

SENATE BILL No. 306

April 12, 1989, Introduced by Senators SHINKLE, POSTHUMUS, CRUCE, WELBORN, DILLINGHAM, CROPSEY, EHLERS, GEAKE, GAST, DI NELLO and DINGELL and referred to the Committee on Finance.

A bill to amend section 21 of Act No. 228 of the Public Acts of 1975, entitled
"Single business tax act,"
as amended by Act No. 360 of the Public Acts of 1984, being section 208.21 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 21 of Act No. 228 of the Public Acts of
2 1975, as amended by Act No. 360 of the Public Acts of 1984, being
3 section 208.21 of the Michigan Compiled Laws, is amended to read
4 as follows:

5 Sec. 21. The tax base of a financial organization ~~shall be~~
6 ~~the sum of~~ IS business income ~~and~~ WITH the adjustments pro-
7 vided in section 9, with the exception of section 9(4)(f) and
8 (7)(b), plus the following adjustments:

1 (a) Deduct, to the extent included in federal taxable
2 income, interest income derived from obligations of the United
3 States which this state is by federal law prohibited from
4 subjecting to taxation, other than nondiscriminatory franchise or
5 nonproperty taxes.

6 (b) For tax years ending after 1984, add expenses deducted
7 from federal taxable income, to the extent not included in the
8 tax base under this act, multiplied by a fraction, the numerator
9 of which is the sum of interest income deducted under subdivision
10 (a) plus interest from Michigan obligations and the denominator
11 of which is total interest income. For tax years ending in 1985,
12 in addition, add expenses deducted from federal taxable income in
13 tax year 1984, to the extent not included in the tax base under
14 this act, multiplied by a fraction, the numerator of which is the
15 sum of interest income deducted in tax year 1984 under subdivi-
16 sion (a) plus interest income from Michigan obligations in tax
17 year 1984 and the denominator of which is total interest income
18 in tax year 1984. For tax years after 1984, the amount of an
19 addition under this subdivision shall not exceed the amount of a
20 deduction under subdivision (a), except for tax years ending in
21 1985 ~~where~~ IN WHICH the addition shall not exceed the amount
22 deducted under subdivision (a) in tax year 1984 plus the amount
23 deducted under subdivision (a) in tax year 1985.

24 (C) FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 1986, FOR A
25 FINANCIAL ORGANIZATION ALLOWED A DEDUCTION UNDER SECTION 593 OF
26 THE INTERNAL REVENUE CODE, DEDUCT THE AMOUNT BY WHICH THE
27 REASONABLE ADDITION TO THE RESERVE FOR BAD DEBTS ALLOWED UNDER

1 SECTION 593 OF THE INTERNAL REVENUE CODE, IF COMPUTED BY THE
2 PERCENTAGE OF TAXABLE INCOME METHOD PROVIDED IN SECTION 593(b)(2)
3 OF THE INTERNAL REVENUE CODE SUBSTITUTING 32% OF TAXABLE INCOME
4 FOR THE 8% OF TAXABLE INCOME PROVIDED IN SECTION 593(b)(2)(A) OF
5 THE INTERNAL REVENUE CODE, EXCEEDS THE DEDUCTION FOR BAD DEBTS
6 ALREADY REFLECTED IN BUSINESS INCOME. A DEDUCTION UNDER THIS
7 SUBDIVISION SHALL NOT BE LESS THAN ZERO.