

Planning Opportunities

- Accelerate items not taxable under SBT into 2007
- Defer items that increase the base under SBT
- Re-evaluate strategies once new tax is enacted

Accelerate Items Not Taxable Under SBT

- Interest income
- Dividend income
- Royalty income except franchise royalties
- Use SBT loss carryforward

Defer Items That Increase SBT Base

- Interest expense
- Dividend expense
- Royalty expense
- Compensation
- Other state net income tax
- Capital loss carryover or carryback
- Losses from partnerships

Credits that Are Likely to Go Away

- Investment Tax Credit
- Insurance Company Credits (maybe)
- Unincorporated Taxpayer Credit
- Alternative gross receipts reduction
- Compensation reduction

Look at Sales Factor and Gross Receipts

- Sales Factor
 - Will be 100%
 - May include royalty income
 - May need a Michigan sale to avoid fallback to property and payroll

- Gross Receipts – Excludes
 - Amounts received in agency capacity
 - Refunds, returns
 - Cash and trade discounts
 - Like-kind exchange
 - Transfers of accounts receivable

Industry Specific Concerns

- Insurance
- Financials
- Consolidate return filers
- Real estate management
- Franchisors/Trademark Licensors
- Tiered Partnerships/S Corporations

This presentation is intended to provide general information regarding the various pending state tax proposals. It is not intended to be an all encompassing treatment of the subject matter and does not purport to offer legal advice.

Honigman Contacts

Richard Barr

(313) 465-7308

rbarr@honigman.com

Frederick Frank

(313) 465-7384

ffrank@honigman.com

June Haas

(517) 377-0734

jhaas@honigman.com

Mark Hilpert

(517) 377-0727

mhilpert@honigman.com

HONIGMAN
