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Senate Bill 1170 (as introduced 3-16-06)
Sponsor: Senator Gerald Van Woerkom
Committee: Finance

Date Completed: 3-21-06

CONTENT

The bill would repeal the Single Business Tax (SBT) Act for tax years beginning after September 30, 2007, and would prohibit the Legislature from replacing the lost revenue with an increase in the income tax, sales tax, use tax, taxes collected on residential real property, or any other tax on individuals. Additionally, the bill would require the Governor's Council of Economic Advisors to develop a plan to replace all or a portion of revenue lost by the repeal of the SBT.

Specifically, the Legislature could not replace revenue not collected due to the bill's repeal of the SBT Act with an increase in the rate or base of any of the following:

- The State income tax imposed under the Income Tax Act.
- The sales tax imposed under the General Sales Tax Act.
- The use tax imposed under the Use Tax Act.
- Taxes collected on residential real property that was not leased or rented for more than 50% of any calendar year and on principal residences.
- Any other tax whose economic incidence is on individuals.

Before January 1, 2007, the Governor's Council of Economic Advisors would have to develop a plan to replace all or a portion of the revenue not collected related to the bill's repeal of the SBT Act. Before January 1, 2007, the Council would have to report the plan to the Governor, the Senate Majority Leader, the Speaker of the House of Representatives, and the Senate and House standing committees that dealt with tax and finance matters.

The bill also would repeal Enacting Section 1 of Public Act 531 of 2002 and Enacting Section 3 of Public Act 115 of 1999. The Enacting Section 1 of Public Act 531 of 2002 repeals the SBT Act effective for tax years that begin after December 31, 2009. Enacting Section 3 of Public Act 115 of 1999 repeals the SBT Act on the January 1 of the year in which the rate is reduced to 0%, and states that the SBT Act is not effective for tax years that begin on or after that date.

(Public Act 115 of 1999 amended the SBT Act to provide that beginning January 1, 1999, the tax rate will be reduced by .1% each January 1 if the Comprehensive Annual Financial Report for a State fiscal year (published pursuant to the Management and Budget Act) reports an ending balance of more than \$250 million in the Countercyclical Budget and Economic Stabilization Fund for that fiscal year. Under the Act, the SBT rate has been reduced from 2.3% in 1999 to its current rate of 1.9%.)

Legislative Analyst: J.P. Finet

FISCAL IMPACT

This bill would reduce single business tax revenue by an estimated \$1.3 billion in FY 2007-08 and would eliminate all single business tax revenue in subsequent fiscal years, which would total about \$2.0 billion in FY 2008-09. All of this reduction in revenue would affect the General Fund/General Purpose budget.

Fiscal Analyst: Jay Wortley

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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.