



# The New Michigan Business Tax: What It Means To You

September 29, 2007

## Public Act 36 of 2007: Michigan Business Tax (SBT Replacement)

Recently, the Michigan Business Tax was signed by Governor Granholm and will be going into effect January 1, 2008. The objective of the MBT is to create a more broad base for collecting the revenue formerly brought in by the SBT, while lowering the tax rate for businesses and providing personal property tax relief incentives. The overall goal of the reformed tax is to provide incentives for businesses to stay in Michigan and to attract others to relocate here.

### Summary and Highlights of the MBT

- Effective: January 1, 2008
- Business Income Tax: Imposes a tax on businesses at 4.95% of income after allocation and apportionment
- Modified Gross Receipts: Imposes a tax of 0.8% on gross receipts (less purchases from other firms)
  - Apportionment: Based on sales factor using MI sales as numerator and total sales as denominator
  - Sourcing: Market-based method of sourcing sales to Michigan (based on the location of the purchaser)

### Tax Credits

- Compensation and Investment Tax Credit: Must be taken before any other credit, 0.37% of compensation within the state
- Personal Property Tax Credit: Refundable credit equal to 35% of personal property taxes levied after 12/31/2007 on personal property located on industrial real property; 23% of utility property taxes levied on telephone property for 2008; 10% of utility property taxes levied on natural gas pipelines.
- Small Business Credit: Retained from SBT Act and is equal to the amount by which the tax exceeds 2% of adjusted business income
- Arts Credit: Nonrefundable credit for donations made to an institution devoted to procurement, care, study, and display of art; credit amount is equal to half of contribution over \$50,000 and is capped at \$100,000
- Entrepreneurial Credit: Equal to 100% of increased tax liability attributed to increase in employment (valid 2008-2010)

### Retained Credit (from SBT Act)

- Start-up Businesses
- Venture Capital Investment
- Charitable Contributions
- Worker's Compensation
- Community Foundations
- Homeless Shelters
- Alternative Energy
- Michigan Economic Growth Authority
- Renaissance Zones
- Historic Preservation
- Brownfield Development
- Low-grade Hematite

### Filing Threshold

- Businesses with gross receipts less than \$350,000 are not required to file
- Phase-in liability for firms with gross receipts between \$350K and \$700K by providing an additional tax credit

If you have any questions or concerns about the New MBT, please, do not hesitate to contact me at 517-327-9207 or via email at [vanessac@eurich.com](mailto:vanessac@eurich.com)