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BILL ANALYSIS

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Senate Bill 1242 (as introduced 3-27-08)  
Sponsor: Senator Mark C. Jansen  
Committee: Finance

Date Completed: 9-24-08

## **CONTENT**

### **The bill would amend the Michigan Business Tax (MBT) Act to decrease the MBT surcharge over three years and then eliminate it.**

In addition to the taxes imposed and levied under the Act, an annual surcharge is imposed and levied on each taxpayer equal to a percentage of the taxpayer's tax liability under the Act after allocation or apportionment to this State but before calculation of various credits. The surcharge does not apply to a person subject to the tax under Chapter 2A (an insurance company) or a person subject to the tax under Chapter 2B (a financial institution) that is authorized to exercise only trust powers. The amount of the surcharge levied on any taxpayer may not exceed \$6.0 million for any single tax year.

For each taxpayer other than a person subject to the tax under Chapter 2B, the surcharge is equal to 21.99% of the taxpayer's liability. For a person subject to the tax under Chapter 2B, the percentage is equal to 27.7% for the tax year ending during 2008, and 23.4% for tax years ending after 2008.

If the Michigan personal income growth exceeds 0.0% in any one of the three calendar years immediately preceding the 2017 calendar year, then the surcharge may not be levied and imposed on or after January 1, 2017. The bill would delete this provision.

Under the bill, for each taxpayer other than a person subject to the tax under Chapter 2B, the surcharge would be equal to the percentage of the taxpayer's tax liability shown in Table 1.

Table 1

Tax Year Ending During	Surcharge
2008	21.99%
2009	14.66%
2010	7.33%

For a person subject to the tax under Chapter 2B, the surcharge would be equal to the percentage of the taxpayer's tax liability shown in Table 2.

Table 2

Tax Year Ending During	Surcharge
2008	27.7%
2009	18.47%
2010	9.24%

(Chapter 2A provides for a tax on each insurance company equal to 1.25% of gross direct premiums written on property or risk allocated or residing in the State. Under Chapter 2B, every financial institution with nexus in this State is subject to a franchise tax.)

MCL 208.1281

Legislative Analyst: Craig Laurie

**FISCAL IMPACT**

This bill would reduce Michigan business tax revenue an estimated \$119.5 million in FY 2008-09, \$333.3 million in FY 2009-10, \$555.8 million in FY 2010-11, and \$660.2 million in FY 2011-12. All of this loss in Michigan business tax revenue would reduce the General Fund. The bill would not have a direct impact on local government.

Fiscal Analyst: Jay Wortley