



Senate Fiscal Agency  
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**BILL ANALYSIS**

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House Bill 5743 (Substitute S-2 as reported)  
Sponsor: Representative Leon Drolet  
House Committee: Tax Policy  
Senate Committee: Finance

**CONTENT**

The bill would repeal the Single Business Tax (SBT) Act effective for tax years beginning after September 30, 2007, and would require the Legislature to replace the SBT with a tax or taxes that were more conducive to job creation, investment, and economic growth.

The bill would prohibit the Legislature from replacing revenue not collected based on the bill's repeal of the SBT with an increase in the rate or base of any of the following: the State income; the sales tax; the use tax; taxes collected on residential real property that is not leased or rented for more than 50% of any calendar year and on principal residences; or any other tax whose economic incidence is on individuals.

The bill would require the Governor's Council of Economic Advisors, before January 1, 2007, 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 deal 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. 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%. (Public Act 115 requires the tax rate to be reduced by .1% each January 1 if ending balance in the Budget Stabilization Fund is more than \$250 million for a fiscal year. 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.

Date Completed: 3-22-06

Fiscal Analyst: Jay Wortley