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MICHIGAN DESERVES BETTER

Background

The Michigan Business Tax (MBT), which was signed into law July 12, 2007, imposes a 4.95% business income tax and a modified gross receipts tax at the rate of 0.8%. The MBT replaces the Single Business Tax, effective January 1, 2008. Against the backdrop of the nation's highest unemployment rate, plummeting home values and stagnant per-capita income growth, the Michigan Business Tax increases have a staggering impact on commercial real estate throughout the State of Michigan. The MBT will lower the taxable value of commercial real estate thereby lowering tax revenues to municipalities and the State of Michigan.

BOMA proposes the following to mitigate the negative effects of the MBT on business in Michigan and more specifically on real estate:

- **Eliminate the 22% MBT Surcharge.**
- **Gross Receipts- Common Area Maintenance (CAM)** collected by the landlord are taxable as revenue in gross receipts at .8% MBT and 21.99% surcharge and thus devalue the asset further depressing property values in Michigan. Negative Gross Receipts can not be carried forward. BOMA feels this can be remedied by allowing Common Area Maintenance (CAM) to be deducted from gross receipts as they have no direct or indirect gain, benefit or advantage to the landlord. CAM charges are reimbursements to taxpayer for expenditures such as but not limited to sidewalks, landscape, water and sewer charges, snow removal, and property taxes.
- **Include Real Estate inventory in the “ purchases from other firms”**
- **Investment Tax Credit Carryover-** The Investment Tax Credits under the Single Business Tax must be used by 2009. Reinstate the 10-year Investment Tax Carryover so business can utilize the intended benefit.
- **MBT Liability in LLC Foreclosures-** Every real estate entity has a promoter/manager, who handles administrative duties such as signing tax returns. The MBT imposes personal liability on officers, members, and managers of business entities who sign tax returns. This unfair result will discourage people from owning real estate in Michigan.
- **Offer a Fresh Start for allowed depreciation-** Under the SBT, commercial property did not receive the benefit of depreciation. The same property under the MBT will be taxed on the difference between sale price and federal adjusted basis; taxed on a deduction that was never received.

For more information on BOMA, its members or issue positions please contact:

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