

Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 1380 (as introduced 9-26-00)

Sponsor: Senator Bill Schuette

Committee: Finance

Date Completed: 10-2-00

CONTENT

The bill would amend the Single Business Tax (SBT) Act to exempt a person from the tax if the person met all of the following criteria:

- The person was a foreign person. (The Act defines "foreign person" as an individual who is not a U.S. resident, or a person formed under the laws of a foreign country or a political subdivision of a foreign country, whether or not subject to Federal taxation.)
- The person would be subject to apportionment under Section 57 of the Act if not for the proposed exemption. (Section 57 provides for the taxation of a taxpayer whose business activity consists of transportation services, apportioned based upon revenue miles of the taxpayer in Michigan versus revenue miles of the taxpayer everywhere else. A revenue mile is the transportation for consideration of one net ton in weight or one passenger the distance of one mile.)
- The person's business activity in Michigan was limited to the transportation and loading or unloading of goods that were delivered by a truck.
- The person did not have a "permanent establishment" in Michigan.

A "permanent establishment" would be a fixed place of business through which the business of a foreign person was wholly or partly carried on, including a place of management, a branch, an office, or a factory.

The bill would apply to tax years beginning after 1999.

Proposed MCL 208.35b

Legislative Analyst: G. Towne

FISCAL IMPACT

The bill would reduce State General Fund revenues by an unknown amount. Firms affected by the bill have not traditionally been taxable under the Single Business Tax Act. Public Act 115 of 1999 made changes to the Act that would cause businesses such as those covered by the bill to become taxable under the SBT. Over the 1993-1996 period, SBT receipts from firms in the transportation sector comprised 1.9% of SBT revenues. The share of SBT revenues that would be attributable to firms covered by the bill is unknown, although the share is likely to be minimal. The Revenue Consensus Estimate for SBT revenues is \$2.2 billion in both fiscal year (FY) 1999-2000 and FY 2000-01. If firms covered by the bill were to contribute 2% of SBT revenues from firms in the transportation sector, the bill would reduce General Fund revenues by approximately \$800,000.

The bill would have no fiscal impact on local units.

Fiscal Analyst: D. Zin

S9900\1380sa

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.