

**SUBSTITUTE FOR
HOUSE BILL NO. 4001**

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending section 51 (MCL 206.51), as amended by 2016 PA 266.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 51. (1) For receiving, earning, or otherwise acquiring
2 income from any source whatsoever, there is levied and imposed
3 under this part upon the taxable income of every person other than
4 a corporation a tax at the following rates in the following
5 circumstances:

6 (a) On and after October 1, 2007 and before October 1, 2012,
7 4.35%.

8 (b) ~~Except as otherwise provided under subdivision (c), on~~ **ON**
9 and after October 1, 2012 **AND BEFORE JANUARY 1, 2018**, 4.25%.

10 **(C) ON AND AFTER JANUARY 1, 2018 AND BEFORE JANUARY 1, 2019,**

House Bill No. 4001 as amended February 23, 2017

1 4.15%.

2 [(D) EXCEPT AS OTHERWISE PROVIDED UNDER SUBDIVISION (E) OR (F), ON
3 AND AFTER JANUARY 1, 2019, 4.05%.

4 (E) BEGINNING JANUARY 1, 2020 AND EACH JANUARY 1 AFTER 2020, THE
5 CURRENT RATE SHALL BE REDUCED BY 0.1, OR 0.05 IF THE CURRENT RATE IS
6 3.95%, UNLESS THE COUNTERCYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND
7 CREATED IN SECTION 351 OF THE MANAGEMENT AND BUDGET ACT, 1984 PA 431, MCL
18.1351, HAS A BALANCE OF LESS THAN \$1,000,000,000.00 FOR THE IMMEDIATELY
PRECEDING FISCAL YEAR BASED ON THE COMPREHENSIVE ANNUAL FINANCIAL REPORT
PREPARED AND PUBLISHED BY THE DEPARTMENT OF TECHNOLOGY, MANAGEMENT, AND
BUDGET IN ACCORDANCE WITH SECTION 23 OF ARTICLE IX OF THE STATE
CONSTITUTION OF 1963. HOWEVER, EXCEPT AS OTHERWISE PROVIDED UNDER
SUBDIVISION (F), THE CURRENT RATE SHALL NOT BE REDUCED UNDER THIS
SUBDIVISION TO LESS THAN 3.9%.

8 (F) ~~(e)~~ For each tax year beginning on and after January 1,
9 2023, if the percentage increase in the total general fund/general
10 purpose revenue from the immediately preceding fiscal year is
11 greater than the inflation rate for the same period and the
12 inflation rate is positive, then the current rate shall be reduced
13 by an amount determined by multiplying that rate by a fraction, the
14 numerator of which is the difference between the total general
15 fund/general purpose revenue from the immediately preceding state
16 fiscal year and the capped general fund/general purpose revenue and
17 the denominator of which is the total revenue collected from this
18 part in the immediately preceding state fiscal year. For purposes
19 of this subdivision only, the state treasurer, the director of the
20 senate fiscal agency, and the director of the house fiscal agency
21 shall determine whether the total revenue distributed to general
22 fund/general purpose revenue has increased as required under this
23 subdivision based on the comprehensive annual financial report
24 prepared and published by the department of technology, management,
25 and budget in accordance with section 23 of article IX of the state
26 constitution of 1963. The state treasurer, the director of the
27 senate fiscal agency, and the director of the house fiscal agency

1 shall make the determination under this subdivision no later than
2 the date of the January 2023 revenue estimating conference
3 conducted pursuant to sections 367a through 367f of the management
4 and budget act, 1984 PA 431, MCL 18.1367a to 18.1367f, and the date
5 of each January revenue estimating conference conducted each year
6 thereafter. As used in this subdivision:

7 (i) "Capped general fund/general purpose revenue" means the
8 total general fund/general purpose revenue from the 2020-2021 state
9 fiscal year multiplied by the sum of 1 plus the product of 1.425
10 times the difference between a fraction, the numerator of which is
11 the consumer price index for the state fiscal year ending in the
12 tax year prior to the tax year for which the adjustment is being
13 made and the denominator of which is the consumer price index for
14 the 2020-2021 state fiscal year, and 1.

15 (ii) "Total general fund/general purpose revenue" means the
16 total general fund/general purpose revenue and other financing
17 sources as published in the comprehensive annual financial report
18 schedule of revenue and other financing sources - general fund for
19 that fiscal year plus any distribution made pursuant to section
20 51d.

21 (2) Beginning January 1, 2000, that percentage of the gross
22 collections before refunds from the tax levied under this section
23 that is equal to 1.012% divided by the income tax rate levied under
24 this section shall be deposited in the state school aid fund
25 created in section 11 of article IX of the state constitution of
26 1963.

27 (3) In addition to the ~~distribution~~ **DISTRIBUTIONS** under

1 subsection (2) and section 51d, beginning October 1, 2016, from the
2 revenue collected under this section an amount equal to 3.5% of the
3 average amount of farmland tax credits claimed under section 36109
4 of the natural resources and environmental protection act, 1994 PA
5 451, MCL 324.36109, for the immediately preceding 3 state fiscal
6 years shall be deposited into the agricultural preservation fund
7 created in section 36202 of the natural resources and environmental
8 protection act, 1994 PA 451, MCL 324.36202.

9 (4) The department shall annualize rates provided in
10 subsection (1) as necessary. The applicable annualized rate shall
11 be imposed upon the taxable income of every person other than a
12 corporation for those tax years.

13 (5) The taxable income of a nonresident shall be computed in
14 the same manner that the taxable income of a resident is computed,
15 subject to the allocation and apportionment provisions of this
16 part.

17 (6) A resident beneficiary of a trust whose taxable income
18 includes all or part of an accumulation distribution by a trust, as
19 defined in section 665 of the internal revenue code, shall be
20 allowed a credit against the tax otherwise due under this part. The
21 credit shall be all or a proportionate part of any tax paid by the
22 trust under this part for any preceding taxable year that would not
23 have been payable if the trust had in fact made distribution to its
24 beneficiaries at the times and in the amounts specified in section
25 666 of the internal revenue code. The credit shall not reduce the
26 tax otherwise due from the beneficiary to an amount less than would
27 have been due if the accumulation distribution were excluded from

1 taxable income.

2 (7) The taxable income of a resident who is required to
3 include income from a trust in his or her federal income tax return
4 under the provisions of 26 USC 671 to 679, shall include items of
5 income and deductions from the trust in taxable income to the
6 extent required by this part with respect to property owned
7 outright.

8 (8) It is the intention of this section that the income
9 subject to tax of every person other than corporations shall be
10 computed in like manner and be the same as provided in the internal
11 revenue code subject to adjustments specifically provided for in
12 this part.

13 (9) As used in this section:

14 (a) "Consumer price index" means the United States consumer
15 price index for all urban consumers as defined and reported by the
16 United States Department of Labor, Bureau of Labor Statistics.

17 (b) "Inflation rate" means the annual percentage change in the
18 consumer price index, as determined by the department, comparing
19 the 2 most recent completed state fiscal years.

20 (c) "Person other than a corporation" means a resident or
21 nonresident individual or any of the following:

22 (i) A partner in a partnership as defined in the internal
23 revenue code.

24 (ii) A beneficiary of an estate or a trust as defined in the
25 internal revenue code.

26 (iii) An estate or trust as defined in the internal revenue
27 code.

1 (d) "Taxable income" means taxable income as defined in this
2 part subject to the applicable source and attribution rules
3 contained in this part.