



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



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 1093 (Substitute S-2 as reported)
Sponsor: Senator Cameron S. Brown
Committee: Finance

CONTENT

The bill would amend the Single Business Tax (SBT) Act to allow employers with gross receipts for a tax year of \$10 million or less to claim a credit against the SBT equal to 1% of the compensation paid to employees who performed "created jobs" in Michigan for that tax year. The credit would be allowed for tax years beginning after December 31, 2004. In years in which the tax credit allowed exceeded a company's tax liability, the excess could be carried forward as an offset to tax liability in subsequent tax years for 10 tax years, or until the excess credit was used up, whichever came first.

According to the bill, "created jobs" would mean those jobs meeting all of the following criteria:

- The job did not exist in Michigan in the immediately preceding tax year.
- The job represented an overall increase in full-time equivalent jobs in Michigan for the tax year from the total number of full-time equivalent jobs in the State in the immediately preceding tax year.
- The job was not one into which an employee transferred if he or she worked in the State for the taxpayer, or an entity with which the taxpayer filed a consolidated return, in another job before beginning the created job.
- The benefits for the employee in the created job included health care coverage or health insurance.

MCL 208.37f

Legislative Analyst: J.P. Finet

FISCAL IMPACT

Given the effective date of January 1, 2005, and the current estimates of the number of new jobs that will be created in 2005 and 2006, it is estimated that this bill would reduce single business tax revenue by about \$3.3 million in FY 2004-05, which represents a partial-year impact, and about \$10.0 million for a full-year impact in FY 2005-06. All single business tax revenue goes into General Fund/General Purpose revenue, so this loss in revenue would affect the General Fund/General Purpose budget. This bill would have no direct impact on local governments.

Date Completed: 3-23-04

Fiscal Analyst: Jay Wortley

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