



Senate Fiscal Agency
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Senate Bills 672, 673, and 674 (as introduced 9-16-03)

Sponsor: Senator Nancy Cassis (S.B. 672)
Senator Tom George (S.B. 673)
Senator Shirley Johnson (S.B. 674)

Senate Committee: Finance

Date Completed: 9-24-03

CONTENT

Senate Bills 672, 673, and 674 (together with House Bills 5041 and 5042) would amend the Single Business Tax (SBT) Act to remove from a taxpayer's tax base, over a five-year period, payments a taxpayer makes for health benefit plans. Each of the five bills is tie-barred to all the other bills.

The Act requires a taxpayer's tax base to include compensation paid to or on behalf of the taxpayer's employees, officers, or directors. The Act prescribes what must be included in and what is excluded from "compensation". Senate Bill 672 would exclude from compensation 20% of the payments under, and payments of fees for the administration of, health and welfare and noninsured benefit plans for tax years beginning in 2004. The excluded amount would be increased each year, to 40% in tax years beginning in 2005 (Senate Bill 673); 60% in 2006 (House Bill 5041); 80% in 2007 (House Bill 5042); and 100% in 2008 and thereafter (Senate Bill 674).

MCL 208.4 (S.B. 672)
Proposed MCL 208.4a (S.B. 673)
Proposed MCL 208.4d (S.B. 674)

Legislative Analyst: George Towne

FISCAL IMPACT

This package of Senate and House bills would reduce single business tax revenue an estimated \$15.8 million in FY 2003-04, \$39 million in FY 2004-05, and \$125 million in FY 2007-08, when the exemption would be fully phased in. Table 1 below presents the proposed schedule for phasing in the exemption for health-related expenses during the five years from 2004 to 2008 and the estimated fiscal impact for FY 2003-04 to FY 2007-08. All single business tax collections go into General Fund/General Purpose revenue, so the reductions in single business tax revenue that these bills would generate would have a direct impact on the General Fund/General Purpose budget. These bills would have no direct impact on local governments.

Table 1

SBT Exemption for Health-Related Costs Phased In Over 5 Years Beginning January 1, 2004 Estimated Fiscal Impact (dollars in millions)			
Exemption Amount		Fiscal Impact	
Calendar Year	Exemption %	Fiscal Year	Tax Reduction (millions)
2004	20%	2003-04	\$15.8
2005	40%	2004-05	39.0
2006	60%	2005-06	64.9
2007	80%	2006-07	93.8
2008	100%	2007-08	125.9

Fiscal Analyst: Jay Wortley

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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.