

**SUBSTITUTE FOR
HOUSE BILL NO. 5666**

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending section 655 (MCL 206.655), as added by 2011 PA 38.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 655. (1) For a financial institution, ~~tax base means the~~
2 ~~financial institution's net capital. Net capital means equity~~
3 ~~capital as computed in accordance with generally accepted~~
4 ~~accounting principles less the average daily book value of United~~
5 ~~States obligations and Michigan obligations. If the financial~~
6 ~~institution does not maintain its books and records in accordance~~
7 ~~with generally accepted accounting principles, net capital shall be~~
8 ~~computed in accordance with the books and records used by the~~

1 ~~financial institution, so long as the method fairly reflects the~~
2 ~~financial institution's net capital for purposes of the tax levied~~
3 ~~by this chapter. Net capital does not include up to 125% of the~~
4 ~~minimum regulatory capitalization requirements of a person subject~~
5 ~~to the tax imposed under chapter 12.~~ **THE TAX BASE IS THE TOTAL**
6 **EQUITY CAPITAL OF THE FINANCIAL INSTITUTION OR TOP-TIERED PARENT**
7 **ENTITY, IN THE CASE OF A UNITARY BUSINESS GROUP OF FINANCIAL**
8 **INSTITUTIONS, SUBJECT TO THE FOLLOWING ADJUSTMENTS:**

9 **(A) BEFORE ALLOCATION OR APPORTIONMENT:**

10 **(i) DEDUCT THE AVERAGE DAILY BOOK VALUE OF UNITED STATES**
11 **OBLIGATIONS OWNED BY MEMBERS OF THE UNITARY BUSINESS GROUP.**

12 **(ii) DEDUCT THE AVERAGE DAILY BOOK VALUE OF MICHIGAN**
13 **OBLIGATIONS OWNED BY MEMBERS OF THE UNITARY BUSINESS GROUP.**

14 **(iii) SUBJECT TO THE LIMITATION PROVIDED IN THIS SUBPARAGRAPH,**
15 **DEDUCT THE EQUITY CAPITAL OF A PERSON THAT IS SUBJECT TO THE TAX**
16 **IMPOSED UNDER CHAPTER 12, NOT TO EXCEED 125% OF THE MINIMUM**
17 **REGULATORY CAPITALIZATION REQUIREMENTS OF THE MEMBER. FOR PURPOSES**
18 **OF THIS SUBPARAGRAPH, "EQUITY CAPITAL" IS THE EQUITY CAPITAL AMOUNT**
19 **CALCULATED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING**
20 **PRINCIPLES.**

21 **(B) AFTER ALLOCATION OR APPORTIONMENT, DEDUCT \$20,000,000.00.**

22 ~~Net capital~~ **THE TAX BASE** shall be determined by adding the
23 financial institution's net capital as of the close of the current
24 tax year and preceding 4 tax years and dividing the resulting sum
25 by 5. If a financial institution has not been in existence for a
26 period of 5 tax years, net capital shall be determined by adding
27 together the financial institution's net capital for the number of

1 tax years the financial institution has been in existence and
2 dividing the resulting sum by the number of years the financial
3 institution has been in existence. For purposes of this section, a
4 partial year shall be treated as a full year.

5 ~~—— (3) For a unitary business group of financial institutions,~~
6 ~~net capital calculated under this section does not include the~~
7 ~~investment of 1 member of the unitary business group in another~~
8 ~~member of that unitary business group.~~

9 (3) ~~(4)~~ For purposes of this section, each of the following
10 applies:

11 (a) A change in identity, form, or place of organization of 1
12 financial institution shall be treated as if a single financial
13 institution had been in existence for the entire tax year in which
14 the change occurred and each tax year after the change.

15 (b) The combination of 2 or more financial institutions into 1
16 shall be treated as if the constituent financial institutions had
17 been a single financial institution in existence for the entire tax
18 year in which the combination occurred and each tax year after the
19 combination, and the book values and ~~deductions~~ **ADJUSTMENTS** for
20 United States obligations and Michigan obligations of the
21 constituent institutions shall be combined. A combination shall
22 include any acquisition required to be accounted for by the
23 surviving financial institution **AS A BUSINESS COMBINATION** in
24 accordance with generally accepted accounting principles or a
25 statutory merger or consolidation.

26 Enacting section 1. This amendatory act is effective for tax
27 years beginning after December 31, 2017.

1 Enacting section 2. This amendatory act does not take effect
2 unless Senate Bill No. 234 of the 98th Legislature is enacted into
3 law.