

HOUSE SUBSTITUTE FOR
SENATE BILL NO. 633

A bill to amend 1975 PA 228, entitled
"Single business tax act,"
by amending section 31 (MCL 208.31), as amended by 1999 PA 115.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 31. (1) Except as provided in subsections (5) and (6),
2 there is levied and imposed a specific tax upon the adjusted tax
3 base of every person with business activity in this state that is
4 allocated or apportioned to this state at the following rates for
5 the specified periods:

6 (a) Before October 1, 1994, 2.35%.

7 (b) After September 30, 1994 and before January 1, 1999,
8 2.30%.

9 (c) Beginning January 1, 1999 and each January 1 after 1999,

1 the rate under this subsection shall be reduced as provided in
2 subsection (5).

3 (D) BEGINNING JANUARY 1, 2009, THE RATE UNDER THIS SUBSECTION
4 SHALL BE 1.85%.

5 (2) As used in this section, "adjusted tax base" means the tax
6 base allocated or apportioned to this state pursuant to chapter 3
7 with the adjustments prescribed by sections 23 and 23b and the
8 exemptions prescribed by section 35. ~~If the adjusted tax base~~
9 ~~exceeds 50% of the sum of gross receipts plus the adjustments~~
10 ~~provided in section 23b(a) to (g), apportioned or allocated to~~
11 ~~Michigan with the apportionment fraction calculated pursuant to~~
12 ~~chapter 3, the adjusted tax base may, at the option of the~~
13 ~~taxpayer, be reduced by that excess.~~ If a taxpayer reduces the
14 adjusted tax base under this subsection, the taxpayer is not
15 entitled to the adjustment provided in subsection (4) for the same
16 taxable year. This subsection does not apply to an adjusted tax
17 base under section 22a. **FOR THE SPECIFIED YEARS AND EXCEPT AS**
18 **OTHERWISE PROVIDED IN SUBSECTION (6), IF THE ADJUSTED TAX BASE**
19 **EXCEEDS THE FOLLOWING PERCENTAGES OF THE SUM OF GROSS RECEIPTS PLUS**
20 **THE ADJUSTMENTS PROVIDED IN SECTION 23B(A) TO (G), APPORTIONED OR**
21 **ALLOCATED TO MICHIGAN WITH THE APPORTIONMENT FRACTION CALCULATED**
22 **PURSUANT TO CHAPTER 3, THE ADJUSTED TAX BASE MAY, AT THE OPTION OF**
23 **THE TAXPAYER, BE REDUCED BY THAT EXCESS:**

24 (A) BEFORE JANUARY 1, 2009, 50.0%.

25 (B) BEGINNING ON AND AFTER JANUARY 1, 2009, 51.4%.

26 (3) The tax levied under this section and imposed is upon the
27 privilege of doing business and not upon income.

1 (4) In lieu of the reduction provided in subsection (2), a
2 person may elect to reduce the adjusted tax base ~~by the percentage~~
3 ~~that the compensation divided by the tax base exceeds 63%. The~~
4 ~~deduction shall not exceed 37% of the adjusted tax base.~~ **PURSUANT**
5 **TO THIS SUBSECTION.** For purposes of computing the deduction allowed
6 by this subsection, as effective for the respective tax year,
7 compensation does not include amounts of compensation exempt from
8 tax under section 35(1)(e). This subsection does not apply to an
9 adjusted tax base under section 22a. **EXCEPT AS OTHERWISE PROVIDED**
10 **IN SUBSECTION (6), A PERSON MAY ELECT TO REDUCE THE ADJUSTED TAX**
11 **BASE BY THE PERCENTAGE THAT THE COMPENSATION DIVIDED BY THE TAX**
12 **BASE EXCEEDS THE FOLLOWING PERCENTAGES FOR THE SPECIFIED YEARS AND**
13 **THE DEDUCTION SHALL NOT EXCEED THE FOLLOWING PERCENTAGES OF THE**
14 **ADJUSTED TAX BASE:**

15 (A) BEFORE JANUARY 1, 2009, THE PERCENTAGE THAT COMPENSATION
16 DIVIDED BY THE TAX BASE EXCEEDS 63% AND THE DEDUCTION SHALL NOT
17 EXCEED 37% OF ADJUSTED TAX BASE.

18 (B) BEGINNING ON AND AFTER JANUARY 1, 2009, THE PERCENTAGE
19 THAT COMPENSATION DIVIDED BY THE TAX BASE EXCEEDS 64.7% AND THE
20 DEDUCTION SHALL NOT EXCEED 35.3% OF ADJUSTED TAX BASE.

21 (5) If the comprehensive annual financial report of this state
22 for a state fiscal year, published pursuant to section 494 of the
23 management and budget act, 1984 PA 431, MCL 18.1494, reports an
24 ending balance of more than \$250,000,000.00 in the countercyclical
25 budget and economic stabilization fund created under section 351 of
26 the management and budget act, 1984 PA 431, MCL 18.1351, for that
27 state fiscal year, the tax rate under this section shall be reduced

1 by 0.1 percentage point on the January 1 following the end of the
2 state fiscal year for which the report was issued.

3 (6) ALL OF THE FOLLOWING APPLY FOR TAX YEARS BEGINNING ON AND
4 AFTER JANUARY 1, 2009:

5 (A) A TAXPAYER MAY ELECT TO REDUCE ITS TAX BASE USING THE
6 PERCENTAGE ALLOWED UNDER SUBSECTION (2) (A) IF THE TAXPAYER
7 CALCULATES TAX LIABILITY USING THE RATE DETERMINED PURSUANT TO
8 SUBSECTION (1) (C) .

9 (B) A TAXPAYER MAY ELECT TO REDUCE ITS TAX BASE AND CLAIM A
10 DEDUCTION USING THE PERCENTAGES ALLOWED UNDER SUBSECTION (4) (A) IF
11 THE TAXPAYER CALCULATES TAX LIABILITY USING THE RATE DETERMINED
12 PURSUANT TO SUBSECTION (1) (C) .

13 (7) ~~—(6)—~~ The department shall annualize the rate under this
14 section as necessary, and the applicable annualized rate shall be
15 imposed.

16 Enacting section 1. This amendatory act does not take effect
17 unless all of the following bills of the 93rd Legislature are
18 enacted into law:

19 (a) House Bill No. 4342.

20 (b) House Bill No. 4972.

21 (c) House Bill No. 4973.

22 (d) House Bill No. 4980.

23 (e) House Bill No. 5095.

24 (f) House Bill No. 5096.

25 (g) House Bill No. 5097.

26 (h) House Bill No. 5098.

27 (i) House Bill No. 5106.

Senate Bill No. 633 (H-1) as amended November 10, 2005

1 (j) House Bill No. 5107.

2 (k) House Bill No. 5108.

3 []