

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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Senate Bill 1345 (as introduced 9-20-00)
Sponsor: Senator Joanne G. Emmons
Committee: Finance

Date Completed: 9-22-00

CONTENT

The bill would amend the Single Business Tax (SBT) Act to exclude from the tax base of an insurance company receipts from a reciprocal insurer to its attorney-in-fact in performance of its duties as an attorney-in-fact (a person authorized to act for the reciprocal insurer). Further, the bill provides that a firm's business activity would not include services by an attorney-in-fact authorized by and acting for the subscribers of a reciprocal insurer or inter-insurance exchange under powers of attorney.

Under the Act, the SBT is levied on the adjusted tax base of every person in the State with "business activity", that is, a transfer of title, rental of property, or performance of services with the object of gain, benefit, or advantage.

(A reciprocal insurance exchange is an unincorporated group of individuals (subscribers) who mutually insure one another, each separately assuming his or her share of each risk; the chief administrator of the exchange is an attorney-in-fact.

MCL 208.3 & 208.22a

Legislative Analyst: G. Towne

FISCAL IMPACT

Premiums comprise the overwhelming majority of adjusted receipts under the SBT insurance company retaliatory tax. The bill would allow an insurance company to exclude from adjusted receipts money received from a reciprocal insurer to compensate an attorney-in-fact for performing his or her duties as an attorney-in-fact. Given the likely frequency of such compensation, as well as the negligible portion that nonpremium receipts contribute to an insurance company's tax base, the bill would be expected to have a minimal impact on State General Fund revenues. Other revenues would be unaffected by the bill.

The bill would have no fiscal impact on local government.

Fiscal Analyst: D. Zin

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