

AGREEMENT REACHED ON NEW BUSINESS TAX

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\$300 Million Tax Cut for Small Business

Yesterday evening leadership from the state Senate and House, along with Governor Granholm, announced that they had reached agreement on the outline of a new state business tax to replace the Single Business Tax. Although it remains to be seen how each business will fare under the new plan, NFIB efforts were successful in obtaining provisions that will significantly benefit many small businesses. Preliminary estimates are that, as a group, small businesses will see a \$300 million tax cut.

Although NFIB has never supported replacing the Single Business Tax with any new tax, the new plan is a welcome retreat from proposals being pushed by big business and chambers of commerce that would have raised taxes on many small businesses in order to finance a generous tax cut for a handful of large corporations. From that perspective, the new plan is a victory for many Michigan small business owners.

NFIB will be updating our Tax Calculator to allow businesses to determine their approximate tax liability under the new plan. The update will be posted to our website.

In the coming weeks, bills will be drafted by the legislature to put the new plan in place. NFIB will be monitoring this process to be certain that the bill language accurately reflects the outline of the proposed plan.

New Plan Details:

Michigan's New Business Tax is called the Michigan Business Tax or MBT.

Tax Base and Rates

- o Modified Gross Receipts (sales less inventory and other purchases of goods) @ .77%*
- o Business income @ 4.85%*

*these rates were tentative at the time of this report. Officials have stated that the gross receipts rate will be under .8% and the income rate will be under 5%.

Personal Property Tax Relief

- o 24 mill exemption for manufacturing businesses (46% credit)
- o 12 mill exemption for all other businesses (23% credit)
- o 35% refundable credit on remaining PPT liability for manufacturers'

Credits against tax liability

- o Investment Tax Credit
- o Payroll and benefits credit

[USE NFIB STATE VICTORIES TEMPLATE # 3 FOR THESE BULLET POINTS }

NFIB Backed Small Business Provisions in New Tax Plan:

- o Retained the \$350,000 Gross Receipts Threshold
- o Phased in tax liability from \$350,000 to \$700,000
- o Expanded payroll credits to all businesses
- o Keeping the Alternative Profits Tax (APT) with a 1.8% rate
- o Expanding APT eligibility and indexing the changes

Alternative Profits Tax Eligibility Expanded:

- o Owner income limitation raised from \$115,000 to \$180,000
- o Gross receipts limitation raised from \$10 million to \$20 million.
- o Adjusted Business Income limitation raised from \$475,000 to \$1.3 million