



Romney Building, 10th Floor  
Lansing, Michigan 48909  
Phone: 517/373-6466

## SBT: RETAILER CAD EXCEPTION

**House Bill 5795**

**Sponsor: Rep. Kirk A. Profit**

**Committee: Tax Policy**

**Complete to 6-2-98**

### **A SUMMARY OF HOUSE BILL 5795 AS INTRODUCED 4-29-98**

Legislation in 1995 altered the way in which the capital acquisition deduction is calculated for multi-state firms under Michigan's single business tax. The CAD, which permits firms to deduct from the SBT tax base the cost of real and personal property acquired in the tax year, was changed so that it only applies to assets located in Michigan for use in a business activity in the state. Prior to that, the CAD applied to acquisitions by a multi-state company anywhere, subject to the same apportionment formula used in determining the SBT tax base. (That formula, which was also changed in 1995, is based on the proportion of a firm's Michigan payroll, property, and sales to its total payroll, property, and sales. The 1995 legislation changed the weighting from 25-25-50 to 80-10-10 for 1997 and 1998 and to 5-5-90 for 1999 and thereafter.) However, one of the exceptions in the 1995 legislation allows a retailer that meets certain criteria to continue using the prior method of computing the CAD. To qualify, a retailer must be headquartered in Michigan and more than 50 percent of its total sales has to be composed of the retail sale of fresh, frozen, or processed food, food products, or consumable necessities; household products; prescriptions; health and beauty care products; cosmetics; pet products; carbonated beverages; and beer, wine, and liquor. (The firm must sell all of the above products. Also, the firm's retail sales of prescriptions must be more than 2 percent and less than 10 percent of its total retail sales.)

House Bill 5795 would amend the Single Business Tax Act to make the exception cited above apply, for tax years that begin on and after January 1, 1998, to a retailer deriving more than 20 percent of its total sales from the retail sale of the products cited above.

MCL 208.23 and 208.23b

Analyst: C. Couch

---

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.