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SFA**BILL ANALYSIS**

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Senate Bill 1038 (as introduced 3-26-98)
Sponsor: Senator William Van Regenmorter
Committee: Finance

Date Completed: 11-10-98

CONTENT

The bill would amend the Single Business Tax (SBT) Act to allow a taxpayer to exclude from the taxpayer's tax base royalties paid relating to computer software, and to a license to use computer software. A taxpayer who paid or incurred these royalties could not deduct them to the extent they were included in arriving at Federal taxable income. The bill would apply to tax years that began after 1997. The bill specifies that "computer software" would mean a set of statements or instructions that, when incorporated in a machine usable medium, was capable of causing a machine or device having information processing capabilities to indicate, perform, or achieve a particular function, task, or result.

Currently, under the Act, a taxpayer must add to the taxpayer's tax base royalties paid, to the extent deducted in arriving at Federal taxable income, except those royalties specifically excluded. A taxpayer may deduct from the tax base royalties received, to the extent included in arriving at Federal taxable income, except those royalties specified.

MCL 208.9

Legislative Analyst: G. Towne

FISCAL IMPACT

The impact of this bill is very difficult to estimate due to the very limited availability of relevant data. Based on the information that is available, it is estimated that this bill would probably generate little or no net fiscal impact because the provisions in the bill would shift the tax burden on computer software royalties from businesses that purchase software to businesses that sell software.

Fiscal Analyst: J. Wortley

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