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**SFA****BILL ANALYSIS**

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Senate Bill 486 (as enrolled)  
Sponsor: Senator Bev Hammerstrom  
Senate Committee: Finance  
House Committee: Tax Policy

**PUBLIC ACT 230 of 2001**

Date Completed: 1-10-03

**CONTENT**

The bill amended the Single Business Tax Act to allow a taxpayer to exclude from its tax base--to the extent deducted in calculating Federal taxable income--royalties, fees, or other payments or consideration paid or incurred by a franchisee to a franchisor to establish or maintain the franchise relationship, other than payments for the sale or lease of inventory, equipment, fixtures, or real property at fair rental or fair market value.

Further, the bill prohibits a taxpayer from deducting from its tax base--to the extent included in calculating Federal taxable income --royalties, fees, or other payments or consideration paid or incurred by a franchisee to a franchisor to establish or maintain the franchise relationship, other than payments for the sale or lease of inventory, equipment, fixtures, or real property at fair rental or fair market value.

The bill applies to tax years beginning after December 31, 2000.

The bill was tie-barred to House Bill 5474 (Public Act 229 of 2001). That Act amended the Single Business Tax Act to specify that the terms "sale" or "sales" includes royalties, fees, or other payments or consideration not deducted from the tax base except for royalties paid to a franchisor as consideration for the use outside of the State of trade names, trademarks, or similar intangible property.

MCL 208.9

Legislative Analyst: George Towne

**FISCAL IMPACT**

The bill will have a minimal impact on State General Fund revenues. The bill changed the composition of the single business tax base for businesses involved in a franchise relationship. Affected franchise fees and other similar payments are no longer taxed at the franchise level, but instead are taxed at the franchisor level. Single business tax revenues will be affected only to the extent that franchisors exhibit a different liability pattern than the smaller franchise operations.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.