

**SUBSTITUTE FOR
SENATE BILL NO. 1079**

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending section 51 (MCL 206.51), as amended by 1995 PA 194.

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 upon the taxable income of every person other than a corporation
4 a tax at the following rates in the following circumstances:

5 (a) Before May 1, 1994, 4.6%.

6 (b) After April 30, 1994 AND BEFORE JANUARY 1, 2000, 4.4%.

7 (c) FOR TAX YEARS THAT BEGIN ON AND AFTER JANUARY 1, 2000
8 AND BEFORE JANUARY 1, 2001, 4.3%.

9 (d) FOR TAX YEARS THAT BEGIN ON AND AFTER JANUARY 1, 2001,
10 THE RATE UNDER SECTION 51C, 51D, 51E, OR 51F, AS APPLICABLE.

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1 (2) The following percentages of the net revenues collected
2 under this section AND SECTIONS 51C, 51D, 51E, AND 51F, OR THE
3 AMOUNT DETERMINED PURSUANT TO SUBSECTION (3), shall be deposited
4 in the state school aid fund created in section 11 of article IX
5 of the state constitution of 1963:

6 (a) Beginning October 1, 1994 and before October 1, 1996,
7 14.4% of the gross collections before refunds from the tax levied
8 under this section.

9 (b) After September 30, 1996 AND BEFORE JANUARY 1, 2000, 23.0%
10 of the gross collections
before refunds from the tax levied under this section.

11 (c) BEGINNING JANUARY 1, 2000, THE AMOUNT DETERMINED UNDER
12 SUBSECTION (3).

13 (3) BEGINNING JANUARY 1, 2000, THERE SHALL BE DEPOSITED IN
14 THE STATE SCHOOL AID FUND CREATED IN SECTION 11 OF ARTICLE IX OF
15 THE STATE CONSTITUTION OF 1963 THAT PORTION OF THE GROSS REVENUES
16 COLLECTED BEFORE REFUNDS UNDER THIS SECTION AND SECTIONS 51C,
17 51D, 51E, AND 51F THAT IS EQUAL TO THE AMOUNT THAT WOULD RESULT
18 IF A TAX RATE OF 1.012% HAD BEEN LEVIED AND IMPOSED UPON THE TAX-
19 ABLE INCOME OF EVERY PERSON OTHER THAN A CORPORATION.

20 (4) ~~(3)~~ The department shall annualize rates provided in
21 subsection (1) as necessary for tax years that end after
22 April 30, 1994. The applicable annualized rate shall be imposed
23 upon the taxable income of every person other than a corporation
24 for those tax years.

25 (5) ~~(4)~~ The taxable income of a nonresident shall be com-
26 puted in the same manner that the taxable income of a resident is

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1 computed, subject to the allocation and apportionment provisions
2 of this act.

3 (6) ~~-(5)-~~ A resident beneficiary of a trust whose taxable
4 income includes all or part of an accumulation distribution by a
5 trust, as defined in section 665 of the internal revenue code,
6 shall be allowed a credit against the tax otherwise due under
7 this act. The credit shall be all or a proportionate part of any
8 tax paid by the trust under this act for any preceding taxable
9 year that would not have been payable if the trust had in fact
10 made distribution to its beneficiaries at the times and in the
11 amounts specified in section 666 of the internal revenue code.
12 The credit shall not reduce the tax otherwise due from the bene-
13 ficiary to an amount less than would have been due if the accumu-
14 lation distribution were excluded from taxable income.

15 (7) ~~-(6)-~~ The taxable income of a resident who is required
16 to include income from a trust in his or her federal income tax
17 return under the provisions of subpart E of part I of subchapter
18 J of chapter 1 of the internal revenue code, 26 U.S.C. 671 to
19 679, shall include items of income and deductions from the trust
20 in taxable income to the extent required by this act with respect
21 to property owned outright.

22 (8) ~~-(7)-~~ It is the intention of this section that the
23 income subject to tax of every person other than corporations
24 shall be computed in like manner and be the same as provided in
25 the internal revenue code subject to adjustments specifically
26 provided for in this act.

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1 (9) ~~(8)~~ As used in this section AND SECTIONS 51C, 51D,
2 51E, AND 51F:

3 (a) "Person other than a corporation" means a resident or
4 nonresident individual or any of the following:

5 (i) A partner in a partnership as defined in the internal
6 revenue code.

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

9 (iii) An estate or trust as defined in the internal revenue
10 code.

11 (b) "Taxable income" means taxable income as defined in this
12 act subject to the applicable source and attribution rules con-
13 tained in this act.

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]