
Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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House Bill 5795 (as reported without amendment)
Sponsor: Representative Kirk A. Profit
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the Single Business Tax (SBT) Act to allow additional retailers to qualify to claim the alternative capital acquisition deduction (CAD), by lowering the percentage of retail sales that a retailer must meet to claim the alternative CAD. The bill would apply to tax years beginning after 1997.

Currently, a taxpayer generally may deduct the cost of tangible assets that are located in Michigan for use in a business activity. This treatment of the CAD has applied to tax years after 1996; prior to that a multistate taxpayer could deduct the cost of tangible assets located and acquired anywhere, after apportioning the assets. The Act currently allows certain retailers to use the old (alternative) CAD, under certain conditions: The taxpayer must have its headquarters in Michigan; have incorporated in Michigan before January 9, 1996; sell retail prescriptions that comprise more than 2%, but less than 10%, of the taxpayer's total retail sales; and sell at retail certain products that comprise more than 50% of the taxpayer's total sales. The bill would lower the 50% threshold to 20% of the taxpayer's total sales.

(The products that must make up more than 50% of total sales are 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, or liquor.)

MCL 208.23 & 208.23b

Legislative Analyst: G. Towne

FISCAL IMPACT

This bill would reduce the single business tax paid by the K-Mart Corporation by an estimated \$2.5 million to \$4.0 million annually.

Date Completed: 11-30-98

Fiscal Analyst: J. Wortley