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**BILL ANALYSIS**

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Senate Bill 1055 (as introduced 1-22-08)
Sponsor: Senator Michelle A. McManus
Committee: Finance

Date Completed: 1-24-08

CONTENT

The bill would amend the Michigan Business Tax Act to exclude receipts from treasury functions embedded within an operating entity, from a category of receipts that are considered to be in this State.

For the purpose of determining liability under the Act, receipts from the sale of securities and other assets from investment and trading activities, including interest, dividends, and gains, are in this State if the person's customer is in this State. If the location of the person's customer cannot be determined, various criteria apply.

Under the bill, this would apply to receipts other than receipts from treasury functions that were embedded within an operating entity.

MCL 208.1305

Legislative Analyst: Craig Laurie

FISCAL IMPACT

The bill would change General Fund revenue by an unknown and likely negligible amount. Firms that have activity in more than one state must apportion their activity to Michigan when computing their tax liability. Under the Michigan business tax, taxpayers generally calculate an apportionment percentage by dividing Michigan sales by total sales. The bill would exclude certain receipts from being considered Michigan sales. The bill does not explicitly exclude the receipts from total sales, and it is unclear if the same receipts also would be excluded from total sales. If the changes were interpreted not to exclude the receipts from totals sales, then taxpayers would apportion a reduced percentage of activity to Michigan and General Fund revenue would be reduced by an unknown amount.

Although the bill is not tie-barred to Senate Bill 1038, that bill would exclude the same receipts from the gross receipts portion of the tax base. If both bills were enacted and the receipts were not excluded from total sales, then both the tax base and the apportionment percentage would be reduced and General Fund revenue would be reduced by a greater amount than if Senate Bill 1038 were not enacted.

Senate Bill 1055 would have no fiscal impact on local government.

Fiscal Analyst: David Zin

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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.