

# Exemptions from the Single Business Tax

## Business Loss Carryover

If line 15 of C-8000 (tax base after capital acquisition deduction is negative, a business loss is sustained. This loss is carried forward to the following year and allowed as a reduction to the tax base.

A business loss can be carried forward successively to the next 10 years, or until the loss is used up, whichever occurs first.

## Statutory Exemption

The first \$45,000 of the tax base is exempt. If business income exceeds the exemption, then the statutory exemption is reduced \$2.00 for every \$1.00 of the excess over \$45,000. Therefore, if business income is over \$67,500, there is no statutory exemption available. (MCL 208.35(1)(a))

## Definitions for purposes of the statutory exemption only

**Tax Base** is after the adjustments provided in section 23 (capital acquisition deduction and losses).

**Business Income** includes business income plus federal loss carryovers deducted in arriving at federal taxable income and shareholder's compensation and director's fees.

**An additional exemption** of \$12,000 is allowed for each partner of a partnership or shareholder of a professional corporation or "S" corporation in excess of one (not to exceed four) who meets all of the following:

1. Is a full-time employee (51%)
2. Owns 10% of the business
3. Share of business income is \$12,000 or greater
4. (See page 2 of C-8000, Statutory Exemption.)

## Government Exemption

The Single Business Tax Act exempts "The United States, this state, other states, and the agencies, political subdivisions, and enterprises of each." (MCL 208.35(1)(b))

## Exempt Entities

Certain entities exempt from federal income tax under the internal revenue code are exempt from the Single Business Tax if the activities are exclusively related to the charitable, educational, or other purpose or function that is the basis for the exemption under the internal revenue code. (MCL 208.35(1)(c))

## Other Exemptions from the Single Business Tax

- 1) The first \$130,000,000.00 of disability insurance premiums written in Michigan. (MCL 208.35(1)(f))
- 2) A nonprofit cooperative housing corporation. (MCL 208.35(1)(g))
- 3) A farmers' cooperative corporation. (MCL 208.35(1)(i))
- 4) That portion of the tax base attributable to the direct and indirect marketing activities of a farmers' cooperative corporation. (MCL 208.35(1)(j))
- 5) That portion of the tax base attributable to the services provided by an attorney-in-fact to a reciprocal insurer. (MCL 208.35(1)(k))
- 6) That portion of the tax base attributable to a multi employer welfare arrangement that provides dental benefits only. (MCL 208.35(1)(l))

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