

# HOUSE BILL No. 5987

March 24, 2010, Introduced by Reps. Warren, Smith, Young, Miller, Tlaib, Bennett, Durhal, Gregory, Bauer, Lindberg, Espinoza, Hammel, LeBlanc, Johnson, Meadows, Jackson, Liss and Cushingberry and referred to the Committee on Tax Policy.

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
by amending section 51 (MCL 206.51), as amended by 2007 PA 94.

**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 upon  
3 the taxable income of every person other than a corporation a tax  
4 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 and  
8 before January 1, 2002, 4.2%.

9           (d) For tax years that begin on and after January 1, 2002 and  
10 before January 1, 2003, 4.1%.

1 (e) On and after January 1, 2003 and before July 1, 2004,  
2 4.0%.

3 (f) On and after July 1, 2004 and before October 1, 2007,  
4 3.9%.

5 (g) ~~On~~ **EXCEPT AS OTHERWISE PROVIDED UNDER SUBDIVISION (H), ON**  
6 and after October 1, 2007, ~~and before October 1, 2011,~~ 4.35%.

7 (h) Beginning on October 1, 2011 and each October 1 after  
8 2011, **IF THE BALANCE OF THE COUNTERCYCLICAL BUDGET AND ECONOMIC**  
9 **STABILIZATION FUND CREATED IN SECTION 351 OF THE MANAGEMENT AND**  
10 **BUDGET ACT, 1984 PA 431, MCL 18.1351, AT THE END OF THE IMMEDIATELY**  
11 **PRECEDING FISCAL YEAR IS \$200,000,000.00 OR MORE, THEN** the maximum  
12 rate under this subsection shall be reduced by 0.1 each year until  
13 the rate is 3.95%.

14 (i) On and after October 1 ~~7, 2015~~ **OF THE FISCAL YEAR**  
15 **IMMEDIATELY SUCCEEDING THE FISCAL YEAR THAT THE RATE WAS 3.95%,**  
16 3.9%.

17 (2) The following percentages of the net revenues collected  
18 under this section shall be deposited in the state school aid fund  
19 created in section 11 of article IX of the state constitution of  
20 1963:

21 (a) Beginning October 1, 1994 and before October 1, 1996,  
22 14.4% of the gross collections before refunds from the tax levied  
23 under this section.

24 (b) After September 30, 1996 and before January 1, 2000, 23.0%  
25 of the gross collections before refunds from the tax levied under  
26 this section.

27 (c) Beginning January 1, 2000, that percentage of the gross

1 collections before refunds from the tax levied under this section  
2 that is equal to 1.012% divided by the income tax rate levied under  
3 this section.

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

9 (4) The taxable income of a nonresident shall be computed in  
10 the same manner that the taxable income of a resident is computed,  
11 subject to the allocation and apportionment provisions of this act.

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

24 (6) The taxable income of a resident who is required to  
25 include income from a trust in his or her federal income tax return  
26 under the provisions of 26 USC 671 to 679, shall include items of  
27 income and deductions from the trust in taxable income to the

1 extent required by this act with respect to property owned  
2 outright.

3 (7) It is the intention of this section that the income  
4 subject to tax of every person other than corporations shall be  
5 computed in like manner and be the same as provided in the internal  
6 revenue code subject to adjustments specifically provided for in  
7 this act.

8 (8) There is appropriated to the department of treasury for  
9 the 2006-2007 state fiscal year the sum of \$100,000.00 to begin  
10 implementing the requirements of ~~the amendatory act that added this~~  
11 ~~subsection~~ **2007 PA 94**. Any portion of this amount under this  
12 section that is not expended in the 2006-2007 state fiscal year  
13 shall not lapse to the general fund but shall be carried forward in  
14 a work project account that is in compliance with section 451a of  
15 the management and budget act, 1984 PA 431, MCL 18.1451a, for the  
16 following state fiscal year.

17 (9) As used in this section:

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

20 (i) A partner in a partnership as defined in the internal  
21 revenue code.

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

24 (iii) An estate or trust as defined in the internal revenue  
25 code.

26 (b) "Taxable income" means taxable income as defined in this  
27 act subject to the applicable source and attribution rules

1 contained in this act.