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Replacement to the Michigan Business Tax Revealed

JUST ANNOUNCED - On January 27, 2011, Governor Rick Snyder released a draft of a new Michigan business tax proposal. The proposal calls for replacing the Michigan Business Tax (MBT) with a Corporate Income Tax that would only be levied on "C" corporations, and not on pass-through entities or sole proprietorships.

The new tax would take effect January 1, 2012, and fulfills the Governor's campaign promise to eliminate the MBT. The proposal will be introduced in the Legislature concurrent with the Governor's two-year budget submission in the month of February.

The proposal continues unitary group reporting and a 100% sales factor, while eliminating most of the other aspects of the MBT, such as the multitude of credits. The proposal does not currently address transition issues and other necessities required when changing tax regimes. We expect these details to be fleshed out as the legislation is prepared.

Our preliminary analysis indicates that while certain taxpayers will benefit from this new tax, other taxpayers, particularly multistate "C" corporations could have a tax increase.

If you have any questions regarding the new proposal, please feel free to contact us.

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