

The Factor Tax

Another plan that has been discussed is known as a “Factor Tax.” This tax has not yet been publicly adopted or endorsed by any group, but has nonetheless been discussed in many places. A Factor Tax in general would apply a stated rate to a base similar to a business’ current Michigan SBT apportionment factors. Such a tax would most likely be calculated in a manner similar to the following:

Michigan Payroll x .175%, plus
Michigan Sales x .175% , plus
Michigan Property x .175%, plus
Net Income x 10 x .175%.

One appeal to such a plan is the extremely low rate. This type of tax likely would reportedly be able to raise revenue to replace current SBT revenue, plus allow for some personal property tax relief.

Ohio considered a similar type of factor tax before it settled on its current CAT.

- The Factor Tax uses a very low rate.
- The heavy weighting of net income creates a tax that appears to be dependent on profitability.