

**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 (7), **AND (8)**, there is levied and imposed a specific tax upon the
3 adjusted tax base of every person with business activity in this
4 state that is allocated or apportioned to this state at the
5 following rates for 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) ON JANUARY 1, 2006 AND BEFORE JANUARY 1, 2007, THE RATE
4 UNDER THIS SUBSECTION SHALL BE 1.84%.

5 (E) BEGINNING JANUARY 1, 2007 AND BEFORE JANUARY 1, 2011, THE
6 RATE UNDER THIS SUBSECTION SHALL FIRST BE REDUCED AS PROVIDED IN
7 SUBSECTION (5) AND THEN FURTHER REDUCED AS PROVIDED IN SUBSECTION
8 (6).

9 (F) BEGINNING JANUARY 1, 2011 AND EACH JANUARY AFTER JANUARY
10 1, 2011, THE RATE BEGINNING ON THAT JANUARY 1 UNDER THIS SUBSECTION
11 SHALL BE THE RATE IN EFFECT FOR THE IMMEDIATELY PRECEDING TAX YEAR
12 REDUCED AS PROVIDED IN SUBSECTION (5).

13 (2) As used in this section, "adjusted tax base" means the tax
14 base allocated or apportioned to this state pursuant to chapter 3
15 with the adjustments prescribed by sections 23 and 23b and the
16 exemptions prescribed by section 35. ~~If the adjusted tax base~~
17 ~~exceeds 50% of the sum of gross receipts plus the adjustments~~
18 ~~provided in section 23b(a) to (g), apportioned or allocated to~~
19 ~~Michigan with the apportionment fraction calculated pursuant to~~
20 ~~chapter 3, the adjusted tax base may, at the option of the~~
21 ~~taxpayer, be reduced by that excess.~~ If a taxpayer reduces the
22 adjusted tax base under this subsection, the taxpayer is not
23 entitled to the adjustment provided in subsection (4) for the same
24 taxable year. This subsection does not apply to an adjusted tax
25 base under section 22a. **FOR THE SPECIFIED YEARS AND EXCEPT AS**
26 **OTHERWISE PROVIDED IN SUBSECTION (7), IF THE ADJUSTED TAX BASE**
27 **EXCEEDS THE FOLLOWING PERCENTAGES OF THE SUM OF GROSS RECEIPTS PLUS**

Senate Bill No. 633 as amended October 25, 2005

1 THE ADJUSTMENTS PROVIDED IN SECTION 23B(A) TO (G), APPORTIONED OR
2 ALLOCATED TO THIS STATE WITH THE APPORTIONMENT FRACTION CALCULATED
3 PURSUANT TO CHAPTER 3, THE ADJUSTED TAX BASE MAY, AT THE OPTION OF
4 THE TAXPAYER, BE REDUCED BY THAT EXCESS:

5 (A) FOR TAX YEARS THAT BEGIN BEFORE JANUARY 1, 2006, 50.0%.

6 <<(B) FOR TAX YEARS THAT BEGIN ON AND AFTER JANUARY 1, 2006 AND
BEFORE JANUARY 1, 2007, 51.4%.>>

7 (C) FOR THE FIRST TAX YEAR THAT BEGINS ON AND AFTER THE FIRST
8 JANUARY 1 AFTER WHICH THE CRITERIA UNDER SECTION 74 HAVE BEEN MET,
9 BUT BEFORE JANUARY 1, 2011, AND EACH SUBSEQUENT TAX YEAR UNTIL
10 SUBDIVISION (C) APPLIES, <<52.8%>>.

11 (D) FOR THE FIRST TAX YEAR THAT BEGINS ON AND AFTER THE FIRST
12 JANUARY 1 AFTER AN INCREASE IN THE PERCENTAGE UNDER SUBDIVISION (B)
13 HAS OCCURRED AND FOR WHICH THE CRITERIA UNDER SECTION 74 HAVE BEEN
14 MET, BUT BEFORE JANUARY 1, 2011, AND EACH SUBSEQUENT TAX YEAR UNTIL
15 SUBDIVISION (D) APPLIES, <<55.6%>>.

16 (E) FOR THE FIRST TAX YEAR THAT BEGINS ON AND AFTER THE FIRST
17 JANUARY 1 AFTER AN INCREASE IN THE PERCENTAGE UNDER SUBDIVISION (C)
18 HAS OCCURRED AND FOR WHICH THE CRITERIA UNDER SECTION 74 HAVE BEEN
19 MET, BUT BEFORE JANUARY 1, 2011, AND EACH SUBSEQUENT TAX YEAR UNTIL
20 SUBDIVISION (E) APPLIES, <<58.4%>>.

21 (F) FOR THE FIRST TAX YEAR THAT BEGINS ON AND AFTER THE FIRST
22 JANUARY 1 AFTER AN INCREASE IN THE PERCENTAGE UNDER SUBDIVISION (D)
23 HAS OCCURRED AND FOR WHICH THE CRITERIA UNDER SECTION 74 HAVE BEEN
24 MET, OR JANUARY 1, 2011, WHICHEVER OCCURS FIRST, AND EACH
25 SUBSEQUENT TAX YEAR, <<61.2%>>.

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

(4) In lieu of the reduction provided in subsection (2), a

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

14 (A) FOR TAX YEARS THAT BEGIN BEFORE JANUARY 1, 2006, THE
15 PERCENTAGE THAT COMPENSATION DIVIDED BY THE TAX BASE EXCEEDS IS 63%
16 AND THE DEDUCTION SHALL NOT EXCEED 37% OF ADJUSTED TAX BASE.

17 (B) FOR TAX YEARS THAT BEGIN ON AND AFTER JANUARY 1, 2006 AND
18 BEFORE JANUARY 1, 2007, THE PERCENTAGE THAT COMPENSATION DIVIDED BY
19 THE TAX BASE EXCEEDS IS 64.5% AND THE DEDUCTION SHALL NOT EXCEED
20 35.5% OF ADJUSTED TAX BASE.

21 (C) FOR TAX YEARS THAT BEGIN ON AND AFTER THE FIRST JANUARY 1
22 AFTER WHICH THE CRITERIA UNDER SECTION 74 HAVE BEEN MET, BUT BEFORE
23 JANUARY 1, 2011, AND EACH SUBSEQUENT TAX YEAR UNTIL SUBDIVISION (D)
24 APPLIES, THE PERCENTAGE OF COMPENSATION DIVIDED BY THE TAX BASE
25 EXCEEDS IS 67.5% AND THE DEDUCTION SHALL NOT EXCEED 32.5% OF
26 ADJUSTED BASE.

27 (D) FOR THE FIRST TAX YEAR THAT BEGINS ON AND AFTER THE FIRST

1 JANUARY 1 AFTER AN ADJUSTMENT UNDER SUBDIVISION (C) HAS OCCURRED
2 AND FOR WHICH THE CRITERIA UNDER SECTION 74 HAVE BEEN MET, BUT
3 BEFORE JANUARY 1, 2011, AND EACH SUBSEQUENT TAX YEAR UNTIL
4 SUBDIVISION (E) APPLIES, THE PERCENTAGE OF COMPENSATION DIVIDED BY
5 THE TAX BASE EXCEEDS IS 70.5% AND THE DEDUCTION SHALL NOT EXCEED
6 29.5% OF ADJUSTED BASE.

7 (E) FOR THE FIRST TAX YEAR THAT BEGINS ON AND AFTER THE FIRST
8 JANUARY 1 AFTER AN ADJUSTMENT UNDER SUBDIVISION (D) HAS OCCURRED
9 AND FOR WHICH THE CRITERIA UNDER SECTION 74 HAVE BEEN MET, BUT
10 BEFORE JANUARY 1, 2011, AND EACH SUBSEQUENT TAX YEAR UNTIL
11 SUBDIVISION (F) APPLIES, THE PERCENTAGE OF COMPENSATION DIVIDED BY
12 THE TAX BASE EXCEEDS IS 73.5% AND THE DEDUCTION SHALL NOT EXCEED
13 26.5% OF ADJUSTED BASE.

14 (F) FOR THE FIRST TAX YEAR THAT BEGINS ON AND AFTER THE FIRST
15 JANUARY 1 AFTER AN ADJUSTMENT UNDER SUBDIVISION (E) HAS OCCURRED
16 AND FOR WHICH THE CRITERIA UNDER SECTION 74 HAVE BEEN MET, OR
17 JANUARY 1, 2011, WHICHEVER OCCURS FIRST, AND EACH SUBSEQUENT TAX
18 YEAR, THE PERCENTAGE OF COMPENSATION DIVIDED BY THE TAX BASE
19 EXCEEDS IS 76.5% AND THE DEDUCTION SHALL NOT EXCEED 23.5% OF
20 ADJUSTED 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) THE RATE UNDER SUBSECTION (1) SHALL BE REDUCED AS FOLLOWS:

4 (A) BEGINNING ON THE FIRST JANUARY 1 AFTER WHICH THE CRITERIA
5 UNDER SECTION 74 HAVE BEEN MET, BUT BEFORE JANUARY 1, 2011, AND
6 UNTIL A REDUCTION UNDER SUBDIVISION (B) HAS OCCURRED, THE RATE
7 SHALL BE THE RATE THAT WAS IN EFFECT ON THE DECEMBER 31 IMMEDIATELY
8 PRECEDING THAT JANUARY 1 REDUCED AS PROVIDED IN SUBSECTION (5) AND
9 THEN REDUCED BY 0.05 PERCENTAGE POINT.

10 (B) BEGINNING ON THE FIRST JANUARY 1 AFTER WHICH THE CRITERIA
11 UNDER SECTION 74 HAVE BEEN MET, BUT BEFORE JANUARY 1, 2011, AFTER A
12 REDUCTION UNDER SUBDIVISION (A) HAS OCCURRED AND UNTIL A REDUCTION
13 UNDER SUBDIVISION (C) HAS OCCURRED, THE RATE SHALL BE THE RATE THAT
14 WAS IN EFFECT ON THE DECEMBER 31 IMMEDIATELY PRECEDING THAT JANUARY
15 1 REDUCED AS PROVIDED IN SUBSECTION (5) AND THEN REDUCED BY 0.1
16 PERCENTAGE POINT.

17 (C) BEGINNING ON THE FIRST JANUARY 1 AFTER WHICH THE CRITERIA
18 UNDER SECTION 74 HAVE BEEN MET, BUT BEFORE JANUARY 1, 2011, AFTER A
19 REDUCTION UNDER SUBDIVISION (B) HAS OCCURRED AND UNTIL A REDUCTION
20 UNDER SUBDIVISION (D) HAS OCCURRED, THE RATE SHALL BE THE RATE THAT
21 WAS IN EFFECT ON THE DECEMBER 31 IMMEDIATELY PRECEDING THAT JANUARY
22 1 REDUCED AS PROVIDED IN SUBSECTION (5) AND THEN REDUCED BY 0.1
23 PERCENTAGE POINT.

24 (D) BEGINNING ON THE FIRST JANUARY 1 AFTER WHICH THE CRITERIA
25 UNDER SECTION 74 HAVE BEEN MET, BUT BEFORE JANUARY 1, 2011, AFTER A
26 REDUCTION UNDER SUBDIVISION (C) HAS OCCURRED AND UNTIL SUBDIVISION
27 (E) APPLIES, THE RATE SHALL BE THE RATE THAT WAS IN EFFECT ON THE

1 DECEMBER 31 IMMEDIATELY PRECEDING THE JANUARY 1 REDUCED AS PROVIDED
2 IN SUBSECTION (5) AND THEN REDUCED BY 0.1 PERCENTAGE POINT.

3 (E) BEGINNING JANUARY 1, 2011, THE RATE UNDER SUBSECTION (1)
4 SHALL BE THE RATE IN EFFECT ON DECEMBER 31, 2010.

5 (7) ALL OF THE FOLLOWING APPLY FOR TAX YEARS BEGINNING ON AND
6 AFTER JANUARY 1, 2007:

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

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

15 (8) ~~—(6)—~~ The department shall annualize the rate under this
16 section as necessary, and the applicable annualized rate shall be
17 imposed.

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

21 (a) House Bill No. 4972.

22 (b) House Bill No. 4980.

23 (c) House Bill No. 5095.

24 (d) House Bill No. 5096.

25 (e) House Bill No. 5097.

26 (f) House Bill No. 5098.

27 (g) House Bill No. 5106.

- 1 (h) House Bill No. 5107.
- 2 (i) House Bill No. 5108.
- 3 (j) Senate Bill No. 634.