

House Democrats Michigan Business Tax Proposal

This plan creates a new act to impose an income and a net worth tax on businesses to replace the SBT and provide significant personal property tax relief. Features of the plan include:

- 6.95% tax on business income (profit)
- 0.488% tax on net worth (assets less liabilities)
 - Lower net worth tax rate for the financial/insurance/real estate sector
- Exemption for commercial and industrial personal property on the 18 mill local school operating millage and the 6 mill State Education Tax (on average, 46% of tax liability)
- Additional 50% refundable credit for industrial personal property taxes paid (combined with the 24 school mills, reduces liability for manufacturers by 73% on average)
- \$700 million in new credits for in-state compensation, investment, and research and development
- Rebate trigger if revenues exceed revenue neutral by 10% or more; excess is rebated pro rata through a credit on the subsequent year's tax liability to taxpayers who claimed a credit for compensation, investment, or R&D
- Small business tax relief:
 - \$350,000 gross receipts filing threshold and gradual phase-in through \$700,000
 - Small businesses with less than \$10 million in gross receipts and income for a single owner not over \$115,000 can opt to pay a tax of 1.8% of adjusted business income
 - No minimum tax
- New Michigan Economic Growth Authority (MEGA) credit to match the investment of established companies in new start up research companies [similar to HB 4606 (CLEMENTE)]
- Mandatory unitary filing requires groups of companies under common ownership or control to combine their business activity for tax filing purposes
- Single sales factor apportionment and market-based sourcing
- Federal "physical presence" nexus standard for income tax and broader nexus standard for the worth tax
- The tax on insurance companies increases from 1.07% to 1.25%, but insurers will retain credits from the SBT

- Other credits retained from SBT:
 - Start-up business credit
 - Early stage venture investment credit
 - Charitable contributions credit
 - Supplemental worker's compensation credit
 - Community foundation credit
 - Homeless shelter/food bank credit
 - Next Energy credit
 - Michigan Economic Growth Authority (MEGA) credit
 - Renaissance Zone credit
 - Historic rehabilitation credit
 - Brownfield credit
- Revenues from the bill are distributed into the School Aid Fund to make up for the 24 mill exemption and the remainder goes to the General Fund.