

Legislative Analysis



REPEAL MBT SURCHARGE

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House Bill 4001 (Proposed H-1 Substitute)

Sponsor: Rep. Kurt Heise

Committee: Tax Policy

Complete to 2-3-11

A SUMMARY OF HOUSE BILL 4001 (PROPOSED H-1 SUBSTITUTE)

The bill would repeal the annual surcharge on the tax liability of firms under the Michigan Business Tax that was imposed by Public Act 145 of 2007 (MCL 208.1281).

The surcharge, generally speaking, is 21.99 percent, with a cap for any one taxpayer in any one tax year of \$6 million. The surcharge is imposed after allocation or apportionment to the state but before calculation of the various credits available under the act. There is an alternative surcharge on the tax liability of financial institutions. It was imposed at 27.7 percent before January 1, 2009, and 23.4 percent thereafter. Financial institutions are taxed in a manner different from other firms under the MBT. The surcharge does not apply to insurance companies, which also have their own separate MBT tax calculation.

In the substitute bill, the repeal is effective January 1, 2012. (As introduced, the bill would have been retroactive to January 1, 2008, the date when the surcharge and the underlying MBT originally took effect).

In addition to imposing the MBT surcharge, Public Act 145 of 2007 also repealed a new use tax on services before it could take effect. The MBT surcharge was developed as an alternative to and replacement for the use tax on services. Under PA 145, the surcharge is not to be levied after 2016 if personal income growth in Michigan exceeds zero percent in 2014, 2015, or 2016.

FISCAL IMPACT:

As written, the substitute for House Bill 4001 would reduce MBT revenue in FY2011-12 by an estimated \$379.7 million, all of which would come from the General Fund. On a full year basis, the surcharge is forecast to generate \$506.2 million in FY2011-12. However, because the elimination would not be effective until January 1, 2012, the surcharge would still be in effect for a portion of FY2011-12.

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