

# HOUSE BILL No. 4354

February 17, 2005, Introduced by Reps. Hildenbrand, David Law, Lemmons, III, Schuitmaker, Lemmons, Jr., Rocca, Hune, Gosselin, Baxter, Stahl, Espinoza, Vander Veen, Pearce, LaJoy, Drolet, Hoogendyk, Jones and Taub and referred to the Committee on Tax Policy.

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 **AND (7)**, 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 (2) As used in this section, "adjusted tax base" means the tax  
4 base allocated or apportioned to this state pursuant to chapter 3  
5 with the adjustments prescribed by sections 23 and 23b and the  
6 exemptions prescribed by section 35. If the adjusted tax base  
7 exceeds 50% of the sum of gross receipts plus the adjustments  
8 provided in section 23b(a) to (g), apportioned or allocated to  
9 Michigan with the apportionment fraction calculated pursuant to  
10 chapter 3, the adjusted tax base may, at the option of the  
11 taxpayer, be reduced by that excess. If a taxpayer reduces the  
12 adjusted tax base under this subsection, the taxpayer is not  
13 entitled to the adjustment provided in subsection (4) for the same  
14 taxable year. This subsection does not apply to an adjusted tax  
15 base under section 22a.

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

18 (4) In lieu of the reduction provided in subsection (2), a  
19 person may elect to reduce the adjusted tax base by the percentage  
20 that the compensation divided by the tax base exceeds 63%. The  
21 deduction shall not exceed 37% of the adjusted tax base. For  
22 purposes of computing the deduction allowed by this subsection, as  
23 effective for the respective tax year, compensation does not  
24 include amounts of compensation exempt from tax under section  
25 35(1)(e). This subsection does not apply to an adjusted tax base  
26 under section 22a.

27 (5) If the comprehensive annual financial report of this state

1 for a state fiscal year **ENDING BEFORE OCTOBER 1, 2004**, published  
2 pursuant to section 494 of the management and budget act, 1984 PA  
3 431, MCL 18.1494, reports an ending balance of more than  
4 \$250,000,000.00 in the countercyclical budget and economic  
5 stabilization fund created under section 351 of the management and  
6 budget act, 1984 PA 431, MCL 18.1351, for that state fiscal year,  
7 the tax rate under this section shall be reduced by 0.1 percentage  
8 point on the January 1 following the end of the state fiscal year  
9 for which the report was issued.

10 **(6) THE TAX RATE UNDER THIS SECTION SHALL BE REDUCED BY 0.1**  
11 **PERCENTAGE POINT ON JANUARY 1, 2006 AND ON EACH JANUARY 1**  
12 **THEREAFTER.**

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