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**BILL ANALYSIS**

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Senate Bill 633 (Substitute S-1 as reported)
Sponsor: Senator Nancy Cassis
Committee: Finance

CONTENT

The bill would amend the Single Business Tax (SBT) Act to reduce the SBT rate from 1.9% to 1.8% during 2007 and reduce the rate by 0.1 percentage point on January 1, 2008, and each subsequent January 1. The bill would repeal Enacting Section 1 of Public Act 531 of 2002, which repeals the SBT Act for tax years that begin after December 31, 2009. The bill also would repeal Enacting Section 3 of Public Act 115 of 1999, which repeals the SBT Act when the current rate reductions bring it to zero percent.

The SBT Act levies a specific tax upon the adjusted tax base of every person with business activity in the State that is allocated or apportioned to the State. Beginning in 1999, and each January 1 after 1999, the SBT rate must be reduced by 0.1 percentage point on the January 1 following the end of the State fiscal year for which the State reports an ending balance of \$250,000,000 in the Countercyclical Budget and Economic Stabilization Fund. The current rate is 1.9%.

Under the bill, the rate would be 1.8% beginning January 1, 2007, and before January 1, 2008. The rate would have to be reduced by 0.1 percentage point on January 1, 2008, and on each following January 1.

MCL 208.31

Legislative Analyst: J.P. Finet

FISCAL IMPACT

The bill would lower the single business tax rate from the current level of 1.9% to 1.8% in 2007, 1.7% in 2008, and 1.6% in 2009. These tax rate reductions would reduce single business tax revenue by an estimated \$79 million in FY 2006-07, \$189 million in FY 2007-08, and \$306 million in FY 2008-09. Also, under current law, the single business tax is scheduled to be repealed effective for tax years that begin after 2009. The bill would eliminate this repeal; instead, the tax rate would continue to be reduced by 0.1 percentage point each calendar year until it would fall to zero in 2025. As a result, after 2010, this bill would generate large increases in SBT revenue compared with current law. For example, under current law, the tax rate will fall to zero beginning in 2010, but under the bill it would decline from 1.6% in 2009 to 1.5% in 2010 and 1.4% in 2011. As a result, compared with current law, the bill would generate an estimated \$970 million increase in single business tax revenue in FY 2009-10 and \$1.6 billion in FY 2010-11. All of these estimated changes in single business tax revenue would affect the General Purpose portion of the General Fund.

Date Completed: 6-28-05

Fiscal Analyst: Jay Wortley

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