

# SENATE BILL No. 663

June 29, 2005, Introduced by Senators PATTERSON, SIKKEMA, GOSCHKA, STAMAS, VAN WOERKOM, TOY, GILBERT, SANBORN, GARCIA, McMANUS, CROPSEY, BROWN, JELINEK, BIRKHOLZ and HARDIMAN and referred to the Committee on Economic Development, Small Business and Regulatory Reform.

A bill to amend 1975 PA 228, entitled  
 "Single business tax act,"  
 by amending section 31 (MCL 208.31), as amended by 1999 PA 115.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 31. (1) Except as provided in subsections (5) and (6),  
 2 there is levied and imposed a specific tax upon the adjusted tax  
 3 base of every person with business activity in this state that is  
 4 allocated or apportioned to this state at the following rates for  
 5 the specified periods:

6           (a) Before October 1, 1994, 2.35%.

7           (b) After September 30, 1994 and before January 1, 1999,  
 8 2.30%.

9           (c) Beginning January 1, 1999 and each January 1 after 1999,  
 10 the rate under this subsection shall be reduced as provided in  
 11 subsection (5).

1           (2) As used in this section, "adjusted tax base" means the tax  
2 base allocated or apportioned to this state pursuant to chapter 3  
3 with the adjustments prescribed by sections 23 and 23b and the  
4 exemptions prescribed by section 35. If the adjusted tax base  
5 exceeds 50% of the sum of gross receipts plus the adjustments  
6 provided in section 23b(a) to (g), apportioned or allocated to  
7 Michigan with the apportionment fraction calculated pursuant to  
8 chapter 3, the adjusted tax base may, at the option of the  
9 taxpayer, be reduced by that excess. If a taxpayer reduces the  
10 adjusted tax base under this subsection, the taxpayer is not  
11 entitled to the adjustment provided in subsection (4) for the same  
12 taxable year. This subsection does not apply to an adjusted tax  
13 base under section 22a.

14           (3) The tax levied under this section and imposed is upon the  
15 privilege of doing business and not upon income.

16           (4) In lieu of the reduction provided in subsection (2), a  
17 person may elect to reduce the adjusted tax base by the percentage  
18 that the compensation divided by the tax base exceeds 63%. ~~The~~  
19 **EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, THE** deduction  
20 shall not exceed 37% of the adjusted tax base. **FOR TAX YEARS THAT**  
21 **BEGIN AFTER DECEMBER 31, 2005, FOR A TAXPAYER THAT HAS MORE THAN**  
22 **1,000 FULL-TIME EQUIVALENT EMPLOYEES DURING THE TAX YEAR AND WHOSE**  
23 **PRIMARY BUSINESS IS TO SUPPLY TEMPORARY STAFFING EMPLOYEES, THE**  
24 **DEDUCTION UNDER THIS SUBSECTION SHALL NOT EXCEED 50% OF THE**  
25 **ADJUSTED TAX BASE.** For purposes of computing the deduction allowed  
26 by this subsection, as effective for the respective tax year,  
27 compensation does not include amounts of compensation exempt from

1 tax under section 35(1)(e). This subsection does not apply to an  
2 adjusted tax base under section 22a.

3 (5) If the comprehensive annual financial report of this state  
4 for a state fiscal year, published pursuant to section 494 of the  
5 management and budget act, 1984 PA 431, MCL 18.1494, reports an  
6 ending balance of more than \$250,000,000.00 in the countercyclical  
7 budget and economic stabilization fund created under section 351 of  
8 the management and budget act, 1984 PA 431, MCL 18.1351, for that  
9 state fiscal year, the tax rate under this section shall be reduced  
10 by 0.1 percentage point on the January 1 following the end of the  
11 state fiscal year for which the report was issued.

12 (6) The department shall annualize the rate under this section  
13 as necessary, and the applicable annualized rate shall be imposed.