gross receipts” defined.**

Sec. 7. (1) As used in this act:

(a) “Sale” or “sales” means the amounts received by the taxpayer as consideration from the following:

(i) The transfer of title to, or possession of, property that is stock in trade or other property of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the tax period or property held by the taxpayer primarily for sale to customers in the ordinary course of its trade or business.

(ii) The performance of services, which constitute business activities other than those included in subparagraph (i), or from any combination of business activities described in this subparagraph and subparagraph (i).

(iii) The rental, lease, licensing, or use of tangible or intangible property which constitutes business activity.

(b) “Sale” or “sales” does not include dividends, interest, and royalties received by the taxpayer to the extent deducted from the taxpayer's tax base under section 9(7) but does include royalties, fees, or other payments or consideration not deducted from tax base under section 9(7) except those royalties paid to a franchisor as consideration for the use outside of this state of trade names, trademarks, and similar intangible property.

(2) “State” means 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 political subdivision of any of the foregoing.

(3) “Gross receipts” means the entire amount received by the taxpayer from any activity whether in intrastate, interstate, or foreign commerce carried on for direct or indirect gain, benefit, or advantage to the taxpayer or to others except for the following:

(a) Proceeds from sales by a principal that the taxpayer collects in an agency capacity solely on behalf of the principal and delivers to the principal.

(b) Amounts received by the taxpayer as an agent solely on behalf of the principal that are expended by the taxpayer for any of the following:

(i) The performance of a service by a third party for the benefit of the principal that is required by law to be performed by a licensed person.

(ii) The performance of a service by a third party for the benefit of the principal that the taxpayer has not undertaken a contractual duty to perform.

(iii) Principal and interest under a mortgage loan or land contract, lease or rental payments, or taxes, utilities, or insurance premiums relating to real or personal property owned or leased by the principal.

(iv) A capital asset of a type that is, or under the internal revenue code will become, eligible for depreciation, amortization, or accelerated cost recovery by the principal for federal income tax purposes, or for real property owned or leased by the principal.

(v) Property not described under subparagraph (iv) purchased by the taxpayer on behalf of the principal and that the taxpayer does not take title to or use in the course of performing its contractual business activities.

(vi) Fees, taxes, assessments, levies, fines, penalties, or other payments established by law that are paid to a governmental entity and that are the legal obligation of the principal.

(c) Amounts that are excluded from gross income of a foreign corporation engaged in the international operation of aircraft under section 883(a) of the internal revenue code.

(d) Amounts received by an advertising agency used to acquire advertising media time, space, production, or talent on behalf of another person.

(e) Notwithstanding any other provision of this section, amounts received by a taxpayer that manages real property owned by the taxpayer's client that are deposited into a separate account kept in the name of the taxpayer's client and that are not reimbursements to the taxpayer and are not indirect payments for management services that the taxpayer provides to that client.

(f) Proceeds from the taxpayer's transfer of an account receivable if the sale that generated the account receivable was included in gross receipts for federal income tax purposes. This subdivision does not apply to a taxpayer that during the tax year both buys and sells any receivables.

(g) Proceeds from any of the following:

- (i) The original issue of stock or equity instruments.
- (ii) The original issue of debt instruments.
- (h) Refunds from returned merchandise.
- (i) Cash and in-kind discounts.
- (j) Trade discounts.
- (k) Federal, state, or local tax refunds.
- (l) Security deposits.
- (m) Payment of the principal portion of loans.
- (n) Value of property received in a like-kind exchange.
- (o) Proceeds from a sale, transaction, exchange, involuntary conversion, or other disposition of tangible, intangible, or real property that is a capital asset as defined in section 1221(a) of the internal revenue code or land that qualifies as property used in the trade or business as defined in section 1231(b) of the internal revenue code, less any gain from the disposition to the extent that gain is included in federal taxable income.
- (p) The proceeds from a policy of insurance, a settlement of a claim, or a judgment in a civil action less any proceeds under this subdivision that are included in federal taxable income.

**History:** 1975, Act 228, Eff. Jan. 1, 1976;—Am. 1982, Act 376, Eff. Mar. 30, 1983;—Am. 2000, Act 477, Imd. Eff. Jan. 11, 2001;—Am. 2001, Act 229, Imd. Eff. Jan. 3, 2002;—Am. 2002, Act 606, Eff. Oct. 1, 2003.

**Compiler's note:** Section 2 of Act 376 of 1982 provides:

"Enacting section 2. This amendatory act shall take effect for tax years commencing after December 31, 1982."

Enacting section 1 of Act 477 of 2000 provides:

"Enacting section 1. This amendatory act takes effect for the tax years that begin after December 31, 2000."

Enacting section 2 of Act 229 of 2001 provides:

"Enacting section 2. This amendatory act takes effect for tax years that begin after December 31, 2000."

Enacting section 1 of 2002 PA 606 provides:

"This amendatory act takes effect for tax years that begin on or after October 1, 2003."