

HOUSE BILL No. 5163

October 14, 2003, Introduced by Reps. Hoogendyk, Drolet, Sheen, Garfield, Bradstreet, Casperson, Huizenga, Stahl, Steil, Pastor, Acciavatti, Brandenburg, Milosch, Newell, Woronchak, Palmer, Shaffer, Robertson, Meyer, Hune, Taub, LaJoy, Voorhees, Vander Veen, Amos, DeRoche, Stakoe, Nofs and Van Regenmorter and referred to the Committee on Tax Policy.

A bill to amend 1975 PA 228, entitled
"Single business tax act,"
by amending section 31 (MCL 208.31), as amended by 1999 PA 115.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 31. (1) Except as provided in subsections (5) and (6),
2 there is levied and imposed a specific tax upon the adjusted tax
3 base of every person with business activity in this state that is
4 allocated or apportioned to this state at the following rates for
5 the specified periods:

6 (a) Before October 1, 1994, 2.35%.

7 (b) After September 30, 1994 and before January 1, 1999,
8 2.30%.

9 (c) ~~Beginning~~ **Except as provided in subsection (6),**
10 **beginning** January 1, 1999 and each January 1 ~~after 1999~~ **before**
11 **January 1, 2003**, the rate under this subsection shall be reduced

1 as provided in subsection (5).

2 (d) Except as provided by subsection (6), beginning January
3 1, 2003, the rate under this subsection shall be reduced by 0.1
4 percentage point on each January 1 until January 1, 2009 or until
5 the rate is reduced to 0.0%, whichever occurs first.

6 (2) As used in this section, "adjusted tax base" means the
7 tax base allocated or apportioned to this state pursuant to
8 chapter 3 with the adjustments prescribed by sections 23 and 23b
9 and the exemptions prescribed by section 35. If the adjusted tax
10 base exceeds 50% of the sum of gross receipts plus the
11 adjustments provided in section 23b(a) to (g), apportioned or
12 allocated to Michigan with the apportionment fraction calculated
13 pursuant to chapter 3, the adjusted tax base may, at the option
14 of the taxpayer, be reduced by that excess. If a taxpayer
15 reduces the adjusted tax base under this subsection, the taxpayer
16 is not entitled to the adjustment provided in subsection (4) for
17 the same taxable year. This subsection does not apply to an
18 adjusted tax base under section 22a.

19 (3) The tax levied under this section and imposed is upon the
20 privilege of doing business and not upon income.

21 (4) In lieu of the reduction provided in subsection (2), a
22 person may elect to reduce the adjusted tax base by the
23 percentage that the compensation divided by the tax base exceeds
24 63%. The deduction shall not exceed 37% of the adjusted tax
25 base. For purposes of computing the deduction allowed by this
26 subsection, as effective for the respective tax year,
27 compensation does not include amounts of compensation exempt from

1 tax under section 35(1)(e). This subsection does not apply to an
2 adjusted tax base under section 22a.

3 (5) If the comprehensive annual financial report of this
4 state for a state fiscal year, published pursuant to section 494
5 of the management and budget act, 1984 PA 431, MCL 18.1494,
6 reports an ending balance of more than \$250,000,000.00 in the
7 countercyclical budget and economic stabilization fund created
8 under section 351 of the management and budget act, 1984 PA 431,
9 MCL 18.1351, for that state fiscal year, the tax rate under this
10 section shall be reduced by 0.1 percentage point on the January 1
11 following the end of the state fiscal year for which the report
12 was issued **for each January 1 before January 1, 2003.**

13 (6) The department shall annualize the rate under this
14 section as necessary, and the applicable annualized rate shall be
15 imposed.