

**SENATE BILL NO. 24**

January 13, 1999, Introduced by Senator SCHUETTE and referred to the Committee on Finance.

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, 1999, 4.4%.  
7       (c) ON AND AFTER JANUARY 1, 1999, 4.0%.  
8       (2) The following percentages of the net revenues collected  
9 under this section shall be deposited in the state school aid  
10 fund created in section 11 of article IX of the state  
11 constitution of 1963:

1 (a) Beginning October 1, 1994 and before October 1, 1996,  
2 14.4% of the gross collections before refunds from the tax levied  
3 under this section.

4 (b) After September 30, 1996, 23.0% of the gross collections  
5 before refunds from the tax levied under this section.

6 (3) The department shall annualize rates provided in subsec-  
7 tion (1) as necessary for tax years that end after April 30,  
8 1994. The applicable annualized rate shall be imposed upon the  
9 taxable income of every person other than a corporation for those  
10 tax years.

11 (4) The taxable income of a nonresident shall be computed in  
12 the same manner that the taxable income of a resident is comput-  
13 ed, subject to the allocation and apportionment provisions of  
14 this act.

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

1           (6) The taxable income of a resident who is required to  
2 include income from a trust in his or her federal income tax  
3 return under the provisions of ~~subpart E of part I of subchapter~~  
4 ~~of chapter 1~~ SECTIONS 671 TO 679 of the internal revenue code,  
5 ~~26 U.S.C. 671 to 679,~~ shall include items of income and deduc-  
6 tions from the trust in taxable income to the extent required by  
7 this act with respect to property owned outright.

8           (7) 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 inter-  
11 nal revenue code subject to adjustments specifically provided for  
12 in this act.

13           (8) As used in this section:

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

16           (i) A partner in a partnership as defined in the internal  
17 revenue code.

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

20           (iii) An estate or trust as defined in the internal revenue  
21 code.

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