



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 516 (Substitute S-1 as reported)
Sponsor: Senator Darwin L. Booher
Committee: Finance

CONTENT

The bill would amend Chapter 13 of the Income Tax Act, which imposes a franchise tax on financial institutions, to do the following regarding the calculation of the tax base (which is net capital subject to deductions):

- Define "net capital" as equity capital subject to the adjustments in Chapter 13.
- Define "equity capital" for a unitary business group (UBG) as the total equity capital of the top-tiered parent entity of the group as reported on a specific Federal form by the top-tiered parent entity.
- Add a definition of "unitary business group".
- Delete a requirement for five-year averaging in the calculation of net capital.
- Allow a financial institution to deduct the equity capital of an applicable controlled foreign corporation, in the calculation of its tax base.
- Eliminate gross business attributable to the foreign business of an applicable controlled foreign corporation, from the gross business factor in the apportionment formula.
- Include the gross business of all members of a UBG of financial institutions in the gross business factor.

The bill also provides that, if a United States person included in a financial institution UBG or a financial institution combined return were subject to the tax under Chapter 11 (the Corporate Income Tax) or Chapter 12 (the tax on insurance companies), any business income or equity capital attributable to that person would have to be eliminated from the equity capital of the UBG and any sales or gross business proceeds attributable to that person would have to be eliminated from the apportionment formula under Part 2 (which includes Chapters 11, 12, and 13).

MCL 206.651 et al.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have an unknown impact on General Fund revenue that would depend on the specific characteristics of affected taxpayers.

Date Completed: 12-2-13

Fiscal Analyst: David Zin