

# SENATE BILL No. 1345

September 20, 2000, Introduced by Senator EMMONS and referred to the Committee on Finance.

A bill to amend 1975 PA 228, entitled "Single business tax act," by amending sections 3 and 22a (MCL 208.3 and 208.22a), section 3 as amended by 1999 PA 115 and section 22a as amended by 1996 PA 578.

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

1       Sec. 3. (1) "Affiliated group" means 2 or more United  
2 States corporations, 1 of which owns or controls, directly or  
3 indirectly, 80% or more of the capital stock with voting rights  
4 of the other United States corporation or United States  
5 corporations. As used in this subsection, "United States  
6 corporation" means a domestic corporation as those terms are  
7 defined in section 7701(a)(3) and (4) of the internal revenue  
8 code.

1           (2) "Business activity" means a transfer of legal or  
2 equitable title to or rental of property, whether real, personal,  
3 or mixed, tangible or intangible, or the performance of services,  
4 or a combination thereof, made or engaged in, or caused to be  
5 made or engaged in, within this state, whether in intrastate,  
6 interstate, or foreign commerce, with the object of gain, bene-  
7 fit, or advantage, whether direct or indirect, to the taxpayer or  
8 to others, but shall not include the services rendered by an  
9 employee to his OR HER employer, SERVICES BY AN ATTORNEY-IN-FACT  
10 AUTHORIZED BY AND ACTING FOR THE SUBSCRIBERS OF A RECIPROCAL  
11 INSURER OR INTER-INSURANCE EXCHANGE UNDER POWERS OF ATTORNEY,  
12 services as a director of a corporation, or a casual  
13 transaction. Although an activity of a taxpayer may be inciden-  
14 tal to another or other of his business activities, each activity  
15 shall be considered to be business engaged in within the meaning  
16 of this act.

17           (3) "Business income" means federal taxable income, except  
18 that for a person other than a corporation it means that part of  
19 federal taxable income derived from business activity. For a  
20 partnership, business income includes payments and items of  
21 income and expense ~~which~~ THAT are attributable to business  
22 activity of the partnership and separately reported to the  
23 partners.

24           Sec. 22a. (1) Except as otherwise provided, from August 3,  
25 1987 to September 30, 1987, for the tax year beginning October 1,  
26 1987 and ending September 30, 1988, and each tax year thereafter,  
27 the tax base and adjusted tax base of an insurance company is the

1 product of .25 times the insurance company's adjusted receipts as  
2 apportioned under section 62.

3 (2) The tax base and adjusted tax base calculated under this  
4 section shall not be adjusted under sections 23 and 23b OR SEC-  
5 TION 35A.

6 (3) The tax calculated under this section is in lieu of all  
7 other privilege or franchise fees or taxes imposed by any other  
8 law of this state, except taxes on real and personal property and  
9 except as otherwise provided in this act and in ~~Act No. 218 of~~  
10 ~~the Public Acts of 1956~~ THE INSURANCE CODE OF 1956, 1956 PA 218,  
11 MCL 500.100 TO 500.8302.

12 (4) As used in this section:

13 (a) "Adjusted receipts" means, except as provided in subdi-  
14 vision (b), the sum of all of the following:

15 (i) Rental and royalty receipts from a person that is not  
16 either of the following:

17 (A) An affiliated insurance company.

18 (B) An insurance agent of the taxpayer licensed under chap-  
19 ter 12 of the insurance code of 1956, ~~Act No. 218 of the Public~~  
20 ~~Acts of 1956, being sections 500.1200 to 500.1244 of the Michigan~~  
21 ~~Compiled Laws~~ 1956 PA 218, MCL 500.1200 TO 500.1244.

22 (ii) Gross direct premiums received for insurance on prop-  
23 erty or risk, deducting premiums on policies not taken and  
24 returned premiums on canceled policies.

25 (iii) Receipts from administrative services only contracts  
26 with a person who is not an affiliated insurance company or an  
27 affiliated nonprofit corporation.

1 (iv) Receipts from business activity other than the business  
2 of insurance. As used in this subparagraph, "business of  
3 insurance" means any activity related to the sale of insurance,  
4 payment of claims, or claims handling, on policies written by the  
5 taxpayer.

6 (v) Charges not including interest charges attributable to  
7 premiums paid on a deferred or installment basis.

8 (vi) Receipts from servicing carrier fees received from the  
9 Michigan auto insurance placement facility.

10 (b) Adjusted receipts do not include any of the following:

11 (i) Receipts from interest, dividends, or proceeds from the  
12 sale of assets.

13 (ii) Receipts, other than receipts described in  
14 subsection (4)(a)(i) or (ii), from an affiliated insurance com-  
15 pany, A RECIPROCAL INSURER TO ITS ATTORNEY-IN-FACT IN PERFORMANCE  
16 OF ITS DUTIES AS AN ATTORNEY-IN-FACT, an affiliated nonprofit  
17 corporation, an employee of the taxpayer, or an insurance agent  
18 of the taxpayer licensed under chapter 12 of the insurance code  
19 of 1956, ~~Act No. 218 of the Public Acts of 1956, being sections~~  
20 ~~500.1200 to 500.1244 of the Michigan Compiled Laws~~ 1956 PA 218,  
21 MCL 500.1200 TO 500.1244.

22 (iii) Receipts on the sale of annuities.

23 (iv) Receipts on all reinsurance transactions.

24 (c) "Affiliated insurance company" means an insurance com-  
25 pany that is a member of an affiliated group with the taxpayer or  
26 if the insurance company does not issue stock, 50% or more of the

1 members of that insurance company's board of directors are  
2 members of the taxpayer's board of directors.

3 (d) "Affiliated nonprofit corporation" means a nonprofit  
4 corporation, of which 80% or more of the members of the board of  
5 directors are members of the taxpayer's board of directors.

6 (5) A refund for taxes paid for tax years before the 1996  
7 tax year shall not be paid under this section if the refund claim  
8 is made after June 30, 1997 and is based on this section as it  
9 exists on the effective date of the amendatory act that added  
10 this subsection.