

Legislative Analysis



MBT GROSS RECEIPTS EXCLUSIONS

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House Bill 6596

Sponsor: Rep. Steve Bieda

Committee: Tax Policy

Complete to 11-12-08

A SUMMARY OF HOUSE BILL 6596 AS INTRODUCED 11-6-08

The bill would amend the Michigan Business Tax Act to modify the definition of "gross receipts."

The act generally defines "gross receipts" to mean the total amount received from any commercial activity, with a number of exclusions. The act currently excludes from gross receipts, the proceeds from any sale or other disposition of tangible, intangible, or real property that is a capital asset or land that is used in a trade or business, less any gain to the extent included in federal taxable income.

House Bill 6596 would expand this exclusion to also apply to the maturity, redemption, repurchase, recapitalization or reorganization of property, and to property used in a "hedging transaction" that manages a taxpayer's risk of exposure to foreign currency fluctuations affecting assets, liabilities, profits, losses, equity, or investments in foreign operations; interest rate fluctuations; or commodity price fluctuations. The bill also expands the exclusion to apply to investment and trading assets managed as part of a person's "treasury function." The term "treasury function" would be defined to mean "the pooling and management of investment and trading assets for the purposes of satisfying the cash flow or liquidity needs of the taxpayer's trade or business."

The bill also would exclude receipts derived from investment activities by persons organized exclusively to conduct investments activities for related individuals or a common trust fund, and would also exclude interest income and dividends derived from obligations and securities of the federal government, the state, or Michigan governmental units.

The bill would be retroactive to the beginning of the 2008 tax year (the first year of the tax).

FISCAL IMPACT:

A fiscal analysis is in process.

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