

# Repeal of Michigan's Business Tax Provides Relief to State's Hospitality Industry

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Members of Michigan's foodservice and hospitality industry, like their counterparts in many other segments of the economy, rejoiced on May 25 when Gov. Rick Snyder signed legislation eliminating the much maligned Michigan Business Tax (MBT).

The MBT apportioned business income at 4.95 percent and gross receipts (minus purchases from other firms) at 0.8 percent. It also levied a 21.99 percent surcharge on income tax and gross receipts tax prior to credits. The MBT was apportioned on a single sales factor and required businesses to file as a unitary group.

All that changed with the enactment of House Bill 4361. The new law provides for a tax on subchapter C corporation profits with subchapter S businesses (i.e., sole proprietorships, partnerships, limited liability corporations) having no business tax, with the exception of those taxes assessed against owners, on their business profits through individual income tax.

The Michigan Restaurant Association, as well as numerous other groups, were advocates of repealing the MBT. There is no question that the MBT has had significant effects on a variety of industries, including the hospitality industry, whose members experienced dramatic increases in tax liability.

With the repeal of the MBT, small businesses may invest in new opportunities and expand existing enterprises, hopefully spurring economic growth within the state.

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