



BDO Seidman, LLP  
Accountants and Consultants

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## Subject:

**Michigan Single Business  
Tax Repeal Accelerated:**  
Effective For Tax Years  
Beginning After 2007

# State and Local Tax Alert

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### Background and Facts

Prior to August 9, 2006, the Michigan Single Business Tax ("Michigan SBT")<sup>1</sup> was repealed effective for tax years beginning after December 31, 2009. Due to the economic issues facing the state of Michigan, and the claims that the Michigan SBT plays a major role in making the state a less attractive place to do business, there have been many attempts to overhaul or accelerate the repeal of the Michigan SBT. In early 2006, the Michigan legislature passed a bill that would repeal the Michigan SBT two years early, for taxable years beginning on or after December 31, 2007. The bill was immediately vetoed by Governor Jennifer Granholm, who stated that she would continue to veto any such bill until a replacement tax was proposed that would replace the approximately \$1.9 billion in Michigan SBT revenues that would be lost.

A petition drive was subsequently initiated by Oakland County Executive L. Brooks Patterson. The initiative was successful in obtaining enough signatures to allow the bill to return to the Michigan Legislature for a second vote, which was held on August 6, 2006. The Michigan Legislature again approved the bill repealing the Michigan SBT two years early, avoiding a vote on the measure by the general public on the November ballot. The Governor is neither permitted to veto the bill, nor required to approve it for it to become law.

### Impact on Michigan SBT Taxpayers

The Michigan SBT will remain in effect for taxable years beginning before December 31, 2007. At this time, there is no replacement tax in place for the Michigan SBT. Several alternative taxes have been discussed, including gross receipts tax, business license tax, or an increase in the sales tax. A joint House and Senate committee (the Joint Select Committee on Economic Growth) was appointed earlier this summer to develop a new business tax for Michigan. The committee has been directed to report back to legislative leaders by December 1, 2006 with proposed alternatives.

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However, with a gubernatorial race coming up in November, there have been some indications that a final decision on a replacement tax might not be made until 2007.

The Governor has already signed into law a bill that will allow certain taxpayers to take historic preservation and Brownfield tax credits on their final Michigan SBT returns, if their projects are pre-approved or certified before 2008 and completed before 2010. However, it is unclear at this point what will happen to other multi-year tax benefits, such as unused business loss carry forwards.

### **How BDO Seidman Can Help**

BDO Seidman professionals will continue to monitor the status of the Michigan SBT replacement tax and will provide updates on significant milestones, as available. In the meantime, for taxpayers who treat the Michigan SBT as an income tax, BDO Seidman professionals can assist in reviewing deferred tax assets related to unused business loss carryovers, etc. to determine the viability of utilizing them prior to the repeal.

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<sup>1</sup> The Michigan SBT is the only “general business tax” levied by the state and was implemented in 1976 as a replacement for several business taxes, as well as the corporate income tax.