

Proposals to Replace the SBT

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Crain's Detroit Business

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- Repeal Legislation
- Alternatives Under Discussion
- Timing Issues

Initiated Legislation

- Petition initiative started by Brooks Patterson, Oakland County Executive
- Encourage Legislature to adopt tax that is less burdensome, less costly to employers, more equitable and more conducive to job creation and investment
- 297,741 petition signatures validated by Board of Canvassers
- Legislature enacted the initiative as PA 325 on 8/9/2006
- SBT repealed as of 12/31/2007

Possible Replacement Taxes

- Fair Tax
- Subtractive Value-Added Tax and Income Tax
- Detroit Chamber Business License Fee
- Grand Rapids Chamber Business Activities Tax
- Michigan Chamber Business License Tax and Income Tax
- Governor's Michigan Business Tax

Fair Tax

- Eliminate SBT, Individual Income Tax and Personal Property Tax
- Broad Based Sales Tax on all purchases of goods and services in range of 9%
- Taxes new house purchases
- Exempts business to business sales
- No Chance of Enactment

Subtractive Value Added Tax and Income Tax

- Gary Wolfram, Hillsdale College
- Business choice to pay either
 - Subtractive Value Added Tax on gross receipts minus purchases from other firms and CAD, or
 - Income Tax based on federal taxable income
- Election binding for minimum number of years

Detroit Chamber Business License Fee

- License fee based on Michigan sales
- Business with sales in specified range would pay set annual fee
- Sales under \$350,000 = no fee
- Maximum fee \$1,000,000

Grand Rapids Chamber Business Activities Tax

- Tax base = Michigan sales less \$350,000 or cost of tangible personal property purchased for resale, manufacturing, leasing or cost of funds for financials
- Rate not to exceed .75%
- Under \$350,000 = \$150
- Destination Sourcing
- Repeal Personal Property Tax

MI Chamber Business License and Income Tax

- Two Taxes
- Single sales factor for both taxes
- Business Activity Tax based on sales
- Rate = .24% / .18% retail/wholesale
- \$2 Million Cap

MI Chamber Business License and Income Tax

- Income Tax based on federal base
- Rate = 1.85%
- 350,000 or under = \$150 tax
- 50% personal property tax credit
- \$500 Million tax cut
- Bills being drafted

Governor's Michigan Business Tax

- Tax Base = gross receipts, assets plus net income x 15
- Rate = .125%
- Under \$350,000 gross receipts, no filing
- 100% sales factor apportionment
- No Michigan sales, then property and payroll for apportionment
- Keeps MEGA, Brownfield & Renaissance Zone Credits
- Adds new R & D credit

Governor's Michigan Business Tax

- Insurance Co tax at 1.25% on gross premiums
- 24 mill reduction to personal property tax
- Revenue Neutral
- Fallback tax if PL 86-272 applies or if apportionment is unconstitutional
Gross receipts tax at .375%

Timing Questions

- Any lame duck session action?
- Next spring for new tax?
- Michigan SBT Replacement Tax website:

<http://www.honigman.com/practice/detail.asp?id=12&AreaID=24>