

Legislative Analysis



MBT: GOODWILL DEDUCTION FOR FINANCIAL INSTITUTIONS

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House Bill 5118

Sponsor: Rep. Steve Bieda

Committee: Tax Policy

Complete to 9-11-07

A SUMMARY OF HOUSE BILL 5118 AS INTRODUCED 8-21-07

Under the new Michigan Business Tax Act, which takes effect January 1, 2008, financial institutions will pay a franchise tax of 0.235% on the average value of their net capital over the previous five years. This is in lieu of the business income and gross receipts taxes imposed on other firms.

The act says that "net capital means equity capital as computed in accordance with generally accepted accounting principles less goodwill arising from purchase accounting adjustments for transactions that occurred after July 1, 2007, and the book value of United States obligations and Michigan obligations." House Bill 5118 would amend this provision to refer to "transactions that occurred on or after July 1, 2007. (The new language is underlined.) The bill would take effect January 1, 2008.

MCL 208.1265

FISCAL IMPACT:

The bill would have an indeterminate state fiscal impact.

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