



Senate Fiscal Agency
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House Bill 5009 (Substitute S-1 as reported)
Sponsor: Representative Jeff Farrington
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend Part 2 (Corporate Income Tax) of the Income Tax Act to exclude transactions between members of a unitary business group for purposes of determining exemptions, credits, and the filing threshold.

As a rule, the Act requires a unitary business group to file a combined return that includes each United States person that is included in the group. (A unitary business group consists of two or more corporations, financial institutions, or insurance companies that satisfy both a "control test" and one of two "relationship tests".) Each United States person included in a unitary business group or included in a combined return must be treated as a single person, and all transactions between those included in the group must be eliminated from the Corporate Income Tax base and the apportionment formulas under Part 2.

The bill also would require that all transactions between the people included in a unitary business group be eliminated for purposes of determining exemptions, credits, and the filing threshold under Part 2.

The bill would be effective for tax years beginning after December 31, 2013.

MCL 206.691

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would likely reduce General Fund revenue by an indeterminate amount. The provisions in the bill would generally increase the number of taxpayers eligible for affected exemptions and credits, as well as the number of taxpayers not required to file a return, and for affected taxpayers that are currently eligible for affected credits and exemptions, the bill would potentially increase the amount of any credit and/or exemption. No estimates are available regarding the number of taxpayers affected or the magnitude of any of these changes.

Date Completed: 1-21-14

Fiscal Analyst: David Zin