

Governor Snyder Signs Historic Tax Legislation

May 26, 2011

On May 25, 2011, Michigan Governor Rick Snyder signed a package of tax bills which repeal the Michigan Business Tax (MBT), enact a corporate income tax (CIT), make several changes to the personal income tax, and make other significant business tax changes.

The changes will reduce Michigan business tax revenues by almost 80% by eliminating the taxation of all business entities other than C Corporations, and also eliminating the modified gross receipts tax component of the MBT while retaining a business income tax similar to the current income tax base of the MBT. The legislation eliminates virtually all of the credits and incentives which are elements of the MBT, with the exception of a small business credit for entities with less than \$20M in sales. The new tax takes effect on January 1, 2012, regardless of the year end of the taxpayer. The Governor stated that the goal of the legislation was to create a business tax that was "simple, fair and efficient," and to create jobs.

The bills signed yesterday include Public Act 38 of 2011 (HB 4361), Public Act 39 of 2011 (HB 4362), and Public Act 40 of 2011 (HB 4479). PA 38 enacts the corporate income tax and implements changes to the personal income tax. PA 39 repeals the MBT effective December 31, 2011, except for taxpayers that elect to claim previously granted "certificated credits" and pay the greater of the MBT or the new corporate income tax. PA 40 provides that beginning January 1, 2011, taxpayers are required to apportion income as specified under the MBT Act or the Income Tax of 1967, and may no longer elect to apportion their income in accordance with the Multistate Tax Compact (MTC). The MTC provisions vary dramatically from the apportionment provisions of the MBT by providing for an equally weighted three factor formula, a sales throwback rule, and cost of performance sourcing of services.

If you have questions regarding this article, please contact a Miller Canfield State and Local Tax attorney or the author:

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