

HOUSE BILL No. 5118

August 21, 2007, Introduced by Rep. Bieda and referred to the Committee on Tax Policy.

A bill to amend 2007 PA 36, entitled
"Michigan business tax act,"
by amending section 265 (MCL 208.1265).

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 265. (1) For a financial institution, tax base means the
2 financial institution's net capital. Net capital means equity
3 capital as computed in accordance with generally accepted
4 accounting principles less goodwill arising from purchase
5 accounting adjustments for transactions that occurred **ON OR** after
6 July 1, 2007, and the book value of United States obligations and
7 Michigan obligations. If the financial institution does not
8 maintain its books and records in accordance with generally
9 accepted accounting principles, net capital shall be computed in

1 accordance with the books and records used by the financial
2 institution, so long as the method fairly reflects the financial
3 institution's net capital for purposes of the tax levied by this
4 chapter. Net capital does not include up to 125% of the minimum
5 regulatory capitalization requirements of a person subject to the
6 tax imposed under chapter 2A.

7 (2) Net capital shall be determined by adding the financial
8 institution's net capital as of the close of the current tax year
9 and preceding 4 tax years and dividing the resulting sum by 5. If a
10 financial institution has not been in existence for a period of 5
11 tax years, net capital shall be determined by adding together the
12 financial institution's net capital for the number of tax years the
13 financial institution has been in existence and dividing the
14 resulting sum by the number of years the financial institution has
15 been in existence. For purposes of this section, a partial year
16 shall be treated as a full year.

17 (3) For purposes of this section, each of the following
18 applies:

19 (a) A change in identity, form, or place of organization of 1
20 financial institution shall be treated as if a single financial
21 institution had been in existence for the entire tax year in which
22 the change occurred and each tax year after the change.

23 (b) The combination of 2 or more financial institutions into 1
24 shall be treated as if the constituent financial institutions had
25 been a single financial institution in existence for the entire tax
26 year in which the combination occurred and each tax year after the
27 combination, and the book values and deductions for United States

1 obligations and Michigan obligations of the constituent
2 institutions shall be combined. A combination shall include any
3 acquisition required to be accounted for by the surviving financial
4 institution in accordance with generally accepted accounting
5 principles or a statutory merger or consolidation.

6 Enacting section 1. This amendatory act takes effect January
7 1, 2008.