

## UNDERSTANDING THE NEW MICHIGAN BUSINESS TAX(MBT)

Michigan business owners are feeling the impact of the new Michigan Business Tax. After repealing the old Single Business Tax(SBT), which had not satisfied many taxpayers with its value-added approach to taxation, the state legislature was forced to replace lost tax revenues with a comparable tax on business activity in Michigan. The new formula was intended to tax profitable businesses and not penalize jobs creators who additionally paid employee benefits, lost money, but still were taxed under the SBT.

By combining a business profit tax of 4.95% with a gross receipts tax of .8% the new formula caused great disdain by businesses that had previously paid less under the old tax. An additional 21.99% tax surcharge was added to the regular tax as a result of a late hour compromise to balance the state budget in October of 2007. The new tax took place January 1, 2008, but tax forms were just made available in early 2009. Adding more stress, businesses were required to file estimates(beginning April 15, 2008) based on uncertainty relative to proposed credits against the base tax.

Small business owners with gross receipts less than \$350,000 are still exempt from tax under the new MBT, but the state is enforcing the Unitary Business Group rule, which consolidates business activity of common ownership interests, thus exceeding the filing threshold in many cases. The creation of some 40 credits gave relief to isolated, unique businesses such as NASCAR speedways, sports stadiums, and international auto show vendors. Pro business/community credits such as Brownfield Redevelopment, Enterprise Zones, film production, arts and culture and historic preservation of buildings are also included in the new tax.

I feel that the MBT, with all of its various amendments, still leaves a level of uncertainty when trying to file the correct information. Perhaps we will know by next year if it is working!