



Senate Fiscal Agency
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House Bill 4950 (Substitute H-1 as reported without amendment)

Sponsor: Representative Lisa Lyons

House Committee: Tax Policy

Senate Committee: Finance

CONTENT

The bill would amend Part 2 (Corporate Income Tax) of the Income Tax Act to delete a requirement that the Department of Treasury allow a taxpayer that is eligible for the small business credit to file and pay the tax under Part 2 without calculating the Corporate Income Tax (CIT).

Section 671 of the Act allows a credit (called the small business credit) for taxpayers with gross receipts that do not exceed \$20.0 million and adjusted business income minus the loss adjustment that does not exceed \$1.3 million. The credit is the amount by which the tax imposed under Part 2 exceeds 1.8% of adjusted business income. The credit must be reduced if compensation and directors' fees of a shareholder or officer exceed specified levels, or if gross receipts exceed \$19.0 million.

If a taxpayer elects to claim the credit and is not required to reduce it, the Department must allow the taxpayer to file and pay the tax imposed by Part 2 without computing the tax imposed under Section 623 (which imposes the Corporate Income Tax on the CIT base, after allocation or apportionment to the State, at the rate of 6.0%).

The bill would delete that provision.

The bill would take effect on January 1, 2012.

MCL 206.671

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

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

Date Completed: 12-14-11

Fiscal Analyst: David Zin