



Senate Fiscal Agency
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House Bill 4940 (Substitute H-1 as passed by the House)
Sponsor: Representative Jud Gilbert, II
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 12-13-11

CONTENT

The bill would amend the definition of "flow-through entity" in Part 2 of the Income Tax Act (which governs the Corporate Income Tax) to exclude an entity disregarded under Section 699.

Under Part 2, a "flow-through entity" is an S corporation, a general partnership, a limited partnership, a limited liability partnership, or a limited liability company that, for the applicable tax year, is not taxed as a corporation for Federal income tax purposes.

(Senate Bill 678 (S-1) would add Section 699 to the Act to state that a person that was a disregarded entity for Federal income tax purposes under the Internal Revenue Code would have to be classified as a disregarded entity for purposes of Part 2 and Part 3 (which prescribes withholding requirements that apply to flow-through entities and others).)

The bill would take effect on January 1, 2012.

MCL 206.701

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

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.