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BILL ANALYSIS



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Senate Bill 1274 (as reported without amendment)

Sponsor: Senator Cameron S. Brown

Committee: Economic Development, Small Business and Regulatory Reform

**CONTENT**

The bill would amend the Single Business Tax (SBT) Act to allow employers with gross receipts for a tax year of \$10 million or less to claim a credit against the SBT equal to 1% of the compensation paid to employees who performed "created jobs" in Michigan for that tax year. The credit would be allowed for tax years beginning during 2005. In years in which the tax credit allowed exceeded a company's tax liability, the excess could be carried forward as an offset to tax liability in subsequent tax years for 10 tax years, or until the excess credit was used up, whichever came first.

"Created jobs" would mean jobs meeting all of the following criteria:

- The job did not exist in Michigan in the immediately preceding tax year.
- The job represented an overall increase in full-time equivalent jobs in Michigan for the tax year from the total number of such jobs in the State in the preceding tax year.
- The job was not one into which an employee transferred if he or she worked in the State for the taxpayer, an affiliate of the taxpayer, or an entity with which the taxpayer filed a consolidated return, in another job before beginning the created job.
- The benefits for the employee in the created job included coverage under health and welfare and noninsured benefit plans.

Proposed MCL 208.37f

Legislative Analyst: J.P. Finet

**FISCAL IMPACT**

While this credit would be in effect only for the 2005 tax year, its fiscal impact would be spread over FY 2004-05 and FY 2005-06. It is estimated that the bill would reduce single business tax revenue by about \$3.3 million in FY 2004-05 and about \$6.7 million in FY 2005-06. All single business tax revenue goes into General Fund/General Purpose revenue, so this loss in revenue would affect the General Fund/General Purpose budget. The bill would have no direct impact on local governments.

Date Completed: 6-9-04

Fiscal Analyst: Jay Wortley