

HOUSE BILL No. 4361

March 1, 2011, Introduced by Rep. Gilbert and referred to the Committee on Tax Policy.

A bill to amend 1967 PA 281, entitled

"Income tax act of 1967,"

by amending the title and sections 2, 4, 6, 24, 26, 28, 30, 30f, 36, 51, 51a, 52, 91, 102, 103, 105, 110, 115, 132, 195, 201, 251, 255, 256, 265, 266, 270, 271, 278, 301, 311, 315, 322, 325, 351, 355, 365, 402, 408, 451, 455, 471, 475, 510, 512, 514, 520, 522, 526, 527a, 530, and 532 (MCL 206.2, 206.4, 206.6, 206.24, 206.26, 206.28, 206.30, 206.30f, 206.36, 206.51, 206.51a, 206.52, 206.91, 206.102, 206.103, 206.105, 206.110, 206.115, 206.132, 206.195, 206.201, 206.251, 206.255, 206.256, 206.265, 206.266, 206.270, 206.271, 206.278, 206.301, 206.311, 206.315, 206.322, 206.325, 206.351, 206.355, 206.365, 206.402, 206.408, 206.451, 206.455, 206.471, 206.475, 206.510, 206.512, 206.514, 206.520, 206.522, 206.526, 206.527a, 206.530, and 206.532), section 4 as amended by

2003 PA 52, section 26 as amended by 2003 PA 50, section 30 as amended by 2009 PA 134, section 30f as added by 2000 PA 163, sections 51 and 270 as amended by 2007 PA 94, sections 51a, 255, 256, 301, and 475 as amended by 1996 PA 484, section 52 as added by 1988 PA 1, section 110 as amended by 2003 PA 21, section 265 as amended by 1998 PA 19, section 266 as amended by 2008 PA 447, section 278 as added by 2010 PA 235, section 311 as amended by 2004 PA 199, section 315 as amended by 2003 PA 49, sections 325 and 514 as amended by 1987 PA 254, sections 351, 355, and 365 as amended by 2008 PA 360, section 402 as added and section 408 as amended by 1980 PA 169, section 451 as amended by 2003 PA 46, section 471 as amended by 2002 PA 486, sections 510 and 520 as amended by 1995 PA 245, section 512 as amended by 2003 PA 29, section 522 as amended by 2000 PA 41, section 527a as amended by 2004 PA 335, and section 530 as amended by 1982 PA 480, by designating sections 1 to 532 as part 1, and by adding section 421 and part 2; and to repeal acts and parts of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1

TITLE

2

An act to meet deficiencies in state funds by providing for

3

the imposition, levy, computation, collection, assessment,

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REPORTING, PAYMENT, and enforcement by lien and otherwise of

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taxes on or measured by net income **AND ON CERTAIN COMMERCIAL,**

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BUSINESS, AND FINANCIAL ACTIVITIES; to prescribe the manner and

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time of making reports and paying the taxes, and the functions of

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public officers and others as to the taxes; to permit the

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inspection of the records of taxpayers; to provide for interest

1 and penalties on unpaid taxes; to provide exemptions, credits and
 2 refunds of the taxes; to prescribe penalties for the violation of
 3 this act; to provide an appropriation; and to repeal ~~certain acts~~
 4 and parts of acts.

5 **PART 1**

6 Sec. 2. (1) For the purposes of this ~~act~~, **PART**, the words,
 7 terms and phrases set forth in this chapter and their derivations
 8 have the meaning given therein. When not inconsistent with the
 9 context, words used in the present tense include the future,
 10 words in the plural number include the singular number, and in
 11 the singular number include the plural. "Shall" is always
 12 mandatory and "may" is always discretionary.

13 (2) Any term used in this ~~act~~ **PART** shall have the same
 14 meaning as when used in comparable context in the laws of the
 15 United States relating to federal income taxes unless a different
 16 meaning is clearly required. Any reference in this ~~act~~ **PART** to
 17 the internal revenue code shall include other provisions of the
 18 laws of the United States relating to federal income taxes.

19 (3) It is the intention of this ~~act~~ **PART** that the income
 20 subject to tax be the same as taxable income as defined and
 21 applicable to the subject taxpayer in the internal revenue code,
 22 except as otherwise provided in this act.

23 Sec. 4. ~~(1) "Board" means the state board of tax appeals.~~

24 ~~——(2)~~ "Business income" means all income arising from
 25 transactions, activities, and sources in the regular course of
 26 the taxpayer's trade or business and includes the following:

27 (a) All income from tangible and intangible property if the

1 acquisition, rental, management, or disposition of the property
 2 constitutes integral parts of the taxpayer's regular trade or
 3 business operations.

4 (b) Gains or losses from stock and securities of any foreign
 5 or domestic corporation and dividend and interest income.

6 (c) Income derived from isolated sales, leases, assignment,
 7 licenses, divisions, or other infrequently occurring
 8 dispositions, transfers, or transactions involving property if
 9 the property is or was used in the taxpayer's trade or business
 10 operation.

11 (d) Income derived from the sale of a business.

12 ~~— (3) Not later than 2 years after the effective date of the~~
 13 ~~amendatory act that added subsection (2) (b), the department shall~~
 14 ~~report the impact of the amendatory act that added subsection~~
 15 ~~(2) (b) on the tax liability under this act of resident and~~
 16 ~~nonresident taxpayers to the house tax policy committee and the~~
 17 ~~senate finance committee.~~

18 Sec. 6. (1) "Commercial domicile" means the principal place
 19 from which the trade or business of the taxpayer is directed or
 20 managed.

21 ~~— (2) "Commissioner" means the commissioner of the department.~~

22 (2) ~~(3)~~ "Compensation" means wages as defined in section
 23 3401 and other payments as provided in section 3402 of the
 24 internal revenue code.

25 (3) ~~(4)~~ "Corporation" means, in addition to an incorporated
 26 entity, an association, trust or any unincorporated organization
 27 which is defined as a corporation in the internal revenue code.

1 Sec. 24. "Tax year" or "taxable year" means the calendar
2 year, or the fiscal year ending during such calendar year, upon
3 the basis of which taxable income is computed under this ~~act~~
4 **PART**. In the case of a return made for a fractional part of a
5 year, the term shall mean the period for which such return is
6 made. Except for the first return required by this ~~act~~, **PART**, any
7 taxpayer's tax year shall be for the same period as is covered by
8 his federal income tax return.

9 Sec. 26. "Taxpayer" means any person subject to the taxes
10 imposed by this ~~act~~, **PART**, any employer required to withhold
11 taxes on salaries and wages, or any flow-through entity required
12 to withhold taxes on a nonresident member's share of income
13 available for distribution.

14 Sec. 28. "Taxable income" or "net income" means, unless
15 specifically defined otherwise in this ~~act~~, **PART**, taxable income
16 as defined in the internal revenue code for the subject taxpayer
17 for federal income tax purposes, subject to any adjustment
18 resulting from the election in section 271 but without deduction
19 or credit for any tax on or measured by net income.

20 Sec. 30. (1) "Taxable income" means, for a person other than
21 a corporation, estate, or trust, adjusted gross income as defined
22 in the internal revenue code subject to the following adjustments
23 under this section:

24 (a) Add gross interest income and dividends derived from
25 obligations or securities of states other than Michigan, in the
26 same amount that has been excluded from adjusted gross income
27 less related expenses not deducted in computing adjusted gross

1 income because of section 265(a)(1) of the internal revenue code.

2 (b) Add taxes on or measured by income to the extent the
3 taxes have been deducted in arriving at adjusted gross income.

4 (c) Add losses on the sale or exchange of obligations of the
5 United States government, the income of which this state is
6 prohibited from subjecting to a net income tax, to the extent
7 that the loss has been deducted in arriving at adjusted gross
8 income.

9 (d) Deduct, to the extent included in adjusted gross income,
10 income derived from obligations, or the sale or exchange of
11 obligations, of the United States government that this state is
12 prohibited by law from subjecting to a net income tax, reduced by
13 any interest on indebtedness incurred in carrying the obligations
14 and by any expenses incurred in the production of that income to
15 the extent that the expenses, including amortizable bond
16 premiums, were deducted in arriving at adjusted gross income.

17 (e) Deduct, to the extent included in adjusted gross income,
18 compensation, including retirement benefits, received for
19 services in the armed forces of the United States.

20 (f) Deduct the following to the extent included in adjusted
21 gross income:

22 (i) Retirement or pension benefits ~~received from a federal~~
23 ~~public retirement system or from a public retirement system of or~~
24 ~~created by this state or a political subdivision of this state.~~
25 **UNDER THE RAILROAD RETIREMENT ACT OF 1974, 45 USC 231 TO 231V.**

26 ~~—— (ii) Retirement or pension benefits received from a public~~
27 ~~retirement system of or created by another state or any of its~~

1 ~~political subdivisions if the income tax laws of the other state~~
2 ~~permit a similar deduction or exemption or a reciprocal deduction~~
3 ~~or exemption of a retirement or pension benefit received from a~~
4 ~~public retirement system of or created by this state or any of~~
5 ~~the political subdivisions of this state.~~

6 (ii) ~~(iii)~~ Social security benefits as defined in section 86 of
7 the internal revenue code.

8 ~~—— (iv) Beginning on and after January 1, 2007, retirement or~~
9 ~~pension benefits not deductible under subparagraph (i) or~~
10 ~~subdivision (c) from any other retirement or pension system or~~
11 ~~benefits from a retirement annuity policy in which payments are~~
12 ~~made for life to a senior citizen, to a maximum of \$42,240.00 for~~
13 ~~a single return and \$84,480.00 for a joint return. The maximum~~
14 ~~amounts allowed under this subparagraph shall be reduced by the~~
15 ~~amount of the deduction for retirement or pension benefits~~
16 ~~claimed under subparagraph (i) or subdivision (c) and by the~~
17 ~~amount of a deduction claimed under subdivision (r). For the 2008~~
18 ~~tax year and each tax year after 2008, the maximum amounts~~
19 ~~allowed under this subparagraph shall be adjusted by the~~
20 ~~percentage increase in the United States consumer price index for~~
21 ~~the immediately preceding calendar year. The department shall~~
22 ~~annualize the amounts provided in this subparagraph as necessary.~~
23 ~~As used in this subparagraph, "senior citizen" means that term as~~
24 ~~defined in section 514.~~

25 (iii) ~~(v)~~ The amount determined to be the section 22 amount
26 eligible for the elderly and the permanently and totally disabled
27 credit provided in section 22 of the internal revenue code.

1 (g) Adjustments resulting from the application of section
2 271.

3 (h) Adjustments with respect to estate and trust income as
4 provided in section 36.

5 (i) Adjustments resulting from the allocation and
6 apportionment provisions of chapter 3.

7 ~~—— (j) Deduct political contributions as described in section 4
8 of the Michigan campaign finance act, 1976 PA 388, MCL 169.204,
9 or 2 USC 431, not in excess of \$50.00 per annum, or \$100.00 per
10 annum for a joint return.~~

11 ~~—— (k) Deduct, to the extent included in adjusted gross income,
12 wages not deductible under section 280C of the internal revenue
13 code.~~

14 (J) ~~(I)~~ Deduct the following payments made by the taxpayer in
15 the tax year:

16 (i) For the 2010 tax year and each tax year after 2010, the
17 amount of a charitable contribution made to the advance tuition
18 payment fund created under section 9 of the Michigan education
19 trust act, 1986 PA 316, MCL 390.1429.

20 (ii) The amount of payment made under an advance tuition
21 payment contract as provided in the Michigan education trust act,
22 1986 PA 316, MCL 390.1421 to 390.1442.

23 (iii) The amount of payment made under a contract with a
24 private sector investment manager that meets all of the following
25 criteria:

26 (A) The contract is certified and approved by the board of
27 directors of the Michigan education trust to provide equivalent

1 benefits and rights to purchasers and beneficiaries as an advance
2 tuition payment contract as described in subparagraph (ii).

3 (B) The contract applies only for a state institution of
4 higher education as defined in the Michigan education trust act,
5 1986 PA 316, MCL 390.1421 to 390.1442, or a community or junior
6 college in Michigan.

7 (C) The contract provides for enrollment by the contract's
8 qualified beneficiary in not less than 4 years after the date on
9 which the contract is entered into.

10 (D) The contract is entered into after either of the
11 following:

12 (I) The purchaser has had his or her offer to enter into an
13 advance tuition payment contract rejected by the board of
14 directors of the Michigan education trust, if the board
15 determines that the trust cannot accept an unlimited number of
16 enrollees upon an actuarially sound basis.

17 (II) The board of directors of the Michigan education trust
18 determines that the trust can accept an unlimited number of
19 enrollees upon an actuarially sound basis.

20 (K) ~~(m)~~—If an advance tuition payment contract under the
21 Michigan education trust act, 1986 PA 316, MCL 390.1421 to
22 390.1442, or another contract for which the payment was
23 deductible under subdivision ~~(l)~~—(J) is terminated and the
24 qualified beneficiary under that contract does not attend a
25 university, college, junior or community college, or other
26 institution of higher education, add the amount of a refund
27 received by the taxpayer as a result of that termination or the

1 amount of the deduction taken under subdivision ~~(I)~~ **(J)** for
2 payment made under that contract, whichever is less.

3 **(I)** ~~(n)~~ Deduct from the taxable income of a purchaser the
4 amount included as income to the purchaser under the internal
5 revenue code after the advance tuition payment contract entered
6 into under the Michigan education trust act, 1986 PA 316, MCL
7 390.1421 to 390.1442, is terminated because the qualified
8 beneficiary attends an institution of postsecondary education
9 other than either a state institution of higher education or an
10 institution of postsecondary education located outside this state
11 with which a state institution of higher education has
12 reciprocity.

13 **(M)** ~~(o)~~ Add, to the extent deducted in determining adjusted
14 gross income, the net operating loss deduction under section 172
15 of the internal revenue code.

16 **(N)** ~~(p)~~ Deduct a net operating loss deduction for the
17 taxable year as determined under section 172 of the internal
18 revenue code subject to the modifications under section 172(b)(2)
19 of the internal revenue code and subject to the allocation and
20 apportionment provisions of chapter 3 of this act ~~act~~ **PART** for the
21 taxable year in which the loss was incurred.

22 **(O)** ~~(q)~~ Deduct, to the extent included in adjusted gross
23 income, benefits from a discriminatory self-insurance medical
24 expense reimbursement plan.

25 ~~Beginning on and after January 1, 2007, a taxpayer who~~
26 ~~is a senior citizen may deduct to the extent included in adjusted~~
27 ~~gross income, interest, dividends, and capital gains received in~~

1 ~~the tax year not to exceed \$9,420.00 for a single return and~~
 2 ~~\$18,840.00 for a joint return. The maximum amounts allowed under~~
 3 ~~this subdivision shall be reduced by the amount of a deduction~~
 4 ~~claimed for retirement benefits under subdivision (e) or a~~
 5 ~~deduction claimed under subdivision (f) (i), (ii), (iv), or (v). For~~
 6 ~~the 2008 tax year and each tax year after 2008, the maximum~~
 7 ~~amounts allowed under this subdivision shall be adjusted by the~~
 8 ~~percentage increase in the United States consumer price index for~~
 9 ~~the immediately preceding calendar year. The department shall~~
 10 ~~annualize the amounts provided in this subdivision as necessary.~~
 11 ~~As used in this subdivision, "senior citizen" means that term as~~
 12 ~~defined in section 514.~~

13 (P) ~~(s)~~ Deduct, to the extent included in adjusted gross
 14 income, all of the following:

15 (i) The amount of a refund received in the tax year based on
 16 taxes paid under this act ~~PART~~.

17 (ii) The amount of a refund received in the tax year based on
 18 taxes paid under the city income tax act, 1964 PA 284, MCL
 19 141.501 to 141.787.

20 (iii) The amount of a credit received in the tax year based on
 21 a claim filed under sections 520 and 522 to the extent that the
 22 taxes used to calculate the credit were not used to reduce
 23 adjusted gross income for a prior year.

24 (Q) ~~(t)~~ Add the amount paid by the state on behalf of the
 25 taxpayer in the tax year to repay the outstanding principal on a
 26 loan taken on which the taxpayer defaulted that was to fund an
 27 advance tuition payment contract entered into under the Michigan

1 education trust act, 1986 PA 316, MCL 390.1421 to 390.1442, if
2 the cost of the advance tuition payment contract was deducted
3 under subdivision ~~(I)~~ (J) and was financed with a Michigan
4 education trust secured loan.

5 ~~—— (u) Deduct the amount calculated under section 30d.~~

6 (R) ~~(v)~~ Deduct, to the extent included in adjusted gross
7 income, any amount, and any interest earned on that amount,
8 received in the tax year by a taxpayer who is a Holocaust victim
9 as a result of a settlement of claims against any entity or
10 individual for any recovered asset pursuant to the German act
11 regulating unresolved property claims, also known as Gesetz zur
12 Regelung offener Vermögensfragen, as a result of the settlement
13 of the action entitled In re: Holocaust victim assets litigation,
14 CV-96-4849, CV-96-5161, and CV-97-0461 (E.D. NY), or as a result
15 of any similar action if the income and interest are not
16 commingled in any way with and are kept separate from all other
17 funds and assets of the taxpayer. As used in this subdivision:

18 (i) "Holocaust victim" means a person, or the heir or
19 beneficiary of that person, who was persecuted by Nazi Germany or
20 any Axis regime during any period from 1933 to 1945.

21 (ii) "Recovered asset" means any asset of any type and any
22 interest earned on that asset including, but not limited to, bank
23 deposits, insurance proceeds, or artwork owned by a Holocaust
24 victim during the period from 1920 to 1945, withheld from that
25 Holocaust victim from and after 1945, and not recovered,
26 returned, or otherwise compensated to the Holocaust victim until
27 after 1993.

1 **(S)** ~~(w)~~—Deduct, to the extent not deducted in determining
2 adjusted gross income, both of the following:

3 (i) Contributions made by the taxpayer in the tax year less
4 qualified withdrawals made in the tax year from education savings
5 accounts, calculated on a per education savings account basis,
6 pursuant to the Michigan education savings program act, 2000 PA
7 161, MCL 390.1471 to 390.1486, not to exceed a total deduction of
8 \$5,000.00 for a single return or \$10,000.00 for a joint return
9 per tax year. The amount calculated under this subparagraph for
10 each education savings account shall not be less than zero.

11 (ii) The amount under section 30f.

12 **(T)** ~~(x)~~—Add, to the extent not included in adjusted gross
13 income, the amount of money withdrawn by the taxpayer in the tax
14 year from education savings accounts, not to exceed the total
15 amount deducted under subdivision ~~(w)~~—**(S)** in the tax year and all
16 previous tax years, if the withdrawal was not a qualified
17 withdrawal as provided in the Michigan education savings program
18 act, 2000 PA 161, MCL 390.1471 to 390.1486. This subdivision does
19 not apply to withdrawals that are less than the sum of all
20 contributions made to an education savings account in all
21 previous tax years for which no deduction was claimed under
22 subdivision ~~(w)~~—**(S)**, less any contributions for which no
23 deduction was claimed under subdivision ~~(w)~~—**(S)** that were
24 withdrawn in all previous tax years.

25 ~~(y) Deduct, to the extent included in adjusted gross income,~~
26 ~~the amount of a distribution from individual retirement accounts~~
27 ~~that qualify under section 408 of the internal revenue code if~~

~~1 the distribution is used to pay qualified higher education
2 expenses as that term is defined in the Michigan education
3 savings program act, 2000 PA 161, MCL 390.1471 to 390.1486.
4 ——— (z) Deduct, to the extent included in adjusted gross income,
5 an amount equal to the qualified charitable distribution made in
6 the tax year by a taxpayer to a charitable organization. The
7 amount allowed under this subdivision shall be equal to the
8 amount deductible by the taxpayer under section 170 of the
9 internal revenue code with respect to the qualified charitable
10 distribution in the tax year in which the taxpayer makes the
11 distribution to the qualified charitable organization, reduced by
12 both the amount of the deduction for retirement or pension
13 benefits claimed by the taxpayer under subdivision (f) (i), (ii),
14 (iv), or (v) and by 2 times the total amount of credits claimed
15 under sections 260 and 261 for the tax year. As used in this
16 subdivision, "qualified charitable distribution" means a
17 distribution of assets to a qualified charitable organization by
18 a taxpayer not more than 60 days after the date on which the
19 taxpayer received the assets as a distribution from a retirement
20 or pension plan described in subsection (8)(a). A distribution is
21 to a qualified charitable organization if the distribution is
22 made in any of the following circumstances:
23 ——— (i) To an organization described in section 501(c)(3) of the
24 internal revenue code except an organization that is controlled
25 by a political party, an elected official or a candidate for an
26 elective office.
27 ——— (ii) To a charitable remainder annuity trust or a charitable~~

1 ~~remainder unitrust as defined in section 664(d) of the internal~~
 2 ~~revenue code; to a pooled income fund as defined in section~~
 3 ~~642(c)(5) of the internal revenue code; or for the issuance of a~~
 4 ~~charitable gift annuity as defined in section 501(m)(5) of the~~
 5 ~~internal revenue code. A trust, fund, or annuity described in~~
 6 ~~this subparagraph is a qualified charitable organization only if~~
 7 ~~no person holds any interest in the trust, fund, or annuity other~~
 8 ~~than 1 or more of the following:~~

9 ~~—— (A) The taxpayer who received the distribution from the~~
 10 ~~retirement or pension plan.~~

11 ~~—— (B) The spouse of an individual described in sub-~~
 12 ~~subparagraph (A).~~

13 ~~—— (C) An organization described in section 501(c)(3) of the~~
 14 ~~internal revenue code.~~

15 (U) ~~(aa)~~ A taxpayer who is a resident tribal member may
 16 deduct, to the extent included in adjusted gross income, all
 17 nonbusiness income earned or received in the tax year and during
 18 the period in which an agreement entered into between the
 19 taxpayer's tribe and this state pursuant to section 30c of 1941
 20 PA 122, MCL 205.30c, is in full force and effect. As used in this
 21 subdivision:

22 (i) "Business income" means business income as defined in
 23 section 4 and apportioned under chapter 3.

24 (ii) "Nonbusiness income" means nonbusiness income as defined
 25 in section 14 and, to the extent not included in business income,
 26 all of the following:

27 (A) All income derived from wages whether the wages are

1 earned within the agreement area or outside of the agreement
2 area.

3 (B) All interest and passive dividends.

4 (C) All rents and royalties derived from real property
5 located within the agreement area.

6 (D) All rents and royalties derived from tangible personal
7 property, to the extent the personal property is utilized within
8 the agreement area.

9 (E) Capital gains from the sale or exchange of real property
10 located within the agreement area.

11 (F) Capital gains from the sale or exchange of tangible
12 personal property located within the agreement area at the time
13 of sale.

14 (G) Capital gains from the sale or exchange of intangible
15 personal property.

16 (H) All pension income and benefits including, but not
17 limited to, distributions from a 401(k) plan, individual
18 retirement accounts under section 408 of the internal revenue
19 code, or a defined contribution plan, or payments from a defined
20 benefit plan.

21 (I) All per capita payments by the tribe to resident tribal
22 members, without regard to the source of payment.

23 (J) All gaming winnings.

24 (iii) "Resident tribal member" means an individual who meets
25 all of the following criteria:

26 (A) Is an enrolled member of a federally recognized tribe.

27 (B) The individual's tribe has an agreement with this state

1 pursuant to section 30c of 1941 PA 122, MCL 205.30c, that is in
2 full force and effect.

3 (C) The individual's principal place of residence is located
4 within the agreement area as designated in the agreement under
5 sub-subparagraph (B).

6 ~~—— (bb) For tax years that begin after December 31, 2006,~~
7 ~~deduct, to the extent included in adjusted gross income, all or a~~
8 ~~portion of the gain, as determined under this section, realized~~
9 ~~from an initial equity investment of not less than \$100,000.00~~
10 ~~made by the taxpayer before December 31, 2009, in a qualified~~
11 ~~business, if an amount equal to the sum of the taxpayer's basis~~
12 ~~in the investment as determined under the internal revenue code~~
13 ~~plus the gain, or a portion of that amount, is reinvested in an~~
14 ~~equity investment in a qualified business within 1 year after the~~
15 ~~sale or disposition of the investment in the qualified business.~~
16 ~~If the amount of the subsequent investment is less than the sum~~
17 ~~of the taxpayer's basis from the prior equity investment plus the~~
18 ~~gain from the prior equity investment, the amount of a deduction~~
19 ~~under this section shall be reduced by the difference between the~~
20 ~~sum of the taxpayer's basis from the prior equity investment plus~~
21 ~~the gain from the prior equity investment and the subsequent~~
22 ~~investment. As used in this subdivision:~~

23 ~~—— (i) "Advanced automotive, manufacturing, and materials~~
24 ~~technology" means any technology that involves 1 or more of the~~
25 ~~following:~~

26 ~~—— (A) Materials with engineered properties created through the~~
27 ~~development of specialized process and synthesis technology.~~

1 ~~—— (B) Nanotechnology, including materials, devices, or systems~~
2 ~~at the atomic, molecular, or macromolecular level, with a scale~~
3 ~~measured in nanometers.~~

4 ~~—— (C) Microelectromechanical systems, including devices or~~
5 ~~systems integrating microelectronics with mechanical parts and a~~
6 ~~scale measured in micrometers.~~

7 ~~—— (D) Improvements to vehicle safety, vehicle performance,~~
8 ~~vehicle production, or environmental impact, including, but not~~
9 ~~limited to, vehicle equipment and component parts.~~

10 ~~—— (E) Any technology that involves an alternative energy~~
11 ~~vehicle or its components. "Alternative energy vehicle" means~~
12 ~~that term as defined in section 2 of the Michigan next energy~~
13 ~~authority act, 2002 PA 593, MCL 207.822.~~

14 ~~—— (F) A new technology, device, or system that enhances or~~
15 ~~improves the manufacturing process of wood, timber, or~~
16 ~~agricultural-based products.~~

17 ~~—— (G) Advanced computing or electronic device technology~~
18 ~~related to technology described under this subparagraph.~~

19 ~~—— (H) Design, engineering, testing, or diagnostics related to~~
20 ~~technology described under this subparagraph.~~

21 ~~—— (I) Product research and development related to technology~~
22 ~~described under this subparagraph.~~

23 ~~—— (ii) "Advanced computing" means any technology used in the~~
24 ~~design and development of 1 or more of the following:~~

25 ~~—— (A) Computer hardware and software.~~

26 ~~—— (B) Data communications.~~

27 ~~—— (C) Information technologies.~~

1 ~~—— (iii) "Alternative energy technology" means applied research~~
2 ~~or commercialization of new or next generation technology in 1 or~~
3 ~~more of the following:~~

4 ~~—— (A) Alternative energy technology as that term is defined in~~
5 ~~section 2 of the Michigan next energy authority act, 2002 PA 593,~~
6 ~~MCL 207.822.~~

7 ~~—— (B) Devices or systems designed and used solely for the~~
8 ~~purpose of generating energy from agricultural crops, residue and~~
9 ~~waste generated from the production and processing of~~
10 ~~agricultural products, animal wastes, or food processing wastes,~~
11 ~~not including a conventional gasoline or diesel fuel engine or a~~
12 ~~retrofitted conventional gasoline or diesel fuel engine.~~

13 ~~—— (C) A new technology, product, or system that permits the~~
14 ~~utilization of biomass for the production of specialty,~~
15 ~~commodity, or foundational chemicals or of novel or economical~~
16 ~~commodity materials through the application of biotechnology that~~
17 ~~minimizes, complements, or replaces reliance on petroleum for the~~
18 ~~production.~~

19 ~~—— (D) Advanced computing or electronic device technology~~
20 ~~related to technology described under this subparagraph.~~

21 ~~—— (E) Design, engineering, testing, or diagnostics related to~~
22 ~~technology described under this subparagraph.~~

23 ~~—— (F) Product research and development related to a technology~~
24 ~~described under this subparagraph.~~

25 ~~—— (iv) "Competitive edge technology" means 1 or more of the~~
26 ~~following:~~

27 ~~—— (A) Advanced automotive, manufacturing, and materials~~

1 ~~technology.~~

2 ~~—— (B) Alternative energy technology.~~

3 ~~—— (C) Homeland security and defense technology.~~

4 ~~—— (D) Life sciences technology.~~

5 ~~—— (v) "Electronic device technology" means any technology that~~
6 ~~involves microelectronics, semiconductors, electronic equipment,~~
7 ~~and instrumentation, radio frequency, microwave, and millimeter~~
8 ~~electronics; optical and optic electrical devices; or data and~~
9 ~~digital communications and imaging devices.~~

10 ~~—— (vi) "Homeland security and defense technology" means~~
11 ~~technology that assists in the assessment of threats or damage to~~
12 ~~the general population and critical infrastructure, protection~~
13 ~~of, defense against, or mitigation of the effects of foreign or~~
14 ~~domestic threats, disasters, or attacks, or support for crisis or~~
15 ~~response management, including, but not limited to, 1 or more of~~
16 ~~the following:~~

17 ~~—— (A) Sensors, systems, processes, or equipment for~~
18 ~~communications, identification and authentication, screening,~~
19 ~~surveillance, tracking, and data analysis.~~

20 ~~—— (B) Advanced computing or electronic device technology~~
21 ~~related to technology described under this subparagraph.~~

22 ~~—— (C) Aviation technology including, but not limited to,~~
23 ~~avionics, airframe design, sensors, early warning systems, and~~
24 ~~services related to the technology described in this~~
25 ~~subparagraph.~~

26 ~~—— (D) Design, engineering, testing, or diagnostics related to~~
27 ~~technology described under this subparagraph.~~

1 ~~—— (E) Product research and development related to technology~~
2 ~~described under this subparagraph.~~

3 ~~—— (vii) "Life sciences technology" means any technology derived~~
4 ~~from life sciences intended to improve human health or the~~
5 ~~overall quality of human life, including, but not limited to,~~
6 ~~systems, processes, or equipment for drug or gene therapies,~~
7 ~~biosensors, testing, medical devices or instrumentation with a~~
8 ~~therapeutic or diagnostic value, a pharmaceutical or other~~
9 ~~product that requires United States food and drug administration~~
10 ~~approval or registration prior to its introduction in the~~
11 ~~marketplace and is a drug or medical device as defined by the~~
12 ~~federal food, drug, and cosmetic act, 21 USC 301 to 399, or 1 or~~
13 ~~more of the following:~~

14 ~~—— (A) Advanced computing or electronic device technology~~
15 ~~related to technology described under this subparagraph.~~

16 ~~—— (B) Design, engineering, testing, or diagnostics related to~~
17 ~~technology or the commercial manufacturing of technology~~
18 ~~described under this subparagraph.~~

19 ~~—— (C) Product research and development related to technology~~
20 ~~described under this subparagraph.~~

21 ~~—— (viii) "Life sciences" means science for the examination or~~
22 ~~understanding of life or life processes, including, but not~~
23 ~~limited to, all of the following:~~

24 ~~—— (A) Bioengineering.~~

25 ~~—— (B) Biomedical engineering.~~

26 ~~—— (C) Genomics.~~

27 ~~—— (D) Proteomics.~~

- 1 ~~—— (E) Molecular and chemical ecology.~~
- 2 ~~—— (F) Biotechnology, including any technology that uses living~~
3 ~~organisms, cells, macromolecules, microorganisms, or substances~~
4 ~~from living organisms to make or modify a product for useful~~
5 ~~purposes. Biotechnology or life sciences do not include any of~~
6 ~~the following:~~
- 7 ~~—— (I) Activities prohibited under section 2685 of the public~~
8 ~~health code, 1978 PA 368, MCL 333.2685.~~
- 9 ~~—— (II) Activities prohibited under section 2688 of the public~~
10 ~~health code, 1978 PA 368, MCL 333.2688.~~
- 11 ~~—— (III) Activities prohibited under section 2690 of the public~~
12 ~~health code, 1978 PA 368, MCL 333.2690.~~
- 13 ~~—— (IV) Activities prohibited under section 16274 of the public~~
14 ~~health code, 1978 PA 368, MCL 333.16274.~~
- 15 ~~—— (V) Stem cell research with human embryonic tissue.~~
- 16 ~~—— (ix) "Qualified business" means a business that complies with~~
17 ~~all of the following:~~
- 18 ~~—— (A) The business is a seed or early stage business as~~
19 ~~defined in section 3 of the Michigan early stage venture~~
20 ~~investment act of 2003, 2003 PA 296, MCL 125.2233.~~
- 21 ~~—— (B) The business has its headquarters in this state, is~~
22 ~~domiciled in this state, or has a majority of its employees~~
23 ~~working a majority of their time in this state.~~
- 24 ~~—— (C) The business has a preinvestment valuation of less than~~
25 ~~\$10,000,000.00.~~
- 26 ~~—— (D) The business has been in existence less than 5 years.~~
27 ~~This sub-subparagraph does not apply to a business, the business~~

1 ~~activity of which is derived from research at an institution of~~
2 ~~higher education located within this state or an organization~~
3 ~~exempt from federal taxation under section 501c(3) of the~~
4 ~~internal revenue code and that is located within this state.~~

5 ~~—— (E) The business is engaged only in competitive edge~~
6 ~~technology.~~

7 ~~—— (F) The business is certified by the Michigan strategic fund~~
8 ~~as meeting the requirements of sub-subparagraphs (A) to (E) at~~
9 ~~the time of each proposed investment.~~

10 **(V) FOR TAX YEARS THAT BEGIN AFTER DECEMBER 31, 2011, ADD,**
11 **TO THE EXTENT DEDUCTED IN DETERMINING ADJUSTED GROSS INCOME,**
12 **EXPENSES INCURRED IN THE PRODUCTION OF INCOME THAT IS NOT TAXABLE**
13 **UNDER THIS PART.**

14 (2) Except as otherwise provided in subsection (7), a
15 personal exemption of ~~\$2,500.00~~ **\$3,700.00** multiplied by the
16 number of personal or dependency exemptions allowable on the
17 taxpayer's federal income tax return pursuant to the internal
18 revenue code shall be subtracted in the calculation that
19 determines taxable income.

20 (3) Except as otherwise provided in subsection (7), a single
21 additional exemption determined as follows shall be subtracted in
22 the calculation that determines taxable income in each of the
23 following circumstances:

24 ~~—— (a) \$1,800.00 for each taxpayer and every dependent of the~~
25 ~~taxpayer who is 65 years of age or older. When a dependent of a~~
26 ~~taxpayer files an annual return under this act, the taxpayer or~~
27 ~~dependent of the taxpayer, but not both, may claim the additional~~

1 ~~exemption allowed under this subdivision. As used in this~~
 2 ~~subdivision and subdivision (c), "dependent" means that term as~~
 3 ~~defined in section 30e.~~

4 (A) ~~(b)~~—\$1,800.00 for each taxpayer and every dependent of
 5 the taxpayer who is a deaf person as defined in section 2 of the
 6 deaf persons' interpreters act, 1982 PA 204, MCL 393.502; a
 7 paraplegic, a quadriplegic, or a hemiplegic; a person who is
 8 blind as defined in section 504; or a person who is totally and
 9 permanently disabled as defined in section 522. When a dependent
 10 of a taxpayer files an annual return under this act, ~~PART~~, the
 11 taxpayer or dependent of the taxpayer, but not both, may claim
 12 the additional exemption allowed under this subdivision.

13 ~~—— (c) \$1,800.00 if the taxpayer's return includes unemployment~~
 14 ~~compensation that amounts to 50% or more of adjusted gross~~
 15 ~~income.~~

16 (B) ~~(d)~~—For tax years beginning after 2007, \$250.00 for each
 17 taxpayer and every dependent of the taxpayer who is a qualified
 18 disabled veteran. When a dependent of a taxpayer files an annual
 19 return under this act, ~~PART~~, the taxpayer or dependent of the
 20 taxpayer, but not both, may claim the additional exemption
 21 allowed under this subdivision. As used in this subdivision:

22 (i) "Qualified disabled veteran" means a veteran with a
 23 service-connected disability.

24 (ii) "Service-connected disability" means a disability
 25 incurred or aggravated in the line of duty in the active
 26 military, naval, or air service as described in 38 USC 101(16).

27 (iii) "Veteran" means a person who served in the active

1 military, naval, marine, coast guard, or air service and who was
2 discharged or released from his or her service with an honorable
3 or general discharge.

4 (4) An individual with respect to whom a deduction under
5 section 151 of the internal revenue code is allowable to another
6 federal taxpayer during the tax year is not considered to have an
7 allowable federal exemption for purposes of subsection (2), but
8 may subtract \$1,500.00 in the calculation that determines taxable
9 income for a tax year.

10 (5) A nonresident or a part-year resident is allowed that
11 proportion of an exemption or deduction allowed under subsection
12 (2), (3), or (4) that the taxpayer's portion of adjusted gross
13 income from Michigan sources bears to the taxpayer's total
14 adjusted gross income.

15 (6) In calculating taxable income, a taxpayer shall not
16 subtract from adjusted gross income the amount of prizes won by
17 the taxpayer under the McCauley-Traxler-Law-Bowman-McNeely
18 lottery act, 1972 PA 239, MCL 432.1 to 432.47.

19 (7) For each tax year **BEGINNING ON AND AFTER JANUARY 1,**
20 **2013**, the personal exemption allowed under subsection (2) shall
21 be adjusted by multiplying the exemption for the tax year
22 beginning in ~~1997-2012~~ by a fraction, the numerator of which is
23 the United States consumer price index for the state fiscal year
24 ending in the tax year prior to the tax year for which the
25 adjustment is being made and the denominator of which is the
26 United States consumer price index for the ~~1995-96-2010-2011~~
27 state fiscal year. The resultant product shall be rounded to the

1 nearest \$100.00 increment. ~~The personal exemption for the tax~~
2 ~~year shall be determined by adding \$200.00 to that rounded~~
3 ~~amount.~~ As used in this section, "United States consumer price
4 index" means the United States consumer price index for all urban
5 consumers as defined and reported by the United States department
6 of labor, bureau of labor statistics. For each tax year, the
7 exemptions allowed under subsection (3) shall be adjusted by
8 multiplying the exemption amount under subsection (3) for the tax
9 year by a fraction, the numerator of which is the United States
10 consumer price index for the state fiscal year ending the tax
11 year prior to the tax year for which the adjustment is being made
12 and the denominator of which is the United States consumer price
13 index for the 1998-1999 state fiscal year. The resultant product
14 shall be rounded to the nearest \$100.00 increment. **FOR A TAXPAYER**
15 **WHOSE TOTAL HOUSEHOLD RESOURCES ARE \$75,000.00 OR MORE FOR A**
16 **SINGLE RETURN OR \$150,000.00 OR MORE FOR A JOINT RETURN, THE**
17 **PERSONAL EXEMPTION ALLOWED UNDER SUBSECTION (2) SHALL BE ADJUSTED**
18 **BY MULTIPLYING THE EXEMPTION FOR THE TAX YEAR FOR A SINGLE RETURN**
19 **BY A FRACTION, THE NUMERATOR OF WHICH IS \$100,000.00 MINUS THE**
20 **TAXPAYER'S TOTAL HOUSEHOLD RESOURCES, AND THE DENOMINATOR OF**
21 **WHICH IS \$25,000.00, AND FOR A JOINT RETURN BY A FRACTION, THE**
22 **NUMERATOR OF WHICH IS \$200,000.00 MINUS THE TAXPAYER'S TOTAL**
23 **HOUSEHOLD RESOURCES, AND THE DENOMINATOR OF WHICH IS \$50,000.00.**
24 **THE PERSONAL EXEMPTION ALLOWED UNDER SUBSECTION (2) SHALL NOT BE**
25 **ALLOWED FOR A SINGLE TAXPAYER WHOSE TOTAL HOUSEHOLD RESOURCES**
26 **EXCEED \$100,000.00 OR FOR JOINT FILERS WHOSE TOTAL HOUSEHOLD**
27 **RESOURCES EXCEED \$200,000.00. AS USED IN THIS SUBSECTION:**

1 (A) "HOUSEHOLD", "HOUSEHOLD INCOME", AND "INCOME" MEAN THOSE
2 TERMS AS DEFINED IN CHAPTER 9.

3 (B) "TOTAL HOUSEHOLD RESOURCES" MEANS THE TAXPAYER'S
4 HOUSEHOLD INCOME PLUS THE FOLLOWING TO THE EXTENT NOT INCLUDED IN
5 THE TAXPAYER'S HOUSEHOLD INCOME:

6 (i) THE FIRST \$300.00 OF GIFTS IN CASH OR KIND FROM
7 NONGOVERNMENTAL SOURCES.

8 (ii) THE FIRST \$300.00 RECEIVED FROM AWARDS, PRIZES, LOTTERY,
9 BINGO, OR OTHER GAMBLING WINNINGS.

10 ~~(8) As used in subsection (1)(f), "retirement or pension~~
11 ~~benefits" means distributions from all of the following:~~

12 ~~(a) Except as provided in subdivision (d), qualified pension~~
13 ~~trusts and annuity plans that qualify under section 401(a) of the~~
14 ~~internal revenue code, including all of the following:~~

15 ~~(i) Plans for self-employed persons, commonly known as Keogh~~
16 ~~or HR10 plans.~~

17 ~~(ii) Individual retirement accounts that qualify under~~
18 ~~section 408 of the internal revenue code if the distributions are~~
19 ~~not made until the participant has reached 59 1/2 years of age,~~
20 ~~except in the case of death, disability, or distributions~~
21 ~~described by section 72(t)(2)(A)(iv) of the internal revenue code.~~

22 ~~(iii) Employee annuities or tax sheltered annuities purchased~~
23 ~~under section 403(b) of the internal revenue code by~~
24 ~~organizations exempt under section 501(c)(3) of the internal~~
25 ~~revenue code, or by public school systems.~~

26 ~~(iv) Distributions from a 401(k) plan attributable to~~
27 ~~employee contributions mandated by the plan or attributable to~~

1 ~~employer contributions.~~

2 ~~—— (b) The following retirement and pension plans not qualified~~
3 ~~under the internal revenue code:~~

4 ~~—— (i) Plans of the United States, state governments other than~~
5 ~~this state, and political subdivisions, agencies, or~~
6 ~~instrumentalities of this state.~~

7 ~~—— (ii) Plans maintained by a church or a convention or~~
8 ~~association of churches.~~

9 ~~—— (iii) All other unqualified pension plans that prescribe~~
10 ~~eligibility for retirement and predetermine contributions and~~
11 ~~benefits if the distributions are made from a pension trust.~~

12 ~~—— (c) Retirement or pension benefits received by a surviving~~
13 ~~spouse if those benefits qualified for a deduction prior to the~~
14 ~~decedent's death. Benefits received by a surviving child are not~~
15 ~~deductible.~~

16 ~~—— (d) Retirement and pension benefits do not include:~~

17 ~~—— (i) Amounts received from a plan that allows the employee to~~
18 ~~set the amount of compensation to be deferred and does not~~
19 ~~prescribe retirement age or years of service. These plans~~
20 ~~include, but are not limited to, all of the following:~~

21 ~~—— (A) Deferred compensation plans under section 457 of the~~
22 ~~internal revenue code.~~

23 ~~—— (B) Distributions from plans under section 401(k) of the~~
24 ~~internal revenue code other than plans described in subdivision~~
25 ~~(a)(iv).~~

26 ~~—— (C) Distributions from plans under section 403(b) of the~~
27 ~~internal revenue code other than plans described in subdivision~~

1 ~~(a) (iii).~~

2 ~~—— (ii) Premature distributions paid on separation, withdrawal,~~
 3 ~~or discontinuance of a plan prior to the earliest date the~~
 4 ~~recipient could have retired under the provisions of the plan.~~

5 ~~—— (iii) Payments received as an incentive to retire early unless~~
 6 ~~the distributions are from a pension trust.~~

7 Sec. 30f. For tax years that begin after December 31, 1999,
 8 taxable income for purposes of this ~~act~~ **PART** equals taxable
 9 income as determined under section 30 with the following
 10 adjustments:

11 (a) For tax years that begin after December 31, 1999,
 12 deduct, to the extent not deducted in determining adjusted gross
 13 income, interest earned in the tax year on the contributions to
 14 the taxpayer's education savings accounts if the contributions
 15 were deductible under section ~~30(1)(w)(i)~~ **30(1)(S)(i)**.

16 (b) For tax years that begin after December 31, 1999,
 17 deduct, to the extent included in adjusted gross income,
 18 distributions that are qualified withdrawals from an education
 19 savings account to the designated beneficiary of that education
 20 savings account. As used in this subdivision, "qualified
 21 withdrawal" means that term as defined in the Michigan education
 22 savings program act, **2000 PA 161, MCL 390.1471 TO 390.1486.**

23 Sec. 36. (1) "Taxable income" in the case of a resident
 24 estate or trust means federal taxable income as defined in the
 25 internal revenue code subject to the following adjustments:

26 (a) Add gross interest income and dividends derived from
 27 obligations or securities of states other than Michigan, in the

1 same amount which has been excluded from federal taxable income
2 less related expenses not deducted in computing federal taxable
3 income because of section 265 of the internal revenue code.

4 (b) Add taxes on or measured by income to the extent the
5 taxes have been deducted in arriving at federal taxable income.

6 (c) Add losses on the sale or exchange of obligations of the
7 United States government, the income of which this state is
8 prohibited from subjecting to a net income tax, to the extent
9 that the loss has been deducted in arriving at federal taxable
10 income.

11 (d) Deduct, to the extent included in federal taxable
12 income, income derived from obligations, or the sale or exchange
13 of obligations, of the United States government which this state
14 is prohibited by law from subjecting to a net income tax, reduced
15 by any interest on indebtedness incurred in carrying the
16 obligations, and by any expenses incurred in the production of
17 such income to the extent that the expenses, including
18 amortizable bond premiums, were deducted in arriving at federal
19 taxable income.

20 (e) Adjustments resulting from the application of section
21 271.

22 (f) Deduct an adjustment resulting from the allocation and
23 apportionment provisions of chapter 3.

24 (2) The respective shares of an estate or trust and its
25 beneficiaries, including, solely for the purpose of this
26 allocation, nonresident beneficiaries, in the additions and
27 subtractions to taxable income shall be in proportion to their

1 respective shares of distributable net income of the estate or
2 trust as defined in the internal revenue code. If the estate or
3 trust has no distributable net income for the taxable year, the
4 share of each beneficiary in the additions and subtractions shall
5 be in proportion to his share of the estate or trust income for
6 the year, under local law or the terms of the instrument, which
7 is required to be distributed currently and any other amounts of
8 such income distributed in the year. Any balance of the additions
9 and subtractions shall be allocated to the estate or trust. If
10 capital gains and losses are distributed or distributable to a
11 beneficiary or beneficiaries under the internal revenue code, the
12 fiduciary shall advise each beneficiary of his share of the
13 adjustment under section 271. The election or failure to elect
14 under section 271 with respect to capital gains and losses
15 taxable to the estate or trust shall not affect the beneficiary's
16 right to elect or not to elect under section 271.

17 (3) An addition or subtraction shall not be made under this
18 section which has the effect of duplicating an item of income or
19 deduction if the taxpayer establishes to the satisfaction of the
20 commissioner that the item is already reflected in federal
21 taxable income. If an addition or subtraction with respect to the
22 sale or exchange of obligations of the United States government
23 proper adjustment, in accordance with rules promulgated by the
24 ~~commissioner~~ **DEPARTMENT**, of the deduction for excess of capital
25 gains over capital losses shall be made.

26 Sec. 51. (1) For receiving, earning, or otherwise acquiring
27 income from any source whatsoever, there is levied and imposed

1 **UNDER THIS PART** upon the taxable income of every person other
2 than a corporation a tax at the following rates in the following
3 circumstances:

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

5 (b) After April 30, 1994 and before January 1, 2000, 4.4%.

6 (c) For tax years that begin on and after January 1, 2000
7 and before January 1, 2002, 4.2%.

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

10 (e) On and after January 1, 2003 and before July 1, 2004,
11 4.0%.

12 (f) On and after July 1, 2004 and before October 1, 2007,
13 3.9%.

14 (g) On and after October 1, 2007 and before October 1, 2011,
15 4.35%.

16 (h) Beginning on **AND AFTER** October 1, 2011, ~~and each October~~
17 ~~1 after 2011, the maximum rate under this subsection shall be~~
18 ~~reduced by 0.1 each year until the rate is 3.95% 4.25%.~~

19 ~~—— (i) On and after October 1, 2015, 3.9%.~~

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

24 (a) Beginning October 1, 1994 and before October 1, 1996,
25 14.4% of the gross collections before refunds from the tax levied
26 under this section.

27 (b) After September 30, 1996 and before January 1, 2000,

1 23.0% of the gross collections before refunds from the tax levied
2 under this section.

3 (c) Beginning January 1, 2000, that percentage of the gross
4 collections before refunds from the tax levied under this section
5 that is equal to 1.012% divided by the income tax rate levied
6 under this section.

7 (3) FOR THE 2012-2013 STATE FISCAL YEAR AND EACH FISCAL YEAR
8 THEREAFTER, THE TREASURER SHALL TRANSFER TO THE TAX AND FEE
9 REFORM RESERVE FUND CREATED IN SECTION 421 AN AMOUNT EQUAL TO THE
10 SUM OF THE TAXABLE INCOME FOR ALL TAXPAYERS UNDER THIS PART FOR
11 THE MOST RECENT TAX YEAR AVAILABLE MULTIPLIED BY THE FOLLOWING IN
12 THE FOLLOWING CIRCUMSTANCES:

13 (A) FOR THE 2012-2013 STATE FISCAL YEAR, 0.1%.

14 (B) FOR THE 2013-2014 STATE FISCAL YEAR, 0.2%.

15 (C) FOR THE 2014-2015 STATE FISCAL YEAR, 0.3%.

16 (D) FOR THE 2015-2016 STATE FISCAL YEAR AND EACH FISCAL YEAR
17 THEREAFTER, 0.35%.

18 (4) ~~(3)~~—The department shall annualize rates provided in
19 subsection (1) as necessary for tax years that end after April
20 30, 1994. The applicable annualized rate shall be imposed upon
21 the taxable income of every person other than a corporation for
22 those tax years.

23 (5) ~~(4)~~—The taxable income of a nonresident shall be
24 computed in the same manner that the taxable income of a resident
25 is computed, subject to the allocation and apportionment
26 provisions of this act.—PART.

27 (6) ~~(5)~~—A resident beneficiary of a trust whose taxable

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

12 (7) ~~(6)~~-The taxable income of a resident who is required to
13 include income from a trust in his or her federal income tax
14 return under the provisions of 26 USC 671 to 679, shall include
15 items of income and deductions from the trust in taxable income
16 to the extent required by this ~~act~~-PART with respect to property
17 owned outright.

18 (8) ~~(7)~~-It is the intention of this section that the income
19 subject to tax of every person other than corporations shall be
20 computed in like manner and be the same as provided in the
21 internal revenue code subject to adjustments specifically
22 provided for in this ~~act~~-PART.

23 ~~—— (8) There is appropriated to the department of treasury for~~
24 ~~the 2006-2007 state fiscal year the sum of \$100,000.00 to begin~~
25 ~~implementing the requirements of the amendatory act that added~~
26 ~~this subsection. Any portion of this amount under this section~~
27 ~~that is not expended in the 2006-2007 state fiscal year shall not~~

1 ~~lapse to the general fund but shall be carried forward in a work~~
2 ~~project account that is in compliance with section 451a of the~~
3 ~~management and budget act, 1984 PA 431, MCL 18.1451a, for the~~
4 ~~following state fiscal year.~~

5 (9) As used in this section:

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

8 (i) A partner in a partnership as defined in the internal
9 revenue code.

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

12 (iii) An estate or trust as defined in the internal revenue
13 code.

14 (b) "Taxable income" means taxable income as defined in this
15 ~~act~~**PART** subject to the applicable source and attribution rules
16 contained in this ~~act~~**PART**.

17 Sec. 51a. (1) Notwithstanding any other provision of this
18 ~~act~~**PART** and for tax years beginning after December 31, 1996, an
19 eligible taxpayer may elect to pay the tax imposed by this ~~act~~
20 **PART** calculated by multiplying taxable compensation, less an
21 amount equal to the personal and dependency exemptions allowed as
22 a subtraction under section 30(2), (3), and (4), by the rate
23 established in section 51.

24 (2) Except as provided in subsection (1), an eligible
25 taxpayer who elects to pay the tax imposed by this ~~act~~**PART**
26 calculated under this section shall not claim any exemption,
27 deduction, or credit allowed under this ~~act~~**PART** other than the

1 credits allowed under all of the following sections:

2 (a) The credit for taxes withheld under section 251.

3 ~~(b) The prescription drug credit under section 273.~~

4 **(B)** ~~(e)~~ The home heating credit under section 527a.

5 (3) An eligible taxpayer who elects to pay the tax imposed
6 by this ~~act~~ **PART** calculated under this section is not required to
7 file an annual return under this ~~act~~ **PART**.

8 (4) An eligible taxpayer who files a withholding exemption
9 certificate to elect to pay the tax imposed by this ~~act~~ **PART**
10 calculated under this section may file an annual return and pay
11 the tax calculated under section 51.

12 (5) The statute of limitations provided in ~~Act No. 122 of~~
13 ~~the Public Acts of 1941, being sections 205.1 to 205.31 of the~~
14 ~~Michigan Compiled Laws, 1941 PA 122, MCL 205.1 TO 205.31,~~ begins
15 to run on the date that the annual return is due for the tax year
16 for which the taxpayer has filed an election to pay the tax
17 imposed by this ~~act~~ **PART** calculated under this section.

18 (6) The department may enforce the collection of the tax
19 imposed under this ~~act~~ **PART** and calculated under this section to
20 the extent the tax withheld under section 351 is less than the
21 tax imposed by this ~~act~~ **PART** and calculated under this section.

22 (7) For the 1998 tax year and each year after 1998 that the
23 no-form option allowed under this section is in effect, the
24 department shall file a report not later than July 1 with the
25 house tax policy committee and the senate finance committee that
26 contains all of the following information about the taxpayers who
27 elect to pay the tax imposed by this ~~act~~ **PART** pursuant to this

1 section:

2 (a) The total number of taxpayers.

3 (b) The number of taxpayers by county and city.

4 (c) The average income of the taxpayers.

5 (8) As used in this section:

6 (a) "Eligible taxpayer" means a resident who meets both of
7 the following criteria:

8 (i) Has income for the tax year in total or from any 1
9 source, other than taxable compensation or income described in
10 subdivision (b) ~~, (i), (ii), or (iii),~~ of less than \$100.00 for a
11 single return or \$200.00 for a joint return.

12 (ii) Has filed a withholding exemption certificate to elect
13 to pay the tax imposed by this act ~~and~~ **PART** calculated under this
14 section for the tax year.

15 (b) "Taxable compensation" means compensation from which tax
16 has been withheld pursuant to section 351(1) or (7), except the
17 following:

18 (i) Compensation described in section 30(1)(e) or
19 30(1)(f)(i).

20 (ii) Social security benefits as defined in section 86 of the
21 internal revenue code.

22 ~~—— (iii) Retirement benefits, pension benefits, or benefits from
23 a retirement annuity policy in which payments are made for life
24 to a senior citizen, other than benefits described in section
25 30(1)(e) or 30(1)(f)(i), or described in section 86 of the
26 internal revenue code, not to exceed the amounts allowed as a
27 deduction under section 30(1)(f)(v).~~

1 Sec. 52. For tax years beginning after 1986, a person with
2 respect to whom a deduction under section 151 of the internal
3 revenue code is allowable to another federal taxpayer during the
4 tax year is not considered to have an allowable federal exemption
5 for purposes of section 30(2) and, notwithstanding sections 51
6 and 315, if that person has an adjusted gross income for that tax
7 year of \$1,500.00 or less, is exempt from the tax levied and
8 imposed in section 51 and is not required to file a return under
9 this ~~act~~ **PART**.

10 Sec. 91. (1) A common trust fund meeting the requirements of
11 section 584 of the internal revenue code, shall not be subject to
12 tax under this ~~act~~ **PART**.

13 (2) Each participant in the common trust fund shall, under
14 rules prescribed by the department, include its proportionate
15 share of the taxable income whether or not distributed and
16 whether or not distributable.

17 Sec. 102. In the case of taxable income of a taxpayer whose
18 income-producing activities are confined solely to this state,
19 the entire taxable income of such taxpayer shall be allocated to
20 this state, except as otherwise expressly provided in this ~~act~~
21 **PART**.

22 Sec. 103. Any taxpayer having income from business activity
23 which is taxable both within and without this state, other than
24 the rendering of purely personal services by an individual, shall
25 allocate and apportion his net income as provided in this ~~act~~
26 **PART**.

27 Sec. 105. For purposes of allocation and apportionment of

1 income from business activity under this ~~act~~**PART**, a taxpayer is
2 taxable in another state if (a) in that state he is subject to a
3 net income tax, a franchise tax measured by net income, a
4 franchise tax for the privilege of doing business or a corporate
5 stock tax, or (b) that state has jurisdiction to subject the
6 taxpayer to a net income tax regardless of whether, in fact, the
7 state does or does not.

8 Sec. 110. (1) For a resident individual, estate, or trust,
9 all taxable income from any source whatsoever, except that
10 attributable to another state under sections 111 to 115 and
11 subject to section 255, is allocated to this state.

12 (2) For a nonresident individual, estate, or trust, all
13 taxable income is allocated to this state to the extent it is
14 earned, received, or acquired in 1 or more of the following ways:

15 (a) For the rendition of personal services performed in this
16 state.

17 (b) As a distributive share of the net profits of a
18 business, profession, enterprise, undertaking, or other activity
19 as the result of work done, services rendered, or other business
20 activities conducted in this state, except as allocated to
21 another state pursuant to sections 111 to 114 and subject to
22 section 256.

23 (c) For tax years beginning after 1996, as a prize won by
24 the taxpayer under the McCauley-Traxler-Law-Bowman-McNeely
25 lottery act, 1972 PA 239, MCL 432.1 to 432.47.

26 (d) As winnings that are proceeds of a wagering transaction
27 paid on or after October 1, 2003 by a casino or as a payoff price

1 on a winning ticket that is the result of pari-mutuel wagering at
2 a licensed race meeting if the casino or licensed race meeting is
3 located in this state. As used in this ~~section~~ **SUBDIVISION:**

4 (i) "Casino" means a casino regulated by this state under the
5 Michigan gaming control and revenue act, ~~the Initiated Law of~~
6 ~~1996, 1996 IL 1~~, MCL 432.201 to 432.226, or a building on Native
7 American land or land held in trust by the United States for a
8 federally recognized Indian tribe on which gaming is conducted
9 under the Indian gaming regulatory act, Public Law 100-497, 102
10 Stat. ~~STAT~~ 2467.

11 (ii) "Pari-mutuel wagering" and "licensed race meeting" mean
12 those terms as used in the horse racing law of 1995, 1995 PA 279,
13 MCL 431.301 to 431.336.

14 (3) The respective shares of a nonresident estate or trust
15 and its beneficiaries, including, solely for purposes of
16 allocation, resident and nonresident beneficiaries, in the income
17 attributable to this state shall be in proportion to the
18 respective shares of distributable net income of the
19 beneficiaries under the internal revenue code. If the estate or
20 trust has no distributable net income for the tax year, the share
21 of each beneficiary in the income attributable to this state
22 shall be in proportion to his or her share of the estate or trust
23 income for that year, under local law or the terms of the
24 instrument, that is required to be distributed currently and
25 other amounts of the income distributed in the year. Any balance
26 of the income attributable to this state shall be allocated to
27 the estate or trust.

1 ~~—— (4) A nonresident estate or trust is allowed the credit~~
2 ~~provided in section 256, except that the limitation shall be~~
3 ~~computed by reference to the taxable income of the estate or~~
4 ~~trust.~~

5 (4) ~~(5)~~—Rents and royalties from real or tangible personal
6 property, capital gains, interest, dividends, or patent or
7 copyright royalties, to the extent that they constitute a
8 nonbusiness income, shall be allocated as provided in sections
9 111 to 114.

10 Sec. 115. All business income, other than income from
11 transportation services shall be apportioned to this state by
12 multiplying the income by ~~a fraction, the numerator of which is~~
13 ~~the property factor plus the payroll factor plus the sales~~
14 ~~factor, and the denominator of which is 3~~ **THE SALES FACTOR**
15 **CALCULATED UNDER SECTION 121.**

16 Sec. 132. In the case of ~~such~~ taxable income other than that
17 derived from the transportation of oil or gas by pipeline, that
18 portion of the net income of the taxpayer derived from
19 transportation services wherever performed that the revenue miles
20 of the taxpayer in Michigan bear to the revenue miles of the
21 taxpayer everywhere. A revenue mile means the transportation for
22 a consideration or 1 net ton in weight or 1 passenger the
23 distance of 1 mile. The taxable income attributable to Michigan
24 sources in the case of a taxpayer engaged in the transportation
25 both of property and of individuals shall be that portion of the
26 entire net income of the taxpayer which is equal to the average
27 of his passenger miles and ton mile fractions, separately

1 computed and individually weighted by the ratio of gross receipts
2 from passenger transportation to total gross receipts from all
3 transportation, and by the ratio of gross receipts from freight
4 transportation to total gross receipts from all transportation,
5 respectively. If it is shown to the satisfaction of the
6 ~~commissioner~~**DEPARTMENT** that the foregoing information is not
7 available or cannot be obtained without unreasonable expense to
8 the taxpayer, the commissioner may use such other data which may
9 be available and which in the opinion of the ~~commissioner~~
10 **DEPARTMENT** will result in an equitable allocation of such
11 receipts to this state.

12 Sec. 195. (1) If the allocation and apportionment provisions
13 of this ~~act~~**PART** do not fairly represent the extent of the
14 taxpayer's business activity in this state, the taxpayer may
15 petition for or the ~~commissioner~~**DEPARTMENT** may require, in
16 respect to all or any part of the taxpayer's business activity,
17 if reasonable:

18 (a) Separate accounting;

19 ~~——(b) The exclusion of any one or more of the factors;~~

20 **(B)** ~~(e)~~The inclusion of 1 or more additional factors which
21 will fairly represent the taxpayer's business activity in this
22 state. ~~or~~

23 **(C)** ~~(d)~~The employment of any other method to effectuate an
24 equitable allocation and apportionment of the taxpayer's taxable
25 income.

26 (2) An alternative method will be effective only with
27 approval by the ~~commissioner~~**DEPARTMENT**.

1 Sec. 201. (1) A person who is exempt from federal income tax
2 pursuant to the provisions of the internal revenue code shall be
3 exempt from the tax imposed by this ~~act~~-**PART** except the unrelated
4 taxable business income of an exempt person as determined under
5 the internal revenue code.

6 (2) Nothing in this section shall exempt a person from the
7 withholding and information return provisions of this ~~act~~-**PART**.

8 Sec. 251. (1) The amount withheld under section 351 shall be
9 allowed to the recipient of the compensation as a credit against
10 the tax imposed on him **OR HER** by this ~~act~~-**PART**.

11 (2) The amount so withheld during any calendar year shall be
12 allowed as a credit for the taxable year beginning in such
13 calendar year. If more than 1 taxable year begins in a calendar
14 year, such amount shall be allowed as a credit for the last
15 taxable year so beginning.

16 Sec. 255. (1) A resident individual or resident estate or
17 trust is allowed a credit against the tax due under this ~~act~~-**PART**
18 for the amount of an income tax imposed on the resident
19 individual or resident estate or trust for the tax year by
20 another state of the United States, a political subdivision of
21 another state of the United States, the District of Columbia, or
22 a Canadian province, on income derived from sources outside this
23 state that is also subject to tax under this ~~act~~-**PART** or the
24 amount determined under subsection (3), whichever is less. For
25 purposes of the Canadian provincial credit, the credit is allowed
26 for only that portion of the provincial tax not claimed as a
27 credit for federal income tax purposes. It is presumed that the

1 Canadian federal income tax is claimed first. The provincial tax
2 claimed as a carryover deduction as provided in the internal
3 revenue code is not allowed as a credit under this section.

4 (2) The Canadian provincial credit shall be allowed for the
5 1978 tax year and for each tax year after 1978.

6 (3) The credit under this section shall not exceed an amount
7 determined by dividing income that is subject to taxation both in
8 this state and in another jurisdiction by taxable income and then
9 multiplying that result by the taxpayer's tax liability before
10 any credits are deducted.

11 Sec. 256. For a nonresident individual, estate, or trust, if
12 the laws of the state of residence exempt a resident of this
13 state from liability for the payment of income taxes on income
14 earned for personal services performed in that state, the
15 ~~commissioner~~**DEPARTMENT** may enter into a reciprocal agreement
16 with that state to provide a similar tax exemption for that
17 state's residents on income earned for personal services
18 performed in this state.

19 Sec. 265. (1) For the 1989 tax year and each tax year after
20 1989, a taxpayer may credit against the tax imposed by this act
21 **PART** for the tax year an amount equal to the tax paid in any
22 prior tax year attributable to income received by the taxpayer in
23 any prior tax year and repaid by the taxpayer during the tax year
24 if the taxpayer is eligible for a deduction or credit against his
25 or her federal tax liability pursuant to section 1341 of the
26 internal revenue code based on the repayment for the tax year. A
27 credit under this section for a tax year is allowed only if the

1 repayment for which a deduction or credit was taken pursuant to
2 section 1341 of the internal revenue code is not deducted in
3 calculating the taxpayer's adjusted gross income for the tax
4 year.

5 (2) If the credit allowed under this section exceeds the tax
6 liability of the taxpayer for the tax year, that portion of the
7 credit that exceeds the tax liability shall be refunded.

8 Sec. 266. (1) A qualified taxpayer with a rehabilitation
9 plan certified after December 31, 1998 **AND BEFORE JANUARY 1, 2012**
10 may credit against the tax imposed by this act ~~and~~ **PART** the amount
11 determined pursuant to subsection (2) for the qualified
12 expenditures for the rehabilitation of a historic resource
13 pursuant to the rehabilitation plan in the year in which the
14 certification of completed rehabilitation of the historic
15 resource is issued. Only those expenditures that are paid or
16 incurred during the time periods prescribed for the credit under
17 section 47(a)(2) of the internal revenue code and any related
18 treasury regulations shall be considered qualified expenditures.

19 (2) The credit allowed under this section shall be 25% of
20 the qualified expenditures that are eligible, or would have been
21 eligible except that the taxpayer elected to transfer the credit
22 under subsection (12), for the credit under section 47(a)(2) of
23 the internal revenue code if the taxpayer is eligible for the
24 credit under section 47(a)(2) of the internal revenue code or, if
25 the taxpayer is not eligible for the credit under section
26 47(a)(2) of the internal revenue code, 25% of the qualified
27 expenditures that would qualify under section 47(a)(2) of the

1 internal revenue code except that the expenditures are made to a
2 historic resource that is not eligible for the credit under
3 section 47(a)(2) of the internal revenue code, subject to both of
4 the following:

5 (a) A taxpayer with qualified expenditures that are eligible
6 for the credit under section 47(a)(2) of the internal revenue
7 code may not claim a credit under this section for those
8 qualified expenditures unless the taxpayer has claimed and
9 received a credit for those qualified expenditures under section
10 47(a)(2) of the internal revenue code or the taxpayer has elected
11 to transfer the credit under subsection (12).

12 (b) A credit under this section shall be reduced by the
13 amount of a credit received by the taxpayer for the same
14 qualified expenditures under section 47(a)(2) of the internal
15 revenue code.

16 (3) To be eligible for the credit under this section, the
17 taxpayer shall apply to and receive from the Michigan ~~historical~~
18 ~~center certification~~ **STATE HOUSING DEVELOPMENT AUTHORITY** that the
19 historic significance, the rehabilitation plan, and the completed
20 rehabilitation of the historic resource meet the criteria under
21 subsection (6) and either of the following:

22 (a) All of the following criteria:

23 (i) The historic resource contributes to the significance of
24 the historic district in which it is located.

25 (ii) Both the rehabilitation plan and completed
26 rehabilitation of the historic resource meet the federal
27 secretary of the interior's standards for rehabilitation and

1 guidelines for rehabilitating historic buildings, 36 CFR part 67.

2 (iii) All rehabilitation work has been done to or within the
3 walls, boundaries, or structures of the historic resource or to
4 historic resources located within the property boundaries of the
5 resource.

6 (b) The taxpayer has received certification from the
7 national park service that the historic resource's significance,
8 the rehabilitation plan, and the completed rehabilitation qualify
9 for the credit allowed under section 47(a)(2) of the internal
10 revenue code.

11 (4) If a qualified taxpayer is eligible for the credit
12 allowed under section 47(a)(2) of the internal revenue code, the
13 qualified taxpayer shall file for certification with the ~~center~~
14 **AUTHORITY** to qualify for the credit allowed under section
15 47(a)(2) of the internal revenue code. If the qualified taxpayer
16 has previously filed for certification with the ~~center~~**AUTHORITY**
17 to qualify for the credit allowed under section 47(a)(2) of the
18 internal revenue code, additional filing for the credit allowed
19 under this section is not required.

20 (5) The ~~center~~**AUTHORITY** may inspect a historic resource at
21 any time during the rehabilitation process and may revoke
22 certification of completed rehabilitation if the rehabilitation
23 was not undertaken as represented in the rehabilitation plan or
24 if unapproved alterations to the completed rehabilitation are
25 made during the 5 years after the tax year in which the credit
26 was claimed. The ~~center~~**AUTHORITY** shall promptly notify the
27 department of a revocation.

1 (6) Qualified expenditures for the rehabilitation of a
2 historic resource may be used to calculate the credit under this
3 section if the historic resource meets 1 of the criteria listed
4 in subdivision (a) and 1 of the criteria listed in subdivision
5 (b):

6 (a) The resource is 1 of the following during the tax year
7 in which a credit under this section is claimed for those
8 qualified expenditures:

9 (i) Individually listed on the national register of historic
10 places or state register of historic sites.

11 (ii) A contributing resource located within a historic
12 district listed on the national register of historic places or
13 the state register of historic sites.

14 (iii) A contributing resource located within a historic
15 district designated by a local unit pursuant to an ordinance
16 adopted under the local historic districts act, 1970 PA 169, MCL
17 399.201 to 399.215.

18 (b) The resource meets 1 of the following criteria during
19 the tax year in which a credit under this section is claimed for
20 those qualified expenditures:

21 (i) The historic resource is located in a designated historic
22 district in a local unit of government with an existing ordinance
23 under the local historic districts act, 1970 PA 169, MCL 399.201
24 to 399.215.

25 (ii) The historic resource is located in an incorporated
26 local unit of government that does not have an ordinance under
27 the local historic districts act, 1970 PA 169, MCL 399.201 to

1 399.215, and has a population of less than 5,000.

2 (iii) The historic resource is located in an unincorporated
3 local unit of government.

4 (iv) The historic resource is located in an incorporated
5 local unit of government that does not have an ordinance under
6 the local historic districts act, 1970 PA 169, MCL 399.201 to
7 399.215, and is located within the boundaries of an association
8 that has been chartered under 1889 PA 39, MCL 455.51 to 455.72.

9 (v) The historic resource is subject to a historic
10 preservation easement.

11 (7) A credit amount assigned under section 39c(7) of former
12 1975 PA 228 or section 435 of the Michigan business tax act, 2007
13 PA 36, MCL 208.1435, may be claimed against the partner's,
14 member's, or shareholder's tax liability under this ~~act~~**PART** as
15 provided in section 39c(7) of former 1975 PA 228 or section 435
16 of the Michigan business tax act, 2007 PA 36, MCL 208.1435.

17 (8) If the credit allowed under this section for the tax
18 year and any unused carryforward of the credit allowed by this
19 section exceed the taxpayer's tax liability for the tax year,
20 that portion that exceeds the tax liability for the tax year
21 shall not be refunded but may be carried forward to offset tax
22 liability in subsequent tax years for 10 years or until used up,
23 whichever occurs first. For projects for which a certificate of
24 completed rehabilitation is issued for a tax year beginning after
25 December 31, 2008 and for which the credit amount allowed is less
26 than \$250,000.00, a qualified taxpayer may elect to forgo the
27 carryover period and receive a refund of the amount of the credit

1 that exceeds the qualified taxpayer's tax liability. The amount
2 of the refund shall be equal to 90% of the amount of the credit
3 that exceeds the qualified taxpayer's tax liability. An election
4 under this subsection shall be made in the year that a
5 certificate of completed rehabilitation is issued and shall be
6 irrevocable.

7 (9) For tax years beginning before January 1, 2009, if a
8 taxpayer sells a historic resource for which a credit under this
9 section was claimed less than 5 years after the year in which the
10 credit was claimed, the following percentage of the credit amount
11 previously claimed relative to that historic resource shall be
12 added back to the tax liability of the taxpayer in the year of
13 the sale:

14 (a) If the sale is less than 1 year after the year in which
15 the credit was claimed, 100%.

16 (b) If the sale is at least 1 year but less than 2 years
17 after the year in which the credit was claimed, 80%.

18 (c) If the sale is at least 2 years but less than 3 years
19 after the year in which the credit was claimed, 60%.

20 (d) If the sale is at least 3 years but less than 4 years
21 after the year in which the credit was claimed, 40%.

22 (e) If the sale is at least 4 years but less than 5 years
23 after the year in which the credit was claimed, 20%.

24 (f) If the sale is 5 years or more after the year in which
25 the credit was claimed, an addback to the taxpayer's tax
26 liability shall not be made.

27 (10) For tax years beginning before January 1, 2009, if a

1 certification of completed rehabilitation is revoked under
2 subsection (5) less than 5 years after the year in which a credit
3 was claimed, the following percentage of the credit amount
4 previously claimed relative to that historic resource shall be
5 added back to the tax liability of the taxpayer in the year of
6 the revocation:

7 (a) If the revocation is less than 1 year after the year in
8 which the credit was claimed, 100%.

9 (b) If the revocation is at least 1 year but less than 2
10 years after the year in which the credit was claimed, 80%.

11 (c) If the revocation is at least 2 years but less than 3
12 years after the year in which the credit was claimed, 60%.

13 (d) If the revocation is at least 3 years but less than 4
14 years after the year in which the credit was claimed, 40%.

15 (e) If the revocation is at least 4 years but less than 5
16 years after the year in which the credit was claimed, 20%.

17 (f) If the revocation is 5 years or more after the year in
18 which the credit was claimed, an addback to the taxpayer's tax
19 liability shall not be made.

20 (11) For tax years beginning after December 31, 2008, if a
21 certificate of completed rehabilitation is revoked under
22 subsection (5) or if the historic resource is sold or disposed of
23 less than 5 years after being placed in service as defined in
24 section 47(b)(1) of the internal revenue code and related
25 treasury regulations, the following percentage of the credit
26 amount previously claimed relative to that historic resource
27 shall be added back to the tax liability of the qualified

1 taxpayer that received the certificate of completed
2 rehabilitation and not the assignee in the year of the
3 revocation:

4 (a) If the revocation is less than 1 year after the historic
5 resource is placed in service, 100%.

6 (b) If the revocation is at least 1 year but less than 2
7 years after the historic resource is placed in service, 80%.

8 (c) If the revocation is at least 2 years but less than 3
9 years after the historic resource is placed in service, 60%.

10 (d) If the revocation is at least 3 years but less than 4
11 years after the historic resource is placed in service, 40%.

12 (e) If the revocation is at least 4 years but less than 5
13 years after the historic resource is placed in service, 20%.

14 (f) If the revocation is at least 5 years or more after the
15 historic resource is placed in service, an addback to the
16 qualified taxpayer tax liability shall not be required.

17 (12) A qualified taxpayer who receives a certificate of
18 completed rehabilitation after December 31, 2008 may elect to
19 forgo claiming the credit and transfer the credit along with the
20 ownership of the property for which the credit may be claimed to
21 a new owner. The new owner shall be treated as the qualified
22 taxpayer having incurred the rehabilitation costs and shall be
23 subject to the recapture provisions under subsection (11) if the
24 new owner sells or disposes of the property within 5 years after
25 the new owner acquired the property. For purposes of this
26 subsection and subsection (11), the placed in service date for a
27 new owner is the date the new owner acquired the property for

1 which the credit is claimed.

2 (13) ~~The department of history, arts, and libraries through~~
3 ~~the Michigan historical center~~ **AUTHORITY** may impose a fee to
4 cover the administrative cost of implementing the program under
5 this section.

6 (14) The qualified taxpayer shall attach all of the
7 following to the qualified taxpayer's annual return under this
8 ~~act~~ **PART**:

9 (a) Certification of completed rehabilitation.

10 (b) Certification of historic significance related to the
11 historic resource and the qualified expenditures used to claim a
12 credit under this section.

13 (c) A completed assignment form if the qualified taxpayer is
14 an assignee under section 39c of former 1975 PA 228 or section
15 435 of the Michigan business tax act, 2007 PA 36, MCL 208.1435,
16 of any portion of a credit allowed under that section.

17 (15) ~~The department of history, arts, and libraries shall~~
18 **AUTHORITY MAY** promulgate rules to implement this section pursuant
19 to the administrative procedures act of 1969, 1969 PA 306, MCL
20 24.201 to 24.328.

21 (16) The total of the credits claimed under this section and
22 section 39c of former 1975 PA 228 or section 435 of the Michigan
23 business tax act, 2007 PA 36, MCL 208.1435, for a rehabilitation
24 project shall not exceed 25% of the total qualified expenditures
25 eligible for the credit under this section for that
26 rehabilitation project.

27 (17) ~~The department of history, arts, and libraries through~~

1 ~~the Michigan historical center~~ **AUTHORITY** shall report all of the
2 following to the legislature annually for the immediately
3 preceding state fiscal year:

4 (a) The fee schedule used by the center and the total amount
5 of fees collected.

6 (b) A description of each rehabilitation project certified.

7 (c) The location of each new and ongoing rehabilitation
8 project.

9 (18) As used in this section:

10 (a) "Contributing resource" means a historic resource that
11 contributes to the significance of the historic district in which
12 it is located.

13 (b) "Historic district" means an area, or group of areas not
14 necessarily having contiguous boundaries, that contains 1
15 resource or a group of resources that are related by history,
16 architecture, archaeology, engineering, or culture.

17 (c) "Historic resource" means a publicly or privately owned
18 historic building, structure, site, object, feature, or open
19 space located within a historic district designated by the
20 national register of historic places, the state register of
21 historic sites, or a local unit acting under the local historic
22 districts act, 1970 PA 169, MCL 399.201 to 399.215; or that is
23 individually listed on the state register of historic sites or
24 national register of historic places and includes all of the
25 following:

26 (i) An owner-occupied personal residence or a historic
27 resource located within the property boundaries of that personal

1 residence.

2 (ii) An income-producing commercial, industrial, or
3 residential resource or a historic resource located within the
4 property boundaries of that resource.

5 (iii) A resource owned by a governmental body, nonprofit
6 organization, or tax-exempt entity that is used primarily by a
7 taxpayer lessee in a trade or business unrelated to the
8 governmental body, nonprofit organization, or tax-exempt entity
9 and that is subject to tax under this ~~act~~-PART.

10 (iv) A resource that is occupied or utilized by a
11 governmental body, nonprofit organization, or tax-exempt entity
12 pursuant to a long-term lease or lease with option to buy
13 agreement.

14 (v) Any other resource that could benefit from
15 rehabilitation.

16 (d) "Local unit" means a county, city, village, or township.

17 (e) "Long-term lease" means a lease term of at least 27.5
18 years for a residential resource or at least 31.5 years for a
19 nonresidential resource.

20 ~~(f) "Michigan historical center" or "center" means the state~~
21 ~~historic preservation office of the Michigan historical center of~~
22 ~~the department of history, arts, and libraries or its successor~~
23 ~~agency.~~ **"MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY" OR**
24 **"AUTHORITY" MEANS THE PUBLIC BODY CORPORATE AND POLITIC CREATED**
25 **BY SECTION 21 OF THE STATE HOUSING DEVELOPMENT AUTHORITY ACT OF**
26 **1966, MCL 1966 PA 346, MCL 125.1421.**

27 (g) "Open space" means undeveloped land, a naturally

1 landscaped area, or a formal or man-made landscaped area that
2 provides a connective link or a buffer between other resources.

3 (h) "Person" means an individual, partnership, corporation,
4 association, governmental entity, or other legal entity.

5 (i) "Qualified expenditures" means capital expenditures that
6 qualify, or would qualify except that the taxpayer elected to
7 transfer the credit under subsection (12), for a rehabilitation
8 credit under section 47(a)(2) of the internal revenue code if the
9 taxpayer is eligible for the credit under section 47(a)(2) of the
10 internal revenue code or, if the taxpayer is not eligible for the
11 credit under section 47(a)(2) of the internal revenue code, the
12 qualified expenditures that would qualify under section 47(a)(2)
13 of the internal revenue code except that the expenditures are
14 made to a historic resource that is not eligible for the credit
15 under section 47(a)(2) of the internal revenue code, that were
16 paid. Qualified expenditures do not include capital expenditures
17 for nonhistoric additions to a historic resource except an
18 addition that is required by state or federal regulations that
19 relate to historic preservation, safety, or accessibility.

20 (j) "Qualified taxpayer" means a person that is an assignee
21 under section 39c of former 1975 PA 228 or section 435 of the
22 Michigan business tax act, 2007 PA 36, MCL 208.1435, or either
23 owns the resource to be rehabilitated or has a long-term lease
24 agreement with the owner of the historic resource and that has
25 qualified expenditures for the rehabilitation of the historic
26 resource equal to or greater than 10% of the state equalized
27 valuation of the property. If the historic resource to be

1 rehabilitated is a portion of a historic or nonhistoric resource,
2 the state equalized valuation of only that portion of the
3 property shall be used for purposes of this subdivision. If the
4 assessor for the local tax collecting unit in which the historic
5 resource is located determines the state equalized valuation of
6 that portion, that assessor's determination shall be used for
7 purposes of this subdivision. If the assessor does not determine
8 that state equalized valuation of that portion, qualified
9 expenditures, for purposes of this subdivision, shall be equal to
10 or greater than 5% of the appraised value as determined by a
11 certified appraiser. If the historic resource to be rehabilitated
12 does not have a state equalized valuation, qualified expenditures
13 for purposes of this subdivision shall be equal to or greater
14 than 5% of the appraised value of the resource as determined by a
15 certified appraiser.

16 (k) "Rehabilitation plan" means a plan for the
17 rehabilitation of a historic resource that meets the federal
18 secretary of the interior's standards for rehabilitation and
19 guidelines for rehabilitation of historic buildings under 36 CFR
20 part 67.

21 Sec. 270. (1) For tax years that begin after December 31,
22 2008, a taxpayer to whom a tax voucher certificate is issued
23 **UNDER AN AGREEMENT ENTERED INTO BEFORE JANUARY 1, 2012** or a
24 taxpayer that is the transferee of a tax voucher certificate **THAT**
25 **IS ISSUED UNDER AN AGREEMENT ENTERED INTO BEFORE JANUARY 1, 2012**
26 may use the tax voucher certificate to pay any liability of the
27 taxpayer under section 51 or to pay any amount owed by the

1 taxpayer under section 351.

2 (2) A tax voucher certificate shall be used for the purposes
3 allowed under subsection (1) and only in a tax year that begins
4 after December 31, 2008.

5 (3) The amount of the tax voucher that may be used to pay a
6 liability due under this ~~act~~-**PART** in any tax year shall not
7 exceed the lesser of the following:

8 (a) The amount of the tax voucher stated in the tax voucher
9 certificate held by the taxpayer.

10 (b) The amount authorized to be used in the tax year under
11 the terms of the tax voucher certificate.

12 (c) The taxpayer's liability under this ~~act~~-**PART** for the tax
13 year for which the tax voucher is used.

14 (4) If the amount of any tax voucher certificate held by a
15 taxpayer or transferee exceeds the amount the taxpayer may use
16 under subsection (3)(b) or (c) in a tax year, that excess may be
17 used by the taxpayer or transferee to pay, subject to the
18 limitations of subsection (3), any future liability of the
19 taxpayer or transferee under this ~~act~~-**PART**.

20 (5) The tax voucher certificate, and any completed transfer
21 form that was issued pursuant to the Michigan early stage venture
22 investment act of 2003, 2003 PA 296, MCL 125.2231 to 125.2263,
23 shall be attached to the annual return under this ~~act~~-**PART**. The
24 department may prescribe and implement alternative methods of
25 reporting and recording ownership, transfer, and utilization of
26 tax voucher certificates that are not inconsistent with the
27 provisions of this act. The department shall administer this

1 section to assure that any amount of a tax voucher certificate
2 used to pay any liability under this ~~act~~**PART** shall not also be
3 applied to pay any liability of the taxpayer or any other person
4 under the Michigan business tax act, 2007 PA 36, MCL 208.1101 to
5 208.1601. The department shall take any action necessary to
6 enforce and effectuate the permissible issuance and use of tax
7 voucher certificates in a manner authorized under this section
8 and the Michigan early stage venture investment act of 2003, 2003
9 PA 296, MCL 125.2231 to 125.2263.

10 (6) As used in this section:

11 (a) "Certificate" or "tax voucher certificate" means the tax
12 voucher certificate issued under section 23 of the Michigan early
13 stage venture capital investment act of 2003, 2003 PA 296, MCL
14 125.2253, or any replacement tax voucher certificate issued under
15 former section 37e(9)(b) or (d) of the single business tax act,
16 1975 PA 228, or section 419 of the Michigan business tax act,
17 2007 PA 36, MCL 208.1419.

18 (b) "Transferee" means a taxpayer to whom a tax voucher
19 certificate has been transferred under section 23 of the Michigan
20 early stage venture investment act of 2003, 2003 PA 296, MCL
21 125.2253, and former section 37e of the single business tax act,
22 1975 PA 228, or section 419 of the Michigan business tax act,
23 2007 PA 36, MCL 208.1419.

24 Sec. 271. (1) A taxpayer subject to the tax levied by
25 section 51 and whose income received after September 30, 1967 is
26 increased or diminished by the disposition of property acquired
27 before October 1, 1967, which is described in and subject to

1 subchapter P of the internal revenue code, may elect to recompute
2 taxable income by excluding therefrom the proportional gain or
3 loss incurred before October 1, 1967. Taxpayers so electing shall
4 be subject to a tax on taxable income thus recomputed at the
5 rates imposed by this act—**PART**. An election so made shall include
6 all items of gains or losses realized during the taxable year.

7 (2) The proportion of gain or loss occurring after September
8 30, 1967, to total gain or loss is equal to the proportion the
9 number of months after September 30, 1967, to date of disposition
10 bears to the number of months from date of acquisition to date of
11 disposition.

12 Sec. 278. (1) Subject to the limitations provided under this
13 section, a taxpayer that makes a qualified investment after
14 December 31, 2010 and before January 1, ~~2013~~—**2012** in a qualified
15 business may claim a credit against the tax imposed by this act
16 equal to 25% of the qualified investment made during the tax
17 year.

18 (2) To qualify for the credit under this section, the
19 taxpayer shall request certification from the Michigan strategic
20 fund within 60 days of making the investment. A taxpayer shall
21 not claim a credit under this section unless the Michigan
22 strategic fund has issued a certificate to the taxpayer. The
23 board shall not approve a credit under this section for a
24 taxpayer who has been convicted of a felony involving a fiduciary
25 obligation or the conversion or misappropriation of funds or
26 insurance accounts, theft, deceit, fraud, misrepresentation, or
27 corruption. The Michigan strategic fund shall forward a copy of

1 each certificate received pursuant to this subsection to the
2 governor, the president of the Michigan strategic fund, the
3 chairperson of the senate finance committee, the chairperson of
4 the house tax policy committee, the director of the senate fiscal
5 agency, and the director of the house fiscal agency. The
6 requirements of section 28(1)(f) of 1941 PA 122, MCL 205.28, do
7 not apply to the disclosure required by this subsection. The
8 Michigan strategic fund shall not certify more than \$1,000,000.00
9 in qualified investments in any 1 qualified business. The
10 taxpayer shall attach the certificate to the annual return filed
11 under this act on which a credit under this section is claimed.
12 The certificate required under this subsection shall specify all
13 of the following:

14 (a) The total amount of investment made during the tax year
15 by the taxpayer in each qualified business.

16 (b) The total amount of qualified investments made in each
17 qualified business if different from the previous amount.

18 (c) The total amount of the credit under this section that
19 the taxpayer is allowed to claim for the designated tax year.

20 (3) A taxpayer shall not claim a credit of more than
21 \$250,000.00 based on an investment in any 1 qualified business
22 and shall not claim a credit of more than \$250,000.00 for
23 qualified investments in all qualified businesses in any 1 year.
24 The credit allowed under this section shall be taken by the
25 taxpayer in equal installments over 2 years beginning with the
26 tax year in which the certification was issued.

27 (4) The total amount of credits that the Michigan strategic

1 fund may certify under this section ~~per calendar year~~ shall not
2 exceed \$9,000,000.00.

3 (5) If the amount of the credit allowed under this section
4 exceeds the tax liability of the taxpayer for the tax year, that
5 portion of the credit that exceeds the tax liability of the
6 taxpayer for the tax year shall not be refunded but may be
7 carried forward to offset tax liability under this act in
8 subsequent tax years for a period not to exceed 5 tax years or
9 until used up, whichever occurs first.

10 (6) The board shall develop an application and approval
11 process in order to certify investments under this section and
12 adopt a program describing parameters and criteria to be used for
13 approving investments. As part of that program adoption, the
14 board may determine and describe the conditions to be met to be
15 considered an investment alongside or through an approved angel
16 group, seed capital firm, or venture capital firm.

17 (7) A taxpayer who has not paid or entered into an
18 installment agreement regarding a final assessment of an unpaid
19 liability for a state tax for which all rights of appeal have
20 been exhausted or who is currently in a bankruptcy proceeding is
21 not eligible to claim a credit under this section.

22 (8) As used in this section:

23 (a) "Board" means the board of directors of the Michigan
24 strategic fund.

25 (b) "Michigan strategic fund" means the Michigan strategic
26 fund as described in the Michigan strategic fund act, 1984 PA
27 270, MCL 125.2001 to ~~125.2093~~**125.2094**.

1 (c) "Qualified business" means a business that the board
2 certifies as in compliance with all of the following at the time
3 of the investment:

4 (i) The business is a seed or early stage business as defined
5 in section 3 of the Michigan early stage venture investment act
6 of 2003, 2003 PA 296, MCL 125.2233.

7 (ii) The business has its headquarters in this state, is
8 domiciled in this state, and has a majority of its employees
9 working in this state.

10 (iii) The business has a preinvestment valuation of less than
11 \$10,000,000.00 and has fewer than 100 full-time equivalent
12 employees.

13 (iv) Except as otherwise provided under this subparagraph,
14 the business has been in existence less than 5 years; or, for a
15 business in which the business activity is derived from research
16 at an institution of higher education located within this state
17 or an organization exempt from federal taxation under section
18 501(c)(3) of the internal revenue code and that is located within
19 this state, the business has been in existence less than 10
20 years. As used in this subparagraph, a public or private college
21 or university that awards a bachelor's degree or other degrees is
22 an institution of higher education.

23 (v) The business is not a retail establishment as described
24 in section 44-45 - retail trade, of the North American industry
25 classification system, United States, 1997, published by the
26 office of management and budget.

27 (vi) The business has not claimed a credit under section 431,

1 455, 457, or 459 of the Michigan business tax act, 2007 PA 36,
2 MCL 208.1431, 208.1455, 208.1457, and 208.1459.

3 (d) "Qualified investment" means, except as otherwise
4 provided under this subdivision, an investment of at least
5 \$20,000.00 certified by the Michigan strategic fund that is made
6 alongside of, or through, a seed venture capital or angel
7 investor group that is registered with the Michigan strategic
8 fund and is not in a business in which any member of the
9 investor's family is an employee or owner of the business or in
10 which the investor or any member of the investor's family has a
11 preexisting fiduciary relationship with the business. Qualified
12 investment does not include an investment in a business that
13 engages in life sciences technology unless those activities are
14 included in the definition of life sciences as that term is
15 defined under section 88a of the Michigan strategic fund act,
16 1984 PA 270, MCL 125.2088a.

17 Sec. 301. (1) Every person on a calendar year basis, if the
18 person's annual tax can reasonably be expected to exceed the
19 amount withheld under section 351 and the credits allowed under
20 this ~~act~~**PART** by more than \$500.00, shall pay to the department
21 installments of estimated tax under this ~~act~~**PART** on or before
22 April 15, June 15, and September 15 of the person's tax year and
23 January 15 in the following year. Subject to subsection (3), each
24 installment shall be equal to 1/4 the taxpayer's estimated tax
25 under this ~~act~~**PART** after first deducting the amount estimated to
26 be withheld under section 351.

27 (2) For a taxpayer on other than a calendar year basis,

1 there shall be substituted for the due dates provided in
2 subsection (1) the appropriate due dates in the taxpayer's fiscal
3 year that correspond to those in the calendar year.

4 (3) For a taxpayer that pays estimated tax for the
5 taxpayer's first tax year of less than 12 months, the amount paid
6 shall be that fraction of the estimated tax that is obtained by
7 dividing the total amount of estimated tax by the number of
8 payments to be made with respect to the tax year.

9 (4) There shall be allowed as a credit against the tax
10 imposed by this ~~act~~**PART** the amounts paid to the department
11 pursuant to this section.

12 (5) Instead of quarterly payments, a person subject to this
13 section may pay an estimated annual tax for the succeeding tax
14 year. The payment shall be made at the same time the person files
15 the annual return for the previous full tax year.

16 (6) A farmer or fisherman who elects to file and pay his or
17 her federal income tax under an alternative schedule provided in
18 section 6654 of the internal revenue code may file and pay the
19 tax imposed by this ~~act~~**PART** in the same manner. A seafarer may
20 file and pay the tax imposed by this ~~act~~**PART** in the same manner
21 as a farmer or fisherman under this subsection. As used in this
22 subsection, "seafarer" means an individual whose wages may not be
23 withheld for taxes by the state or a political subdivision of the
24 state as provided in section 11108 of title 46 of the United
25 States code, 46 ~~U.S.C.~~**USC** 11108.

26 (7) A bank or financial institution that submits quarterly
27 estimated income tax payment information through the federal tax

1 deposit system on magnetic tape and acts as fiduciary for 200 or
2 more taxable trusts shall submit Michigan quarterly tax payment
3 information on magnetic tape to the department.

4 (8) A bank or financial institution that acts as fiduciary
5 for more than 49 and fewer than 200 taxable trusts may enter into
6 an irrevocable agreement with the department to submit estimated
7 income tax payment information on magnetic tape to the
8 department.

9 (9) The payment of tax based on the information required
10 under subsections (7) and (8) shall be made through a wire
11 transfer to the state of Michigan contractual deposit account.

12 (10) A payment of estimated tax shall be computed on the
13 basis of the annualized rate established under section 51 for the
14 appropriate tax year to which the estimated tax payment is
15 applicable.

16 (11) Except as provided in subsection (1), the amount of an
17 estimated tax installment shall be computed, payment of estimated
18 tax shall be credited, and a period of underpayment shall be
19 determined in the same manner as provided in the internal revenue
20 code.

21 (12) As used in this section, "taxable trust" means a trust
22 required to make payments of estimated tax pursuant to subsection
23 (1).

24 Sec. 311. (1) The taxpayer on or before the due date set for
25 the filing of a return or the payment of the tax, except as
26 otherwise provided in this act ~~act~~ **PART**, shall make out a return in
27 the form and content as prescribed by the ~~commissioner~~

1 **DEPARTMENT**, verify the return, and transmit it, together with a
2 remittance of the amount of the tax, to the department.

3 (2) Except as otherwise provided in subsection (5), the
4 department, upon application of the taxpayer and for good cause
5 shown, may extend under prescribed conditions the time for filing
6 the annual or final return required by this ~~act~~**PART**. Before the
7 original due date, the taxpayer shall remit with an application
8 for extension the estimated tax due. In computing the tax due for
9 the tax year, interest at the rate established in, and penalties
10 imposed by, section 23 of 1941 PA 122, MCL 205.23, shall be added
11 to the amount of tax unpaid for the period of the extension. The
12 department may require a tentative return and payment of an
13 estimated tax.

14 (3) Taxpayers who are husband and wife and who file a joint
15 federal income tax return pursuant to the internal revenue code
16 shall file a joint return.

17 (4) Except as provided in subsection (5), if the taxpayer
18 has been granted an extension or extensions of time within which
19 to file a final federal return for a taxable year, the filing of
20 a copy of the extension or extensions automatically extends the
21 due date of the final return under this ~~act~~**PART** for an
22 equivalent period. The taxpayer shall remit with the copy of the
23 extension or extensions the estimated tax due. In computing the
24 tax due for the tax year, interest at the rate established in,
25 and penalties imposed by, section 23 of 1941 PA 122, MCL 205.23,
26 shall be added to the amount of tax unpaid for the period of the
27 extension.

1 (5) If the taxpayer is eligible for an automatic extension
2 of time within which to file a federal return based on service in
3 a combat zone, the due date for filing an annual or final return
4 or a return and payment of an estimated tax under this ~~act~~-**PART**
5 is automatically extended for an equivalent period of time. The
6 taxpayer is not required to file a copy of any federal extension,
7 but shall print "COMBAT ZONE" in red ink at the top of his or her
8 return when the return is filed. The taxpayer is not required to
9 pay the amount of tax due at the time the return is originally
10 due, and the department shall not impose any interest or
11 penalties for the amount of tax unpaid for the period of the
12 extension.

13 Sec. 315. (1) Every person, other than a corporation,
14 required to make a return for any taxable period under the
15 internal revenue code, except as otherwise specifically provided
16 in this ~~act~~-**PART**, if his or her adjusted gross income is in
17 excess of the personal exemptions allowed by this ~~act~~-**PART** shall
18 render on or before the fifteenth day of the fourth month
19 following the close of that taxable period to the department a
20 return setting forth all of the following:

21 (a) The amount of adjusted gross income on the return made
22 to the United States internal revenue service for federal income
23 tax purposes and as provided in the definitions contained in this
24 ~~act~~-**PART** and the rules issued under this ~~act~~-**PART**.

25 (b) The personal and dependency exemptions as allowed by
26 this ~~act~~-**PART**.

27 (c) The amount of tax due under this ~~act~~-**PART**, less credits

1 claimed against the tax.

2 (d) Other information for the purposes of carrying out this
3 ~~act~~**PART** as may be prescribed by the department.

4 (e) The balance of the tax shown to be due on the return is
5 due and shall be paid by the date fixed for filing the return
6 unless the balance is less than \$1.00, in which event payment is
7 not required.

8 (2) A nonresident member who has income in this state from 1
9 or more flow-through entities may elect to be included in the
10 composite income tax return of a flow-through entity of which the
11 nonresident member is a member.

12 (3) A flow-through entity may file a composite income tax
13 return on behalf of electing nonresident members and report and
14 pay the tax due based on the electing nonresident members' shares
15 of income available for distribution from the flow-through entity
16 for doing business in, or deriving income from, sources within
17 this state.

18 (4) A nonresident member that has been included in a
19 composite income tax return and also files an individual income
20 tax return for the same taxable period may claim a credit against
21 the tax imposed by this ~~act~~**PART** on that individual income tax
22 return for the amount of taxes paid on behalf of the nonresident
23 member by the flow-through entity on that composite income tax
24 return.

25 (5) A composite income tax return is due on or before each
26 April 15 and shall report the information required by the
27 department for the immediately preceding calendar year.

1 Sec. 322. Any person electing to use "whole dollar amounts"
2 under the provisions of section 6102 of the internal revenue code
3 may use "whole dollar amounts" in the same manner for the
4 purposes of this ~~act~~-**PART**.

5 Sec. 325. (1) A taxpayer required to file a return under
6 this ~~act~~-**PART** may be required to furnish a true and correct copy
7 of any tax return or portion of any tax return and supporting
8 schedules that the taxpayer has filed under the provisions of the
9 internal revenue code.

10 (2) A taxpayer shall file an amended return with the
11 department showing any final alteration in, or modification of,
12 the taxpayer's federal income tax return that affects the
13 taxpayer's taxable income under this ~~act~~-**PART** and of any
14 similarly related recomputation of tax or determination of
15 deficiency under the internal revenue code. If an increase in
16 taxable income results from a federal audit that increases the
17 taxpayer's federal income tax by less than \$500.00, the
18 requirement under this subsection to file an amended return does
19 not apply but the department may assess an increase in tax
20 resulting from the audit. The amended return shall be filed
21 within 120 days after the final alteration, modification,
22 recomputation, or determination of deficiency. If the
23 ~~commissioner~~-**DEPARTMENT** finds upon all the facts that an
24 additional tax under this ~~act~~-**PART** is owing, the taxpayer shall
25 immediately pay the additional tax. If the ~~commissioner~~
26 **DEPARTMENT** finds that the taxpayer has overpaid the tax imposed
27 by this ~~act~~-**PART**, a credit or refund of the overpayment shall

1 immediately be made as provided in section 30 of ~~Act No. 122 of~~
2 ~~the Public Acts of 1941, being section 205.30 of the Michigan~~
3 ~~Compiled Laws 1941 PA 122, MCL 205.30.~~

4 Sec. 351. (1) Every employer in this state required under
5 the provisions of the internal revenue code to withhold a tax on
6 the compensation of an individual, except as otherwise provided,
7 shall deduct and withhold a tax in an amount computed by
8 applying, except as provided by subsection ~~(9),~~ **(10)**, the rate
9 prescribed in section 51 to the remainder of the compensation
10 after deducting from compensation the same proportion of the
11 total amount of personal and dependency exemptions of the
12 individual allowed under this ~~act~~ **PART** that the period of time
13 covered by the compensation is of 1 year. The ~~commissioner~~
14 **DEPARTMENT** may prescribe withholding tables that may be used by
15 employers to compute the amount of tax required to be withheld.

16 (2) Every flow-through entity in this state shall withhold a
17 tax in an amount computed by applying the rate prescribed in
18 section 51 to the share of taxable income available for
19 distribution of each nonresident member after deducting from that
20 distributive income the same proportion of the total amount of
21 personal and dependency exemptions of the individual allowed
22 under this ~~act~~ **PART** that the period of time covered by the
23 distributive income is of 1 year. If a flow-through entity is a
24 nonresident member of a separate flow-through entity in this
25 state, the flow-through entity in this state of which it is a
26 member shall withhold the tax as required by this subsection on
27 behalf of the flow-through entity that is a nonresident member

1 and all nonresident members of that flow-through entity that is a
2 nonresident member.

3 (3) Every casino licensee shall withhold a tax in an amount
4 computed by applying the rate prescribed in section 51 to the
5 winnings of a nonresident reportable by the casino licensee under
6 the internal revenue code.

7 (4) Every race meeting licensee or track licensee shall
8 withhold a tax in an amount computed by applying the rate
9 prescribed in section 51 to a payoff price on a winning ticket of
10 a nonresident reportable by the race meeting licensee or track
11 licensee under the internal revenue code that is the result of
12 pari-mutuel wagering at a licensed race meeting.

13 (5) Every casino licensee or race meeting licensee or track
14 licensee shall report winnings of a resident reportable by the
15 casino licensee or race meeting licensee or track licensee under
16 the internal revenue code to the department in the same manner
17 and format as required under the internal revenue code.

18 (6) EVERY ELIGIBLE PRODUCTION COMPANY SHALL, TO THE EXTENT
19 NOT WITHHELD BY A PROFESSIONAL SERVICES CORPORATION OR
20 PROFESSIONAL EMPLOYER ORGANIZATION, DEDUCT AND WITHHOLD A TAX IN
21 AN AMOUNT COMPUTED BY APPLYING THE RATE PRESCRIBED IN SECTION 51
22 TO THE REMAINDER OF THE PAYMENTS MADE TO THE PROFESSIONAL
23 SERVICES CORPORATION OR PROFESSIONAL EMPLOYER ORGANIZATION FOR
24 THE SERVICES OF A PERFORMING ARTIST OR CREW MEMBER AFTER
25 DEDUCTING FROM THOSE PAYMENTS THE SAME PROPORTION OF THE TOTAL
26 AMOUNT OF PERSONAL AND DEPENDENCY EXEMPTIONS OF THE INDIVIDUALS
27 ALLOWED UNDER THIS PART.

1 (7) ~~(6)~~—Except as otherwise provided under this subsection,
2 all of the taxes withheld under this section shall accrue to the
3 state on the last day of the month in which the taxes are
4 withheld but shall be returned and paid to the department by the
5 employer, flow-through entity, **ELIGIBLE PRODUCTION COMPANY**,
6 casino licensee, or race meeting licensee or track licensee
7 within 15 days after the end of any month or as provided in
8 section 355, except prior to July 1, 1993, taxes deposited
9 pursuant to section 19(2) of 1941 PA 122, MCL 205.19, are accrued
10 on the last day of the filing period. For an employer or flow-
11 through entity that has entered into an agreement with a
12 community college pursuant to chapter 13 of the community college
13 act of 1966, 1966 PA 331, MCL 389.161 to 389.166, a portion of
14 the taxes withheld under this section that are attributable to
15 each employee in a new job created pursuant to the agreement
16 shall accrue to the community college on the last day of the
17 month in which the taxes are withheld but shall be returned and
18 paid to the community college by the employer or flow-through
19 entity within 15 days after the end of any month or as provided
20 in section 355 for as long as the agreement remains in effect.
21 For purposes of this ~~act~~**PART** and 1941 PA 122, MCL 205.1 to
22 205.31, payments made by an employer or flow-through entity to a
23 community college under this subsection shall be considered
24 income taxes paid to this state.

25 (8) ~~(7)~~—An employer, flow-through entity, **ELIGIBLE**
26 **PRODUCTION COMPANY**, casino licensee, or race meeting licensee or
27 track licensee required by this section to deduct and withhold

1 taxes on compensation, a share of income available for
2 distribution on which withholding is required under subsection
3 (2), ~~winning~~**WINNINGS** on which withholding is required under
4 subsection (3), or a payoff price on which withholding is
5 required under subsection (4) holds the amount of tax withheld as
6 a trustee for the state is liable for the payment of the tax to
7 the state or, if applicable, to the community college and is not
8 liable to any individual for the amount of the payment.

9 (9) ~~(8)~~—An employer in this state is not required to deduct
10 and withhold a tax on the compensation paid to a nonresident
11 individual employee, who, under section 256, may claim a tax
12 credit equal to or in excess of the tax estimated to be due for
13 the tax year or is exempted from liability for the tax imposed by
14 this ~~act~~**PART**. In each tax year, the nonresident individual
15 shall furnish to the employer, on a form approved by the
16 department, a verified statement of nonresidence.

17 (10) ~~(9)~~—An employer, flow-through entity, **ELIGIBLE**
18 **PRODUCTION COMPANY**, casino licensee, or race meeting licensee or
19 track licensee required to withhold a tax under this ~~act~~**PART**, by
20 the fifteenth day of the following month, shall provide the
21 department with a copy of any exemption certificate on which the
22 employee, nonresident member, or person subject to withholding
23 under subsection (3) or (4) claims more than 9 personal or
24 dependency exemptions, claims a status that exempts the employee,
25 nonresident member, or person subject to withholding under
26 subsection (3) or (4) from withholding under this section, or
27 elects to pay the tax imposed by this ~~act~~**PART** calculated under

1 section 51a.

2 (11) ~~(10)~~—An employer shall deduct and withhold the tax
3 imposed by this ~~act~~**PART** calculated under section 51a for a
4 resident who files an exemption certificate under subsection ~~(9)~~
5 (10) to elect to pay the tax calculated under section 51a.

6 (12) ~~(11)~~—The exemption certificate required by this section
7 shall include the following statement, "Electing to file using
8 the no-form option may not be for everyone who is eligible. If a
9 taxpayer chooses the no-form option, he or she may not be
10 eligible for some of the credits allowed under this ~~act~~**PART**
11 including the property tax credit allowed under sections 520 and
12 522. ~~, the tuition tax credit allowed under section 274, and the~~
13 ~~city income tax credit allowed under section 257."~~.

14 (13) ~~(12)~~—As used in this section:

15 (a) "Casino" means that term as defined in section 110.

16 (b) "Casino licensee" means a person licensed to operate a
17 casino under the Michigan gaming control and revenue act, 1996 IL
18 1, MCL 432.201 to 432.226.

19 (C) **"ELIGIBLE PRODUCTION COMPANY" MEANS THAT TERM AS DEFINED**
20 **UNDER SECTION 455 OF THE MICHIGAN BUSINESS TAX ACT, 2007 PA 36,**
21 **MCL 208.1455.**

22 (D) ~~(e)~~—"Race meeting licensee" and "track licensee" mean a
23 person to whom a race meeting license or track license is issued
24 pursuant to section 8 of the horse racing law of 1995, 1995 PA
25 279, MCL 431.308.

26 Sec. 355. (1) All provisions relating to the administration,
27 collection, and enforcement of this ~~act~~**PART** apply to the

1 employer, flow-through entity, **ELIGIBLE PRODUCTION COMPANY**,
2 casino licensee, or race meeting licensee or track licensee
3 required to withhold taxes and to the taxes required to be
4 withheld. If the department has reasonable grounds to believe
5 that an employer, flow-through entity, **ELIGIBLE PRODUCTION**
6 **COMPANY**, casino licensee, or race meeting licensee or track
7 licensee will not pay taxes withheld to the state or, if
8 applicable, to the community college, as prescribed by this act,
9 **PART**, or to provide a more efficient administration, the
10 department may require the employer, flow-through entity,
11 **ELIGIBLE PRODUCTION COMPANY**, casino licensee, or race meeting
12 licensee or track licensee to make the return and pay to the
13 department or, if applicable, to the community college, the tax
14 deducted and withheld at other than monthly periods, or from time
15 to time, or require the employer, flow-through entity, **ELIGIBLE**
16 **PRODUCTION COMPANY**, casino licensee, or race meeting licensee or
17 track licensee to deposit the tax in a bank approved by the
18 department in a separate account, in trust for the department or,
19 if applicable, the community college, and payable to the
20 department or the community college, and to keep the amount of
21 the taxes in the account until payment over to the department or
22 the community college.

23 (2) Every publicly traded partnership as that term is
24 defined under section 7704 of the internal revenue code that has
25 equity securities registered with the securities and exchange
26 commission under section 12 of title I of the securities and
27 exchange act of 1934, 15 USC 78l, shall file on or before each

1 August 31 all unitholder information from the publicly traded
2 partnership's schedule K-1 for the immediately preceding calendar
3 year by paper or electronic format on a form prescribed by the
4 department.

5 (3) As used in this section:

6 (a) "Casino" means that term as defined in section 110.

7 (b) "Casino licensee" means a person licensed to operate a
8 casino under the Michigan gaming control and revenue act, 1996 IL
9 1, MCL 432.201 to 432.226.

10 (C) **"ELIGIBLE PRODUCTION COMPANY" MEANS THAT TERM AS DEFINED**
11 **IN SECTION 455 OF THE MICHIGAN BUSINESS TAX ACT, 2007 PA 36, MCL**
12 **208.1455.**

13 (D) ~~(e)~~ "Race meeting licensee" and "track licensee" mean a
14 person to whom a race meeting license or track license is issued
15 pursuant to section 8 of the horse racing law of 1995, 1995 PA
16 279, MCL 431.308.

17 Sec. 365. (1) Every employer, flow-through entity, **ELIGIBLE**
18 **PRODUCTION COMPANY**, casino licensee, and race meeting licensee
19 and track licensee required by this ~~act~~ **PART** to deduct and
20 withhold taxes for a tax year on compensation, share of income
21 available for distribution, winnings, or payoff on a winning
22 ticket shall furnish to each employee, nonresident member, or
23 person with winnings or a payoff on a winning ticket subject to
24 withholding under this ~~act~~ **PART** on or before January 31 of the
25 succeeding year a statement in duplicate of the total
26 compensation, share of income available for distribution,
27 winnings, or payoff on a winning ticket paid during the tax year

1 and the amount deducted or withheld. However, if employment is
2 terminated before the close of a calendar year by an employer who
3 goes out of business or permanently ceases to be an employer in
4 this state, or a flow-through entity, **ELIGIBLE PRODUCTION**
5 **COMPANY**, casino licensee, race meeting licensee, or track
6 licensee goes out of business or permanently ceases to be a flow-
7 through entity, **ELIGIBLE PRODUCTION COMPANY**, casino licensee,
8 race meeting licensee, or track licensee before the close of a
9 calendar year, then the statement required by this subsection
10 shall be issued within 30 days after the last compensation, share
11 of income available for distribution, winnings, or payoff of a
12 winning ticket is paid. A duplicate of a statement made pursuant
13 to this section and an annual reconciliation return, MI-W3, shall
14 be filed with the department by February 28 of the succeeding
15 year except that an employer, flow-through entity, **ELIGIBLE**
16 **PRODUCTION COMPANY**, casino licensee, and race meeting licensee
17 and track licensee who goes out of business or permanently ceases
18 to be an employer, flow-through entity, **ELIGIBLE PRODUCTION**
19 **COMPANY**, casino licensee, and race meeting licensee and track
20 licensee shall file the statement and the annual reconciliation
21 return within 30 days after going out of business or permanently
22 ceasing to be an employer, flow-through entity, **ELIGIBLE**
23 **PRODUCTION COMPANY**, casino licensee, and race meeting licensee
24 and track licensee.

25 (2) Every employer, flow-through entity, **ELIGIBLE PRODUCTION**
26 **COMPANY**, casino licensee, and race meeting licensee and track
27 licensee required by this ~~act~~-**PART** to deduct or withhold taxes

1 from compensation, share of income available for distribution,
2 winnings, or payoff on a winning ticket shall make a return or
3 report in form and content and at times as prescribed by the
4 department. An employer or flow-through entity that has entered
5 into an agreement with a community college pursuant to chapter 13
6 of the community college act of 1966, 1966 PA 331, MCL 389.161 to
7 389.166, and is required to deduct or withhold taxes from
8 compensation and make payments to a community college pursuant to
9 the agreement for a portion of those taxes withheld shall, for as
10 long as the agreement remains in effect, delineate in the return
11 or report required under this subsection between the amount
12 deducted or withheld and paid to the state and that amount paid
13 to a community college.

14 (3) Every employee, nonresident member, or person with
15 winnings or a payoff on a winning ticket subject to withholding
16 under this ~~act~~**PART** shall furnish to his or her employer, flow-
17 through entity, **ELIGIBLE PRODUCTION COMPANY**, casino licensee, and
18 race meeting licensee and track licensee information required for
19 the employer, flow-through entity, **ELIGIBLE PRODUCTION COMPANY**,
20 casino licensee, and race meeting licensee and track licensee to
21 make an accurate withholding. An employee, nonresident member, or
22 person with winnings or a payoff on a winning ticket subject to
23 withholding under this ~~act~~**PART** shall file with his or her
24 employer, flow-through entity, **ELIGIBLE PRODUCTION COMPANY**,
25 casino licensee, and race meeting licensee and track licensee
26 revised information within 10 days after a decrease in the number
27 of exemptions or a change in status from a nonresident to a

1 resident. ~~An employee shall file revised information with his or~~
2 ~~her employer within 10 days after the employee completes the~~
3 ~~residency requirements under section 31(11)(d), and when a change~~
4 ~~of status occurs from resident of a renaissance zone to~~
5 ~~nonresident of a renaissance zone. Within 10 days after an~~
6 ~~employer receives revised information from an employee who~~
7 ~~completes the residency requirements under section 31(11)(d), the~~
8 ~~employer shall forward a copy of that revised information to the~~
9 ~~department.~~ The employee, nonresident member, or person with
10 winnings or a payoff on a winning ticket subject to withholding
11 under this act ~~PART~~ may file revised information when the number
12 of exemptions increases or when a change in status occurs from
13 that of a resident of this state to a nonresident of this state.
14 Revised information shall not be given retroactive effect for
15 withholding purposes. An employer, flow-through entity, **ELIGIBLE**
16 **PRODUCTION COMPANY**, casino licensee, and race meeting licensee
17 and track licensee shall rely on this information for withholding
18 purposes unless directed by the department to withhold on some
19 other basis. If an employee, nonresident member, or person with
20 winnings or a payoff on a winning ticket subject to withholding
21 under this act ~~PART~~ fails or refuses to furnish information, the
22 employer, flow-through entity, **ELIGIBLE PRODUCTION COMPANY**,
23 casino licensee, and race meeting licensee and track licensee
24 shall withhold the full rate of tax from the employee's total
25 compensation, the nonresident member's share of income available
26 for distribution, or the winnings of a person with winnings or a
27 payoff on a winning ticket subject to withholding under this act

1 ~~PART. As used in this subsection, "renaissance zone" means a~~
 2 ~~renaissance zone designated pursuant to the Michigan renaissance~~
 3 ~~zone act, 1996 PA 376, MCL 125.2681 to 125.2696.~~

4 (4) As used in this section:

5 (a) "Casino" means that term as defined in section 110.

6 (b) "Casino licensee" means a person licensed to operate a
 7 casino under the Michigan gaming control and revenue act, 1996 IL
 8 1, MCL 432.201 to 432.226.

9 (C) **"ELIGIBLE PRODUCTION COMPANY" MEANS THAT TERM AS DEFINED**
 10 **IN SECTION 455 OF THE MICHIGAN BUSINESS TAX ACT, 2007 PA 36, MCL**
 11 **208.1455.**

12 (D) ~~(e)~~ "Race meeting licensee" and "track licensee" mean a
 13 person to whom a race meeting license or track license is issued
 14 pursuant to section 8 of the horse racing law of 1995, 1995 PA
 15 279, MCL 431.308.

16 Sec. 402. The tax imposed by this ~~act~~ **PART** shall be
 17 administered by the department in accordance with ~~Act No. 122 of~~
 18 ~~the Public Acts of 1941, as amended, and this act~~ **1941 PA 122,**
 19 **MCL 205.1 TO 205.31, AND THIS PART.** In case of conflict between
 20 the provisions of ~~Act No. 122 of the Public Acts of 1941, as~~
 21 ~~amended, and this act,~~ **1941 PA 122, MCL 205.1 TO 205.31, AND THIS**
 22 **PART,** the provisions of this ~~act~~ **PART** shall prevail.

23 Sec. 408. A person liable for any tax imposed under this ~~act~~
 24 **PART** shall keep and maintain accurate records in a form as to
 25 make it possible to determine the tax due under this ~~act~~ **PART.**

26 **SEC. 421. (1) THE TAX AND FEE REFORM RESERVE FUND**
 27 **IS CREATED WITHIN THE STATE TREASURY.**

1 (2) THE TAX AND FEE REFORM RESERVE FUND SHALL CONSIST OF THE
2 MONEY CREDITED TO THE FUND PURSUANT TO SECTION 51(3), AND THE
3 STATE TREASURER MAY RECEIVE MONEY OR OTHER ASSETS FROM ANY SOURCE
4 FOR DEPOSIT INTO THE FUND. THE STATE TREASURER SHALL DIRECT THE
5 INVESTMENT OF THE FUND. THE STATE TREASURER SHALL CREDIT TO THE
6 FUND INTEREST AND EARNINGS FROM FUND INVESTMENTS.

7 (3) MONEY IN THE FUND AT THE CLOSE OF THE FISCAL YEAR SHALL
8 REMAIN IN THE FUND AND SHALL NOT LAPSE TO THE GENERAL FUND.

9 (4) THE DEPARTMENT OF TREASURY SHALL BE THE ADMINISTRATOR OF
10 THE FUND FOR AUDITING PURPOSES.

11 (5) THE DEPARTMENT SHALL EXPEND MONEY FROM THE FUND, UPON
12 APPROPRIATION, FOR FEE AND TAX RELIEF AS PROVIDED BY LAW.

13 Sec. 451. (1) A domestic corporation, a foreign corporation,
14 or other business entity authorized to transact business in this
15 state that submits a certificate of dissolution or requests a
16 certificate of withdrawal from this state shall request a
17 certificate from the department stating that taxes are not due
18 under section 27a of 1941 PA 122, MCL 205.27a, not more than 60
19 days after submitting the certificate of dissolution or
20 requesting the certificate of withdrawal. A corporation or other
21 business entity that does not request a certificate stating that
22 taxes are not due is subject to the same penalties under section
23 24 of 1941 PA 122, MCL 205.24, that a taxpayer would be subject
24 to for failure to file a return.

25 (2) An estate of a person subject to tax under this ~~act~~**PART**
26 shall not be closed without the payment of the tax levied by this
27 ~~act~~**PART**, both in respect to the liability of the estate and

1 decedent prior to his or her death.

2 Sec. 455. Every person shall keep such records, books and
3 accounts as may be necessary to determine the amount of tax for
4 which it is liable under the provisions of this ~~act~~**PART** and as
5 the department may require for a period of 6 years. The records,
6 books and accounts shall be open for examination at any time
7 during regular business hours of the taxpayer by the department
8 and its agents. Any person who violates any provision of this
9 section is guilty of a misdemeanor and shall be fined not more
10 than \$1,000.00 or imprisoned not more than 1 year in the county
11 jail, or both.

12 Sec. 471. (1) The tax imposed by this ~~act~~**PART** shall be
13 administered by the department. The department shall prescribe
14 forms for use by taxpayers and may promulgate rules for all of
15 the following:

16 (a) The maintenance by taxpayers of records, books, and
17 accounts.

18 (b) The computation of the tax.

19 (c) The manner and time of changing or electing accounting
20 methods and of exercising the accounting method options contained
21 in this ~~act~~**PART**.

22 (d) The making of returns, the payment of tax due, and the
23 ascertainment, assessment, and collection of the tax.

24 (2) The rules shall follow the rulings of the United States
25 internal revenue service with respect to the federal income tax
26 if those rulings are not inconsistent with this ~~act~~**PART**, and the
27 department may adopt as a part of the rules any portions of the

1 internal revenue code or rulings, in whole or in part.

2 (3) A summary of state expenditures and revenues by major
3 category, in dollar amounts and percentage of total, for the most
4 recent state fiscal year that the information is available, shall
5 be printed in the instruction booklet accompanying each state
6 income tax return.

7 (4) Each state income tax return shall contain a space for
8 the taxpayer to indicate the school district in which the
9 taxpayer resides.

10 (5) The department may provide information in the
11 instruction booklet about the purchase of an annual state park
12 motor vehicle permit pursuant to part 741 of the natural
13 resources and environmental protection act, 1994 PA 451, MCL
14 324.74101 to 324.74125.

15 (6) In the instruction booklet that accompanies the annual
16 return required under this ~~act~~-**PART**, the department shall provide
17 a clear and concise listing of each credit and each deduction
18 allowed under this ~~act~~-**PART** and a reference to a detailed
19 explanation.

20 (7) The department shall post the list described in
21 subsection (6) on the department's official website.

22 Sec. 475. (1) The tax imposed by this ~~act~~-**PART** is in
23 addition to all other taxes for which the taxpayer is liable and
24 the proceeds derived from the tax shall be credited to the
25 general fund to be allocated and distributed as provided in this
26 ~~act~~-**PART**.

27 (2) Each year that the contribution designation program

1 established in section 440 is in effect, an amount equal to the
2 cumulative designations made under section 440 less the annual
3 amount appropriated to the department of treasury for the purpose
4 of administering the children's trust fund and implementing
5 section 440, shall be appropriated from the general fund to the
6 children's trust fund in the department of treasury for use
7 solely in support of the purposes provided in the act that
8 created the children's trust fund.

9 Sec. 510. (1) "Income" means the sum of federal adjusted
10 gross income as defined in the internal revenue code plus all
11 income specifically excluded or exempt from the computations of
12 the federal adjusted gross income except that beginning with the
13 1988 tax year, a deduction for a carryback or carryover of a net
14 operating loss shall not exceed federal modified taxable income
15 as defined in section 172(b)(2) of the internal revenue code.
16 Also, a person who is enrolled in an accident or health insurance
17 plan may deduct from income the amount that person paid in
18 premiums in the tax year for that insurance plan for the person's
19 family. Income does not include any of the following:

20 (a) The first \$300.00 of gifts in cash or kind from
21 nongovernmental sources.

22 (b) The first \$300.00 received from awards, prizes, lottery,
23 bingo, or other gambling winnings.

24 (c) Surplus foods.

25 (d) Relief in kind supplied by a governmental agency.

26 (e) Payments or credits under this ~~act~~ **PART**.

27 (f) A governmental grant that has to be used by the claimant

1 for rehabilitation of the claimant's homestead.

2 (g) Stipends received by a person 60 years of age or older
3 who is acting as a foster grandparent under the foster
4 grandparent program authorized pursuant to section 211 of part B
5 of title II of the domestic volunteer service act of 1973, Public
6 Law 93-113, 42 ~~U.S.C.~~ **USC** 5011, or who is acting as a senior
7 companion pursuant to section 213 of part C of title II of the
8 domestic volunteer service act of 1973, Public Law 93-113, 42
9 ~~U.S.C.~~ **USC** 5013.

10 (h) Amounts deducted from monthly social security or
11 railroad retirement benefits for medicare premiums.

12 (i) Contributions by an employer to life, accident, or
13 health insurance plans.

14 (j) Energy assistance grants and energy assistance tax
15 credits.

16 (2) "Owner" means a natural person who owns or is purchasing
17 a homestead under a mortgage or land contract, who owns or is
18 purchasing a dwelling situated on the leased lands of another, or
19 who is a tenant-stockholder of a cooperative housing corporation.

20 Sec. 512. (1) "Paraplegic, hemiplegic, or quadriplegic"
21 means an individual, or either 1 of 2 persons filing a joint tax
22 return under this ~~act~~ **PART**, who is a paraplegic, hemiplegic, or
23 quadriplegic at the end of the tax year.

24 (2) "Property taxes" means, for tax years before the 2003
25 tax year, general ad valorem taxes due and payable, levied on a
26 homestead within this state including property tax administration
27 fees, but does not include penalties, interest, or special

1 assessments unless assessed in the entire city, village, or
2 township, levied using a uniform millage rate on all real
3 property not exempt by state law from the levy of the special
4 assessment, and levied and based on state equalized valuation or
5 taxable value.

6 (3) "Qualified person" means a claimant and any person,
7 domiciled in Michigan, who can be claimed as a dependent under
8 the internal revenue code and who does not file a claim under
9 this ~~act~~-**PART** for the same tax year. The term does not include
10 the additional exemptions allowed for age or blindness.

11 (4) "Renter" means a person who rents or leases a homestead.

12 Sec. 514. (1) "Senior citizen" means an individual, or
13 either 1 of 2 persons filing a joint tax return under this ~~act~~
14 **PART**, who is 65 years of age or older at the close of the tax
15 year. The term also includes the unremarried surviving spouse of
16 a person who was 65 years of age or older at the time of death.

17 (2) "Serviceperson" means a person who is currently serving
18 in the armed forces of the United States or is separated from the
19 armed forces for less than a year, and who was a resident of this
20 state at least 6 months prior to the time of entering the armed
21 forces or was a resident of this state at least 5 years prior to
22 filing a claim under this chapter.

23 (3) "State income tax" or "state income tax act" means the
24 tax levied by this ~~act~~-**PART**.

25 Sec. 520. (1) Subject to the limitations and the definitions
26 in this chapter, a claimant may claim against the tax due under
27 this ~~act~~-**PART** for the tax year a credit for the property taxes on

1 the taxpayer's homestead deductible for federal income tax
2 purposes pursuant to section 164 of the internal revenue code, or
3 that would have been deductible if the claimant had not elected
4 the zero bracket amount or if the claimant had been subject to
5 the federal income tax. The property taxes used for the credit
6 computation shall not be greater than the amount levied for 1 tax
7 year.

8 (2) A person who rents or leases a homestead may claim a
9 similar credit computed under this section and section 522 based
10 upon 17% of the gross rent paid for tax years before the 1994 tax
11 year, or 20% of the gross rent paid for tax years after the 1993
12 tax year. A person who rents or leases a homestead subject to a
13 service charge in lieu of ad valorem taxes as provided by section
14 15a of the state housing development authority act of 1966, ~~Act~~
15 ~~No. 346 of the Public Acts of 1966, being section 125.1415a of~~
16 ~~the Michigan Compiled Laws 1966 PA 346, MCL 125.1415A,~~ may claim
17 a similar credit computed under this section and section 522
18 based upon 10% of the gross rent paid.

19 (3) If the credit claimed under this section and section 522
20 exceeds the tax liability for the tax year or if there is no tax
21 liability for the tax year, the amount of the claim not used as
22 an offset against the tax liability shall, after examination and
23 review, be approved for payment, without interest, to the
24 claimant. In determining the amount of the payment under this
25 subsection, withholdings and other credits shall be used first to
26 offset any tax liabilities.

27 (4) If the homestead is an integral part of a multipurpose

1 or multidwelling building that is federally aided housing or
2 state aided housing, a claimant who is a senior citizen entitled
3 to a payment under subsection (2) may assign the right to that
4 payment to a mortgagor if the mortgagor reduces the rent charged
5 and collected on the claimant's homestead in an amount equal to
6 the tax credit payment provided in this chapter. The assignment
7 of the claim is valid only if the Michigan state housing
8 development authority, by affidavit, verifies that the claimant's
9 rent has been so reduced.

10 (5) Only the renter or lessee shall claim a credit on
11 property that is rented or leased as a homestead.

12 (6) A person who discriminates in the charging or collection
13 of rent on a homestead by increasing the rent charged or
14 collected because the renter or lessee claims and receives a
15 credit or payment under this chapter is guilty of a misdemeanor.
16 Discrimination against a renter who claims and receives the
17 credit under this section and section 522 by a reduction of the
18 rent on the homestead of a person who does not claim and receive
19 the credit is a misdemeanor. If discriminatory rents are charged
20 or collected, each charge or collection of the higher or lower
21 payment is a separate offense. Each acceptance of a payment of
22 rent is a separate offense.

23 (7) A person who received aid to families with dependent
24 children, state family assistance, or state disability assistance
25 pursuant to the social welfare act, ~~Act No. 280 of the Public~~
26 ~~Acts of 1939, as amended, being sections 400.1 to 400.119b of the~~
27 ~~Michigan Compiled Laws 1939 PA 280, MCL 400.1 TO 400.119B,~~ in the

1 tax year for which the person is filing a return shall have a
2 credit that is authorized and computed under this section and
3 section 522 reduced by an amount equal to the product of the
4 claimant's credit multiplied by the quotient of the sum of the
5 claimant's aid to families with dependent children, state family
6 assistance, and state disability assistance for the tax year
7 divided by the claimant's household income. The reduction of
8 credit shall not exceed the sum of the aid to families with
9 dependent children, state family assistance, and state disability
10 assistance for the tax year. For the purposes of this subsection,
11 aid to families with dependent children does not include child
12 support payments that offset or reduce payments made to the
13 claimant.

14 (8) A credit under subsection (1) or (2) shall be reduced by
15 10% for each claimant whose household income exceeds ~~\$73,650.00~~
16 **\$61,000.00** and by an additional 10% for each increment of
17 \$1,000.00 of household income in excess of ~~\$73,650.00~~ **\$61,000.00**.

18 (9) If the credit authorized and calculated under this
19 section and section 522 and adjusted under subsection (7) or (8)
20 does not provide to a senior citizen who rents or leases a
21 homestead that amount attributable to rent that constitutes more
22 than 40% of the household income of the senior citizen, the
23 senior citizen may claim a credit based upon the amount of
24 household income attributable to rent as provided by this
25 section.

26 (10) A senior citizen whose gross rent paid for the tax year
27 is more than the percentage of household income specified in

1 subsection (9) for the respective tax year may claim a credit for
2 the amount of rent paid that constitutes more than the percentage
3 of the household income of the senior citizen specified in
4 subsection (9) and that was not provided to the senior citizen by
5 the credit computed pursuant to this section and section 522 and
6 adjusted pursuant to subsection (7) or (8).

7 (11) The department may promulgate rules to implement
8 subsections (9) to ~~(16)~~-(15) and may prescribe a table to allow a
9 claimant to determine the credit provided under this section and
10 section 522 in the instruction booklet that accompanies the
11 respective income tax or property tax credit forms used by
12 claimants.

13 (12) A senior citizen may claim the credit under subsections
14 (9) to ~~(16)~~-(15) on the same form as the property tax credit
15 permitted by subsection (2). The department shall adjust the
16 forms accordingly.

17 (13) A senior citizen who moves to a different rented or
18 leased homestead shall determine, for 2 tax years after the move,
19 both his or her qualification to claim a credit under subsections
20 (9) to ~~(16)~~-(15) and the amount of a credit under subsections (9)
21 to ~~(16)~~-(15) on the basis of the annualized final monthly rental
22 payment at his or her previous homestead, if this annualized
23 rental is less than the senior citizen's actual annual rental
24 payments.

25 (14) For a return of less than 12 months, the claim for a
26 credit under subsections (9) to ~~(16)~~-(15) shall be reduced
27 proportionately.

1 ~~———— (15) The Michigan state housing development authority shall~~
2 ~~report on the effect of the credit provided by subsections (9) to~~
3 ~~(16) on the price of rented and leased homesteads. If the~~
4 ~~authority determines that the price of rented and leased~~
5 ~~homesteads has increased as a result of the credit provided by~~
6 ~~subsections (9) to (16), the authority shall make recommendations~~
7 ~~to the legislature to remedy this situation. The report shall be~~
8 ~~made to the chairpersons of the house and senate committees that~~
9 ~~have primary responsibility for taxation legislation 2 years~~
10 ~~after the credit provided by subsections (9) to (16) is in~~
11 ~~effect.~~

12 (15) ~~(16)~~The total credit allowed by this section and
13 section 522 shall not exceed \$1,200.00 per year.

14 Sec. 522. (1) The amount of a claim made pursuant to this
15 chapter shall be determined as follows:

16 (a) A claimant is entitled to a credit against the state
17 income tax liability **UNDER THIS PART** equal to ~~60%—80%~~ of the
18 amount by which the property taxes on the homestead, or the
19 credit for rental of the homestead for the tax year, exceeds 3.5%
20 of the claimant's household income for that tax year.

21 (b) A claimant who is ~~a senior citizen or a~~ paraplegic,
22 hemiplegic, or quadriplegic and for tax years that begin after
23 December 31, 1999, a claimant who is totally and permanently
24 disabled or deaf is entitled to a credit against the state income
25 tax liability for the amount by which the property taxes on the
26 homestead, the credit for rental of the homestead, or a service
27 charge in lieu of ad valorem taxes as provided by section 15a of

1 the state housing development authority act of 1966, 1966 PA 346,
 2 MCL 125.1415a, for the tax year exceeds the percentage of the
 3 claimant's household income for that tax year computed as
 4 follows:

5 Household income	6 Percentage
7 Not over \$3,000.00	.0%
8 Over \$3,000.00 but not over \$4,000.00	1.0%
9 Over \$4,000.00 but not over \$5,000.00	2.0%
10 Over \$5,000.00 but not over \$6,000.00	3.0%
11 Over \$6,000.00	3.5%

12 ~~—— (c) For a tax year that begins before January 1, 2000, a~~
 13 ~~claimant who is totally and permanently disabled is entitled to a~~
 14 ~~credit against the state income tax liability equal to 60% of the~~
 15 ~~amount by which the property taxes on the homestead, or the~~
 16 ~~credit for rental of the homestead or for a service charge in~~
 17 ~~lieu of ad valorem taxes as provided in section 15a of the state~~
 18 ~~housing development authority act of 1966, 1966 PA 346, MCL~~
 19 ~~125.1415a, for the tax year, exceeds the percentage of the~~
 20 ~~claimant's household income for that tax year based on the~~
 21 ~~schedule in subdivision (b).~~

22 (C) ~~(d)~~ A claimant who is an eligible serviceperson,
 23 eligible veteran, or eligible widow or widower is entitled to a
 24 credit against the state income tax liability for a percentage of
 25 the property taxes on the homestead for the tax year not in
 26 excess of 100% determined as follows:

(i) Divide the taxable value allowance specified in section

1 506 by the taxable value of the homestead or, if the eligible
2 serviceperson, eligible veteran, or eligible widow or widower
3 leases or rents a homestead, divide 17% of the total annual rent
4 paid for tax years before the 1994 tax year, or 20% of the total
5 annual rent paid for tax years after the 1993 tax year on the
6 property by the property tax rate on the property.

7 (ii) Multiply the property taxes on the homestead by the
8 percentage computed in subparagraph (i).

9 (D) ~~(e)~~—A claimant who is blind is entitled to a credit
10 against the state income tax liability for a percentage of the
11 property taxes on the homestead for the tax year determined as
12 follows:

13 (i) If the taxable value of the homestead is \$3,500.00 or
14 less, 100% of the property taxes.

15 (ii) If the taxable value of the homestead is more than
16 \$3,500.00, the percentage that \$3,500.00 bears to the taxable
17 value of the homestead.

18 (2) A person who is qualified to make a claim under more
19 than 1 classification shall elect the classification under which
20 the claim is made.

21 (3) Only 1 claimant per household for a tax year is entitled
22 to the credit, unless both the husband and wife filing a joint
23 return are blind, then each shall be considered a claimant.

24 (4) As used in this section, "totally and permanently
25 disabled" means disability as defined in section 216 of title II
26 of the social security act, 42 U.S.C.—~~USC~~ 416.

27 (5) A senior citizen who has a total household income for

1 the tax year of \$6,000.00 or less and who for 1973 received a
2 senior citizen homestead exemption under former section 7c of the
3 general property tax act, ~~Act No. 206 of the Public Acts of 1893~~
4 **1893 PA 206**, may compute the credit against the state income tax
5 liability for a percentage of the property taxes on the homestead
6 for the tax year determined as follows:

7 (a) If the taxable value of the homestead is \$2,500.00 or
8 less, 100% of the property taxes.

9 (b) If the taxable value of the homestead is more than
10 \$2,500.00, the percentage that \$2,500.00 bears to the taxable
11 value of the homestead.

12 (6) For a return of less than 12 months, the claim shall be
13 reduced proportionately.

14 (7) The ~~commissioner~~**DEPARTMENT** may prescribe tables that
15 may be used to determine the amount of the claim.

16 (8) The total credit allowed in this section for each year
17 after December 31, 1975 shall not exceed \$1,200.00 per year.

18 (9) The total credit allowable under this ~~act~~**PART** and part
19 361 of the natural resources and environmental protection act,
20 1994 PA 451, MCL 324.36101 to 324.36117, shall not exceed the
21 total property tax due and payable by the claimant in that year.
22 The amount by which the credit exceeds the property tax due and
23 payable shall be deducted from the credit claimed under part 361
24 of the natural resources and environmental protection act, 1994
25 PA 451, MCL 324.36101 to 324.36117.

26 Sec. 526. The right to file a claim is personal to the
27 claimant. The right may be exercised on behalf of a claimant by

1 an agent, guardian, attorney-in-fact, executor or administrator,
2 or other persons charged with the care of the person or property
3 of a claimant. When a claimant dies before he could have filed or
4 after having filed a timely claim, the amount thereof may be paid
5 to another member of the household or to the mortgagor of the
6 state or federally aided housing, which is a multipurpose of
7 multidwelling building, who has reduced the rent on the
8 claimant's homestead because of the tax credit and payment
9 provided in this chapter as determined by the ~~commissioner~~
10 **DEPARTMENT**. If the claimant was the only member of his household
11 and was not renting his homestead in a multipurpose or
12 multidwelling building that is state or federally aided housing,
13 the claim shall be paid to his executor or administrator, but if
14 neither is appointed within 2 years after the filing of the
15 claim, the amount ~~thereof~~ **OF THE CLAIM** shall escheat to the
16 state.

17 Sec. 527a. (1) For tax years 1985 through 1994, a claimant
18 may claim a credit against the state income tax for heating fuel
19 costs for the claimant's homestead in this state. For the 1996
20 tax year and each tax year after the 1996 tax year and subject to
21 subsections (18) and (19), a claimant may claim a credit for
22 heating fuel costs for the claimant's homestead in this state. An
23 adult foster care home, nursing home, home for the aged, or
24 substance abuse center is not a homestead for purposes of this
25 section. The credit shall be determined in the following manner:

26 (a) For the 1988 tax year through the 1994 tax year and,
27 subject to subsections (18) and (19), for the 1996 tax year and

1 each tax year after the 1996 tax year, the following table shall
 2 be used for the computation of a credit as computed under
 3 subdivision (c):

4 Exemptions	0 or 1	2	3	4	5	6 or more
5 Credit	\$272	\$326	\$379	\$450	\$525	\$601 + \$76 for each
6						exemption over 6

7 (b) For tax years after the 1988 tax year, the amounts in
 8 the table in subdivision (a) shall be adjusted each year as
 9 necessary by the department so that a claimant with a household
 10 income less than 110% of the federal poverty income standards as
 11 defined and determined annually by the United States office of
 12 management and budget is not denied a credit.

13 (c) A claimant shall receive the greater of the credit
 14 amount as determined in subparagraph (i) or (ii):

15 (i) Subtract 3.5% of the claimant's household income from the
 16 amount specified in subdivision (a) that corresponds with the
 17 number of exemptions claimed in the return filed under this ~~act~~,
 18 **PART**, except that the number of exemptions for purposes of this
 19 subdivision shall not exceed the actual number of persons living
 20 in the household plus the additional personal exemptions allowed
 21 under section 30, and any dependency exemptions for a person or
 22 persons living in the household under a custodial arrangement,
 23 even if the exemptions may not be claimed for other income tax
 24 purposes. For a claimant whose heating costs are included in his
 25 or her rent, multiply the result of the preceding calculation by
 26 50%.

1 (ii) Subject to subsection (2), for a claimant whose
 2 household income does not exceed the maximum specified in the
 3 following table, as adjusted, that corresponds with the number of
 4 exemptions claimed in the return filed under this ~~act~~ **PART**,
 5 subtract 11% of claimant's household income from the total cost
 6 incurred by a claimant for heating fuel from a heating fuel
 7 provider during the 12 consecutive monthly billing periods ending
 8 in October of the tax year, and multiply the resulting amount by
 9 70%:

10 Exemptions	0 or 1	2	3	4	5	For each
11						exemption
12						over 5,
13						add
14						\$2,441.00
15						to the
16						maximum
17						income
18 Maximum						
19 Income	\$7,060	\$9,501	\$11,943	\$14,382	\$16,824	

20 (d) For the 1988 tax year for the purposes of subdivision
 21 (c), the total cost incurred by a claimant for heating fuel from
 22 a heating fuel provider shall not exceed \$1,190.00. For tax years
 23 after the 1988 tax year, the maximum cost incurred by a claimant
 24 for heating fuel during a tax year shall be adjusted by
 25 multiplying the maximum cost for the immediately preceding tax
 26 year by the percentage by which the average all urban Detroit
 27 consumer price index for fuels and other utilities for the 12

1 months ending August 31 of the tax year for which the credit is
2 claimed exceeds that index's average for the 12 months ending on
3 August 31 of the previous tax year, but not more than 10%. That
4 product shall be added to the maximum cost of the immediately
5 preceding tax year and then rounded to the nearest whole dollar.
6 That dollar amount is the new maximum cost for the current tax
7 year. If the claimant received any credits to his or her heating
8 bill during the tax year, as provided for in subsection (6), the
9 credits shall be treated as costs incurred by the claimant.

10 (e) For tax years after the 1988 tax year, the maximum
11 income amounts specified in subdivision (c)(ii) shall be adjusted
12 by multiplying the respective maximum income amounts for the
13 immediately preceding tax year by the percentage by which the
14 average all urban Detroit consumer price index for all items for
15 the 12 months ending August 31 of the tax year for which the
16 credit is claimed exceeds that index's average for the 12 months
17 ending on August 31 of the immediately preceding tax year, but
18 not more than 10%. That product shall be added to the immediately
19 preceding tax year's respective maximum income level and then
20 rounded to the nearest whole dollar. That dollar amount is the
21 new maximum income level for the then current tax year.

22 (2) An enrolled heating fuel provider shall notify each of
23 its customers, not later than December 15 of each year or, for
24 1995 only, not later than January 10, 1996 or for 1996 only, not
25 later than January 15, 1996, of the availability, upon request,
26 of the information necessary for determining the credit under
27 this section. For a claimant for whom, at the time of filing, the

1 ~~family independence agency~~ **DEPARTMENT OF HUMAN SERVICES** is making
2 direct vendor payments to an enrolled heating fuel provider, the
3 enrolled heating fuel provider that accepts the direct payments
4 shall provide the information necessary to determine the credit
5 before February 1 of each year. If an enrolled heating fuel
6 provider refuses or fails to provide to a customer the
7 information required to determine the credit, or if the claimant
8 is not a customer of an enrolled heating fuel provider, a
9 claimant may determine the credit provided in subsection
10 (1) (c) (ii) based on his or her own records.

11 (3) A credit claimed on a return that covers a period of
12 less than 12 months shall be calculated based on subsection
13 (1) (c) (i) and shall be reduced proportionately.

14 (4) The allowable amount of the credit under this section
15 shall be remitted to the claimant, other than a claimant whose
16 heating costs are included in his or her rent, in the form of an
17 energy draft that states the name of the claimant and is issued
18 by the department. For a claimant for whom, at the time of
19 filing, the ~~family independence agency~~ **DEPARTMENT OF HUMAN**
20 **SERVICES** has identified the enrolled heating fuel provider or is
21 making direct vendor payments to an enrolled heating fuel
22 provider, the department shall send the energy draft directly to
23 the claimant's enrolled heating fuel provider, as identified by
24 the claimant. If the department establishes a program or pilot
25 program for the direct payment of energy drafts to enrolled
26 heating fuel providers, enrolled heating fuel providers may
27 submit to the department, in a manner prescribed by the

1 department, the names of their customers who are claimants. If a
2 claimant whose name has been submitted meets the standards
3 established by the department, the department shall send that
4 claimant's energy draft directly to the claimant's enrolled
5 heating fuel provider. If the enrolled heating fuel provider
6 submits names of claimants who are not its customers and the
7 energy drafts of any of those claimants are sent to the enrolled
8 heating fuel provider, the enrolled heating fuel provider shall
9 return the energy drafts or pay the value of the energy drafts to
10 the department plus interest on the amount of the energy drafts
11 at the rate calculated under section 23 **OF 1941 PA 122, MCL**
12 **205.23**, for deficiencies in tax payments. Except as provided in
13 subsection (5), after July 31, a refundable credit for a prior
14 tax year may be paid in the form of a negotiable warrant. The
15 energy draft shall be negotiable only through the claimant's
16 enrolled heating fuel provider upon remittance by the claimant.

17 (5) If a claimant received home heating assistance from the
18 ~~family independence agency~~ **DEPARTMENT OF HUMAN SERVICES**, a
19 governmental agency, or a nonprofit organization 12 months prior
20 to remitting an energy draft to the claimant's enrolled heating
21 fuel provider and the amount of the energy draft is greater than
22 the total of outstanding bills incurred by the claimant with the
23 enrolled heating fuel provider as of the date that the energy
24 draft was remitted to the enrolled heating fuel provider, the
25 enrolled heating fuel provider shall first apply the full amount
26 of the energy draft to the claimant's outstanding bills and then
27 apply any remaining amount to subsequent bills of the claimant

1 until the full amount of the energy draft is used up or the
2 expiration of 9 months after the date on which the energy draft
3 was first applied to cover the claimant's outstanding bills. If
4 there is any remaining energy draft amount at the end of the 9-
5 month period, or if before the end of the 9-month period the
6 claimant is no longer a customer of the enrolled heating fuel
7 provider, the enrolled heating fuel provider shall remit the
8 remaining amount to the claimant in the form of a fully
9 negotiable check within 14 days after the end of the 9-month
10 period or 14 days after the termination of services, whichever
11 occurs sooner. If the claimant did not receive home heating
12 assistance from the ~~family independence agency~~ **DEPARTMENT OF**
13 **HUMAN SERVICES**, a governmental agency, or a nonprofit
14 organization 12 months prior to remitting an energy draft, the
15 claimant, by checking the appropriate box to be included on the
16 energy draft or application for participation with an enrolled
17 heating fuel provider, may request from the enrolled heating fuel
18 provider a payment equal to the amount of the energy draft less
19 the amount of the outstanding bills. The enrolled heating fuel
20 provider shall issue the payment within 14 days after the
21 claimant's request. For purposes of this subsection, home heating
22 assistance does not include the credit allowed under this
23 section.

24 (6) If a claimant whose energy draft exceeds his or her
25 outstanding bills does not request a payment from an enrolled
26 heating fuel provider under subsection (5), an energy draft
27 remitted to an enrolled heating fuel provider shall be applied

1 upon receipt to the claimant's designated account. The energy
2 draft may be used to cover outstanding bills that the claimant
3 has incurred with the enrolled heating fuel provider and to cover
4 subsequent heating costs until the full amount of the energy
5 draft is used or until 1 year after the date on which the energy
6 draft is first applied to the claimant's designated account. If a
7 credit amount remains from this energy draft after the 1-year
8 period, or if prior to the end of the 1-year period a claimant is
9 no longer a customer of the enrolled heating fuel provider, the
10 heating fuel provider shall remit the remaining unused portion to
11 the claimant in the form of a fully negotiable check within 14
12 days after the end of the 1-year period or within 14 days after
13 termination of service, whichever is sooner.

14 (7) A claimant who is no longer a resident of this state,
15 who is not a customer of an enrolled heating fuel provider, or
16 whose heating fuel provider refuses to accept an energy draft
17 shall return the energy draft to the department and request the
18 issuance of a negotiable warrant. A claimant may return an energy
19 draft to the department and request issuance of a negotiable
20 warrant if the energy draft is impractical because the claimant
21 has already purchased his or her energy supply for the year and
22 does not have an outstanding obligation to an enrolled heating
23 fuel provider. The department may honor that request if it agrees
24 that the use of the energy draft is impractical. The department
25 shall issue the warrant within 14 days after receiving the energy
26 draft from the claimant.

27 (8) The enrolled heating fuel provider shall bill the

1 department for credit amounts that have been applied to claimant
2 accounts pursuant to subsection (6), and the department shall pay
3 the bills within 14 days of receipt. The billing shall be
4 accompanied by the energy drafts for which reimbursement is
5 claimed.

6 (9) A claimant whose heating fuel is provided by a utility
7 regulated by the Michigan public service commission is protected
8 against the discontinuance of his or her heating fuel service
9 from the date of filing a claim for the credit under this section
10 through the date of issuance of an energy draft and during a
11 period beginning December 1 of the tax year for which the credit
12 is claimed and ending March 31 of the following year if the
13 claimant participates in the winter protection program set forth
14 in R ~~460.2174~~ **460.148** of the Michigan administrative code or if
15 the utility accepts the claimant's energy draft. The acceptance
16 of an energy draft by a utility is considered a request by the
17 claimant for the winter protection program. The energy draft
18 shall be coded by the department to denote claimants who are 65
19 years of age or older. If the claimant is a claimant whose
20 heating cost is included in his or her rent payments, the amount
21 of the claim not used as an offset against the state income tax,
22 after examination and review, shall be approved for payment,
23 without interest, to the claimant.

24 (10) If an enrolled heating fuel provider does not issue a
25 payment or a negotiable check within 14 days or as otherwise
26 provided in subsection (5) or (6), beginning on the fifteenth day
27 or the fifteenth day after the expiration of the 9-month period

1 under subsection (5), the amount due to the claimant is increased
2 by adding interest computed on the basis of the rate of interest
3 prescribed for delayed refunds of excess tax payments in section
4 30(3) of 1941 PA 122, MCL 205.30. The enrolled heating fuel
5 provider shall pay the interest and shall not bill the interest
6 to or be reimbursed for the interest by the department.

7 (11) Only the renter or lessee shall claim a credit on
8 property that is rented or leased as a homestead. Only 1 credit
9 may be claimed for a household. The credit under this section is
10 in addition to other credits to which the claimant is entitled
11 under this ~~act~~**PART**. A person who is a full-time student at a
12 school, community college, or college or university and who is
13 claimed as a dependent by another person is not eligible for the
14 credit provided by this section. A claimant who shares a
15 homestead with other eligible claimants shall prorate the credit
16 by the number of claimants sharing the homestead.

17 (12) A claimant who is eligible for the credit provided by
18 this section shall be referred by the department to the
19 appropriate state agency for determination of eligibility for
20 home weatherization assistance and shall accept weatherization
21 assistance if eligible and if assistance is available. A heating
22 fuel provider that is required by the Michigan public service
23 commission to participate in the residential conservation
24 services home energy analysis program shall annually contact each
25 claimant to whom it provides heating fuel, and whose usage
26 exceeds 200,000 cubic feet of natural gas or 18,000 kilowatt
27 hours of electricity annually, and shall offer to provide a home

1 energy analysis at no cost to the claimant. A heating fuel
2 provider that is not required to participate in the residential
3 conservation services program shall not be required to conduct a
4 home energy analysis for its customers.

5 (13) If an enrolled heating fuel provider is regulated by
6 the Michigan public service commission, the Michigan public
7 service commission may use an enforcement method authorized by
8 law or rule to enforce the requirements prescribed by this
9 section on the enrolled heating fuel provider. If an enrolled
10 heating fuel provider is not regulated by the Michigan public
11 service commission, the ~~family independence agency~~ **DEPARTMENT OF**
12 **HUMAN SERVICES** may use an enforcement method authorized by law or
13 rule to enforce the requirements prescribed by this section on
14 the enrolled heating fuel provider.

15 (14) The department shall mail a home heating credit return
16 to every person who received assistance through ~~family~~
17 ~~independence programs~~ **THE DEPARTMENT OF HUMAN SERVICES** pursuant
18 to the social welfare act, 1939 PA 280, MCL 400.1 to 400.119b,
19 during the tax year.

20 (15) The department shall complete a study by August 1 of
21 1985, and of each subsequent year, of the actual heating costs of
22 each claimant who received a credit from the department under
23 this section for the immediately preceding tax year.

24 (16) The department may promulgate rules necessary to
25 administer this section pursuant to the administrative procedures
26 act of 1969, 1969 PA 306, MCL 24.201 to 24.328.

27 (17) The department shall provide a simplified procedure for

1 claiming the credit under this section for claimants for whom, at
2 the time of filing, the ~~family independence agency~~ **DEPARTMENT OF**
3 **HUMAN SERVICES** is making direct vendor payments to an enrolled
4 heating fuel provider.

5 (18) For the 2001 tax year and each tax year after the 2001
6 tax year, the credit under this section is allowed only if there
7 has been a federal appropriation for the federal fiscal year
8 beginning in the tax year of federal low income home energy
9 assistance program block grant funds of any amount. If the amount
10 of federal low income home energy assistance program block grant
11 funds available for the home heating credit is less than the full
12 home heating credit amount, each individual credit claimed under
13 this section shall be reduced by multiplying the credit amount by
14 a fraction, the numerator of which is the amount available for
15 the home heating credit and the denominator of which is the full
16 home heating credit amount. As used in this subsection, "amount
17 available for the home heating credit" means the sum of the
18 federal low income home energy assistance program block grant
19 allotment for this state for the federal fiscal year beginning in
20 the tax year and the amount as certified by the director of the
21 ~~family independence agency~~ **DEPARTMENT OF HUMAN SERVICES** carried
22 forward from the immediately preceding fiscal year for the low
23 income home energy assistance program block grant minus the sum
24 of the amount certified by the director of the ~~family~~
25 ~~independence agency~~ **DEPARTMENT OF HUMAN SERVICES** for
26 administration of the low income home energy assistance program
27 block grant, the amount certified by the director of the ~~family~~

1 ~~independence agency~~ **DEPARTMENT OF HUMAN SERVICES** for crisis
2 assistance programs, and the amount certified by the director of
3 the ~~family independence agency~~ **DEPARTMENT OF HUMAN SERVICES** for
4 weatherization. Except as otherwise provided in this subsection,
5 the amount used for weatherization each fiscal year shall not
6 exceed \$9,000,000.00 less the amount used for weatherization from
7 the emergency contingency funds received in the immediately
8 preceding year. For the 2004-2005 state fiscal year only, the
9 amount used for weatherization shall not exceed \$9,000,000.00 and
10 shall not be reduced by the amount used for weatherization from
11 the emergency contingency funds received in the immediately
12 preceding year. The amounts under this subsection that require
13 certification by the director of the ~~family independence agency~~
14 **DEPARTMENT OF HUMAN SERVICES** or by the state treasurer and the
15 director of the department of **TECHNOLOGY**, management, and budget
16 shall be certified on or before December 30 of the tax year for
17 the 1996 tax year, and on or before November 1 of the tax year
18 for the 1997 tax year and each tax year after the 1997 tax year.
19 As used in this subsection, "full home heating credit amount"
20 means the amount certified by the state treasurer and the
21 director of the department of **TECHNOLOGY**, management, and budget
22 to be the estimated amount of the credits that would have been
23 provided under this section for the tax year if no reduction as
24 provided in this subsection were made for that tax year.

25 (19) For tax years after the 1994 tax year, a claimant who
26 claims a credit under this section shall not report the credit
27 amount on the claimant's income tax return filed under this act

1 **PART** as an offset against the tax imposed by this ~~act~~**PART**, but
2 shall claim the credit on a separate form prescribed by the
3 department. For tax years after the 1995 tax year, a credit
4 claimed under this section shall not be allowed unless the claim
5 for the credit is filed with the department on or before the
6 September 30 immediately following the tax year for which the
7 credit is claimed.

8 (20) The state treasurer shall notify all of the following
9 each state fiscal year that the federal low income home energy
10 assistance program block grant allotment for this state for that
11 fiscal year is less than the full home heating credit amount:

12 (a) The chairpersons and vice-chairpersons of the senate and
13 house of representatives appropriations committees.

14 (b) The senate and house of representatives committees on
15 taxation and finance related issues.

16 (c) The senate and house of representatives committees on
17 energy and technology related issues.

18 (21) Notwithstanding section 30a of 1941 PA 122, MCL
19 205.30a, the credit allowed under this section is exempt from
20 interception, execution, levy, attachment, garnishment, or other
21 legal process to collect a debt. No portion of the credit allowed
22 or any rights existing under this section shall be applied as an
23 offset to any liability of the claimant under section 30a of 1941
24 PA 122, MCL 205.30a, or any arrearage or other debt of the
25 claimant.

26 (22) The department shall meet with interested parties
27 including enrolled heating fuel providers and advocacy groups to

1 identify and implement methods of improving the processing of
2 claims for the credit allowed under this section and payments
3 attributable to those credits.

4 (23) As used in this section:

5 (a) "Claimant whose heating costs are included in his or her
6 rent" means a claimant whose rent includes the cost of heat at
7 the time the claim for the credit under this section is filed.

8 (b) "Enrolled heating fuel provider" means a heating fuel
9 provider that is enrolled with the ~~family independence agency~~
10 **DEPARTMENT OF HUMAN SERVICES** as a heating fuel provider.

11 (c) "Heating fuel provider" means an individual or entity
12 that provides a claimant with heating fuel or electricity for
13 heating purposes.

14 Sec. 530. (1) The department may require reasonable proof
15 from the claimant in support of rent paid, property taxes paid,
16 household income, size and nature of the property claimed as a
17 homestead, or any other information required for the
18 administration of this chapter.

19 (2) If a homestead is occupied for less than a 12-month
20 period, the credit computation shall be proportional to the
21 period of occupancy. A claimant shall not occupy more than 1
22 homestead at 1 time. If more than 1 homestead is occupied during
23 the tax year, the credit computation shall be proportional to the
24 period of occupancy of each homestead, but not for a total period
25 of more than 1 year.

26 (3) If unoccupied land is used for agricultural or
27 horticultural purposes by the claimant, the credit shall be

1 allowed only if the gross receipts of the agricultural or
2 horticultural operations exceed the household income as defined
3 in this ~~act~~-PART.

4 (4) A claim shall not be allowed if the department finds
5 that the claimant received title to the homestead primarily for
6 the purpose of receiving benefits under this chapter.

7 (5) The amount of a claim otherwise payable may be applied
8 by the department against a liability outstanding on the books of
9 the state against the claimant.

10 Sec. 532. The department shall prescribe forms for claiming
11 the credit, which forms shall be a component part of the state
12 income tax return. ~~, except as provided in section 531.~~ All
13 provisions of this ~~act~~-PART including but not limited to audit,
14 review, determinations, appeals, hearings, notices, assessments,
15 and administration shall apply to this chapter.

16 **PART 2**

17 **CHAPTER 10**

18 **SEC. 601. A TERM USED IN THIS PART AND NOT DEFINED**
19 **DIFFERENTLY SHALL HAVE THE SAME MEANING AS WHEN USED IN**
20 **COMPARABLE CONTEXT IN THE LAWS OF THE UNITED STATES RELATING TO**
21 **FEDERAL INCOME TAXES IN EFFECT FOR THE TAX YEAR UNLESS A**
22 **DIFFERENT MEANING IS CLEARLY REQUIRED. A REFERENCE IN THIS PART**
23 **TO THE INTERNAL REVENUE CODE INCLUDES OTHER PROVISIONS OF THE**
24 **LAWS OF THE UNITED STATES RELATING TO FEDERAL INCOME TAXES.**

25 **SEC. 603. (1) "BUSINESS ACTIVITY" MEANS A TRANSFER OF LEGAL**
26 **OR EQUITABLE TITLE TO OR RENTAL OF PROPERTY, WHETHER REAL,**
27 **PERSONAL, OR MIXED, TANGIBLE OR INTANGIBLE, OR THE PERFORMANCE OF**

1 SERVICES, OR A COMBINATION THEREOF, MADE OR ENGAGED IN, OR CAUSED
2 TO BE MADE OR ENGAGED IN, WHETHER IN INTRASTATE, INTERSTATE, OR
3 FOREIGN COMMERCE, WITH THE OBJECT OF GAIN, BENEFIT, OR ADVANTAGE,
4 WHETHER DIRECT OR INDIRECT, TO THE TAXPAYER OR TO OTHERS, BUT
5 DOES NOT INCLUDE THE SERVICES RENDERED BY AN EMPLOYEE TO HIS OR
6 HER EMPLOYER OR SERVICES AS A DIRECTOR OF A CORPORATION. ALTHOUGH
7 AN ACTIVITY OF A TAXPAYER MAY BE INCIDENTAL TO ANOTHER OR TO
8 OTHERS OF HIS OR HER BUSINESS ACTIVITIES, EACH ACTIVITY SHALL BE
9 CONSIDERED TO BE BUSINESS ENGAGED IN WITHIN THE MEANING OF THIS
10 PART.

11 (2) "BUSINESS INCOME" MEANS FEDERAL TAXABLE INCOME. FOR A
12 TAXPAYER THAT IS A MUTUAL OR COOPERATIVE ELECTRIC COMPANY EXEMPT
13 UNDER SECTION 501(C)(12) OF THE INTERNAL REVENUE CODE, BUSINESS
14 INCOME EQUALS THE ORGANIZATION'S EXCESS OR DEFICIENCY OF REVENUES
15 OVER EXPENSES AS REPORTED TO THE FEDERAL GOVERNMENT BY THOSE
16 ORGANIZATIONS EXEMPT FROM THE FEDERAL INCOME TAX UNDER THE
17 INTERNAL REVENUE CODE, LESS CAPITAL CREDITS PAID TO MEMBERS OF
18 THAT ORGANIZATION, LESS INCOME ATTRIBUTED TO EQUITY IN ANOTHER
19 ORGANIZATION'S NET INCOME, AND LESS INCOME RESULTING FROM A
20 CHARGE APPROVED BY A STATE OR FEDERAL REGULATORY AGENCY THAT IS
21 RESTRICTED FOR A SPECIFIED PURPOSE AND REFUNDABLE IF IT IS NOT
22 USED FOR THE SPECIFIED PURPOSE. FOR A TAX-EXEMPT TAXPAYER,
23 BUSINESS INCOME MEANS ONLY THAT PART OF FEDERAL TAXABLE INCOME
24 DERIVED FROM UNRELATED BUSINESS ACTIVITY.

25 SEC. 605. (1) "CORPORATION" MEANS A TAXPAYER THAT IS
26 REQUIRED OR HAS ELECTED TO FILE AS A C CORPORATION AS DEFINED
27 UNDER SECTION 1361(A)(2) AND SECTION 7701(A)(3) OF THE INTERNAL

1 REVENUE CODE. CORPORATION DOES NOT INCLUDE AN INSURANCE COMPANY
2 OR A FINANCIAL INSTITUTION.

3 (2) "DEPARTMENT" MEANS THE DEPARTMENT OF TREASURY.

4 (3) "EMPLOYEE" MEANS AN EMPLOYEE AS DEFINED IN SECTION
5 3401(C) OF THE INTERNAL REVENUE CODE. A PERSON FROM WHOM AN
6 EMPLOYER IS REQUIRED TO WITHHOLD FOR FEDERAL INCOME TAX PURPOSES
7 IS PRIMA FACIE CONSIDERED AN EMPLOYEE.

8 (4) "EMPLOYER" MEANS AN EMPLOYER AS DEFINED IN SECTION
9 3401(D) OF THE INTERNAL REVENUE CODE. A PERSON REQUIRED TO
10 WITHHOLD FOR FEDERAL INCOME TAX PURPOSES IS PRIMA FACIE
11 CONSIDERED AN EMPLOYER.

12 SEC. 607. (1) "FEDERAL TAXABLE INCOME" MEANS TAXABLE INCOME
13 AS DEFINED IN SECTION 63 OF THE INTERNAL REVENUE CODE, EXCEPT
14 THAT FEDERAL TAXABLE INCOME SHALL BE CALCULATED AS IF SECTION
15 168(K) AND SECTION 199 OF THE INTERNAL REVENUE CODE WERE NOT IN
16 EFFECT.

17 (2) "FOREIGN OPERATING ENTITY" MEANS A UNITED STATES PERSON
18 THAT SATISFIES EACH OF THE FOLLOWING:

19 (A) WOULD OTHERWISE BE A PART OF A UNITARY BUSINESS GROUP
20 THAT HAS AT LEAST 1 PERSON INCLUDED IN THE UNITARY BUSINESS GROUP
21 THAT IS TAXABLE IN THIS STATE.

22 (B) HAS SUBSTANTIAL OPERATIONS OUTSIDE THE UNITED STATES,
23 THE DISTRICT OF COLUMBIA, ANY TERRITORY OR POSSESSION OF THE
24 UNITED STATES EXCEPT FOR THE COMMONWEALTH OF PUERTO RICO, OR A
25 POLITICAL SUBDIVISION OF ANY OF THE FOREGOING.

26 (C) AT LEAST 80% OF ITS INCOME IS ACTIVE FOREIGN BUSINESS
27 INCOME AS DEFINED IN SECTION 861(C) (1) (B) OF THE INTERNAL REVENUE

1 CODE.

2 (3) "GROSS RECEIPTS" MEANS THE ENTIRE AMOUNT RECEIVED BY THE
3 TAXPAYER AS DETERMINED BY USING THE TAXPAYER'S METHOD OF
4 ACCOUNTING USED FOR FEDERAL INCOME TAX PURPOSES, LESS ANY AMOUNT
5 DEDUCTED AS BAD DEBT FOR FEDERAL INCOME TAX PURPOSES THAT
6 CORRESPONDS TO ITEMS OF GROSS RECEIPTS INCLUDED IN THE MODIFIED
7 GROSS RECEIPTS TAX BASE FOR THE CURRENT TAX YEAR OR A PAST TAX
8 YEAR PHASED IN OVER A 5-YEAR PERIOD STARTING WITH 50% OF THAT
9 AMOUNT IN THE 2008 TAX YEAR, 60% IN THE 2009 TAX YEAR, 60% IN THE
10 2010 TAX YEAR, 75% IN THE 2011 TAX YEAR, AND 100% IN THE 2012 TAX
11 YEAR AND EACH TAX YEAR THEREAFTER, FROM ANY ACTIVITY WHETHER IN
12 INTRASTATE, INTERSTATE, OR FOREIGN COMMERCE CARRIED ON FOR DIRECT
13 OR INDIRECT GAIN, BENEFIT, OR ADVANTAGE TO THE TAXPAYER OR TO
14 OTHERS EXCEPT FOR THE FOLLOWING:

15 (A) PROCEEDS FROM SALES BY A PRINCIPAL THAT THE TAXPAYER
16 COLLECTS IN AN AGENCY CAPACITY SOLELY ON BEHALF OF THE PRINCIPAL
17 AND DELIVERS TO THE PRINCIPAL.

18 (B) AMOUNTS RECEIVED BY THE TAXPAYER AS AN AGENT SOLELY ON
19 BEHALF OF THE PRINCIPAL THAT ARE EXPENDED BY THE TAXPAYER FOR ANY
20 OF THE FOLLOWING:

21 (i) THE PERFORMANCE OF A SERVICE BY A THIRD PARTY FOR THE
22 BENEFIT OF THE PRINCIPAL THAT IS REQUIRED BY LAW TO BE PERFORMED
23 BY A LICENSED PERSON.

24 (ii) THE PERFORMANCE OF A SERVICE BY A THIRD PARTY FOR THE
25 BENEFIT OF THE PRINCIPAL THAT THE TAXPAYER HAS NOT UNDERTAKEN A
26 CONTRACTUAL DUTY TO PERFORM.

27 (iii) PRINCIPAL AND INTEREST UNDER A MORTGAGE LOAN OR LAND

1 CONTRACT, LEASE OR RENTAL PAYMENTS, OR TAXES, UTILITIES, OR
2 INSURANCE PREMIUMS RELATING TO REAL OR PERSONAL PROPERTY OWNED OR
3 LEASED BY THE PRINCIPAL.

4 (iv) A CAPITAL ASSET OF A TYPE THAT IS, OR UNDER THE INTERNAL
5 REVENUE CODE WILL BECOME, ELIGIBLE FOR DEPRECIATION,
6 AMORTIZATION, OR ACCELERATED COST RECOVERY BY THE PRINCIPAL FOR
7 FEDERAL INCOME TAX PURPOSES, OR FOR REAL PROPERTY OWNED OR LEASED
8 BY THE PRINCIPAL.

9 (v) PROPERTY NOT DESCRIBED UNDER SUBPARAGRAPH (IV) THAT IS
10 PURCHASED BY THE TAXPAYER ON BEHALF OF THE PRINCIPAL AND THAT THE
11 TAXPAYER DOES NOT TAKE TITLE TO OR USE IN THE COURSE OF
12 PERFORMING ITS CONTRACTUAL BUSINESS ACTIVITIES.

13 (vi) FEES, TAXES, ASSESSMENTS, LEVIES, FINES, PENALTIES, OR
14 OTHER PAYMENTS ESTABLISHED BY LAW THAT ARE PAID TO A GOVERNMENTAL
15 ENTITY AND THAT ARE THE LEGAL OBLIGATION OF THE PRINCIPAL.

16 (C) AMOUNTS THAT ARE EXCLUDED FROM GROSS INCOME OF A FOREIGN
17 CORPORATION ENGAGED IN THE INTERNATIONAL OPERATION OF AIRCRAFT
18 UNDER SECTION 883(A) OF THE INTERNAL REVENUE CODE.

19 (D) AMOUNTS RECEIVED BY AN ADVERTISING AGENCY USED TO
20 ACQUIRE ADVERTISING MEDIA TIME, SPACE, PRODUCTION, OR TALENT ON
21 BEHALF OF ANOTHER PERSON.

22 (E) AMOUNTS RECEIVED BY A NEWSPAPER TO ACQUIRE ADVERTISING
23 SPACE NOT OWNED BY THAT NEWSPAPER IN ANOTHER NEWSPAPER ON BEHALF
24 OF ANOTHER PERSON. THIS SUBDIVISION DOES NOT APPLY TO ANY
25 CONSIDERATION RECEIVED BY THE TAXPAYER FOR ACQUIRING THAT
26 ADVERTISING SPACE.

27 (F) NOTWITHSTANDING ANY OTHER PROVISION OF THIS SECTION,

1 AMOUNTS RECEIVED BY A TAXPAYER THAT MANAGES REAL PROPERTY OWNED
2 BY A THIRD PARTY THAT ARE DEPOSITED INTO A SEPARATE ACCOUNT KEPT
3 IN THE NAME OF THAT THIRD PARTY AND THAT ARE NOT REIMBURSEMENTS
4 TO THE TAXPAYER AND ARE NOT INDIRECT PAYMENTS FOR MANAGEMENT
5 SERVICES THAT THE TAXPAYER PROVIDES TO THAT THIRD PARTY.

6 (G) PROCEEDS FROM THE TAXPAYER'S TRANSFER OF AN ACCOUNT
7 RECEIVABLE IF THE SALE THAT GENERATED THE ACCOUNT RECEIVABLE WAS
8 INCLUDED IN GROSS RECEIPTS FOR FEDERAL INCOME TAX PURPOSES. THIS
9 SUBDIVISION DOES NOT APPLY TO A TAXPAYER THAT DURING THE TAX YEAR
10 BOTH BUYS AND SELLS ANY RECEIVABLES.

11 (H) PROCEEDS FROM ANY OF THE FOLLOWING:

12 (i) THE ORIGINAL ISSUE OF STOCK OR EQUITY INSTRUMENTS OR
13 EQUITY ISSUED BY A REGULATED INVESTMENT COMPANY AS THAT TERM IS
14 DEFINED UNDER SECTION 851 OF THE INTERNAL REVENUE CODE.

15 (ii) THE ORIGINAL ISSUE OF DEBT INSTRUMENTS.

16 (I) REFUNDS FROM RETURNED MERCHANDISE.

17 (J) CASH AND IN-KIND DISCOUNTS.

18 (K) TRADE DISCOUNTS.

19 (L) FEDERAL, STATE, OR LOCAL TAX REFUNDS.

20 (M) SECURITY DEPOSITS.

21 (N) PAYMENT OF THE PRINCIPAL PORTION OF LOANS.

22 (O) VALUE OF PROPERTY RECEIVED IN A LIKE-KIND EXCHANGE.

23 (P) PROCEEDS FROM A SALE, TRANSACTION, EXCHANGE, INVOLUNTARY
24 CONVERSION, MATURITY, REDEMPTION, REPURCHASE, RECAPITALIZATION,
25 OR OTHER DISPOSITION OR REORGANIZATION OF TANGIBLE, INTANGIBLE,
26 OR REAL PROPERTY, LESS ANY GAIN FROM THE DISPOSITION OR
27 REORGANIZATION TO THE EXTENT THAT THE GAIN IS INCLUDED IN THE

1 TAXPAYER'S FEDERAL TAXABLE INCOME, IF THE PROPERTY SATISFIES 1 OR
2 MORE OF THE FOLLOWING:

3 (i) THE PROPERTY IS A CAPITAL ASSET AS DEFINED IN SECTION
4 1221(A) OF THE INTERNAL REVENUE CODE.

5 (ii) THE PROPERTY IS LAND THAT QUALIFIES AS PROPERTY USED IN
6 THE TRADE OR BUSINESS AS DEFINED IN SECTION 1231(B) OF THE
7 INTERNAL REVENUE CODE.

8 (iii) THE PROPERTY IS USED IN A HEDGING TRANSACTION ENTERED
9 INTO BY THE TAXPAYER IN THE NORMAL COURSE OF THE TAXPAYER'S TRADE
10 OR BUSINESS PRIMARILY TO MANAGE THE RISK OF EXPOSURE TO FOREIGN
11 CURRENCY FLUCTUATIONS THAT AFFECT ASSETS, LIABILITIES, PROFITS,
12 LOSSES, EQUITY, OR INVESTMENTS IN FOREIGN OPERATIONS; INTEREST
13 RATE FLUCTUATIONS; OR COMMODITY PRICE FLUCTUATIONS. FOR PURPOSES
14 OF THIS SUBPARAGRAPH, THE ACTUAL TRANSFER OF TITLE OF REAL OR
15 TANGIBLE PERSONAL PROPERTY TO ANOTHER PERSON IS NOT A HEDGING
16 TRANSACTION. ONLY THE OVERALL NET GAIN FROM THE HEDGING
17 TRANSACTIONS ENTERED INTO DURING THE TAX YEAR IS INCLUDED IN
18 GROSS RECEIPTS. AS USED IN THIS SUBPARAGRAPH, "HEDGING
19 TRANSACTION" MEANS THAT TERM AS DEFINED UNDER SECTION 1221 OF THE
20 INTERNAL REVENUE CODE REGARDLESS OF WHETHER THE TRANSACTION WAS
21 IDENTIFIED BY THE TAXPAYER AS A HEDGE FOR FEDERAL INCOME TAX
22 PURPOSES, PROVIDED, HOWEVER, THAT TRANSACTIONS EXCLUDED UNDER
23 THIS SUBPARAGRAPH AND NOT IDENTIFIED AS A HEDGE FOR FEDERAL
24 INCOME TAX PURPOSES SHALL BE IDENTIFIABLE TO THE DEPARTMENT BY
25 THE TAXPAYER AS A HEDGE IN ITS BOOKS AND RECORDS.

26 (iv) THE PROPERTY IS INVESTMENT AND TRADING ASSETS MANAGED AS
27 PART OF THE PERSON'S TREASURY FUNCTION. FOR PURPOSES OF THIS

1 SUBPARAGRAPH, A PERSON PRINCIPALLY ENGAGED IN THE TRADE OR
2 BUSINESS OF PURCHASING AND SELLING INVESTMENT AND TRADING ASSETS
3 IS NOT PERFORMING A TREASURY FUNCTION. ONLY THE OVERALL NET GAIN
4 FROM THE TREASURY FUNCTION INCURRED DURING THE TAX YEAR IS
5 INCLUDED IN GROSS RECEIPTS. AS USED IN THIS SUBPARAGRAPH,
6 "TREASURY FUNCTION" MEANS THE POOLING AND MANAGEMENT OF
7 INVESTMENT AND TRADING ASSETS FOR THE PURPOSE OF SATISFYING THE
8 CASH FLOW OR LIQUIDITY NEEDS OF THE TAXPAYER'S TRADE OR BUSINESS.

9 (Q) THE PROCEEDS FROM A POLICY OF INSURANCE, A SETTLEMENT OF
10 A CLAIM, OR A JUDGMENT IN A CIVIL ACTION LESS ANY PROCEEDS UNDER
11 THIS SUBDIVISION THAT ARE INCLUDED IN FEDERAL TAXABLE INCOME.

12 (R) FOR A SALES FINANCE COMPANY, AS DEFINED IN SECTION 2 OF
13 THE MOTOR VEHICLE SALES FINANCE ACT, 1950 (EX SESS) PA 27, MCL
14 492.102, AND DIRECTLY OR INDIRECTLY OWNED IN WHOLE OR IN PART BY
15 A MOTOR VEHICLE MANUFACTURER AS OF JANUARY 1, 2008, AND FOR A
16 PERSON THAT IS A BROKER OR DEALER AS DEFINED UNDER SECTION
17 78C(A) (4) OR (5) OF THE SECURITIES EXCHANGE ACT OF 1934, 15 USC
18 78C, OR A PERSON INCLUDED IN THE UNITARY BUSINESS GROUP OF THAT
19 BROKER OR DEALER THAT BUYS AND SELLS FOR ITS OWN ACCOUNT,
20 CONTRACTS THAT ARE SUBJECT TO THE COMMODITY EXCHANGE ACT, 7 USC 1
21 TO 27F, AMOUNTS REALIZED FROM THE REPAYMENT, MATURITY, SALE, OR
22 REDEMPTION OF THE PRINCIPAL OF A LOAN, BOND, OR MUTUAL FUND,
23 CERTIFICATE OF DEPOSIT, OR SIMILAR MARKETABLE INSTRUMENT PROVIDED
24 SUCH INSTRUMENTS ARE NOT HELD AS INVENTORY.

25 (S) FOR A SALES FINANCE COMPANY, AS DEFINED IN SECTION 2 OF
26 THE MOTOR VEHICLE SALES FINANCE ACT, 1950 (EX SESS) PA 27, MCL
27 492.102, AND DIRECTLY OR INDIRECTLY OWNED IN WHOLE OR IN PART BY

1 A MOTOR VEHICLE MANUFACTURER AS OF JANUARY 1, 2008, AND FOR A
2 PERSON THAT IS A BROKER OR DEALER AS DEFINED UNDER SECTION
3 78C(A) (4) OR (5) OF THE SECURITIES EXCHANGE ACT OF 1934, 15 USC
4 78C, OR A PERSON INCLUDED IN THE UNITARY BUSINESS GROUP OF THAT
5 BROKER OR DEALER THAT BUYS AND SELLS FOR ITS OWN ACCOUNT,
6 CONTRACTS THAT ARE SUBJECT TO THE COMMODITY EXCHANGE ACT, 7 USC 1
7 TO 27F, THE PRINCIPAL AMOUNT RECEIVED UNDER A REPURCHASE
8 AGREEMENT OR OTHER TRANSACTION PROPERLY CHARACTERIZED AS A LOAN.

9 (T) FOR A MORTGAGE COMPANY, PROCEEDS REPRESENTING THE
10 PRINCIPAL BALANCE OF LOANS TRANSFERRED OR SOLD IN THE TAX YEAR.
11 FOR PURPOSES OF THIS SUBDIVISION, "MORTGAGE COMPANY" MEANS A
12 PERSON THAT IS LICENSED UNDER THE MORTGAGE BROKERS, LENDERS, AND
13 SERVICERS LICENSING ACT, 1987 PA 173, MCL 445.1651 TO 445.1684,
14 OR THE SECONDARY MORTGAGE LOAN ACT, 1981 PA 125, MCL 493.51 TO
15 493.81, AND HAS GREATER THAN 90% OF ITS REVENUES, IN THE ORDINARY
16 COURSE OF BUSINESS, FROM THE ORIGINATION, SALE, OR SERVICING OF
17 RESIDENTIAL MORTGAGE LOANS.

18 (U) FOR A PROFESSIONAL EMPLOYER ORGANIZATION, ANY AMOUNT
19 CHARGED BY A PROFESSIONAL EMPLOYER ORGANIZATION THAT REPRESENTS
20 THE ACTUAL COST OF WAGES AND SALARIES, BENEFITS, WORKER'S
21 COMPENSATION, PAYROLL TAXES, WITHHOLDING, OR OTHER ASSESSMENTS
22 PAID TO OR ON BEHALF OF A COVERED EMPLOYEE BY THE PROFESSIONAL
23 EMPLOYER ORGANIZATION UNDER A PROFESSIONAL EMPLOYER ARRANGEMENT.

24 (V) ANY INVOICED ITEMS USED TO PROVIDE MORE FAVORABLE FLOOR
25 PLAN ASSISTANCE TO A PERSON SUBJECT TO THE TAX IMPOSED UNDER THIS
26 ACT THAN TO A PERSON NOT SUBJECT TO THIS TAX AND PAID BY A
27 MANUFACTURER, DISTRIBUTOR, OR SUPPLIER.

1 (W) FOR AN INDIVIDUAL, ESTATE, OR OTHER PERSON ORGANIZED FOR
2 ESTATE OR GIFT PLANNING PURPOSES, AMOUNTS RECEIVED OTHER THAN
3 THOSE FROM TRANSACTIONS, ACTIVITIES, AND SOURCES IN THE REGULAR
4 COURSE OF THE TAXPAYER'S TRADE OR BUSINESS. FOR PURPOSES OF THIS
5 SUBDIVISION, ALL OF THE FOLLOWING APPLY:

6 (i) AMOUNTS RECEIVED FROM TRANSACTIONS, ACTIVITIES, AND
7 SOURCES IN THE REGULAR COURSE OF THE TAXPAYER'S BUSINESS INCLUDE,
8 BUT ARE NOT LIMITED TO, THE FOLLOWING:

9 (A) RECEIPTS FROM TANGIBLE AND INTANGIBLE PROPERTY IF THE
10 ACQUISITION, RENTAL, LEASE, MANAGEMENT, OR DISPOSITION OF THE
11 PROPERTY CONSTITUTES INTEGRAL PARTS OF THE TAXPAYER'S REGULAR
12 TRADE OR BUSINESS OPERATIONS.

13 (B) RECEIPTS RECEIVED IN THE COURSE OF THE TAXPAYER'S TRADE
14 OR BUSINESS FROM STOCK AND SECURITIES OF ANY FOREIGN OR DOMESTIC
15 CORPORATION AND DIVIDEND AND INTEREST INCOME.

16 (C) RECEIPTS DERIVED FROM ISOLATED SALES, LEASES,
17 ASSIGNMENTS, LICENSES, DIVISIONS, OR OTHER INFREQUENTLY OCCURRING
18 DISPOSITIONS, TRANSFERS, OR TRANSACTIONS INVOLVING TANGIBLE,
19 INTANGIBLE, OR REAL PROPERTY IF THE PROPERTY IS OR WAS USED IN
20 THE TAXPAYER'S TRADE OR BUSINESS OPERATION.

21 (D) RECEIPTS DERIVED FROM THE SALE OF AN INTEREST IN A
22 BUSINESS THAT CONSTITUTES AN INTEGRAL PART OF THE TAXPAYER'S
23 REGULAR TRADE OR BUSINESS.

24 (E) RECEIPTS DERIVED FROM THE LEASE OR RENTAL OF REAL
25 PROPERTY.

26 (ii) RECEIPTS EXCLUDED FROM GROSS RECEIPTS INCLUDE, BUT ARE
27 NOT LIMITED TO, THE FOLLOWING:

1 (A) RECEIPTS DERIVED FROM INVESTMENT ACTIVITY, INCLUDING
2 INTEREST, DIVIDENDS, ROYALTIES, AND GAINS FROM AN INVESTMENT
3 PORTFOLIO OR RETIREMENT ACCOUNT, IF THE INVESTMENT ACTIVITY IS
4 NOT PART OF THE TAXPAYER'S TRADE OR BUSINESS.

5 (B) RECEIPTS DERIVED FROM THE DISPOSITION OF TANGIBLE,
6 INTANGIBLE, OR REAL PROPERTY HELD FOR PERSONAL USE AND ENJOYMENT,
7 SUCH AS A PERSONAL RESIDENCE OR PERSONAL ASSETS.

8 (X) RECEIPTS DERIVED FROM INVESTMENT ACTIVITY BY A PERSON
9 THAT IS ORGANIZED EXCLUSIVELY TO CONDUCT INVESTMENT ACTIVITY AND
10 THAT DOES NOT CONDUCT INVESTMENT ACTIVITY FOR ANY PERSON OTHER
11 THAN AN INDIVIDUAL OR A PERSON RELATED TO THAT INDIVIDUAL OR BY A
12 COMMON TRUST FUND ESTABLISHED UNDER THE COLLECTIVE INVESTMENT
13 FUNDS ACT, 1941 PA 174, MCL 555.101 TO 555.113. FOR PURPOSES OF
14 THIS SUBDIVISION, A PERSON IS RELATED TO AN INDIVIDUAL IF THAT
15 PERSON IS A SPOUSE, BROTHER OR SISTER, WHETHER OF THE WHOLE OR
16 HALF BLOOD OR BY ADOPTION, ANCESTOR, LINEAL DESCENDENT OF THAT
17 INDIVIDUAL OR RELATED PERSON, OR A TRUST BENEFITING THAT
18 INDIVIDUAL OR 1 OR MORE PERSONS RELATED TO THAT INDIVIDUAL.

19 (Y) INTEREST INCOME AND DIVIDENDS DERIVED FROM OBLIGATIONS
20 OR SECURITIES OF THE UNITED STATES GOVERNMENT, THIS STATE, OR ANY
21 GOVERNMENTAL UNIT OF THIS STATE. AS USED IN THIS SUBDIVISION,
22 "GOVERNMENTAL UNIT" MEANS THAT TERM AS DEFINED IN SECTION 3 OF
23 THE SHARED CREDIT RATING ACT, 1985 PA 227, MCL 141.1053.

24 (Z) DIVIDENDS AND ROYALTIES RECEIVED OR DEEMED RECEIVED FROM
25 A FOREIGN OPERATING ENTITY OR A PERSON OTHER THAN A UNITED STATES
26 PERSON, INCLUDING, BUT NOT LIMITED TO, THE AMOUNTS DETERMINED
27 UNDER SECTION 78 OF THE INTERNAL REVENUE CODE AND SECTIONS 951 TO

1 964 OF THE INTERNAL REVENUE CODE, PHASED IN OVER A 5-YEAR PERIOD
2 STARTING WITH 50% OF THAT AMOUNT IN THE 2008 TAX YEAR, 60% IN THE
3 2009 TAX YEAR, 60% IN THE 2010 TAX YEAR, 75% IN THE 2011 TAX
4 YEAR, AND 100% IN THE 2012 TAX YEAR AND EACH TAX YEAR THEREAFTER.

5 (AA) EACH OF THE FOLLOWING:

6 (i) SALES OR USE TAXES COLLECTED FROM OR REIMBURSED BY A
7 CONSUMER OR OTHER TAXES THE TAXPAYER COLLECTED DIRECTLY FROM OR
8 WAS REIMBURSED BY A PURCHASER AND REMITTED TO A LOCAL, STATE, OR
9 FEDERAL TAX AUTHORITY, PHASED IN OVER A 5-YEAR PERIOD STARTING
10 WITH 50% OF THAT AMOUNT IN THE 2008 TAX YEAR, 60% IN THE 2009 TAX
11 YEAR, 60% IN THE 2010 TAX YEAR, 75% IN THE 2011 TAX YEAR, AND
12 100% IN THE 2012 TAX YEAR AND EACH TAX YEAR THEREAFTER.

13 (ii) IN THE CASE OF RECEIPTS FROM THE SALE OF CIGARETTES OR
14 TOBACCO PRODUCTS BY A WHOLESALE DEALER, RETAIL DEALER,
15 DISTRIBUTOR, MANUFACTURER, OR SELLER, AN AMOUNT EQUAL TO THE
16 FEDERAL AND STATE EXCISE TAXES PAID BY ANY PERSON ON OR FOR SUCH
17 CIGARETTES OR TOBACCO PRODUCTS UNDER SUBTITLE E OF THE INTERNAL
18 REVENUE CODE OR OTHER APPLICABLE STATE LAW, PHASED IN OVER A 3-
19 YEAR PERIOD STARTING WITH 60% OF THAT AMOUNT IN THE 2008 TAX
20 YEAR, 75% IN THE 2009 TAX YEAR, AND 100% IN THE 2010 TAX YEAR AND
21 EACH TAX YEAR THEREAFTER.

22 (iii) IN THE CASE OF RECEIPTS FROM THE SALE OF MOTOR FUEL BY A
23 PERSON WITH A MOTOR FUEL TAX LICENSE OR A RETAIL DEALER, AN
24 AMOUNT EQUAL TO FEDERAL AND STATE EXCISE TAXES PAID BY ANY PERSON
25 ON SUCH MOTOR FUEL UNDER SECTION 4081 OF THE INTERNAL REVENUE
26 CODE OR UNDER OTHER APPLICABLE STATE LAW, PHASED IN OVER A 5-YEAR
27 PERIOD STARTING WITH 50% OF THAT AMOUNT IN THE 2008 TAX YEAR, 60%

1 IN THE 2009 TAX YEAR, 60% IN THE 2010 TAX YEAR, 75% IN THE 2011
2 TAX YEAR, AND 100% IN THE 2012 TAX YEAR AND EACH TAX YEAR
3 THEREAFTER.

4 (iv) IN THE CASE OF RECEIPTS FROM THE SALE OF BEER, WINE, OR
5 INTOXICATING LIQUOR BY A PERSON HOLDING A LICENSE TO SELL,
6 DISTRIBUTE, OR PRODUCE THOSE PRODUCTS, AN AMOUNT EQUAL TO FEDERAL
7 AND STATE EXCISE TAXES PAID BY ANY PERSON ON OR FOR SUCH BEER,
8 WINE, OR INTOXICATING LIQUOR UNDER SUBTITLE E OF THE INTERNAL
9 REVENUE CODE OR OTHER APPLICABLE STATE LAW, PHASED IN OVER A 5-
10 YEAR PERIOD STARTING WITH 50% OF THAT AMOUNT IN THE 2008 TAX
11 YEAR, 60% IN THE 2009 TAX YEAR, 60% IN THE 2010 TAX YEAR, 75% IN
12 THE 2011 TAX YEAR, AND 100% IN THE 2012 TAX YEAR AND EACH TAX
13 YEAR THEREAFTER.

14 (v) IN THE CASE OF RECEIPTS FROM THE SALE OF COMMUNICATION,
15 VIDEO, INTERNET ACCESS AND RELATED SERVICES AND EQUIPMENT, ANY
16 GOVERNMENT IMPOSED TAX, FEE, OR OTHER IMPOSITION IN THE NATURE OF
17 A TAX OR FEE REQUIRED BY LAW, ORDINANCE, REGULATION, RULING, OR
18 OTHER LEGAL AUTHORITY AND AUTHORIZED TO BE CHARGED ON A
19 CUSTOMER'S BILL OR INVOICE, PHASED IN OVER A 5-YEAR PERIOD
20 STARTING WITH 50% OF THAT AMOUNT IN THE 2008 TAX YEAR, 60% IN THE
21 2009 TAX YEAR, 60% IN THE 2010 TAX YEAR, 75% IN THE 2011 TAX
22 YEAR, AND 100% IN THE 2012 TAX YEAR AND EACH TAX YEAR THEREAFTER.
23 THIS SUBPARAGRAPH DOES NOT INCLUDE THE RECOVERY OF NET INCOME
24 TAXES, NET WORTH TAXES, PROPERTY TAXES, OR THE TAX IMPOSED UNDER
25 THIS ACT.

26 (vi) IN THE CASE OF RECEIPTS FROM THE SALE OF ELECTRICITY,
27 NATURAL GAS, OR OTHER ENERGY SOURCE, ANY GOVERNMENT IMPOSED TAX,

1 FEE, OR OTHER IMPOSITION IN THE NATURE OF A TAX OR FEE REQUIRED
2 BY LAW, ORDINANCE, REGULATION, RULING, OR OTHER LEGAL AUTHORITY
3 AND AUTHORIZED TO BE CHARGED ON A CUSTOMER'S BILL OR INVOICE,
4 PHASED IN OVER A 5-YEAR PERIOD STARTING WITH 50% OF THAT AMOUNT
5 IN THE 2008 TAX YEAR, 60% IN THE 2009 TAX YEAR, 60% IN THE 2010
6 TAX YEAR, 75% IN THE 2011 TAX YEAR, AND 100% IN THE 2012 TAX YEAR
7 AND EACH TAX YEAR THEREAFTER. THIS SUBPARAGRAPH DOES NOT INCLUDE
8 THE RECOVERY OF NET INCOME TAXES, NET WORTH TAXES, PROPERTY
9 TAXES, OR THE TAX IMPOSED UNDER THIS ACT.

10 (vii) ANY DEPOSIT REQUIRED UNDER ANY OF THE FOLLOWING, PHASED
11 IN OVER A 5-YEAR PERIOD STARTING WITH 50% OF THAT AMOUNT IN THE
12 2008 TAX YEAR, 60% IN THE 2009 TAX YEAR, 60% IN THE 2010 TAX
13 YEAR, 75% IN THE 2011 TAX YEAR, AND 100% IN THE 2012 TAX YEAR AND
14 EACH TAX YEAR THEREAFTER:

15 (A) 1976 IL 1, MCL 445.571 TO 445.576.

16 (B) R 436.1629 OF THE MICHIGAN ADMINISTRATIVE CODE.

17 (C) R 436.1723A OF THE MICHIGAN ADMINISTRATIVE CODE.

18 (D) ANY SUBSTANTIALLY SIMILAR BEVERAGE CONTAINER DEPOSIT LAW OF
19 ANOTHER STATE.

20 (viii) AN EXCISE TAX COLLECTED PURSUANT TO THE AIRPORT PARKING
21 TAX ACT, 1987 PA 248, MCL 207.371 TO 207.383, COLLECTED FROM OR
22 REIMBURSED BY A CONSUMER AND REMITTED AS PROVIDED IN THE AIRPORT
23 PARKING TAX ACT, 1987 PA 248, MCL 207.371 TO 207.383, PHASED IN
24 OVER A 5-YEAR PERIOD STARTING WITH 50% OF THAT AMOUNT IN THE 2008
25 TAX YEAR, 60% IN THE 2009 TAX YEAR, 60% IN THE 2010 TAX YEAR, 75%
26 IN THE 2011 TAX YEAR, AND 100% IN THE 2012 TAX YEAR AND EACH TAX
27 YEAR THEREAFTER.

1 (BB) AMOUNTS ATTRIBUTABLE TO AN OWNERSHIP INTEREST IN A
2 PASS-THROUGH ENTITY, REGULATED INVESTMENT COMPANY, REAL ESTATE
3 INVESTMENT TRUST, OR COOPERATIVE CORPORATION WHOSE BUSINESS
4 ACTIVITIES ARE TAXABLE UNDER SECTION 203 OR WOULD BE SUBJECT TO
5 THE TAX UNDER SECTION 203 IF THE BUSINESS ACTIVITIES WERE IN THIS
6 STATE. FOR PURPOSES OF THIS SUBDIVISION:

7 (i) "COOPERATIVE CORPORATION" MEANS THOSE ORGANIZATIONS
8 DESCRIBED UNDER SUBCHAPTER T OF THE INTERNAL REVENUE CODE.

9 (ii) "PASS-THROUGH" ENTITY MEANS A PARTNERSHIP, SUBCHAPTER S
10 CORPORATION, OR OTHER PERSON, OTHER THAN AN INDIVIDUAL, THAT IS
11 NOT CLASSIFIED FOR FEDERAL INCOME TAX PURPOSES AS AN ASSOCIATION
12 TAXED AS A CORPORATION.

13 (iii) "REAL ESTATE INVESTMENT TRUST" MEANS THAT TERM AS
14 DEFINED UNDER SECTION 856 OF THE INTERNAL REVENUE CODE.

15 (iv) "REGULATED INVESTMENT COMPANY" MEANS THAT TERM AS
16 DEFINED UNDER SECTION 851 OF THE INTERNAL REVENUE CODE.

17 (CC) FOR A REGULATED INVESTMENT COMPANY AS THAT TERM IS
18 DEFINED UNDER SECTION 851 OF THE INTERNAL REVENUE CODE, RECEIPTS
19 DERIVED FROM INVESTMENT ACTIVITY BY THAT REGULATED INVESTMENT
20 COMPANY.

21 (DD) FOR FISCAL YEARS THAT BEGIN AFTER SEPTEMBER 30, 2009,
22 UNLESS THE STATE BUDGET DIRECTOR CERTIFIES TO THE STATE TREASURER
23 BY JANUARY 1 OF THAT FISCAL YEAR THAT THE FEDERALLY CERTIFIED
24 RATES FOR ACTUARIAL SOUNDNESS REQUIRED UNDER 42 CFR 438.6 AND
25 THAT ARE SPECIFICALLY DEVELOPED FOR MICHIGAN'S HEALTH MAINTENANCE
26 ORGANIZATIONS THAT HOLD A CONTRACT WITH THIS STATE FOR MEDICAID
27 SERVICES PROVIDE EXPLICIT ADJUSTMENT FOR THEIR OBLIGATIONS

1 REQUIRED FOR PAYMENT OF THE TAX UNDER THIS ACT, AMOUNTS RECEIVED
2 BY THE TAXPAYER DURING THAT FISCAL YEAR FOR MEDICAID PREMIUM OR
3 REIMBURSEMENT OF COSTS ASSOCIATED WITH SERVICE PROVIDED TO A
4 MEDICAID RECIPIENT OR BENEFICIARY.

5 (EE) FOR A TAXPAYER THAT PROVIDES HEALTH CARE MANAGEMENT
6 CONSULTING SERVICES, AMOUNTS RECEIVED BY THE TAXPAYER AS FEES
7 FROM ITS CLIENTS THAT ARE EXPENDED BY THE TAXPAYER TO REIMBURSE
8 THOSE CLIENTS FOR LABOR AND NONLABOR SERVICES THAT ARE PAID BY
9 THE CLIENT AND REIMBURSED TO THE CLIENT PURSUANT TO A SERVICES
10 AGREEMENT.

11 (4) "INSURANCE COMPANY" MEANS AN AUTHORIZED INSURER AS
12 DEFINED IN SECTION 108 OF THE INSURANCE CODE OF 1956, 1956 PA
13 218, MCL 500.108.

14 (5) "INTERNAL REVENUE CODE" MEANS THE UNITED STATES INTERNAL
15 REVENUE CODE OF 1986 IN EFFECT ON JANUARY 1, 2012 OR, AT THE
16 OPTION OF THE TAXPAYER, IN EFFECT FOR THE TAX YEAR.

17 SEC. 609. (1) "PERSON" MEANS AN INDIVIDUAL, FIRM, BANK,
18 FINANCIAL INSTITUTION, INSURANCE COMPANY, LIMITED PARTNERSHIP,
19 LIMITED LIABILITY PARTNERSHIP, COPARTNERSHIP, PARTNERSHIP, JOINT
20 VENTURE, ASSOCIATION, CORPORATION, SUBCHAPTER S CORPORATION,
21 LIMITED LIABILITY COMPANY, RECEIVER, ESTATE, TRUST, OR ANY OTHER
22 GROUP OR COMBINATION OF GROUPS ACTING AS A UNIT.

23 (2) "PROFESSIONAL EMPLOYER ORGANIZATION" MEANS AN
24 ORGANIZATION, OTHER THAN AN ORGANIZATION WHOSE BUSINESS
25 ACTIVITIES ARE INCLUDED IN INDUSTRY GROUP 736 UNDER THE STANDARD
26 INDUSTRIAL CLASSIFICATION CODE AS COMPILED BY THE UNITED STATES
27 DEPARTMENT OF LABOR, THAT PROVIDES THE MANAGEMENT AND

1 ADMINISTRATION OF THE HUMAN RESOURCES OF ANOTHER ENTITY BY
2 CONTRACTUALLY ASSUMING SUBSTANTIAL EMPLOYER RIGHTS AND
3 RESPONSIBILITIES THROUGH A PROFESSIONAL EMPLOYER AGREEMENT THAT
4 ESTABLISHES AN EMPLOYER RELATIONSHIP WITH THE LEASED OFFICERS OR
5 EMPLOYEES ASSIGNED TO THE OTHER ENTITY BY DOING ALL OF THE
6 FOLLOWING:

7 (A) MAINTAINING A RIGHT OF DIRECTION AND CONTROL OF
8 EMPLOYEES' WORK, ALTHOUGH THIS RESPONSIBILITY MAY BE SHARED WITH
9 THE OTHER ENTITY.

10 (B) PAYING WAGES AND EMPLOYMENT TAXES OF THE EMPLOYEES OUT
11 OF ITS OWN ACCOUNTS.

12 (C) REPORTING, COLLECTING, AND DEPOSITING STATE AND FEDERAL
13 EMPLOYMENT TAXES FOR THE EMPLOYEES.

14 (D) RETAINING A RIGHT TO HIRE AND FIRE EMPLOYEES.

15 (3) "REVENUE MILE" MEANS THE TRANSPORTATION FOR A
16 CONSIDERATION OF 1 NET TON IN WEIGHT OR 1 PASSENGER THE DISTANCE
17 OF 1 MILE.

18 (4) "SALE" OR "SALES" MEANS, EXCEPT AS PROVIDED IN
19 SUBDIVISION (E), THE AMOUNTS RECEIVED BY THE TAXPAYER AS
20 CONSIDERATION FROM THE FOLLOWING:

21 (A) THE TRANSFER OF TITLE TO, OR POSSESSION OF, PROPERTY
22 THAT IS STOCK IN TRADE OR OTHER PROPERTY OF A KIND THAT WOULD
23 PROPERLY BE INCLUDED IN THE INVENTORY OF THE TAXPAYER IF ON HAND
24 AT THE CLOSE OF THE TAX PERIOD OR PROPERTY HELD BY THE TAXPAYER
25 PRIMARILY FOR SALE TO CUSTOMERS IN THE ORDINARY COURSE OF THE
26 TAXPAYER'S TRADE OR BUSINESS. FOR INTANGIBLE PROPERTY, THE
27 AMOUNTS RECEIVED SHALL BE LIMITED TO ANY GAIN RECEIVED FROM THE

1 DISPOSITION OF THAT PROPERTY.

2 (B) THE PERFORMANCE OF SERVICES THAT CONSTITUTE BUSINESS
3 ACTIVITIES.

4 (C) THE RENTAL, LEASE, LICENSING, OR USE OF TANGIBLE OR
5 INTANGIBLE PROPERTY, INCLUDING INTEREST THAT CONSTITUTES BUSINESS
6 ACTIVITY.

7 (D) ANY COMBINATION OF BUSINESS ACTIVITIES DESCRIBED IN
8 SUBDIVISIONS (A), (B), AND (C).

9 (E) FOR TAXPAYERS NOT ENGAGED IN ANY OTHER BUSINESS
10 ACTIVITIES, SALES INCLUDE INTEREST, DIVIDENDS, AND OTHER INCOME
11 FROM INVESTMENT ASSETS AND ACTIVITIES AND FROM TRADING ASSETS AND
12 ACTIVITIES.

13 (5) "SHAREHOLDER" MEANS A PERSON WHO OWNS OUTSTANDING STOCK
14 IN A CORPORATION OR IS A MEMBER OF A BUSINESS ENTITY THAT FILES
15 AS A CORPORATION FOR FEDERAL INCOME TAX PURPOSES. AN INDIVIDUAL
16 IS CONSIDERED AS THE OWNER OF THE STOCK OWNED, DIRECTLY OR
17 INDIRECTLY, BY OR FOR FAMILY MEMBERS AS DEFINED BY SECTION
18 318(A) (1) OF THE INTERNAL REVENUE CODE.

19 (6) "STATE" MEANS ANY STATE OF THE UNITED STATES, THE
20 DISTRICT OF COLUMBIA, THE COMMONWEALTH OF PUERTO RICO, ANY
21 TERRITORY OR POSSESSION OF THE UNITED STATES, AND ANY FOREIGN
22 COUNTRY, OR A POLITICAL SUBDIVISION OF ANY OF THE FOREGOING.

23 SEC. 611. (1) "TANGIBLE PERSONAL PROPERTY" MEANS THAT TERM
24 AS DEFINED IN SECTION 2 OF THE USE TAX ACT, 1937 PA 94, MCL
25 205.92.

26 (2) "TAX" MEANS THE TAX IMPOSED UNDER THIS PART, INCLUDING
27 INTEREST AND PENALTIES UNDER THIS PART, UNLESS THE TERM IS GIVEN

1 A MORE LIMITED MEANING IN THE CONTEXT OF THIS PART OR A PROVISION
2 OF THIS PART.

3 (3) "TAX-EXEMPT PERSON" MEANS AN ORGANIZATION THAT IS EXEMPT
4 FROM FEDERAL INCOME TAX UNDER SECTION 501(A) OF THE INTERNAL
5 REVENUE CODE, EXCEPT THE FOLLOWING:

6 (A) AN ORGANIZATION EXEMPT UNDER SECTION 501(C) (12) OR (16)
7 OF THE INTERNAL REVENUE CODE.

8 (B) AN ORGANIZATION EXEMPT UNDER SECTION 501(C) (4) OF THE
9 INTERNAL REVENUE CODE THAT WOULD BE EXEMPT UNDER SECTION
10 501(C) (12) OF THE INTERNAL REVENUE CODE BUT FOR ITS FAILURE TO
11 MEET THE REQUIREMENT IN SECTION 501(C) (12) THAT 85% OR MORE OF
12 ITS INCOME MUST CONSIST OF AMOUNTS COLLECTED FROM MEMBERS.

13 (4) "TAX YEAR" MEANS THE CALENDAR YEAR, OR THE FISCAL YEAR
14 ENDING DURING THE CALENDAR YEAR, UPON THE BASIS OF WHICH THE TAX
15 BASE OF A TAXPAYER IS COMPUTED UNDER THIS PART. IF A RETURN IS
16 MADE FOR A FRACTIONAL PART OF A YEAR, TAX YEAR MEANS THE PERIOD
17 FOR WHICH THE RETURN IS MADE. EXCEPT FOR THE FIRST RETURN
18 REQUIRED BY THIS PART, A TAXPAYER'S TAX YEAR IS FOR THE SAME
19 PERIOD AS IS COVERED BY ITS FEDERAL INCOME TAX RETURN. A TAXPAYER
20 THAT HAS A 52- OR 53-WEEK TAX YEAR BEGINNING NOT MORE THAN 7 DAYS
21 BEFORE THE END OF ANY MONTH IS CONSIDERED TO HAVE A TAX YEAR
22 BEGINNING ON THE FIRST DAY OF THE SUBSEQUENT MONTH. IF THE TERM
23 TAX YEAR IN THIS PART IS USED IN REFERENCE TO 1 OR MORE PREVIOUS
24 OR PRECEDING TAX YEARS AND THOSE REFERENCED TAX YEARS ARE BEFORE
25 JANUARY 1, 2012, THEN THOSE REFERENCED TAX YEARS ARE DEEMED THOSE
26 SAME TAX YEARS DURING WHICH THE MICHIGAN BUSINESS TAX ACT, 2007
27 PA 36, MCL 208.1101 TO 208.1601, APPLIED.

1 SEC. 621. (1) EXCEPT AS OTHERWISE PROVIDED IN THIS PART OR
2 UNDER SUBSECTION (2), A TAXPAYER HAS SUBSTANTIAL NEXUS IN THIS
3 STATE AND IS SUBJECT TO THE TAX IMPOSED UNDER THIS PART IF THE
4 TAXPAYER HAS A PHYSICAL PRESENCE IN THIS STATE FOR A PERIOD OF
5 MORE THAN 1 DAY DURING THE TAX YEAR, OR IF THE TAXPAYER ACTIVELY
6 SOLICITS SALES IN THIS STATE AND HAS GROSS RECEIPTS OF
7 \$350,000.00 OR MORE SOURCED TO THIS STATE.

8 (2) FOR PURPOSE OF THIS SECTION, "ACTIVELY SOLICITS" SHALL
9 BE DEFINED BY THE DEPARTMENT THROUGH WRITTEN GUIDANCE THAT SHALL
10 BE APPLIED PROSPECTIVELY.

11 (3) AS USED IN THIS SECTION, "PHYSICAL PRESENCE" MEANS ANY
12 ACTIVITY CONDUCTED BY THE TAXPAYER OR ON BEHALF OF THE TAXPAYER
13 BY THE TAXPAYER'S EMPLOYEE, AGENT, OR INDEPENDENT CONTRACTOR
14 ACTING IN A REPRESENTATIVE CAPACITY. PHYSICAL PRESENCE DOES NOT
15 INCLUDE THE ACTIVITIES OF PROFESSIONALS PROVIDING SERVICES IN A
16 PROFESSIONAL CAPACITY OR OTHER SERVICE PROVIDERS IF THE ACTIVITY
17 IS NOT SIGNIFICANTLY ASSOCIATED WITH THE TAXPAYER'S ABILITY TO
18 ESTABLISH AND MAINTAIN A MARKET IN THIS STATE.

19 SEC. 623. (1) EXCEPT AS OTHERWISE PROVIDED IN THIS PART,
20 THERE IS LEVIED AND IMPOSED A CORPORATE INCOME TAX ON EVERY
21 TAXPAYER WITH BUSINESS ACTIVITY WITHIN THIS STATE UNLESS
22 PROHIBITED BY 15 USC 381 TO 384. THE CORPORATE INCOME TAX IS
23 IMPOSED ON THE CORPORATE INCOME TAX BASE, AFTER ALLOCATION OR
24 APPORTIONMENT TO THIS STATE, AT THE RATE OF 6.0%.

25 (2) THE CORPORATE INCOME TAX BASE MEANS A TAXPAYER'S
26 BUSINESS INCOME SUBJECT TO THE FOLLOWING ADJUSTMENTS, BEFORE
27 ALLOCATION OR APPORTIONMENT, AND THE ADJUSTMENT IN SUBSECTION (4)

1 AFTER ALLOCATION OR APPORTIONMENT:

2 (A) ADD INTEREST INCOME AND DIVIDENDS DERIVED FROM
3 OBLIGATIONS OR SECURITIES OF STATES OTHER THAN THIS STATE, IN THE
4 SAME AMOUNT THAT WAS EXCLUDED FROM FEDERAL TAXABLE INCOME, LESS
5 THE RELATED PORTION OF EXPENSES NOT DEDUCTED IN COMPUTING FEDERAL
6 TAXABLE INCOME BECAUSE OF SECTIONS 265 AND 291 OF THE INTERNAL
7 REVENUE CODE.

8 (B) ADD ALL TAXES ON OR MEASURED BY NET INCOME AND THE TAX
9 IMPOSED UNDER THIS PART TO THE EXTENT THAT THE TAXES WERE
10 DEDUCTED IN ARRIVING AT FEDERAL TAXABLE INCOME.

11 (C) ADD ANY CARRYBACK OR CARRYOVER OF A NET OPERATING LOSS
12 TO THE EXTENT DEDUCTED IN ARRIVING AT FEDERAL TAXABLE INCOME.

13 (D) TO THE EXTENT INCLUDED IN FEDERAL TAXABLE INCOME, DEDUCT
14 DIVIDENDS AND ROYALTIES RECEIVED FROM PERSONS OTHER THAN UNITED
15 STATES PERSONS AND FOREIGN OPERATING ENTITIES, INCLUDING, BUT NOT
16 LIMITED TO, AMOUNTS DETERMINED UNDER SECTION 78 OF THE INTERNAL
17 REVENUE CODE OR SECTIONS 951 TO 964 OF THE INTERNAL REVENUE CODE.

18 (E) EXCEPT AS OTHERWISE PROVIDED UNDER THIS SUBDIVISION, TO
19 THE EXTENT DEDUCTED IN ARRIVING AT FEDERAL TAXABLE INCOME, ADD
20 ANY ROYALTY, INTEREST, OR OTHER EXPENSE PAID TO A PERSON RELATED
21 TO THE TAXPAYER BY OWNERSHIP OR CONTROL FOR THE USE OF AN
22 INTANGIBLE ASSET IF THE PERSON IS NOT INCLUDED IN THE TAXPAYER'S
23 UNITARY BUSINESS GROUP. THE ADDITION OF ANY ROYALTY, INTEREST, OR
24 OTHER EXPENSE DESCRIBED UNDER THIS SUBDIVISION IS NOT REQUIRED TO
25 BE ADDED IF THE TAXPAYER CAN DEMONSTRATE THAT THE TRANSACTION HAS
26 A NONTAX BUSINESS PURPOSE, IS CONDUCTED WITH ARM'S-LENGTH PRICING
27 AND RATES AND TERMS AS APPLIED IN ACCORDANCE WITH SECTIONS 482

1 AND 1274 (D) OF THE INTERNAL REVENUE CODE, AND 1 OF THE FOLLOWING
2 IS TRUE:

3 (i) THE TRANSACTION IS A PASS THROUGH OF ANOTHER TRANSACTION
4 BETWEEN A THIRD PARTY AND THE RELATED PERSON WITH COMPARABLE
5 RATES AND TERMS.

6 (ii) AN ADDITION WOULD RESULT IN DOUBLE TAXATION. FOR
7 PURPOSES OF THIS SUBPARAGRAPH, DOUBLE TAXATION EXISTS IF THE
8 TRANSACTION IS SUBJECT TO TAX IN ANOTHER JURISDICTION.

9 (iii) AN ADDITION WOULD BE UNREASONABLE AS DETERMINED BY THE
10 TREASURER.

11 (iv) THE RELATED PERSON RECIPIENT OF THE TRANSACTION IS
12 ORGANIZED UNDER THE LAWS OF A FOREIGN NATION WHICH HAS IN FORCE A
13 COMPREHENSIVE INCOME TAX TREATY WITH THE UNITED STATES.

14 (F) TO THE EXTENT INCLUDED IN FEDERAL TAXABLE INCOME, DEDUCT
15 INTEREST INCOME DERIVED FROM UNITED STATES OBLIGATIONS.

16 (3) FOR PURPOSES OF SUBSECTION (2), THE BUSINESS INCOME OF A
17 UNITARY BUSINESS GROUP IS THE SUM OF THE BUSINESS INCOME OF EACH
18 PERSON INCLUDED IN THE UNITARY BUSINESS GROUP LESS ANY ITEMS OF
19 INCOME AND RELATED DEDUCTIONS ARISING FROM TRANSACTIONS INCLUDING
20 DIVIDENDS BETWEEN PERSONS INCLUDED IN THE UNITARY BUSINESS GROUP.

21 (4) DEDUCT ANY AVAILABLE BUSINESS LOSS INCURRED AFTER
22 DECEMBER 31, 2011. AS USED IN THIS SUBSECTION, "BUSINESS LOSS"
23 MEANS A NEGATIVE BUSINESS INCOME TAXABLE AMOUNT AFTER ALLOCATION
24 OR APPORTIONMENT. THE BUSINESS LOSS SHALL BE CARRIED FORWARD TO
25 THE YEAR IMMEDIATELY SUCCEEDING THE LOSS YEAR AS AN OFFSET TO THE
26 ALLOCATED OR APPORTIONED CORPORATE INCOME TAX BASE, THEN
27 SUCCESSIVELY TO THE NEXT 9 TAXABLE YEARS FOLLOWING THE LOSS YEAR

1 OR UNTIL THE LOSS IS USED UP, WHICHEVER OCCURS FIRST, BUT FOR NOT
2 MORE THAN 10 TAXABLE YEARS AFTER THE LOSS YEAR.

3 SEC. 625. (1) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION,
4 THE FOLLOWING ARE EXEMPT FROM THE TAX IMPOSED BY THIS PART:

5 (A) THE UNITED STATES, THIS STATE, OTHER STATES, AND THE
6 AGENCIES, POLITICAL SUBDIVISIONS, AND ENTERPRISES OF THE UNITED
7 STATES, THIS STATE, AND OTHER STATES.

8 (B) A PERSON WHO IS EXEMPT FROM FEDERAL INCOME TAX UNDER THE
9 INTERNAL REVENUE CODE EXCEPT THE FOLLOWING:

10 (i) AN ORGANIZATION INCLUDED UNDER SECTION 501(C) (12) OR
11 501(C) (16) OF THE INTERNAL REVENUE CODE.

12 (ii) AN ORGANIZATION EXEMPT UNDER SECTION 501(C) (4) OF THE
13 INTERNAL REVENUE CODE THAT WOULD BE EXEMPT UNDER SECTION
14 501(C) (12) OF THE INTERNAL REVENUE CODE EXCEPT THAT IT FAILED TO
15 MEET THE REQUIREMENTS IN SECTION 501(C) (12) THAT 85% OR MORE OF
16 ITS INCOME CONSIST OF AMOUNTS COLLECTED FROM MEMBERS.

17 (iii) THE TAX BASE ATTRIBUTABLE TO UNRELATED BUSINESS
18 ACTIVITIES GIVING RISE TO THE UNRELATED BUSINESS TAXABLE INCOME
19 OF AN EXEMPT PERSON.

20 (C) A FOREIGN PERSON THAT IS DOMICILED IN A MEMBER COUNTRY
21 OF THE NORTH AMERICAN FREE TRADE AGREEMENT IS NOT SUBJECT TO
22 TAXATION UNDER THIS PART IF THE FOREIGN PERSON IS DOMICILED IN A
23 SUBNATIONAL JURISDICTION THAT DOES NOT IMPOSE AN INCOME TAX ON A
24 SIMILARLY SITUATED PERSON DOMICILED IN THIS STATE WHOSE PRESENCE
25 IN THE FOREIGN COUNTRY IS THE SAME AS THE FOREIGN PERSON'S
26 PRESENCE IN THE UNITED STATES. IF A QUALIFYING FOREIGN PERSON IS
27 DOMICILED IN A SUBNATIONAL JURISDICTION THAT DOES NOT IMPOSE AN

1 INCOME TAX ON BUSINESSES, BUT INSTEAD IMPOSES SOME OTHER TYPE OF
2 SUBNATIONAL BUSINESS TAX, THAT FOREIGN PERSON IS NOT SUBJECT TO
3 TAXATION UNDER THIS PART IF THAT SUBNATIONAL BUSINESS TAX IS NOT
4 IMPOSED ON A SIMILARLY SITUATED PERSON DOMICILED IN THIS STATE
5 WHOSE PRESENCE IN THE FOREIGN COUNTRY IS THE SAME AS THE FOREIGN
6 PERSON'S PRESENCE IN THE UNITED STATES.

7 (2) NOTWITHSTANDING ANY OTHER PROVISION OF THIS PART TO THE
8 CONTRARY, A FOREIGN PERSON SUBJECT TO TAX UNDER THIS PART SHALL
9 CALCULATE ITS CORPORATE INCOME TAX BASE UNDER THIS SECTION.
10 EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, THE CORPORATE
11 INCOME TAX BASE OF A FOREIGN PERSON IS SUBJECT TO ALL ADJUSTMENTS
12 AND OTHER PROVISIONS OF THIS PART. HOWEVER, THE CORPORATE INCOME
13 TAX BASE SHALL NOT INCLUDE PROCEEDS FROM SALES WHERE TITLE PASSES
14 OUTSIDE THE UNITED STATES.

15 (3) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, THE
16 CORPORATE INCOME TAX BASE OF A FOREIGN PERSON INCLUDES THE SUM OF
17 BUSINESS INCOME AND THE ADJUSTMENTS UNDER SECTION 623 THAT ARE
18 RELATED TO UNITED STATES BUSINESS ACTIVITY.

19 (4) THE SALES FACTOR FOR A FOREIGN PERSON IS A FRACTION, THE
20 NUMERATOR OF WHICH IS THE TAXPAYER'S TOTAL SALES IN THIS STATE
21 WHERE TITLE PASSES INSIDE THE UNITED STATES DURING THE TAX YEAR
22 AND THE DENOMINATOR OF WHICH IS THE TAXPAYER'S TOTAL SALES IN THE
23 UNITED STATES WHERE TITLE PASSES INSIDE THE UNITED STATES DURING
24 THE TAX YEAR.

25 (5) AS USED IN THIS SECTION:

26 (A) "BUSINESS INCOME" MEANS, FOR A FOREIGN PERSON, GROSS
27 INCOME ATTRIBUTABLE TO THE TAXPAYER'S UNITED STATES BUSINESS

1 ACTIVITY AND GROSS INCOME DERIVED FROM SOURCES WITHIN THE UNITED
2 STATES MINUS THE DEDUCTIONS ALLOWED UNDER THE INTERNAL REVENUE
3 CODE THAT ARE RELATED TO THAT GROSS INCOME. GROSS INCOME INCLUDES
4 THE PROCEEDS FROM SALES SHIPPED OR DELIVERED TO ANY PURCHASER
5 WITHIN THE UNITED STATES AND FOR WHICH TITLE TRANSFERS WITHIN THE
6 UNITED STATES; PROCEEDS FROM SERVICES PERFORMED WITHIN THE UNITED
7 STATES; AND A PRO RATA PROPORTION OF THE PROCEEDS FROM SERVICES
8 PERFORMED BOTH WITHIN AND OUTSIDE THE UNITED STATES TO THE EXTENT
9 THE RECIPIENT RECEIVES BENEFIT OF THE SERVICES WITHIN THE UNITED
10 STATES.

11 (B) "DOMICILED" MEANS THE LOCATION OF THE HEADQUARTERS OF
12 THE TRADE OR BUSINESS FROM WHICH THE TRADE OR BUSINESS OF THE
13 FOREIGN PERSON IS PRINCIPALLY MANAGED AND DIRECTED.

14 (C) "FOREIGN PERSON" MEANS A PERSON FORMED UNDER THE LAWS OF
15 A FOREIGN COUNTRY OR A POLITICAL SUBDIVISION OF A FOREIGN
16 COUNTRY, WHETHER OR NOT THE PERSON IS SUBJECT TO TAXATION UNDER
17 THE INTERNAL REVENUE CODE.

18 CHAPTER 12

19 SEC. 635. (1) EXCEPT AS OTHERWISE PROVIDED UNDER SUBSECTION
20 (4), EACH INSURANCE COMPANY SHALL PAY A TAX DETERMINED UNDER THIS
21 CHAPTER.

22 (2) THE TAX IMPOSED BY THIS CHAPTER ON EACH INSURANCE
23 COMPANY SHALL BE A TAX EQUAL TO 1.25% OF GROSS DIRECT PREMIUMS
24 WRITTEN ON PROPERTY OR RISK LOCATED OR RESIDING IN THIS STATE.
25 DIRECT PREMIUMS DO NOT INCLUDE ANY OF THE FOLLOWING:

26 (A) PREMIUMS ON POLICIES NOT TAKEN.

27 (B) RETURNED PREMIUMS ON CANCELED POLICIES.

1 (C) RECEIPTS FROM THE SALE OF ANNUITIES.

2 (D) RECEIPTS ON REINSURANCE PREMIUMS IF THE TAX HAS BEEN
3 PAID ON THE ORIGINAL PREMIUMS.

4 (E) THE FIRST \$190,000,000.00 OF DISABILITY INSURANCE
5 PREMIUMS WRITTEN IN THIS STATE, OTHER THAN CREDIT INSURANCE AND
6 DISABILITY INCOME INSURANCE PREMIUMS, OF EACH INSURANCE COMPANY
7 SUBJECT TO TAX UNDER THIS CHAPTER. THIS EXEMPTION SHALL BE
8 REDUCED BY \$2.00 FOR EACH \$1.00 BY WHICH THE INSURANCE COMPANY'S
9 GROSS DIRECT PREMIUMS FROM INSURANCE CARRIER SERVICES IN THIS
10 STATE AND OUTSIDE THIS STATE EXCEED \$280,000,000.00.

11 (3) THE TAX CALCULATED UNDER THIS CHAPTER IS IN LIEU OF ALL
12 OTHER PRIVILEGE OR FRANCHISE FEES OR TAXES IMPOSED BY THIS PART
13 OR ANY OTHER LAW OF THIS STATE, EXCEPT TAXES ON REAL AND PERSONAL
14 PROPERTY, TAXES COLLECTED UNDER THE GENERAL SALES TAX ACT, 1933
15 PA 167, MCL 205.51 TO 205.78, AND TAXES COLLECTED UNDER THE USE
16 TAX ACT, 1937 PA 94, MCL 205.91 TO 205.111, AND EXCEPT AS
17 OTHERWISE PROVIDED IN THE INSURANCE CODE OF 1956, 1956 PA 218,
18 MCL 500.100 TO 500.8302.

19 (4) THE TAX IMPOSED AND LEVIED UNDER THIS CHAPTER DOES NOT
20 APPLY TO AN INSURANCE COMPANY AUTHORIZED UNDER CHAPTER 46 OR 47
21 OF THE INSURANCE CODE OF 1956, 1956 PA 218, MCL 500.4601 TO
22 500.4673 AND 500.4701 TO 500.4747.

23 (5) FOR A TAXPAYER SUBJECT TO THE TAX IMPOSED UNDER CHAPTER
24 11, THAT PORTION OF THE TAX BASE ATTRIBUTABLE TO THE SERVICES
25 PROVIDED BY AN ATTORNEY-IN-FACT TO A RECIPROCAL INSURER PURSUANT
26 TO CHAPTER 72 OF THE INSURANCE CODE OF 1956, 1956 PA 218, MCL
27 500.7200 TO 500.7234, IS EXEMPT FROM THE TAX IMPOSED BY THAT

1 CHAPTER.

2 SEC. 637. (1) AN INSURANCE COMPANY MAY CLAIM A CREDIT
3 AGAINST THE TAX IMPOSED UNDER THIS CHAPTER IN THE FOLLOWING
4 AMOUNTS:

5 (A) AMOUNTS PAID TO THE MICHIGAN WORKER'S COMPENSATION
6 PLACEMENT FACILITY PURSUANT TO CHAPTER 23 OF THE INSURANCE CODE
7 OF 1956, 1956 PA 218, MCL 500.2301 TO 500.2352.

8 (B) AMOUNTS PAID TO THE MICHIGAN BASIC PROPERTY INSURANCE
9 ASSOCIATION PURSUANT TO CHAPTER 29 OF THE INSURANCE CODE OF 1956,
10 1956 PA 218, MCL 500.2901 TO 500.2954.

11 (C) AMOUNTS PAID TO THE MICHIGAN AUTOMOBILE INSURANCE
12 PLACEMENT FACILITY PURSUANT TO CHAPTER 33 OF THE INSURANCE CODE
13 OF 1956, 1956 PA 218, MCL 500.3301 TO 500.3390.

14 (D) AMOUNTS PAID TO THE PROPERTY AND CASUALTY GUARANTY
15 ASSOCIATION PURSUANT TO CHAPTER 79 OF THE INSURANCE CODE OF 1956,
16 1956 PA 218, MCL 500.7901 TO 500.7949.

17 (E) AMOUNTS PAID TO THE MICHIGAN LIFE AND HEALTH GUARANTY
18 ASSOCIATION PURSUANT TO CHAPTER 77 OF THE INSURANCE CODE OF 1956,
19 1956 PA 218, MCL 500.7701 TO 500.7780.

20 (2) THE ASSESSMENTS OF AN INSURANCE COMPANY FROM THE
21 IMMEDIATELY PRECEDING TAX YEAR SHALL BE USED IN CALCULATING THE
22 CREDITS ALLOWED UNDER THIS SECTION FOR EACH TAX YEAR.

23 SEC. 639. AN INSURANCE COMPANY SHALL BE ALLOWED A CREDIT
24 AGAINST THE TAX IMPOSED UNDER THIS CHAPTER IN AN AMOUNT EQUAL TO
25 50% OF THE EXAMINATION FEES PAID BY THE INSURANCE COMPANY DURING
26 THE TAX YEAR PURSUANT TO SECTION 224 OF THE INSURANCE CODE OF
27 1956, 1956 PA 218, MCL 500.224.

1 SEC. 641. FOR AMOUNTS PAID PURSUANT TO SECTION 352 OF THE
2 WORKER'S DISABILITY COMPENSATION ACT OF 1969, 1969 PA 317, MCL
3 418.352, AN INSURANCE COMPANY SUBJECT TO THE WORKER'S DISABILITY
4 COMPENSATION ACT OF 1969, 1969 PA 317, MCL 418.101 TO 418.941,
5 MAY CLAIM A CREDIT AGAINST THE TAX IMPOSED UNDER THIS CHAPTER FOR
6 THE TAX YEAR IN AN AMOUNT EQUAL TO THE AMOUNT PAID DURING THAT
7 TAX YEAR BY THE INSURANCE COMPANY PURSUANT TO SECTION 352 OF THE
8 WORKER'S DISABILITY COMPENSATION ACT OF 1969, 1969 PA 317, MCL
9 418.352, AS CERTIFIED BY THE DIRECTOR OF THE BUREAU OF WORKER'S
10 DISABILITY COMPENSATION PURSUANT TO SECTION 391(6) OF THE
11 WORKER'S DISABILITY COMPENSATION ACT OF 1969, 1969 PA 317, MCL
12 418.391.

13 (2) AN INSURANCE COMPANY CLAIMING A CREDIT UNDER THIS
14 SECTION MAY CLAIM A PORTION OF THE CREDIT ALLOWED UNDER THIS
15 SECTION EQUAL TO THE PAYMENTS MADE DURING A CALENDAR QUARTER
16 PURSUANT TO SECTION 352 OF THE WORKER'S DISABILITY COMPENSATION
17 ACT OF 1969, 1969 PA 317, MCL 418.352, AGAINST THE ESTIMATED TAX
18 PAYMENTS MADE UNDER SECTION 681. ANY CREDIT IN EXCESS OF AN
19 ESTIMATED PAYMENT SHALL BE REFUNDED TO THE INSURANCE COMPANY ON A
20 QUARTERLY BASIS WITHIN 60 CALENDAR DAYS AFTER RECEIPT OF A
21 PROPERLY COMPLETED ESTIMATED TAX RETURN. ANY SUBSEQUENT INCREASE
22 OR DECREASE IN THE AMOUNT CLAIMED FOR PAYMENTS MADE BY THE
23 INSURANCE COMPANY SHALL BE REFLECTED IN THE AMOUNT OF THE CREDIT
24 TAKEN FOR THE CALENDAR QUARTER IN WHICH THE AMOUNT OF THE
25 ADJUSTMENT IS FINALIZED.

26 (3) THE CREDIT UNDER THIS SECTION IS IN ADDITION TO ANY
27 OTHER CREDITS THE INSURANCE COMPANY IS ELIGIBLE FOR UNDER THIS

1 CHAPTER.

2 (4) ANY AMOUNT OF THE CREDIT UNDER THIS SECTION THAT IS IN
3 EXCESS OF THE TAX LIABILITY OF THE INSURANCE COMPANY FOR THE TAX
4 YEAR SHALL BE REFUNDED, WITHOUT INTEREST, BY THE DEPARTMENT TO
5 THE INSURANCE COMPANY WITHIN 60 CALENDAR DAYS OF RECEIPT OF A
6 PROPERLY COMPLETED ANNUAL RETURN REQUIRED UNDER THIS PART.

7 SEC. 643. (1) AN INSURANCE COMPANY IS SUBJECT TO THE TAX
8 IMPOSED BY THIS CHAPTER OR BY SECTION 476A OF THE INSURANCE CODE
9 OF 1956, 1956 PA 218, MCL 500.476A, IF APPLICABLE, WHICHEVER IS
10 GREATER.

11 (2) THE TAX YEAR OF AN INSURANCE COMPANY IS THE CALENDAR
12 YEAR.

13 (3) NOTWITHSTANDING SECTION 685, AN INSURANCE COMPANY SHALL
14 FILE THE ANNUAL RETURN REQUIRED UNDER THIS PART BEFORE MARCH 2
15 AFTER THE END OF THE TAX YEAR, AND AN AUTOMATIC EXTENSION UNDER
16 SECTION 685(3) IS NOT AVAILABLE.

17 (4) FOR THE PURPOSE OF CALCULATING AN ESTIMATED PAYMENT
18 REQUIRED BY SECTION 681, THE GREATER OF THE AMOUNT OF TAX IMPOSED
19 ON AN INSURANCE COMPANY UNDER THIS CHAPTER OR UNDER SECTION 476A
20 OF THE INSURANCE CODE OF 1956, 1956 PA 218, MCL 500.476A, SHALL
21 BE CONSIDERED THE INSURANCE COMPANY'S TAX LIABILITY FOR THE
22 IMMEDIATELY PRECEDING TAX YEAR.

23 (5) THE REQUIREMENTS OF SECTION 28(1)(F) OF 1941 PA 122, MCL
24 205.28, THAT PROHIBIT AN EMPLOYEE OR AUTHORIZED REPRESENTATIVE
25 OF, A FORMER EMPLOYEE OR AUTHORIZED REPRESENTATIVE OF, OR ANYONE
26 CONNECTED WITH THE DEPARTMENT FROM DIVULGING ANY FACTS OR
27 INFORMATION OBTAINED IN CONNECTION WITH THE ADMINISTRATION OF A

1 TAX, DO NOT APPLY TO DISCLOSURE OF A TAX RETURN REQUIRED BY THIS
2 SECTION.

3 CHAPTER 13

4 SEC. 651. AS USED IN THIS CHAPTER:

5 (1) "BILLING ADDRESS" MEANS THE LOCATION INDICATED IN THE
6 BOOKS AND RECORDS OF THE FINANCIAL INSTITUTION ON THE FIRST DAY
7 OF THE TAX YEAR OR ON A LATER DATE IN THE TAX YEAR WHEN THE
8 CUSTOMER RELATIONSHIP BEGAN AS THE ADDRESS WHERE ANY NOTICE,
9 STATEMENT, OR BILL RELATING TO A CUSTOMER'S ACCOUNT IS MAILED.

10 (2) "BORROWER IS LOCATED IN THIS STATE" OR "CREDIT CARD
11 HOLDER IS LOCATED IN THIS STATE" MEANS A BORROWER, OTHER THAN A
12 CREDIT CARD HOLDER, THAT IS ENGAGED IN A TRADE OR BUSINESS WHICH
13 MAINTAINS ITS COMMERCIAL DOMICILE IN THIS STATE, OR A BORROWER
14 THAT IS NOT ENGAGED IN A TRADE OR BUSINESS OR A CREDIT CARD
15 HOLDER WHOSE BILLING ADDRESS IS IN THIS STATE.

16 (3) "COMMERCIAL DOMICILE" MEANS THE HEADQUARTERS OF THE
17 TRADE OR BUSINESS, THAT IS THE PLACE FROM WHICH THE TRADE OR
18 BUSINESS IS PRINCIPALLY MANAGED AND DIRECTED, OR IF A FINANCIAL
19 INSTITUTION IS ORGANIZED UNDER THE LAWS OF A FOREIGN COUNTRY, OF
20 THE COMMONWEALTH OF PUERTO RICO, OR ANY TERRITORY OR POSSESSION
21 OF THE UNITED STATES, SUCH FINANCIAL INSTITUTION'S COMMERCIAL
22 DOMICILE SHALL BE DEEMED FOR THE PURPOSES OF THIS CHAPTER TO BE
23 THE STATE OF THE UNITED STATES OR THE DISTRICT OF COLUMBIA FROM
24 WHICH SUCH FINANCIAL INSTITUTION'S TRADE OR BUSINESS IN THE
25 UNITED STATES IS PRINCIPALLY MANAGED AND DIRECTED. IT SHALL BE
26 PRESUMED, SUBJECT TO REBUTTAL, THAT THE LOCATION FROM WHICH THE
27 FINANCIAL INSTITUTION'S TRADE OR BUSINESS IS PRINCIPALLY MANAGED

1 AND DIRECTED IS THE STATE OF THE UNITED STATES OR THE DISTRICT OF
2 COLUMBIA TO WHICH THE GREATEST NUMBER OF EMPLOYEES ARE REGULARLY
3 CONNECTED OR OUT OF WHICH THEY ARE WORKING, IRRESPECTIVE OF WHERE
4 THE SERVICES OF SUCH EMPLOYEES ARE PERFORMED, AS OF THE LAST DAY
5 OF THE TAX YEAR.

6 (4) "CREDIT CARD" MEANS A CREDIT, TRAVEL, OR ENTERTAINMENT
7 CARD.

8 (5) "CREDIT CARD ISSUER'S REIMBURSEMENT FEE" MEANS THE FEE A
9 FINANCIAL INSTITUTION RECEIVES FROM A MERCHANT'S BANK BECAUSE 1
10 OF THE PERSONS TO WHOM THE FINANCIAL INSTITUTION HAS ISSUED A
11 CREDIT CARD HAS CHARGED MERCHANDISE OR SERVICES TO THE CREDIT
12 CARD.

13 (6) "FINANCIAL INSTITUTION" MEANS ANY OF THE FOLLOWING:

14 (A) A BANK HOLDING COMPANY, A NATIONAL BANK, A STATE
15 CHARTERED BANK, AN OFFICE OF THRIFT SUPERVISION CHARTERED BANK OR
16 THRIFT INSTITUTION, A SAVINGS AND LOAN HOLDING COMPANY OTHER THAN
17 A DIVERSIFIED SAVINGS AND LOAN HOLDING COMPANY AS DEFINED IN 12
18 USC 1467A(A) (F), OR A FEDERALLY CHARTERED FARM CREDIT SYSTEM
19 INSTITUTION.

20 (B) ANY ENTITY, OTHER THAN AN ENTITY SUBJECT TO THE TAX
21 IMPOSED UNDER CHAPTER 12, WHO IS DIRECTLY OR INDIRECTLY OWNED BY
22 AN ENTITY DESCRIBED IN SUBDIVISION (A) AND IS A MEMBER OF THE
23 UNITARY BUSINESS GROUP.

24 (C) A UNITARY BUSINESS GROUP OF ENTITIES DESCRIBED IN
25 SUBDIVISION (A) OR (B), OR BOTH.

26 (7) "GROSS BUSINESS" MEANS THE SUM OF THE FOLLOWING LESS
27 TRANSACTIONS BETWEEN THOSE ENTITIES INCLUDED IN A UNITARY

1 BUSINESS GROUP:

2 (A) FEES, COMMISSIONS, OR OTHER COMPENSATION FOR FINANCIAL
3 SERVICES.

4 (B) NET GAINS, NOT LESS THAN ZERO, FROM THE SALE OF LOANS
5 AND OTHER INTANGIBLES.

6 (C) NET GAINS, NOT LESS THAN ZERO, FROM TRADING IN STOCKS,
7 BONDS, OR OTHER SECURITIES.

8 (D) INTEREST CHARGED TO CUSTOMERS FOR CARRYING DEBIT
9 BALANCES OF MARGIN ACCOUNTS.

10 (E) INTEREST AND DIVIDENDS RECEIVED.

11 (F) ANY OTHER GROSS PROCEEDS RESULTING FROM THE OPERATION AS
12 A FINANCIAL INSTITUTION.

13 (8) "LOAN" MEANS ANY EXTENSION OF CREDIT RESULTING FROM
14 DIRECT NEGOTIATIONS BETWEEN THE FINANCIAL INSTITUTION AND ITS
15 CUSTOMER, OR THE PURCHASE, IN WHOLE OR IN PART, OF SUCH EXTENSION
16 OF CREDIT FROM ANOTHER. LOANS INCLUDE PARTICIPATIONS,
17 SYNDICATIONS, AND LEASES TREATED AS LOANS FOR FEDERAL INCOME TAX
18 PURPOSES. LOANS SHALL NOT INCLUDE PROPERTIES TREATED AS LOANS
19 UNDER SECTION 595 OF THE INTERNAL REVENUE CODE, FUTURES OR
20 FORWARD CONTRACTS, OPTIONS, NOTIONAL PRINCIPAL CONTRACTS SUCH AS
21 SWAPS, CREDIT CARD RECEIVABLES, INCLUDING PURCHASED CREDIT CARD
22 RELATIONSHIPS, NON-INTEREST-BEARING BALANCES DUE FROM DEPOSITORY
23 INSTITUTIONS, CASH ITEMS IN THE PROCESS OF COLLECTION, FEDERAL
24 FUNDS SOLD, SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL,
25 ASSETS HELD IN A TRADING ACCOUNT, SECURITIES, INTERESTS IN A REAL
26 ESTATE MORTGAGE INVESTMENT CONDUIT, OR OTHER MORTGAGE-BACKED OR
27 ASSET-BACKED SECURITY, AND OTHER SIMILAR ITEMS.

1 (9) "LOAN SECURED BY REAL PROPERTY" MEANS THAT 50% OR MORE
2 OF THE AGGREGATE VALUE OF THE COLLATERAL USED TO SECURE A LOAN OR
3 OTHER OBLIGATION, WHEN VALUED AT FAIR MARKET VALUE AS OF THE TIME
4 THE ORIGINAL LOAN OR OBLIGATION WAS INCURRED, WAS REAL PROPERTY.

5 (10) "MERCHANT DISCOUNT" MEANS THE FEE OR NEGOTIATED
6 DISCOUNT CHARGED TO A MERCHANT BY THE FINANCIAL INSTITUTION FOR
7 THE PRIVILEGE OF PARTICIPATING IN A PROGRAM WHEREBY A CREDIT CARD
8 IS ACCEPTED IN PAYMENT FOR MERCHANDISE OR SERVICES SOLD TO THE
9 CREDIT CARD HOLDER.

10 (11) "MICHIGAN OBLIGATIONS" MEANS A BOND, NOTE, OR OTHER
11 OBLIGATION ISSUED BY A GOVERNMENTAL UNIT DESCRIBED IN SECTION 3
12 OF THE SHARED CREDIT RATING ACT, 1985 PA 227, MCL 141.1053.

13 (12) "PARTICIPATION" MEANS AN EXTENSION OF CREDIT IN WHICH
14 AN UNDIVIDED OWNERSHIP INTEREST IS HELD ON A PRO RATA BASIS IN A
15 SINGLE LOAN OR POOL OF LOANS AND RELATED COLLATERAL. IN A LOAN
16 PARTICIPATION, THE CREDIT ORIGINATOR INITIALLY MAKES THE LOAN AND
17 THEN SUBSEQUENTLY RESELLS ALL OR A PORTION OF IT TO OTHER
18 LENDERS. THE PARTICIPATION MAY OR MAY NOT BE KNOWN TO THE
19 BORROWER.

20 (13) "PRINCIPAL BASE OF OPERATIONS", WITH RESPECT TO
21 TRANSPORTATION PROPERTY, MEANS THE PLACE OF MORE OR LESS
22 PERMANENT NATURE FROM WHICH SAID PROPERTY IS REGULARLY DIRECTED
23 OR CONTROLLED. WITH RESPECT TO AN EMPLOYEE, THE PRINCIPAL BASE OF
24 OPERATIONS MEANS THE PLACE OF MORE OR LESS PERMANENT NATURE FROM
25 WHICH THE EMPLOYEE REGULARLY DOES ANY OF THE FOLLOWING:

26 (A) STARTS HIS OR HER WORK AND TO WHICH HE OR SHE
27 CUSTOMARILY RETURNS IN ORDER TO RECEIVE INSTRUCTIONS FROM HIS OR

1 HER EMPLOYER.

2 (B) COMMUNICATES WITH HIS OR HER CUSTOMERS OR OTHER PERSONS.

3 (C) PERFORMS ANY OTHER FUNCTIONS NECESSARY TO THE EXERCISE
4 OF HIS OR HER TRADE OR PROFESSION AT SOME OTHER POINT OR POINTS.

5 (14) "REAL PROPERTY OWNED" AND "TANGIBLE PERSONAL PROPERTY
6 OWNED" MEAN REAL AND TANGIBLE PERSONAL PROPERTY RESPECTIVELY ON
7 WHICH THE FINANCIAL INSTITUTION MAY CLAIM DEPRECIATION FOR
8 FEDERAL INCOME TAX PURPOSES OR TO WHICH THE FINANCIAL INSTITUTION
9 HOLDS LEGAL TITLE AND ON WHICH NO OTHER PERSON MAY CLAIM
10 DEPRECIATION FOR FEDERAL INCOME TAX PURPOSES OR COULD CLAIM
11 DEPRECIATION IF SUBJECT TO FEDERAL INCOME TAX. REAL AND TANGIBLE
12 PERSONAL PROPERTIES DO NOT INCLUDE COIN, CURRENCY, OR PROPERTY
13 ACQUIRED IN LIEU OF OR PURSUANT TO A FORECLOSURE.

14 (15) "REGULAR PLACE OF BUSINESS" MEANS AN OFFICE AT WHICH
15 THE FINANCIAL INSTITUTION CARRIES ON ITS BUSINESS IN A REGULAR
16 AND SYSTEMATIC MANNER AND WHICH IS CONTINUOUSLY MAINTAINED,
17 OCCUPIED, AND USED BY EMPLOYEES OF THE FINANCIAL INSTITUTION. THE
18 FINANCIAL INSTITUTION SHALL HAVE THE BURDEN OF PROVING THAT AN
19 INVESTMENT ASSET OR ACTIVITY OR TRADING ASSET OR ACTIVITY WAS
20 PROPERLY ASSIGNED TO A REGULAR PLACE OF BUSINESS OUTSIDE OF THIS
21 STATE BY DEMONSTRATING THAT THE DAY-TO-DAY DECISIONS REGARDING
22 THE ASSET OR ACTIVITY OCCURRED AT A REGULAR PLACE OF BUSINESS
23 OUTSIDE THIS STATE. WHERE THE DAY-TO-DAY DECISIONS REGARDING AN
24 INVESTMENT ASSET OR ACTIVITY OR TRADING ASSET OR ACTIVITY OCCUR
25 AT MORE THAN 1 REGULAR PLACE OF BUSINESS AND 1 SUCH REGULAR PLACE
26 OF BUSINESS IS IN THIS STATE AND 1 SUCH REGULAR PLACE OF BUSINESS
27 IS OUTSIDE THIS STATE, SUCH ASSET OR ACTIVITY SHALL BE CONSIDERED

1 TO BE LOCATED AT THE REGULAR PLACE OF BUSINESS OF THE FINANCIAL
2 INSTITUTION WHERE THE INVESTMENT OR TRADING POLICIES OR
3 GUIDELINES WITH RESPECT TO THE ASSET OR ACTIVITY ARE ESTABLISHED.
4 UNLESS THE FINANCIAL INSTITUTION DEMONSTRATES TO THE CONTRARY,
5 SUCH POLICIES AND GUIDELINES SHALL BE PRESUMED TO BE ESTABLISHED
6 AT THE COMMERCIAL DOMICILE OF THE FINANCIAL INSTITUTION.

7 (16) "ROLLING STOCK" MEANS RAILROAD FREIGHT OR PASSENGER
8 CARS, LOCOMOTIVES, OR OTHER RAIL CARS.

9 (17) "SYNDICATION" MEANS AN EXTENSION OF CREDIT IN WHICH 2
10 OR MORE PERSONS FINANCE THE CREDIT AND EACH PERSON IS AT RISK
11 ONLY UP TO A SPECIFIED PERCENTAGE OF THE TOTAL EXTENSION OF THE
12 CREDIT OR UP TO A SPECIFIED DOLLAR AMOUNT.

13 (18) "TRANSPORTATION PROPERTY" MEANS VEHICLES AND VESSELS
14 CAPABLE OF MOVING UNDER THEIR OWN POWER, SUCH AS AIRCRAFT,
15 TRAINS, WATER VESSELS, AND MOTOR VEHICLES, AS WELL AS ANY
16 EQUIPMENT OR CONTAINERS ATTACHED TO SUCH PROPERTY, SUCH AS
17 ROLLING STOCK, BARGES, OR TRAILERS.

18 (19) "UNITED STATES OBLIGATIONS" MEANS ALL OBLIGATIONS OF
19 THE UNITED STATES EXEMPT FROM TAXATION UNDER 31 USC 3124(A) OR
20 EXEMPT UNDER THE UNITED STATES CONSTITUTION OR ANY FEDERAL
21 STATUTE, INCLUDING THE OBLIGATIONS OF ANY INSTRUMENTALITY OR
22 AGENCY OF THE UNITED STATES THAT ARE EXEMPT FROM STATE OR LOCAL
23 TAXATION UNDER THE UNITED STATES CONSTITUTION OR ANY STATUTE OF
24 THE UNITED STATES.

25 SEC. 653. (1) EVERY FINANCIAL INSTITUTION WITH NEXUS IN THIS
26 STATE AS DETERMINED UNDER SECTION 621 IS SUBJECT TO A FRANCHISE
27 TAX. THE FRANCHISE TAX IS IMPOSED UPON THE TAX BASE OF THE

1 FINANCIAL INSTITUTION AS DETERMINED UNDER SECTION 655 AFTER
2 ALLOCATION OR APPORTIONMENT TO THIS STATE, AT THE RATE OF 0.29%.

3 (2) THE TAX UNDER THIS CHAPTER IS IN LIEU OF THE TAX LEVIED
4 AND IMPOSED UNDER CHAPTER 11 OF THIS PART.

5 SEC. 655. (1) FOR A FINANCIAL INSTITUTION, TAX BASE MEANS
6 THE FINANCIAL INSTITUTION'S NET CAPITAL. NET CAPITAL MEANS EQUITY
7 CAPITAL AS COMPUTED IN ACCORDANCE WITH GENERALLY ACCEPTED
8 ACCOUNTING PRINCIPLES LESS THE AVERAGE DAILY BOOK VALUE OF UNITED
9 STATES OBLIGATIONS AND MICHIGAN OBLIGATIONS. IF THE FINANCIAL
10 INSTITUTION DOES NOT MAINTAIN ITS BOOKS AND RECORDS IN ACCORDANCE
11 WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, NET CAPITAL SHALL
12 BE COMPUTED IN ACCORDANCE WITH THE BOOKS AND RECORDS USED BY THE
13 FINANCIAL INSTITUTION, SO LONG AS THE METHOD FAIRLY REFLECTS THE
14 FINANCIAL INSTITUTION'S NET CAPITAL FOR PURPOSES OF THE TAX
15 LEVIED BY THIS CHAPTER. NET CAPITAL DOES NOT INCLUDE UP TO 125%
16 OF THE MINIMUM REGULATORY CAPITALIZATION REQUIREMENTS OF A PERSON
17 SUBJECT TO THE TAX IMPOSED UNDER CHAPTER 12.

18 (2) NET CAPITAL SHALL BE DETERMINED BY ADDING THE FINANCIAL
19 INSTITUTION'S NET CAPITAL AS OF THE CLOSE OF THE CURRENT TAX YEAR
20 AND PRECEDING 4 TAX YEARS AND DIVIDING THE RESULTING SUM BY 5. IF
21 A FINANCIAL INSTITUTION HAS NOT BEEN IN EXISTENCE FOR A PERIOD OF
22 5 TAX YEARS, NET CAPITAL SHALL BE DETERMINED BY ADDING TOGETHER
23 THE FINANCIAL INSTITUTION'S NET CAPITAL FOR THE NUMBER OF TAX
24 YEARS THE FINANCIAL INSTITUTION HAS BEEN IN EXISTENCE AND
25 DIVIDING THE RESULTING SUM BY THE NUMBER OF YEARS THE FINANCIAL
26 INSTITUTION HAS BEEN IN EXISTENCE. FOR PURPOSES OF THIS SECTION,
27 A PARTIAL YEAR SHALL BE TREATED AS A FULL YEAR.

1 (3) FOR A UNITARY BUSINESS GROUP OF FINANCIAL INSTITUTIONS,
2 NET CAPITAL CALCULATED UNDER THIS SECTION DOES NOT INCLUDE THE
3 INVESTMENT OF 1 MEMBER OF THE UNITARY BUSINESS GROUP IN ANOTHER
4 MEMBER OF THAT UNITARY BUSINESS GROUP.

5 (4) FOR PURPOSES OF THIS SECTION, EACH OF THE FOLLOWING
6 APPLIES:

7 (A) A CHANGE IN IDENTITY, FORM, OR PLACE OF ORGANIZATION OF
8 1 FINANCIAL INSTITUTION SHALL BE TREATED AS IF A SINGLE FINANCIAL
9 INSTITUTION HAD BEEN IN EXISTENCE FOR THE ENTIRE TAX YEAR IN
10 WHICH THE CHANGE OCCURRED AND EACH TAX YEAR AFTER THE CHANGE.

11 (B) THE COMBINATION OF 2 OR MORE FINANCIAL INSTITUTIONS INTO
12 1 SHALL BE TREATED AS IF THE CONSTITUENT FINANCIAL INSTITUTIONS
13 HAD BEEN A SINGLE FINANCIAL INSTITUTION IN EXISTENCE FOR THE
14 ENTIRE TAX YEAR IN WHICH THE COMBINATION OCCURRED AND EACH TAX
15 YEAR AFTER THE COMBINATION, AND THE BOOK VALUES AND DEDUCTIONS
16 FOR UNITED STATES OBLIGATIONS AND MICHIGAN OBLIGATIONS OF THE
17 CONSTITUENT INSTITUTIONS SHALL BE COMBINED. A COMBINATION SHALL
18 INCLUDE ANY ACQUISITION REQUIRED TO BE ACCOUNTED FOR BY THE
19 SURVIVING FINANCIAL INSTITUTION IN ACCORDANCE WITH GENERALLY
20 ACCEPTED ACCOUNTING PRINCIPLES OR A STATUTORY MERGER OR
21 CONSOLIDATION.

22 SEC. 657. (1) EXCEPT AS OTHERWISE PROVIDED UNDER THIS
23 CHAPTER, THE TAX BASE OF A FINANCIAL INSTITUTION WHOSE BUSINESS
24 ACTIVITIES ARE CONFINED SOLELY TO THIS STATE SHALL BE ALLOCATED
25 TO THIS STATE. THE TAX BASE OF A FINANCIAL INSTITUTION WHOSE
26 BUSINESS ACTIVITIES ARE SUBJECT TO TAX BOTH WITHIN AND OUTSIDE OF
27 THIS STATE SHALL BE APPORTIONED TO THIS STATE BY MULTIPLYING THE

1 TAX BASE BY THE GROSS BUSINESS FACTOR.

2 (2) A FINANCIAL INSTITUTION WHOSE BUSINESS ACTIVITIES ARE
3 SUBJECT TO TAX BOTH WITHIN AND OUTSIDE OF THIS STATE IS SUBJECT
4 TO TAX IN ANOTHER STATE IN EITHER OF THE FOLLOWING CIRCUMSTANCES:

5 (A) THE FINANCIAL INSTITUTION IS SUBJECT TO A BUSINESS
6 PRIVILEGE TAX, A NET INCOME TAX, A FRANCHISE TAX MEASURED BY NET
7 INCOME, A FRANCHISE TAX FOR THE PRIVILEGE OF DOING BUSINESS, OR A
8 CORPORATE STOCK TAX OR A TAX OF THE TYPE IMPOSED UNDER THIS PART
9 IN THAT STATE.

10 (B) THAT STATE HAS JURISDICTION TO SUBJECT THE FINANCIAL
11 INSTITUTION TO 1 OR MORE OF THE TAXES LISTED IN SUBDIVISION (A)
12 REGARDLESS OF WHETHER THAT STATE DOES OR DOES NOT SUBJECT THE
13 FINANCIAL INSTITUTION TO THAT TAX.

14 (3) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4), THE
15 GROSS BUSINESS FACTOR IS A FRACTION, THE NUMERATOR OF WHICH IS
16 THE TOTAL GROSS BUSINESS OF THE FINANCIAL INSTITUTION IN THIS
17 STATE DURING THE TAX YEAR AND THE DENOMINATOR OF WHICH IS THE
18 TOTAL GROSS BUSINESS OF THE FINANCIAL INSTITUTION EVERYWHERE
19 DURING THE TAX YEAR.

20 (4) EXCEPT AS OTHERWISE PROVIDED UNDER THIS SUBSECTION, FOR
21 A FINANCIAL INSTITUTION THAT IS INCLUDED IN A UNITARY BUSINESS
22 GROUP, GROSS BUSINESS INCLUDES GROSS BUSINESS IN THIS STATE OF
23 EVERY FINANCIAL INSTITUTION INCLUDED IN THE UNITARY BUSINESS
24 GROUP WITHOUT REGARD TO WHETHER THE FINANCIAL INSTITUTION HAS
25 NEXUS IN THIS STATE. GROSS BUSINESS BETWEEN FINANCIAL
26 INSTITUTIONS INCLUDED IN A UNITARY BUSINESS GROUP MUST BE
27 ELIMINATED IN CALCULATING THE GROSS BUSINESS FACTOR.

1 SEC. 659. GROSS BUSINESS IN THIS STATE OF THE FINANCIAL
2 INSTITUTION IS DETERMINED AS FOLLOWS:

3 (A) RECEIPTS FROM CREDIT CARD RECEIVABLES INCLUDING WITHOUT
4 LIMITATION INTEREST AND FEES OR PENALTIES IN THE NATURE OF
5 INTEREST FROM CREDIT CARD RECEIVABLES AND RECEIPTS FROM FEES
6 CHARGED TO CREDIT CARD HOLDERS SUCH AS ANNUAL FEES ARE IN THIS
7 STATE IF THE BILLING ADDRESS OF THE CREDIT CARD HOLDER IS LOCATED
8 IN THIS STATE.

9 (B) CREDIT CARD ISSUER'S REIMBURSEMENT FEES ARE IN THIS
10 STATE IF THE BILLING ADDRESS OF THE CREDIT CARD HOLDER IS LOCATED
11 IN THIS STATE.

12 (C) RECEIPTS FROM MERCHANT DISCOUNTS ARE IN THIS STATE IF
13 THE COMMERCIAL DOMICILE OF THE MERCHANT IS IN THIS STATE.

14 (D) LOAN SERVICING FEES ARE IN THIS STATE UNDER ANY OF THE
15 FOLLOWING CIRCUMSTANCES:

16 (i) FOR A LOAN SECURED BY REAL PROPERTY, IF THE REAL PROPERTY
17 FOR WHICH THE LOAN IS SECURED IS IN THIS STATE.

18 (ii) FOR A LOAN SECURED BY REAL PROPERTY, IF THE REAL
19 PROPERTY FOR WHICH THE LOAN IS SECURED IS LOCATED BOTH WITHIN AND
20 WITHOUT THIS STATE AND 1 OR MORE OTHER STATES AND MORE THAN 50%
21 OF THE FAIR MARKET VALUE OF THE REAL PROPERTY IS LOCATED IN THIS
22 STATE.

23 (iii) FOR A LOAN SECURED BY REAL PROPERTY, IF MORE THAN 50% OF
24 THE FAIR MARKET VALUE OF THE REAL PROPERTY FOR WHICH THE LOAN IS
25 SECURED IS NOT LOCATED WITHIN ANY 1 STATE BUT THE BORROWER IS
26 LOCATED IN THIS STATE.

27 (iv) FOR A LOAN NOT SECURED BY REAL PROPERTY, THE BORROWER IS

1 LOCATED IN THIS STATE.

2 (E) RECEIPTS FROM SERVICES ARE IN THIS STATE IF THE
3 RECIPIENT OF THE SERVICES RECEIVES ALL OF THE BENEFIT OF THE
4 SERVICES IN THIS STATE. IF THE RECIPIENT OF THE SERVICES RECEIVES
5 SOME OF THE BENEFIT OF THE SERVICES IN THIS STATE, THE RECEIPTS
6 ARE INCLUDED IN THE NUMERATOR OF THE APPORTIONMENT FACTOR IN
7 PROPORTION TO THE EXTENT THAT THE RECIPIENT RECEIVES BENEFIT OF
8 THE SERVICES IN THIS STATE.

9 (F) RECEIPTS FROM INVESTMENT ASSETS AND ACTIVITIES AND
10 TRADING ASSETS AND ACTIVITIES, INCLUDING INTEREST AND DIVIDENDS,
11 ARE IN THIS STATE IF THE FINANCIAL INSTITUTION'S CUSTOMER IS IN
12 THIS STATE. IF THE LOCATION OF THE FINANCIAL INSTITUTION'S
13 CUSTOMER CANNOT BE DETERMINED, BOTH OF THE FOLLOWING APPLY:

14 (i) INTEREST, DIVIDENDS, AND OTHER INCOME FROM INVESTMENT
15 ASSETS AND ACTIVITIES AND FROM TRADING ASSETS AND ACTIVITIES,
16 INCLUDING, BUT NOT LIMITED TO, INVESTMENT SECURITIES; TRADING
17 ACCOUNT ASSETS; FEDERAL FUNDS; SECURITIES PURCHASED AND SOLD
18 UNDER AGREEMENTS TO RESELL OR REPURCHASE; OPTIONS; FUTURES
19 CONTRACTS; FORWARD CONTRACTS; NOTIONAL PRINCIPAL CONTRACTS SUCH
20 AS SWAPS; EQUITIES; AND FOREIGN CURRENCY TRANSACTIONS ARE IN THIS
21 STATE IF THE AVERAGE VALUE OF THE ASSETS IS ASSIGNED TO A REGULAR
22 PLACE OF BUSINESS OF THE TAXPAYER WITHIN THIS STATE. INTEREST
23 FROM FEDERAL FUNDS SOLD AND PURCHASED AND FROM SECURITIES
24 PURCHASED UNDER RESALE AGREEMENTS AND SECURITIES SOLD UNDER
25 REPURCHASE AGREEMENTS ARE IN THIS STATE IF THE AVERAGE VALUE OF
26 THE ASSETS IS ASSIGNED TO A REGULAR PLACE OF BUSINESS OF THE
27 TAXPAYER WITHIN THIS STATE. THE AMOUNT OF RECEIPTS AND OTHER

1 INCOME FROM INVESTMENT ASSETS AND ACTIVITIES IS IN THIS STATE IF
2 ASSETS ARE ASSIGNED TO A REGULAR PLACE OF BUSINESS OF THE
3 TAXPAYER WITHIN THIS STATE.

4 (ii) THE AMOUNT OF RECEIPTS FROM TRADING ASSETS AND
5 ACTIVITIES, INCLUDING, BUT NOT LIMITED TO, ASSETS AND ACTIVITIES
6 IN THE MATCHED BOOK, IN THE ARBITRAGE BOOK, AND FOREIGN CURRENCY
7 TRANSACTIONS, BUT EXCLUDING AMOUNTS OTHERWISE SOURCED IN THIS
8 SECTION, IS IN THIS STATE IF THE ASSETS ARE ASSIGNED TO A REGULAR
9 PLACE OF BUSINESS OF THE TAXPAYER WITHIN THIS STATE.

10 (G) INTEREST CHARGED TO CUSTOMERS FOR CARRYING DEBIT
11 BALANCES ON MARGIN ACCOUNTS WITHOUT DEDUCTION OF ANY COSTS
12 INCURRED IN CARRYING THE ACCOUNTS IS IN THIS STATE IF THE
13 CUSTOMER IS LOCATED IN THIS STATE.

14 (H) INTEREST FROM LOANS SECURED BY REAL PROPERTY IS IN THIS
15 STATE IF THE PROPERTY IS LOCATED IN THIS STATE, IF THE PROPERTY
16 IS LOCATED BOTH WITHIN THIS STATE AND 1 OR MORE OTHER STATES AND
17 MORE THAN 50% OF THE FAIR MARKET VALUE OF THE REAL PROPERTY IS
18 LOCATED IN THIS STATE, OR IF MORE THAN 50% OF THE FAIR MARKET
19 VALUE OF THE REAL PROPERTY IS NOT LOCATED WITHIN ANY 1 STATE BUT
20 THE BORROWER IS LOCATED IN THIS STATE.

21 (I) INTEREST FROM LOANS NOT SECURED BY REAL PROPERTY IS IN
22 THIS STATE IF THE BORROWER IS LOCATED IN THIS STATE.

23 (J) NET GAINS FROM THE SALE OF LOANS SECURED BY REAL
24 PROPERTY OR MORTGAGE SERVICE RIGHTS RELATING TO REAL PROPERTY ARE
25 IN THIS STATE IF THE PROPERTY IS IN THIS STATE, IF THE PROPERTY
26 IS LOCATED BOTH WITHIN THIS STATE AND 1 OR MORE OTHER STATES AND
27 MORE THAN 50% OF THE FAIR MARKET VALUE OF THE REAL PROPERTY IS

1 LOCATED WITHIN THIS STATE, OR IF MORE THAN 50% OF THE FAIR MARKET
2 VALUE OF THE REAL PROPERTY IS NOT LOCATED IN ANY 1 STATE BUT THE
3 BORROWER IS LOCATED IN THIS STATE.

4 (K) NET GAINS FROM THE SALE OF LOANS NOT SECURED BY REAL
5 PROPERTY OR ANY OTHER INTANGIBLE ASSETS ARE IN THIS STATE IF THE
6 DEPOSITOR OR BORROWER IS LOCATED IN THIS STATE.

7 (L) RECEIPTS FROM THE LEASE OF REAL PROPERTY ARE IN THIS
8 STATE IF THE PROPERTY IS LOCATED IN THIS STATE.

9 (M) RECEIPTS FROM THE LEASE OF TANGIBLE PERSONAL PROPERTY
10 ARE IN THIS STATE IF THE PROPERTY IS LOCATED IN THIS STATE WHEN
11 IT IS FIRST PLACED IN SERVICE BY THE LESSEE.

12 (N) RECEIPTS FROM THE LEASE OF TRANSPORTATION TANGIBLE
13 PERSONAL PROPERTY ARE IN THIS STATE IF THE PROPERTY IS USED IN
14 THIS STATE OR IF THE EXTENT OF USE OF THE PROPERTY WITHIN THIS
15 STATE CANNOT BE DETERMINED BUT THE PROPERTY HAS ITS PRINCIPAL
16 BASE OF OPERATIONS WITHIN THIS STATE.

17 CHAPTER 14

18 SEC. 661. (1) EXCEPT AS OTHERWISE PROVIDED IN THIS PART, THE
19 TAX BASE ESTABLISHED UNDER THIS PART SHALL BE APPORTIONED IN
20 ACCORDANCE WITH THIS CHAPTER.

21 (2) THE TAX BASE OF A TAXPAYER WHOSE BUSINESS ACTIVITIES ARE
22 CONFINED SOLELY TO THIS STATE SHALL BE ALLOCATED TO THIS STATE.
23 THE TAX BASE OF A TAXPAYER WHOSE BUSINESS ACTIVITIES ARE SUBJECT
24 TO TAX BOTH WITHIN AND OUTSIDE OF THIS STATE SHALL BE APPORTIONED
25 TO THIS STATE BY MULTIPLYING EACH TAX BASE BY THE SALES FACTOR
26 CALCULATED UNDER SECTION 663.

27 (3) A TAXPAYER IS SUBJECT TO TAX IN ANOTHER STATE IN EITHER

1 OF THE FOLLOWING CIRCUMSTANCES:

2 (A) THE TAXPAYER IS SUBJECT TO A BUSINESS PRIVILEGE TAX, A
3 NET INCOME TAX, A FRANCHISE TAX MEASURED BY NET INCOME, A
4 FRANCHISE TAX FOR THE PRIVILEGE OF DOING BUSINESS, OR A CORPORATE
5 STOCK TAX.

6 (B) THAT STATE HAS JURISDICTION TO SUBJECT THE TAXPAYER TO 1
7 OR MORE OF THE TAXES LISTED IN SUBDIVISION (A) REGARDLESS OF
8 WHETHER THAT STATE DOES OR DOES NOT SUBJECT THE TAXPAYER TO THAT
9 TAX.

10 SEC. 663. (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (2)
11 AND SECTION 669, THE SALES FACTOR IS A FRACTION, THE NUMERATOR OF
12 WHICH IS THE TOTAL SALES OF THE TAXPAYER IN THIS STATE DURING THE
13 TAX YEAR AND THE DENOMINATOR OF WHICH IS THE TOTAL SALES OF THE
14 TAXPAYER EVERYWHERE DURING THE TAX YEAR.

15 (2) EXCEPT AS OTHERWISE PROVIDED UNDER THIS SUBSECTION, FOR
16 A TAXPAYER THAT IS A UNITARY BUSINESS GROUP, SALES INCLUDE SALES
17 IN THIS STATE OF EVERY PERSON INCLUDED IN THE UNITARY BUSINESS
18 GROUP WITHOUT REGARD TO WHETHER THE PERSON HAS NEXUS IN THIS
19 STATE. SALES BETWEEN PERSONS INCLUDED IN A UNITARY BUSINESS GROUP
20 MUST BE ELIMINATED IN CALCULATING THE SALES FACTOR.

21 (3) IT IS THE INTENT OF THE LEGISLATURE THAT EACH TAX BASE
22 OF A TAXPAYER IS APPORTIONED TO THIS STATE BY MULTIPLYING EACH
23 TAX BASE BY THE SALES FACTOR MULTIPLIED BY 100% AND THAT
24 APPORTIONMENT SHALL NOT BE BASED ON PROPERTY, PAYROLL, OR ANY
25 OTHER FACTOR NOTWITHSTANDING SECTION 1 OF 1969 PA 343, MCL
26 205.581.

27 SEC. 665. (1) SALES OF THE TAXPAYER IN THIS STATE ARE

1 DETERMINED AS FOLLOWS:

2 (A) SALES OF TANGIBLE PERSONAL PROPERTY ARE IN THIS STATE IF
3 THE PROPERTY IS SHIPPED OR DELIVERED, OR, IN THE CASE OF
4 ELECTRICITY AND GAS, THE CONTRACT REQUIRES THE PROPERTY TO BE
5 SHIPPED OR DELIVERED, TO ANY PURCHASER WITHIN THIS STATE BASED ON
6 THE ULTIMATE DESTINATION AT THE POINT THAT THE PROPERTY COMES TO
7 REST REGARDLESS OF THE FREE ON BOARD POINT OR OTHER CONDITIONS OF
8 THE SALES.

9 (B) RECEIPTS FROM THE SALE, LEASE, RENTAL, OR LICENSING OF
10 REAL PROPERTY ARE IN THIS STATE IF THAT PROPERTY IS LOCATED IN
11 THIS STATE.

12 (C) RECEIPTS FROM THE LEASE OR RENTAL OF TANGIBLE PERSONAL
13 PROPERTY ARE SALES IN THIS STATE TO THE EXTENT THAT THE PROPERTY
14 IS UTILIZED IN THIS STATE. THE EXTENT OF UTILIZATION OF TANGIBLE
15 PERSONAL PROPERTY IN THIS STATE IS DETERMINED BY MULTIPLYING THE
16 RECEIPTS BY A FRACTION, THE NUMERATOR OF WHICH IS THE NUMBER OF
17 DAYS OF PHYSICAL LOCATION OF THE PROPERTY IN THIS STATE DURING
18 THE LEASE OR RENTAL PERIOD IN THE TAX YEAR AND THE DENOMINATOR OF
19 WHICH IS THE NUMBER OF DAYS OF PHYSICAL LOCATION OF THE PROPERTY
20 EVERYWHERE DURING ALL LEASE OR RENTAL PERIODS IN THE TAX YEAR. IF
21 THE PHYSICAL LOCATION OF THE PROPERTY DURING THE LEASE OR RENTAL
22 PERIOD IS UNKNOWN OR CANNOT BE DETERMINED, THE TANGIBLE PERSONAL
23 PROPERTY IS UTILIZED IN THE STATE IN WHICH THE PROPERTY WAS
24 LOCATED AT THE TIME THE LEASE OR RENTAL PAYER OBTAINED
25 POSSESSION.

26 (D) RECEIPTS FROM THE LEASE OR RENTAL OF MOBILE
27 TRANSPORTATION PROPERTY OWNED BY THE TAXPAYER ARE IN THIS STATE

1 TO THE EXTENT THAT THE PROPERTY IS USED IN THIS STATE. THE EXTENT
2 TO WHICH AN AIRCRAFT WILL BE DEEMED TO BE USED IN THIS STATE AND
3 THE AMOUNT OF RECEIPTS THAT IS TO BE INCLUDED IN THE NUMERATOR OF
4 THIS STATE'S SALES FACTOR ARE DETERMINED BY MULTIPLYING ALL THE
5 RECEIPTS FROM THE LEASE OR RENTAL OF THE AIRCRAFT BY A FRACTION,
6 THE NUMERATOR OF WHICH IS THE NUMBER OF LANDINGS OF THE AIRCRAFT
7 IN THIS STATE AND THE DENOMINATOR OF WHICH IS THE TOTAL NUMBER OF
8 LANDINGS OF THE AIRCRAFT. IF THE EXTENT OF THE USE OF ANY
9 TRANSPORTATION PROPERTY WITHIN THIS STATE CANNOT BE DETERMINED,
10 THEN THE RECEIPTS ARE IN THIS STATE IF THE PROPERTY HAS ITS
11 PRINCIPAL BASE OF OPERATIONS IN THIS STATE.

12 (E) ROYALTIES AND OTHER INCOME RECEIVED FOR THE USE OF OR
13 FOR THE PRIVILEGE OF USING INTANGIBLE PROPERTY, INCLUDING
14 PATENTS, KNOW-HOW, FORMULAS, DESIGNS, PROCESSES, PATTERNS,
15 COPYRIGHTS, TRADE NAMES, SERVICE NAMES, FRANCHISES, LICENSES,
16 CONTRACTS, CUSTOMER LISTS, CUSTOM COMPUTER SOFTWARE, OR SIMILAR
17 ITEMS, ARE ATTRIBUTED TO THE STATE IN WHICH THE PROPERTY IS USED
18 BY THE PURCHASER. IF THE PROPERTY IS USED IN MORE THAN 1 STATE,
19 THE ROYALTIES OR OTHER INCOME SHALL BE APPORTIONED TO THIS STATE
20 PRO RATA ACCORDING TO THE PORTION OF USE IN THIS STATE. IF THE
21 PORTION OF USE IN THIS STATE CANNOT BE DETERMINED, THE ROYALTIES
22 OR OTHER INCOME SHALL BE EXCLUDED FROM BOTH THE NUMERATOR AND THE
23 DENOMINATOR. INTANGIBLE PROPERTY IS USED IN THIS STATE IF THE
24 PURCHASER USES THE INTANGIBLE PROPERTY OR THE RIGHTS TO THE
25 INTANGIBLE PROPERTY IN THE REGULAR COURSE OF ITS BUSINESS
26 OPERATIONS IN THIS STATE, REGARDLESS OF THE LOCATION OF THE
27 PURCHASER'S CUSTOMERS.

1 (2) SALES FROM THE PERFORMANCE OF SERVICES ARE IN THIS STATE
2 AND ATTRIBUTABLE TO THIS STATE AS FOLLOWS:

3 (A) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, ALL
4 RECEIPTS FROM THE PERFORMANCE OF SERVICES ARE INCLUDED IN THE
5 NUMERATOR OF THE APPORTIONMENT FACTOR IF THE RECIPIENT OF THE
6 SERVICES RECEIVES ALL OF THE BENEFIT OF THE SERVICES IN THIS
7 STATE. IF THE RECIPIENT OF THE SERVICES RECEIVES SOME OF THE
8 BENEFIT OF THE SERVICES IN THIS STATE, THE RECEIPTS ARE INCLUDED
9 IN THE NUMERATOR OF THE APPORTIONMENT FACTOR IN PROPORTION TO THE
10 EXTENT THAT THE RECIPIENT RECEIVES BENEFIT OF THE SERVICES IN
11 THIS STATE.

12 (B) SALES DERIVED FROM SECURITIES BROKERAGE SERVICES
13 ATTRIBUTABLE TO THIS STATE ARE DETERMINED BY MULTIPLYING THE
14 TOTAL DOLLAR AMOUNT OF RECEIPTS FROM SECURITIES BROKERAGE
15 SERVICES BY A FRACTION, THE NUMERATOR OF WHICH IS THE SALES OF
16 SECURITIES BROKERAGE SERVICES TO CUSTOMERS WITHIN THIS STATE, AND
17 THE DENOMINATOR OF WHICH IS THE SALES OF SECURITIES BROKERAGE
18 SERVICES TO ALL CUSTOMERS. RECEIPTS FROM SECURITIES BROKERAGE
19 SERVICES INCLUDE COMMISSIONS ON TRANSACTIONS, THE SPREAD EARNED
20 ON PRINCIPAL TRANSACTIONS IN WHICH THE BROKER BUYS OR SELLS FROM
21 ITS ACCOUNT, TOTAL MARGIN INTEREST PAID ON BEHALF OF BROKERAGE
22 ACCOUNTS OWNED BY THE BROKER'S CUSTOMERS, AND FEES AND RECEIPTS
23 OF ALL KINDS FROM THE UNDERWRITING OF SECURITIES. IF RECEIPTS
24 FROM BROKERAGE SERVICES CAN BE ASSOCIATED WITH A PARTICULAR
25 CUSTOMER, BUT IT IS IMPRACTICAL TO ASSOCIATE THE RECEIPTS WITH
26 THE ADDRESS OF THE CUSTOMER, THEN THE ADDRESS OF THE CUSTOMER
27 SHALL BE PRESUMED TO BE THE ADDRESS OF THE BRANCH OFFICE THAT

1 GENERATES THE TRANSACTIONS FOR THE CUSTOMER.

2 (C) SALES OF SERVICES THAT ARE DERIVED DIRECTLY OR
3 INDIRECTLY FROM THE SALE OF MANAGEMENT, DISTRIBUTION,
4 ADMINISTRATION, OR SECURITIES BROKERAGE SERVICES TO, OR ON BEHALF
5 OF, A REGULATED INVESTMENT COMPANY OR ITS BENEFICIAL OWNERS,
6 INCLUDING RECEIPTS DERIVED DIRECTLY OR INDIRECTLY FROM TRUSTEES,
7 SPONSORS, OR PARTICIPANTS OF EMPLOYEE BENEFIT PLANS THAT HAVE
8 ACCOUNTS IN A REGULATED INVESTMENT COMPANY, SHALL BE ATTRIBUTABLE
9 TO THIS STATE TO THE EXTENT THAT THE SHAREHOLDERS OF THE
10 REGULATED INVESTMENT COMPANY ARE DOMICILED WITHIN THIS STATE. FOR
11 PURPOSES OF THIS SUBDIVISION, "DOMICILE" MEANS THE SHAREHOLDER'S
12 MAILING ADDRESS ON THE RECORDS OF THE REGULATED INVESTMENT
13 COMPANY. IF THE REGULATED INVESTMENT COMPANY OR THE PERSON
14 PROVIDING MANAGEMENT SERVICES TO THE REGULATED INVESTMENT COMPANY
15 HAS ACTUAL KNOWLEDGE THAT THE SHAREHOLDER'S PRIMARY RESIDENCE OR
16 PRINCIPAL PLACE OF BUSINESS IS DIFFERENT THAN THE SHAREHOLDER'S
17 MAILING ADDRESS, THEN THE SHAREHOLDER'S PRIMARY RESIDENCE OR
18 PRINCIPAL PLACE OF BUSINESS IS THE SHAREHOLDER'S DOMICILE. A
19 SEPARATE COMPUTATION SHALL BE MADE WITH RESPECT TO THE RECEIPTS
20 DERIVED FROM EACH REGULATED INVESTMENT COMPANY. THE TOTAL AMOUNT
21 OF SALES ATTRIBUTABLE TO THIS STATE SHALL BE EQUAL TO THE TOTAL
22 RECEIPTS RECEIVED BY EACH REGULATED INVESTMENT COMPANY MULTIPLIED
23 BY A FRACTION DETERMINED AS FOLLOWS:

24 (i) THE NUMERATOR OF THE FRACTION IS THE AVERAGE OF THE SUM
25 OF THE BEGINNING-OF-YEAR AND END-OF-YEAR NUMBER OF SHARES OWNED
26 BY THE REGULATED INVESTMENT COMPANY SHAREHOLDERS WHO HAVE THEIR
27 DOMICILE IN THIS STATE.

1 (ii) THE DENOMINATOR OF THE FRACTION IS THE AVERAGE OF THE
2 SUM OF THE BEGINNING-OF-YEAR AND END-OF-YEAR NUMBER OF SHARES
3 OWNED BY ALL SHAREHOLDERS.

4 (iii) FOR PURPOSES OF THE FRACTION, THE YEAR SHALL BE THE TAX
5 YEAR OF THE REGULATED INVESTMENT COMPANY THAT ENDS WITH OR WITHIN
6 THE TAX YEAR OF THE TAXPAYER.

7 (3) RECEIPTS FROM THE ORIGINATION OF A LOAN OR GAINS FROM
8 THE SALE OF A LOAN SECURED BY RESIDENTIAL REAL PROPERTY ARE
9 DEEMED A SALE IN THIS STATE ONLY IF 1 OR MORE OF THE FOLLOWING
10 APPLY:

11 (A) THE REAL PROPERTY IS LOCATED IN THIS STATE.

12 (B) THE REAL PROPERTY IS LOCATED BOTH WITHIN THIS STATE AND
13 1 OR MORE OTHER STATES AND MORE THAN 50% OF THE FAIR MARKET VALUE
14 OF THE REAL PROPERTY IS LOCATED WITHIN THIS STATE.

15 (C) MORE THAN 50% OF THE REAL PROPERTY IS NOT LOCATED IN ANY
16 1 STATE AND THE BORROWER IS LOCATED IN THIS STATE.

17 (4) INTEREST FROM LOANS SECURED BY REAL PROPERTY IS IN THIS
18 STATE IF THE PROPERTY IS LOCATED WITHIN THIS STATE, IF THE
19 PROPERTY IS LOCATED BOTH WITHIN THIS STATE AND 1 OR MORE OTHER
20 STATES AND IF MORE THAN 50% OF THE FAIR MARKET VALUE OF THE REAL
21 PROPERTY IS LOCATED WITHIN THIS STATE, OR IF MORE THAN 50% OF THE
22 FAIR MARKET VALUE OF THE REAL PROPERTY IS NOT LOCATED WITHIN ANY
23 1 STATE BUT THE BORROWER IS LOCATED IN THIS STATE. THE
24 DETERMINATION OF WHETHER THE REAL PROPERTY SECURING A LOAN IS
25 LOCATED WITHIN THIS STATE SHALL BE MADE AS OF THE TIME THE
26 ORIGINAL AGREEMENT WAS MADE AND ANY AND ALL SUBSEQUENT
27 SUBSTITUTIONS OF COLLATERAL SHALL BE DISREGARDED.

1 (5) INTEREST FROM A LOAN NOT SECURED BY REAL PROPERTY IS IN
2 THIS STATE IF THE BORROWER IS LOCATED IN THIS STATE.

3 (6) GAINS FROM THE SALE OF A LOAN NOT SECURED BY REAL
4 PROPERTY, INCLUDING INCOME RECORDED UNDER THE COUPON STRIPPING
5 RULES OF SECTION 1286 OF THE INTERNAL REVENUE CODE, ARE IN THIS
6 STATE IF THE BORROWER IS IN THIS STATE.

7 (7) RECEIPTS FROM CREDIT CARD RECEIVABLES, INCLUDING
8 INTEREST, FEES, AND PENALTIES FROM CREDIT CARD RECEIVABLES AND
9 RECEIPTS FROM FEES CHARGED TO CARDHOLDERS, SUCH AS ANNUAL FEES,
10 ARE IN THIS STATE IF THE BILLING ADDRESS OF THE CARDHOLDER IS IN
11 THIS STATE.

12 (8) RECEIPTS FROM THE SALE OF CREDIT CARD OR OTHER
13 RECEIVABLES ARE IN THIS STATE IF THE BILLING ADDRESS OF THE
14 CUSTOMER IS IN THIS STATE. CREDIT CARD ISSUER'S REIMBURSEMENTS
15 FEES ARE IN THIS STATE IF THE BILLING ADDRESS OF THE CARDHOLDER
16 IS IN THIS STATE. RECEIPTS FROM MERCHANT DISCOUNTS, COMPUTED NET
17 OF ANY CARDHOLDER CHARGEBACKS, BUT NOT REDUCED BY ANY INTERCHANGE
18 TRANSACTION FEES OR BY ANY ISSUER'S REIMBURSEMENT FEES PAID TO
19 ANOTHER FOR CHARGES MADE BY ITS CARDHOLDERS, ARE IN THIS STATE IF
20 THE COMMERCIAL DOMICILE OF THE MERCHANT IS IN THIS STATE.

21 (9) LOAN SERVICING FEES DERIVED FROM LOANS OF ANOTHER
22 SECURED BY REAL PROPERTY ARE IN THIS STATE IF THE REAL PROPERTY
23 IS LOCATED IN THIS STATE, IF THE REAL PROPERTY IS LOCATED BOTH
24 WITHIN AND OUTSIDE OF THIS STATE AND 1 OR MORE STATES IF MORE
25 THAN 50% OF THE FAIR MARKET VALUE OF THE REAL PROPERTY IS LOCATED
26 IN THIS STATE, OR IF MORE THAN 50% OF THE FAIR MARKET VALUE OF
27 THE REAL PROPERTY IS NOT LOCATED IN ANY 1 STATE BUT THE BORROWER

1 IS LOCATED IN THIS STATE. LOAN SERVICING FEES DERIVED FROM LOANS
2 OF ANOTHER NOT SECURED BY REAL PROPERTY ARE IN THIS STATE IF THE
3 BORROWER IS LOCATED IN THIS STATE. IF THE LOCATION OF THE
4 SECURITY CANNOT BE DETERMINED, THEN LOAN SERVICING FEES FOR
5 SERVICING EITHER THE SECURED OR THE UNSECURED LOANS OF ANOTHER
6 ARE IN THIS STATE IF THE LENDER TO WHOM THE LOAN SERVICING
7 SERVICE IS PROVIDED IS LOCATED IN THIS STATE.

8 (10) RECEIPTS FROM THE SALE OF SECURITIES AND OTHER ASSETS
9 FROM INVESTMENT AND TRADING ACTIVITIES, INCLUDING, BUT NOT
10 LIMITED TO, INTEREST, DIVIDENDS, AND GAINS ARE IN THIS STATE IN
11 EITHER OF THE FOLLOWING CIRCUMSTANCES:

12 (A) THE PERSON'S CUSTOMER IS IN THIS STATE.

13 (B) IF THE LOCATION OF THE PERSON'S CUSTOMER CANNOT BE
14 DETERMINED, BOTH OF THE FOLLOWING APPLY:

15 (i) INTEREST, DIVIDENDS, AND OTHER INCOME FROM INVESTMENT
16 ASSETS AND ACTIVITIES AND FROM TRADING ASSETS AND ACTIVITIES,
17 INCLUDING, BUT NOT LIMITED TO, INVESTMENT SECURITIES; TRADING
18 ACCOUNT ASSETS; FEDERAL FUNDS; SECURITIES PURCHASED AND SOLD
19 UNDER AGREEMENTS TO RESELL OR REPURCHASE; OPTIONS; FUTURES
20 CONTRACTS; FORWARD CONTRACTS; NOTIONAL PRINCIPAL CONTRACTS SUCH
21 AS SWAPS; EQUITIES; AND FOREIGN CURRENCY TRANSACTIONS ARE IN THIS
22 STATE IF THE AVERAGE VALUE OF THE ASSETS IS ASSIGNED TO A REGULAR
23 PLACE OF BUSINESS OF THE TAXPAYER WITHIN THIS STATE. INTEREST
24 FROM FEDERAL FUNDS SOLD AND PURCHASED AND FROM SECURITIES
25 PURCHASED UNDER RESALE AGREEMENTS AND SECURITIES SOLD UNDER
26 REPURCHASE AGREEMENTS IS IN THIS STATE IF THE AVERAGE VALUE OF
27 THE ASSETS IS ASSIGNED TO A REGULAR PLACE OF BUSINESS OF THE

1 TAXPAYER WITHIN THIS STATE. THE AMOUNT OF RECEIPTS AND OTHER
2 INCOME FROM INVESTMENT ASSETS AND ACTIVITIES IS IN THIS STATE IF
3 ASSETS ARE ASSIGNED TO A REGULAR PLACE OF BUSINESS OF THE
4 TAXPAYER WITHIN THIS STATE.

5 (ii) THE AMOUNT OF RECEIPTS FROM TRADING ASSETS AND
6 ACTIVITIES, INCLUDING, BUT NOT LIMITED TO, ASSETS AND ACTIVITIES
7 IN THE MATCHED BOOK, IN THE ARBITRAGE BOOK, AND FOREIGN CURRENCY
8 TRANSACTIONS, BUT EXCLUDING AMOUNTS OTHERWISE SOURCED IN THIS
9 SECTION, IS IN THIS STATE IF THE ASSETS ARE ASSIGNED TO A REGULAR
10 PLACE OF BUSINESS OF THE TAXPAYER WITHIN THIS STATE.

11 (11) RECEIPTS FROM TRANSPORTATION SERVICES RENDERED BY A
12 PERSON SUBJECT TO TAX IN ANOTHER STATE ARE IN THIS STATE AND
13 SHALL BE ATTRIBUTABLE TO THIS STATE AS FOLLOWS:

14 (A) EXCEPT AS OTHERWISE PROVIDED IN SUBDIVISIONS (B) THROUGH
15 (E), RECEIPTS SHALL BE PROPORTIONED BASED ON THE RATIO OF REVENUE
16 MILES OF THE PERSON IN THIS STATE TO THE REVENUE MILES OF THE
17 PERSON EVERYWHERE.

18 (B) RECEIPTS FROM MARITIME TRANSPORTATION SERVICES SHALL BE
19 ATTRIBUTABLE TO THIS STATE AS FOLLOWS:

20 (i) 50% OF THOSE RECEIPTS THAT EITHER ORIGINATE OR TERMINATE
21 IN THIS STATE.

22 (ii) 100% OF THOSE RECEIPTS THAT BOTH ORIGINATE AND TERMINATE
23 IN THIS STATE.

24 (C) RECEIPTS ATTRIBUTABLE TO THIS STATE OF A PERSON WHOSE
25 BUSINESS ACTIVITY CONSISTS OF THE TRANSPORTATION BOTH OF PROPERTY
26 AND OF INDIVIDUALS SHALL BE PROPORTIONED BASED ON THE TOTAL
27 RECEIPTS FOR PASSENGER MILES AND TON MILE FRACTIONS, SEPARATELY

1 COMPUTED AND INDIVIDUALLY WEIGHTED BY THE RATIO OF RECEIPTS FROM
2 PASSENGER TRANSPORTATION TO TOTAL RECEIPTS FROM ALL
3 TRANSPORTATION, AND BY THE RATIO OF RECEIPTS FROM FREIGHT
4 TRANSPORTATION TO TOTAL RECEIPTS FROM ALL TRANSPORTATION,
5 RESPECTIVELY.

6 (D) RECEIPTS ATTRIBUTABLE TO THIS STATE OF A PERSON WHOSE
7 BUSINESS ACTIVITY CONSISTS OF THE TRANSPORTATION OF OIL BY
8 PIPELINE SHALL BE PROPORTIONED BASED ON THE RATIO OF THE RECEIPTS
9 FOR THE BARREL MILES TRANSPORTED IN THIS STATE TO THE RECEIPTS
10 FOR THE BARREL MILES TRANSPORTED BY THE PERSON EVERYWHERE.

11 (E) RECEIPTS ATTRIBUTABLE TO THIS STATE OF A PERSON WHOSE
12 BUSINESS ACTIVITIES CONSIST OF THE TRANSPORTATION OF GAS BY
13 PIPELINE SHALL BE PROPORTIONED BASED ON THE RATIO OF THE RECEIPTS
14 FOR THE 1,000 CUBIC FEET MILES TRANSPORTED IN THIS STATE TO THE
15 RECEIPTS FOR THE 1,000 CUBIC FEET MILES TRANSPORTED BY THE PERSON
16 EVERYWHERE.

17 (12) FOR PURPOSES OF SUBSECTION (11), IF A TAXPAYER CAN SHOW
18 THAT REVENUE MILE INFORMATION IS NOT AVAILABLE OR CANNOT BE
19 OBTAINED WITHOUT UNREASONABLE EXPENSE TO THE TAXPAYER, RECEIPTS
20 ATTRIBUTABLE TO THIS STATE SHALL BE THAT PORTION OF THE REVENUE
21 DERIVED FROM TRANSPORTATION SERVICES PERFORMED EVERYWHERE THAT
22 THE MILES OF TRANSPORTATION SERVICES PERFORMED IN THIS STATE BEAR
23 TO THE MILES OF TRANSPORTATION SERVICES PERFORMED EVERYWHERE. IF
24 THE DEPARTMENT DETERMINES THAT THE INFORMATION REQUIRED FOR THE
25 CALCULATIONS UNDER SUBSECTION (11) ARE NOT AVAILABLE OR CANNOT BE
26 OBTAINED WITHOUT UNREASONABLE EXPENSE TO THE TAXPAYER, THE
27 DEPARTMENT MAY USE OTHER AVAILABLE INFORMATION THAT IN THE

1 OPINION OF THE DEPARTMENT WILL RESULT IN AN EQUITABLE ALLOCATION
2 OF THE TAXPAYER'S RECEIPTS TO THIS STATE.

3 (13) EXCEPT AS PROVIDED IN SUBSECTIONS (14) THROUGH (19),
4 RECEIPTS FROM THE SALE OF TELECOMMUNICATIONS SERVICE OR MOBILE
5 TELECOMMUNICATIONS SERVICE ARE IN THIS STATE IF THE CUSTOMER'S
6 PLACE OF PRIMARY USE OF THE SERVICE IS IN THIS STATE. AS USED IN
7 THIS SUBSECTION, "PLACE OF PRIMARY USE" MEANS THE CUSTOMER'S
8 RESIDENTIAL STREET ADDRESS OR PRIMARY BUSINESS STREET ADDRESS
9 WHERE THE CUSTOMER'S USE OF THE TELECOMMUNICATIONS SERVICE
10 PRIMARILY OCCURS. FOR MOBILE TELECOMMUNICATIONS SERVICE, THE
11 CUSTOMER'S RESIDENTIAL STREET ADDRESS OR PRIMARY BUSINESS STREET
12 ADDRESS IS THE PLACE OF PRIMARY USE ONLY IF IT IS WITHIN THE
13 LICENSED SERVICE AREA OF THE CUSTOMER'S HOME SERVICE PROVIDER.

14 (14) RECEIPTS FROM THE SALE OF TELECOMMUNICATIONS SERVICE
15 SOLD ON AN INDIVIDUAL CALL-BY-CALL BASIS ARE IN THIS STATE IF
16 EITHER OF THE FOLLOWING APPLIES:

17 (A) THE CALL BOTH ORIGINATES AND TERMINATES IN THIS STATE.

18 (B) THE CALL EITHER ORIGINATES OR TERMINATES IN THIS STATE
19 AND THE SERVICE ADDRESS IS LOCATED IN THIS STATE.

20 (15) RECEIPTS FROM THE SALE OF POSTPAID TELECOMMUNICATIONS
21 SERVICE ARE IN THIS STATE IF THE ORIGINATION POINT OF THE
22 TELECOMMUNICATION SIGNAL, AS FIRST IDENTIFIED BY THE SERVICE
23 PROVIDER'S TELECOMMUNICATION SYSTEM OR AS IDENTIFIED BY
24 INFORMATION RECEIVED BY THE SELLER FROM ITS SERVICE PROVIDER IF
25 THE SYSTEM USED TO TRANSPORT TELECOMMUNICATION SIGNALS IS NOT THE
26 SELLER'S, IS LOCATED IN THIS STATE.

27 (16) RECEIPTS FROM THE SALE OF PREPAID TELECOMMUNICATIONS

1 SERVICE OR PREPAID MOBILE TELECOMMUNICATIONS SERVICE ARE IN THIS
2 STATE IF THE PURCHASER OBTAINS THE PREPAID CARD OR SIMILAR MEANS
3 OF CONVEYANCE AT A LOCATION IN THIS STATE. RECEIPTS FROM
4 RECHARGING A PREPAID TELECOMMUNICATIONS SERVICE OR MOBILE
5 TELECOMMUNICATIONS SERVICE ARE IN THIS STATE IF THE PURCHASER'S
6 BILLING INFORMATION INDICATES A LOCATION IN THIS STATE.

7 (17) RECEIPTS FROM THE SALE OF PRIVATE COMMUNICATION
8 SERVICES ARE IN THIS STATE AS FOLLOWS:

9 (A) 100% OF THE RECEIPTS FROM THE SALE OF EACH CHANNEL
10 TERMINATION POINT WITHIN THIS STATE.

11 (B) 100% OF THE RECEIPTS FROM THE SALE OF THE TOTAL CHANNEL
12 MILEAGE BETWEEN EACH TERMINATION POINT WITHIN THIS STATE.

13 (C) 50% OF THE RECEIPTS FROM THE SALE OF SERVICE SEGMENTS
14 FOR A CHANNEL BETWEEN 2 CUSTOMER CHANNEL TERMINATION POINTS, 1 OF
15 WHICH IS LOCATED IN THIS STATE AND THE OTHER IS LOCATED OUTSIDE
16 OF THIS STATE, WHICH SEGMENTS ARE SEPARATELY CHARGED.

17 (D) THE RECEIPTS FROM THE SALE OF SERVICE FOR SEGMENTS WITH
18 A CHANNEL TERMINATION POINT LOCATED IN THIS STATE AND IN 2 OR
19 MORE OTHER STATES OR EQUIVALENT JURISDICTIONS, AND WHICH SEGMENTS
20 ARE NOT SEPARATELY BILLED, ARE IN THIS STATE BASED ON A
21 PERCENTAGE DETERMINED BY DIVIDING THE NUMBER OF CUSTOMER CHANNEL
22 TERMINATION POINTS IN THIS STATE BY THE TOTAL NUMBER OF CUSTOMER
23 CHANNEL TERMINATION POINTS.

24 (18) RECEIPTS FROM THE SALE OF BILLING SERVICES AND
25 ANCILLARY SERVICES FOR TELECOMMUNICATIONS SERVICE ARE IN THIS
26 STATE BASED ON THE LOCATION OF THE PURCHASER'S CUSTOMERS. IF THE
27 LOCATION OF THE PURCHASER'S CUSTOMERS IS NOT KNOWN OR CANNOT BE

1 DETERMINED, THE SALE OF BILLING SERVICES AND ANCILLARY SERVICES
2 FOR TELECOMMUNICATIONS SERVICE IS IN THIS STATE BASED ON THE
3 LOCATION OF THE PURCHASER.

4 (19) RECEIPTS TO ACCESS A CARRIER'S NETWORK OR FROM THE SALE
5 OF TELECOMMUNICATIONS SERVICES FOR RESALE ARE IN THIS STATE AS
6 FOLLOWS:

7 (A) 100% OF THE RECEIPTS FROM ACCESS FEES ATTRIBUTABLE TO
8 INTRASTATE TELECOMMUNICATIONS SERVICE THAT BOTH ORIGINATES AND
9 TERMINATES IN THIS STATE.

10 (B) 50% OF THE RECEIPTS FROM ACCESS FEES ATTRIBUTABLE TO
11 INTERSTATE TELECOMMUNICATIONS SERVICE IF THE INTERSTATE CALL
12 EITHER ORIGINATES OR TERMINATES IN THIS STATE.

13 (C) 100% OF THE RECEIPTS FROM INTERSTATE END USER ACCESS
14 LINE CHARGES, IF THE CUSTOMER'S SERVICE ADDRESS IS IN THIS STATE.
15 AS USED IN THIS SUBDIVISION, "INTERSTATE END USER ACCESS LINE
16 CHARGES" INCLUDES, BUT IS NOT LIMITED TO, THE SURCHARGE APPROVED
17 BY THE FEDERAL COMMUNICATIONS COMMISSION AND LEVIED PURSUANT TO
18 47 CFR 69.

19 (D) GROSS RECEIPTS FROM SALES OF TELECOMMUNICATIONS SERVICES
20 TO OTHER TELECOMMUNICATION SERVICE PROVIDERS FOR RESALE SHALL BE
21 SOURCED TO THIS STATE USING THE APPORTIONMENT CONCEPTS USED FOR
22 NON-RESALE RECEIPTS OF TELECOMMUNICATIONS SERVICES IF THE
23 INFORMATION IS READILY AVAILABLE TO MAKE THAT DETERMINATION. IF
24 THE INFORMATION IS NOT READILY AVAILABLE, THEN THE TAXPAYER MAY
25 USE ANY OTHER REASONABLE AND CONSISTENT METHOD.

26 (20) EXCEPT AS OTHERWISE PROVIDED UNDER THIS SUBSECTION, FOR
27 A TAXPAYER WHOSE BUSINESS ACTIVITIES INCLUDE LIVE RADIO OR

1 TELEVISION PROGRAMMING AS DESCRIBED IN SUBSECTOR CODE 7922 OF
2 INDUSTRY GROUP 792 UNDER THE STANDARD INDUSTRIAL CLASSIFICATION
3 CODE AS COMPILED BY THE UNITED STATES DEPARTMENT OF LABOR OR ARE
4 INCLUDED IN INDUSTRY GROUPS 483, 484, 781, OR 782 UNDER THE
5 STANDARD INDUSTRIAL CLASSIFICATION CODE AS COMPILED BY THE UNITED
6 STATES DEPARTMENT OF LABOR, OR ANY COMBINATION OF THE BUSINESS
7 ACTIVITIES INCLUDED IN THOSE GROUPS, MEDIA RECEIPTS ARE IN THIS
8 STATE AND ATTRIBUTABLE TO THIS STATE ONLY IF THE COMMERCIAL
9 DOMICILE OF THE CUSTOMER IS IN THIS STATE AND THE CUSTOMER HAS A
10 DIRECT CONNECTION OR RELATIONSHIP WITH THE TAXPAYER PURSUANT TO A
11 CONTRACT UNDER WHICH THE MEDIA RECEIPTS ARE DERIVED. FOR MEDIA
12 RECEIPTS FROM THE SALE OF ADVERTISING, IF THE CUSTOMER OF THAT
13 ADVERTISING IS COMMERCIALY DOMICILED IN THIS STATE AND RECEIVES
14 SOME OF THE BENEFIT OF THE SALE OF THAT ADVERTISING IN THIS
15 STATE, THE MEDIA RECEIPTS FROM THE ADVERTISING TO THAT CUSTOMER
16 ARE INCLUDED IN THE NUMERATOR OF THE APPORTIONMENT FACTOR IN
17 PROPORTION TO THE EXTENT THAT THE CUSTOMER RECEIVES THE BENEFIT
18 OF THE ADVERTISING IN THIS STATE. FOR PURPOSES OF THIS
19 SUBSECTION, IF THE TAXPAYER IS A BROADCASTER AND IF THE CUSTOMER
20 RECEIVES SOME OF THE BENEFIT OF THE ADVERTISING IN THIS STATE,
21 THE MEDIA RECEIPTS FOR THAT SALE OF ADVERTISING FROM THAT
22 CUSTOMER SHALL BE PROPORTIONED BASED ON THE RATIO THAT THE
23 BROADCASTER'S VIEWING OR LISTENING AUDIENCE IN THIS STATE BEARS
24 TO ITS TOTAL VIEWING OR LISTENING AUDIENCE EVERYWHERE. AS USED IN
25 THIS SUBSECTION:

26 (A) "MEDIA PROPERTY" MEANS MOTION PICTURES, TELEVISION
27 PROGRAMS, INTERNET PROGRAMS AND WEBSITES, OTHER AUDIOVISUAL

1 WORKS, AND ANY OTHER SIMILAR PROPERTY EMBODYING WORDS, IDEAS,
2 CONCEPTS, IMAGES, OR SOUND WITHOUT REGARD TO THE MEANS OR METHODS
3 OF DISTRIBUTION OR THE MEDIUM IN WHICH THE PROPERTY IS EMBODIED.

4 (B) "MEDIA RECEIPTS" MEANS RECEIPTS FROM THE SALE, LICENSE,
5 BROADCAST, TRANSMISSION, DISTRIBUTION, EXHIBITION, OR OTHER USE
6 OF MEDIA PROPERTY AND RECEIPTS FROM THE SALE OF MEDIA SERVICES.
7 MEDIA RECEIPTS DO NOT INCLUDE RECEIPTS FROM THE SALE OF MEDIA
8 PROPERTY THAT IS A CONSUMER PRODUCT THAT IS ULTIMATELY SOLD AT
9 RETAIL.

10 (C) "MEDIA SERVICES" MEANS SERVICES IN WHICH THE USE OF THE
11 MEDIA PROPERTY IS INTEGRAL TO THE PERFORMANCE OF THOSE SERVICES.

12 (21) TERMS USED IN SUBSECTIONS (13) THROUGH (20) HAVE THE
13 SAME MEANING AS THOSE TERMS DEFINED IN THE STREAMLINED SALES AND
14 USE TAX AGREEMENT ADMINISTERED UNDER THE STREAMLINED SALES AND
15 USE TAX ADMINISTRATION ACT, 2004 PA 174, MCL 205.801 TO 205.833.

16 (22) FOR PURPOSES OF THIS SECTION, A BORROWER IS CONSIDERED
17 LOCATED IN THIS STATE IF THE BORROWER'S BILLING ADDRESS IS IN
18 THIS STATE.

19 SEC. 667. (1) IF THE APPORTIONMENT PROVISIONS OF THIS PART
20 DO NOT FAIRLY REPRESENT THE EXTENT OF THE TAXPAYER'S BUSINESS
21 ACTIVITY IN THIS STATE, THE TAXPAYER MAY PETITION FOR OR THE
22 TREASURER MAY REQUIRE THE FOLLOWING, WITH RESPECT TO ALL OR A
23 PORTION OF THE TAXPAYER'S BUSINESS ACTIVITY, IF REASONABLE:

24 (A) SEPARATE ACCOUNTING.

25 (B) THE INCLUSION OF 1 OR MORE ADDITIONAL OR ALTERNATIVE
26 FACTORS THAT WILL FAIRLY REPRESENT THE TAXPAYER'S BUSINESS
27 ACTIVITY IN THIS STATE.

1 (C) THE USE OF ANY OTHER METHOD TO EFFECTUATE AN EQUITABLE
2 ALLOCATION AND APPORTIONMENT OF THE TAXPAYER'S TAX BASE.

3 (2) AN ALTERNATE METHOD MAY BE USED ONLY IF IT IS APPROVED
4 BY THE DEPARTMENT.

5 (3) THE APPORTIONMENT PROVISIONS OF THIS PART SHALL BE
6 REBUTTABLY PRESUMED TO FAIRLY REPRESENT THE BUSINESS ACTIVITY
7 ATTRIBUTED TO THE TAXPAYER IN THIS STATE, TAKEN AS A WHOLE AND
8 WITHOUT A SEPARATE EXAMINATION OF THE SPECIFIC ELEMENTS OF THE
9 TAX BASE UNLESS IT CAN BE DEMONSTRATED THAT THE BUSINESS ACTIVITY
10 ATTRIBUTED TO THE TAXPAYER IN THIS STATE IS OUT OF ALL
11 APPROPRIATE PROPORTION TO THE ACTUAL BUSINESS ACTIVITY TRANSACTED
12 IN THIS STATE AND LEADS TO A GROSSLY DISTORTED RESULT OR WOULD
13 OPERATE UNCONSTITUTIONALLY TO TAX THE EXTRATERRITORIAL ACTIVITY
14 OF THE TAXPAYER.

15 (4) THE FILING OF A RETURN OR AN AMENDED RETURN IS NOT
16 CONSIDERED A PETITION FOR THE PURPOSES OF SUBSECTION (1).

17 SEC. 669. ALL OTHER RECEIPTS NOT OTHERWISE SOURCED UNDER
18 THIS PART SHALL BE SOURCED BASED ON WHERE THE BENEFIT TO THE
19 CUSTOMER IS RECEIVED OR, IF WHERE THE BENEFIT TO THE CUSTOMER IS
20 RECEIVED CANNOT BE DETERMINED, TO THE CUSTOMER'S BILLING ADDRESS.

21 CHAPTER 15

22 SEC. 671. (1) THE CREDIT PROVIDED IN THIS SECTION SHALL BE
23 TAKEN BEFORE ANY OTHER CREDIT UNDER THIS PART AND IS AVAILABLE TO
24 ANY CORPORATION, OTHER THAN THOSE TAXPAYERS SUBJECT TO THE TAX
25 IMPOSED UNDER CHAPTER 12 OR 13, WITH GROSS RECEIPTS THAT DO NOT
26 EXCEED \$20,000,000.00 AND WITH ADJUSTED BUSINESS INCOME MINUS THE
27 LOSS ADJUSTMENT THAT DOES NOT EXCEED \$1,300,000.00 AS ADJUSTED

1 ANNUALLY FOR INFLATION USING THE DETROIT CONSUMER PRICE INDEX AND
2 SUBJECT TO THE FOLLOWING:

3 (A) A CORPORATION IS DISQUALIFIED IF EITHER OF THE FOLLOWING
4 OCCURS FOR THE RESPECTIVE TAX YEAR:

5 (i) COMPENSATION AND DIRECTORS' FEES OF A SHAREHOLDER OR
6 OFFICER EXCEED \$180,000.00.

7 (ii) THE SUM OF THE FOLLOWING AMOUNTS EXCEEDS \$180,000.00:

8 (A) COMPENSATION AND DIRECTORS' FEES OF A SHAREHOLDER.

9 (B) THE PRODUCT OF THE PERCENTAGE OF OUTSTANDING OWNERSHIP
10 OR OF OUTSTANDING STOCK OWNED BY THAT SHAREHOLDER MULTIPLIED BY
11 THE DIFFERENCE BETWEEN THE SUM OF BUSINESS INCOME AND, TO THE
12 EXTENT DEDUCTED IN DETERMINING FEDERAL TAXABLE INCOME, A
13 CARRYBACK OR A CARRYOVER OF A NET OPERATING LOSS OR CAPITAL LOSS,
14 MINUS THE LOSS ADJUSTMENT.

15 (B) SUBJECT TO THE REDUCTION PERCENTAGE DETERMINED UNDER
16 SUBSECTION (3), THE CREDIT DETERMINED UNDER THIS SUBSECTION SHALL
17 BE REDUCED BY THE FOLLOWING PERCENTAGES IN THE FOLLOWING
18 CIRCUMSTANCES:

19 (i) IF COMPENSATION AND DIRECTORS' FEES OF A SHAREHOLDER OR
20 OFFICER ARE, OR IF THE SUM OF THE AMOUNTS IN SUBDIVISION

21 (A) (ii) (A) AND (B) IS, MORE THAN \$160,000.00 BUT LESS THAN
22 \$165,000.00, THE CREDIT IS REDUCED BY 20%.

23 (ii) IF COMPENSATION AND DIRECTORS' FEES OF A SHAREHOLDER OR
24 OFFICER ARE, OR IF THE SUM OF THE AMOUNTS IN SUBDIVISION

25 (A) (ii) (A) AND (B) IS, \$165,000.00 OR MORE BUT LESS THAN
26 \$170,000.00, THE CREDIT IS REDUCED BY 40%.

27 (iii) IF COMPENSATION AND DIRECTORS' FEES OF A SHAREHOLDER OR

1 OFFICER ARE, OR IF THE SUM OF THE AMOUNTS IN SUBDIVISION
2 (A) (ii) (A) AND (B) IS, \$170,000.00 OR MORE BUT LESS THAN
3 \$175,000.00, THE CREDIT IS REDUCED BY 60%.

4 (iv) IF COMPENSATION AND DIRECTORS' FEES OF A SHAREHOLDER OR
5 OFFICER ARE, OR IF THE SUM OF THE AMOUNTS IN SUBDIVISION
6 (A) (ii) (A) AND (B) IS, \$175,000.00 OR MORE BUT NOT IN EXCESS OF
7 \$180,000.00, THE CREDIT IS REDUCED BY 80%.

8 (2) FOR THE PURPOSES OF DETERMINING DISQUALIFICATION UNDER
9 SUBSECTION (1), AN ACTIVE SHAREHOLDER'S SHARE OF BUSINESS INCOME
10 SHALL NOT BE ATTRIBUTED TO ANOTHER ACTIVE SHAREHOLDER.

11 (3) THE REDUCTION PERCENTAGE IS THE GREATER OF THE
12 FOLLOWING:

13 (A) THE REDUCTION PERCENTAGE BASED ON THE COMPENSATION AND
14 DIRECTORS' FEES OF THE SHAREHOLDER OR OFFICER WITH THE GREATEST
15 AMOUNT OF COMPENSATION AND DIRECTORS' FEES.

16 (B) THE REDUCTION PERCENTAGE BASED ON THE SUM OF THE AMOUNTS
17 IN SUBSECTION (1) (A) (ii) (A) AND (B) FOR THE SHAREHOLDER OR OFFICER
18 WITH THE GREATEST SUM OF THE AMOUNTS IN SUBSECTION (1) (A) (ii) (A)
19 AND (B).

20 (4) A CORPORATION THAT QUALIFIES UNDER SUBSECTION (1) IS
21 ALLOWED A CREDIT AGAINST THE TAX IMPOSED UNDER THIS PART. THE
22 CREDIT UNDER THIS SUBSECTION IS THE AMOUNT BY WHICH THE TAX
23 IMPOSED UNDER THIS PART EXCEEDS 1.8% OF ADJUSTED BUSINESS INCOME.

24 (5) IF GROSS RECEIPTS EXCEED \$19,000,000.00, THE CREDIT
25 SHALL BE REDUCED BY A FRACTION, THE NUMERATOR OF WHICH IS THE
26 AMOUNT OF GROSS RECEIPTS OVER \$19,000,000.00 AND THE DENOMINATOR
27 OF WHICH IS \$1,000,000.00. THE CREDIT SHALL NOT EXCEED 100% OF

1 THE TAX LIABILITY IMPOSED UNDER THIS PART.

2 (6) FOR A CORPORATION THAT REPORTS FOR A TAX YEAR LESS THAN
3 12 MONTHS, THE AMOUNTS SPECIFIED IN THIS SECTION FOR GROSS
4 RECEIPTS, ADJUSTED BUSINESS INCOME, AND SHARE OF BUSINESS INCOME
5 SHALL BE MULTIPLIED BY A FRACTION, THE NUMERATOR OF WHICH IS THE
6 NUMBER OF MONTHS IN THE TAX YEAR AND THE DENOMINATOR OF WHICH IS
7 12.

8 (7) THE DEPARTMENT SHALL PERMIT A CORPORATION THAT ELECTS TO
9 CLAIM THE CREDIT ALLOWED UNDER THIS SECTION BASED ON THE AMOUNT
10 BY WHICH THE TAX IMPOSED UNDER THIS PART EXCEEDS THE PERCENTAGE
11 OF ADJUSTED BUSINESS INCOME FOR THE TAX YEAR AS DETERMINED UNDER
12 SUBSECTION (4), AND THAT IS NOT REQUIRED TO REDUCE THE CREDIT
13 PURSUANT TO SUBSECTION (1) OR (5), TO FILE AND PAY THE TAX
14 IMPOSED BY THIS PART WITHOUT COMPUTING THE TAX IMPOSED UNDER
15 SECTION 623.

16 (8) COMPENSATION PAID BY A PROFESSIONAL EMPLOYER
17 ORGANIZATION TO THE OFFICERS OF THE CLIENT AND TO EMPLOYEES OF
18 THE PROFESSIONAL EMPLOYER ORGANIZATION WHO ARE ASSIGNED OR LEASED
19 TO AND PERFORM SERVICES FOR THE CLIENT SHALL BE INCLUDED IN
20 DETERMINING ELIGIBILITY OF THE CLIENT UNDER THIS SECTION.

21 (9) AS USED IN THIS SECTION:

22 (A) "ACTIVE SHAREHOLDER" MEANS A SHAREHOLDER WHO RECEIVES AT
23 LEAST \$10,000.00 IN COMPENSATION, DIRECTORS' FEES, OR DIVIDENDS
24 FROM THE BUSINESS, AND WHO OWNS AT LEAST 5% OF THE OUTSTANDING
25 STOCK OR OTHER OWNERSHIP INTEREST.

26 (B) "ADJUSTED BUSINESS INCOME" MEANS BUSINESS INCOME AS
27 DEFINED IN SECTION 603 WITH ALL OF THE FOLLOWING ADJUSTMENTS:

1 (i) ADD COMPENSATION AND DIRECTORS' FEES OF ACTIVE
2 SHAREHOLDERS OF A CORPORATION.

3 (ii) ADD, TO THE EXTENT DEDUCTED IN DETERMINING FEDERAL
4 TAXABLE INCOME, A CARRYBACK OR CARRYOVER OF A NET OPERATING LOSS.

5 (iii) ADD, TO THE EXTENT DEDUCTED IN DETERMINING FEDERAL
6 TAXABLE INCOME, A CARRYBACK OR CARRYOVER CAPITAL LOSS.

7 (iv) ADD COMPENSATION AND DIRECTORS' FEES OF OFFICERS OF A
8 CORPORATION.

9 (C) "COMPENSATION" MEANS ALL WAGES, SALARIES, FEES, BONUSES,
10 COMMISSIONS, OTHER PAYMENTS MADE IN THE TAX YEAR ON BEHALF OF OR
11 FOR THE BENEFIT OF EMPLOYEES, OFFICERS, OR DIRECTORS OF THE
12 TAXPAYERS. COMPENSATION INCLUDES, BUT IS NOT LIMITED TO, PAYMENTS
13 THAT ARE SUBJECT TO OR SPECIFICALLY EXEMPT OR EXCEPTED FROM
14 WITHHOLDING UNDER SECTIONS 3401 TO 3406 OF THE INTERNAL REVENUE
15 CODE. COMPENSATION ALSO INCLUDES, ON A CASH OR ACCRUAL BASIS
16 CONSISTENT WITH THE TAXPAYER'S METHOD OF ACCOUNTING FOR FEDERAL
17 INCOME TAX PURPOSES, PAYMENTS TO A PENSION, RETIREMENT, OR PROFIT
18 SHARING PLAN OTHER THAN THOSE PAYMENTS ATTRIBUTABLE TO UNFUNDED
19 ACCRUED ACTUARIAL LIABILITIES, AND PAYMENTS FOR INSURANCE FOR
20 WHICH EMPLOYEES ARE THE BENEFICIARIES, INCLUDING PAYMENTS UNDER
21 HEALTH AND WELFARE AND NONINSURED BENEFIT PLANS AND PAYMENT OF
22 FEES FOR THE ADMINISTRATION OF HEALTH AND WELFARE AND NONINSURED
23 BENEFIT PLANS. COMPENSATION FOR A TAXPAYER LICENSED UNDER ARTICLE
24 25 OR 26 OF THE OCCUPATIONAL CODE, 1980 PA 299, MCL 339.2501 TO
25 339.2518 AND 339.2601 TO 339.2637, INCLUDES PAYMENTS TO AN
26 INDEPENDENT CONTRACTOR LICENSED UNDER ARTICLE 25 OR 26 OF THE
27 OCCUPATIONAL CODE, 1980 PA 299, MCL 339.2501 TO 339.2518 AND

1 339.2601 TO 339.2637. COMPENSATION DOES NOT INCLUDE ANY OF THE
2 FOLLOWING:

3 (i) DISCOUNTS ON THE PRICE OF THE TAXPAYER'S MERCHANDISE OR
4 SERVICES SOLD TO THE TAXPAYER'S EMPLOYEES, OFFICERS, OR DIRECTORS
5 THAT ARE NOT AVAILABLE TO OTHER CUSTOMERS.

6 (ii) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION,
7 PAYMENTS TO AN INDEPENDENT CONTRACTOR.

8 (iii) PAYMENTS TO STATE AND FEDERAL UNEMPLOYMENT COMPENSATION
9 FUNDS.

10 (iv) THE EMPLOYER'S PORTION OF PAYMENTS UNDER THE FEDERAL
11 INSURANCE CONTRIBUTIONS ACT, CHAPTER 21 OF SUBTITLE C OF THE
12 INTERNAL REVENUE CODE, 26 USC 3101 TO 3128, THE RAILROAD
13 RETIREMENT TAX ACT, CHAPTER 22 OF SUBTITLE C OF THE INTERNAL
14 REVENUE CODE, 26 USC 3201 TO 3233, AND SIMILAR SOCIAL INSURANCE
15 PROGRAMS.

16 (v) PAYMENTS, INCLUDING SELF-INSURANCE PAYMENTS, FOR
17 WORKER'S COMPENSATION INSURANCE OR FEDERAL EMPLOYERS' LIABILITY
18 ACT INSURANCE PURSUANT TO 45 USC 51 TO 60.

19 (D) "DETROIT CONSUMER PRICE INDEX" MEANS THE MOST
20 COMPREHENSIVE INDEX OF CONSUMER PRICES AVAILABLE FOR THE DETROIT
21 AREA FROM THE UNITED STATES DEPARTMENT OF LABOR, BUREAU OF LABOR
22 STATISTICS.

23 (E) "LOSS ADJUSTMENT" MEANS THE AMOUNT BY WHICH ADJUSTED
24 BUSINESS INCOME WAS LESS THAN ZERO IN ANY OF THE 5 TAX YEARS
25 IMMEDIATELY PRECEDING THE TAX YEAR FOR WHICH ELIGIBILITY FOR THE
26 CREDIT UNDER THIS SECTION IS BEING DETERMINED. IN DETERMINING THE
27 LOSS ADJUSTMENT FOR A TAX YEAR, A CORPORATION IS NOT REQUIRED TO

1 USE MORE OF THE TAXPAYER'S TOTAL NEGATIVE ADJUSTED BUSINESS
2 INCOME THAN THE AMOUNT NEEDED TO QUALIFY THE CORPORATION FOR THE
3 CREDIT UNDER THIS SECTION. A CORPORATION SHALL NOT BE CONSIDERED
4 TO HAVE USED ANY PORTION OF THE TAXPAYER'S NEGATIVE ADJUSTED
5 BUSINESS INCOME AMOUNT UNLESS THE PORTION USED IS NECESSARY TO
6 QUALIFY FOR THE CREDIT UNDER THIS SECTION. A CORPORATION SHALL
7 NOT REUSE A NEGATIVE ADJUSTED BUSINESS INCOME AMOUNT USED AS A
8 LOSS ADJUSTMENT IN A PREVIOUS TAX YEAR OR USE A NEGATIVE ADJUSTED
9 BUSINESS INCOME AMOUNT FROM A YEAR IN WHICH THE CORPORATION DID
10 NOT RECEIVE THE CREDIT UNDER THIS SECTION.

11 (F) "OFFICER" MEANS AN OFFICER OF A CORPORATION INCLUDING
12 ALL OF THE FOLLOWING:

13 (i) THE CHAIRPERSON OF THE BOARD.

14 (ii) THE PRESIDENT, VICE PRESIDENT, SECRETARY, OR TREASURER
15 OF THE CORPORATION OR BOARD.

16 (iii) PERSONS PERFORMING SIMILAR DUTIES TO PERSONS DESCRIBED
17 IN SUBPARAGRAPHS (i) AND (ii).

18 CHAPTER 16

19 SEC. 680. (1) NOTWITHSTANDING ANY OTHER PROVISION OF THIS
20 PART, A TAXPAYER WITH A CERTIFICATED CREDIT MAY, FOR THE
21 TAXPAYER'S FIRST TAX YEAR AFTER DECEMBER 31, 2011 ONLY, ELECT TO
22 PAY THE TAX IMPOSED BY THE MICHIGAN BUSINESS TAX ACT, 2007 PA 36,
23 MCL 208.1101 TO 208.1601, RATHER THAN THE TAX IMPOSED BY THIS
24 PART. A TAXPAYER WITH A CERTIFICATED CREDIT THAT ELECTS TO PAY
25 THE TAX IMPOSED BY THE MICHIGAN BUSINESS TAX ACT, 2007 PA 36, MCL
26 208.1101 TO 208.1601, IS NOT REQUIRED TO FILE AN ANNUAL RETURN
27 UNDER THIS PART.

1 (2) A TAXPAYER THAT ELECTS UNDER SUBSECTION (1) TO FILE A
2 RETURN UNDER THE MICHIGAN BUSINESS TAX ACT, 2007 PA 36, MCL
3 208.1101 TO 208.1601, SHALL CONTINUE TO FILE A RETURN AND PAY THE
4 TAX IMPOSED UNDER THE MICHIGAN BUSINESS TAX ACT, 2007 PA 36, MCL
5 208.1101 TO 208.1601, RATHER THAN THE TAX IMPOSED BY THIS PART
6 FOR EACH TAX YEAR THEREAFTER UNTIL THE CERTIFICATED CREDIT AND
7 ANY CARRY FORWARD FROM THAT CREDIT ARE USED UP.

8 (3) AS USED IN THIS SECTION, "CERTIFICATED CREDIT" MEANS
9 THAT TERM AS DEFINED IN SECTION 107 OF THE MICHIGAN BUSINESS TAX
10 ACT, 2007 PA 36, MCL 208.1107.

11 SEC. 681. (1) A TAXPAYER THAT REASONABLY EXPECTS LIABILITY
12 FOR THE TAX YEAR TO EXCEED \$800.00 SHALL FILE AN ESTIMATED RETURN
13 AND PAY AN ESTIMATED TAX FOR EACH QUARTER OF THE TAXPAYER'S TAX
14 YEAR.

15 (2) FOR TAXPAYERS ON A CALENDAR YEAR BASIS, THE QUARTERLY
16 RETURNS AND ESTIMATED PAYMENTS SHALL BE MADE BY APRIL 15, JULY
17 15, OCTOBER 15, AND JANUARY 15. TAXPAYERS NOT ON A CALENDAR YEAR
18 BASIS SHALL FILE QUARTERLY RETURNS AND MAKE ESTIMATED PAYMENTS ON
19 THE APPROPRIATE DUE DATE WHICH IN THE TAXPAYER'S FISCAL YEAR
20 CORRESPONDS TO THE CALENDAR YEAR.

21 (3) EXCEPT AS OTHERWISE PROVIDED UNDER THIS SUBSECTION, THE
22 ESTIMATED PAYMENT MADE WITH EACH QUARTERLY RETURN OF EACH TAX
23 YEAR SHALL BE FOR THE ESTIMATED CORPORATE INCOME TAX BASE FOR THE
24 QUARTER OR 25% OF THE ESTIMATED ANNUAL LIABILITY. THE SECOND,
25 THIRD, AND FOURTH ESTIMATED PAYMENTS IN EACH TAX YEAR SHALL
26 INCLUDE ADJUSTMENTS, IF NECESSARY, TO CORRECT UNDERPAYMENTS OR
27 OVERPAYMENTS FROM PREVIOUS QUARTERLY PAYMENTS IN THE TAX YEAR TO

1 A REVISED ESTIMATE OF THE ANNUAL TAX LIABILITY. FOR A TAXPAYER
2 THAT CALCULATES AND PAYS ESTIMATED PAYMENTS FOR FEDERAL INCOME
3 TAX PURPOSES PURSUANT TO SECTION 6655(E) OF THE INTERNAL REVENUE
4 CODE, THAT TAXPAYER MAY USE THE SAME METHODOLOGY AS USED TO
5 CALCULATE THE ANNUALIZED INCOME INSTALLMENT OR THE ADJUSTED
6 SEASONAL INSTALLMENT, WHICHEVER IS USED AS THE BASIS FOR THE
7 FEDERAL ESTIMATED PAYMENT, TO CALCULATE THE ESTIMATED PAYMENTS
8 REQUIRED EACH QUARTER UNDER THIS SECTION. THE INTEREST AND
9 PENALTY PROVIDED BY THIS PART SHALL NOT BE ASSESSED IF ANY OF THE
10 FOLLOWING OCCUR:

11 (A) IF THE SUM OF THE ESTIMATED PAYMENTS EQUALS AT LEAST 85%
12 OF THE LIABILITY AND THE AMOUNT OF EACH ESTIMATED PAYMENT
13 REASONABLY APPROXIMATES THE TAX LIABILITY INCURRED DURING THE
14 QUARTER FOR WHICH THE ESTIMATED PAYMENT WAS MADE.

15 (B) FOR THE 2012 TAX YEAR AND EACH SUBSEQUENT TAX YEAR, IF
16 THE PRECEDING YEAR'S TAX LIABILITY UNDER THIS PART WAS \$20,000.00
17 OR LESS AND IF THE TAXPAYER SUBMITTED 4 EQUAL INSTALLMENTS THE
18 SUM OF WHICH EQUALS THE IMMEDIATELY PRECEDING TAX YEAR'S TAX
19 LIABILITY.

20 (4) EACH ESTIMATED RETURN SHALL BE MADE ON A FORM PRESCRIBED
21 BY THE DEPARTMENT AND SHALL INCLUDE AN ESTIMATE OF THE ANNUAL TAX
22 LIABILITY AND OTHER INFORMATION REQUIRED BY THE STATE TREASURER.
23 THE FORM PRESCRIBED UNDER THIS SUBSECTION MAY BE COMBINED WITH
24 ANY OTHER TAX REPORTING FORM PRESCRIBED BY THE DEPARTMENT.

25 (5) WITH RESPECT TO A TAXPAYER FILING AN ESTIMATED TAX
26 RETURN FOR THE TAXPAYER'S FIRST TAX YEAR OF LESS THAN 12 MONTHS,
27 THE AMOUNTS PAID WITH EACH RETURN SHALL BE PROPORTIONAL TO THE

1 NUMBER OF PAYMENTS MADE IN THE FIRST TAX YEAR.

2 (6) PAYMENTS MADE UNDER THIS SECTION SHALL BE A CREDIT
3 AGAINST THE PAYMENT REQUIRED WITH THE ANNUAL TAX RETURN REQUIRED
4 IN SECTION 685.

5 (7) IF THE DEPARTMENT CONSIDERS IT NECESSARY TO INSURE
6 PAYMENT OF THE TAX OR TO PROVIDE A MORE EFFICIENT ADMINISTRATION
7 OF THE TAX, THE DEPARTMENT MAY REQUIRE FILING OF THE RETURNS AND
8 PAYMENT OF THE TAX FOR OTHER THAN QUARTERLY OR ANNUAL PERIODS.

9 (8) A TAXPAYER THAT ELECTS UNDER THE INTERNAL REVENUE CODE
10 TO FILE AN ANNUAL FEDERAL INCOME TAX RETURN BY MARCH 1 IN THE
11 YEAR FOLLOWING THE TAXPAYER'S TAX YEAR AND DOES NOT MAKE A
12 QUARTERLY ESTIMATE OR PAYMENT, OR DOES NOT MAKE A QUARTERLY
13 ESTIMATE OR PAYMENT AND FILES A TENTATIVE ANNUAL RETURN WITH A
14 TENTATIVE PAYMENT BY JANUARY 15 IN THE YEAR FOLLOWING THE
15 TAXPAYER'S TAX YEAR AND A FINAL RETURN BY APRIL 15 IN THE YEAR
16 FOLLOWING THE TAXPAYER'S TAX YEAR, HAS THE SAME OPTION IN FILING
17 THE ESTIMATED AND ANNUAL RETURNS REQUIRED BY THIS PART.

18 SEC. 683. IF A TAXPAYER'S TAX YEAR TO WHICH THIS PART
19 APPLIES ENDS BEFORE DECEMBER 31, 2012, THEN A TAXPAYER SUBJECT TO
20 THIS PART MAY ELECT TO COMPUTE THE TAX IMPOSED BY THIS PART FOR
21 THE PORTION OF THAT TAX YEAR TO WHICH THIS PART APPLIES OR THAT
22 FIRST TAX YEAR IN ACCORDANCE WITH 1 OF THE FOLLOWING METHODS:

23 (A) THE TAX MAY BE COMPUTED AS IF THIS PART WERE EFFECTIVE
24 ON THE FIRST DAY OF THE TAXPAYER'S ANNUAL ACCOUNTING PERIOD AND
25 THE AMOUNT COMPUTED SHALL BE MULTIPLIED BY A FRACTION, THE
26 NUMERATOR OF WHICH IS THE NUMBER OF MONTHS IN THE TAXPAYER'S
27 FIRST TAX YEAR AND THE DENOMINATOR OF WHICH IS THE NUMBER OF

1 MONTHS IN THE TAXPAYER'S ANNUAL ACCOUNTING PERIOD.

2 (B) THE TAX MAY BE COMPUTED BY DETERMINING THE CORPORATE
3 INCOME TAX BASE IN THE FIRST TAX YEAR IN ACCORDANCE WITH AN
4 ACCOUNTING METHOD SATISFACTORY TO THE DEPARTMENT THAT REFLECTS
5 THE ACTUAL CORPORATE INCOME TAX BASE ATTRIBUTABLE TO THE PERIOD.

6 SEC. 685. (1) AN ANNUAL OR FINAL RETURN SHALL BE FILED WITH
7 THE DEPARTMENT IN THE FORM AND CONTENT PRESCRIBED BY THE
8 DEPARTMENT BY THE LAST DAY OF THE FOURTH MONTH AFTER THE END OF
9 THE TAXPAYER'S TAX YEAR. ANY FINAL LIABILITY SHALL BE REMITTED
10 WITH THIS RETURN. A TAXPAYER WHOSE TAX LIABILITY UNDER THIS PART
11 IS LESS THAN OR EQUAL TO \$100.00 DOES NOT NEED TO FILE A RETURN
12 OR PAY THE TAX IMPOSED UNDER THIS PART.

13 (2) THE DEPARTMENT, UPON APPLICATION OF THE TAXPAYER AND FOR
14 GOOD CAUSE SHOWN, MAY EXTEND THE DATE FOR FILING THE ANNUAL
15 RETURN. INTEREST AT THE RATE UNDER SECTION 23(2) OF 1941 PA 122,
16 MCL 205.23, SHALL BE ADDED TO THE AMOUNT OF THE TAX UNPAID FOR
17 THE PERIOD OF THE EXTENSION. THE TREASURER SHALL REQUIRE WITH THE
18 APPLICATION PAYMENT OF THE ESTIMATED TAX LIABILITY UNPAID FOR THE
19 TAX PERIOD COVERED BY THE EXTENSION.

20 (3) IF A TAXPAYER IS GRANTED AN EXTENSION OF TIME WITHIN
21 WHICH TO FILE THE FEDERAL INCOME TAX RETURN FOR ANY TAX YEAR, THE
22 FILING OF A COPY OF THE REQUEST FOR EXTENSION TOGETHER WITH A
23 TENTATIVE RETURN AND PAYMENT OF AN ESTIMATED TAX WITH THE
24 DEPARTMENT BY THE DUE DATE PROVIDED IN SUBSECTION (1) SHALL
25 AUTOMATICALLY EXTEND THE DUE DATE FOR THE FILING OF AN ANNUAL OR
26 FINAL RETURN UNDER THIS PART UNTIL THE LAST DAY OF THE EIGHTH
27 MONTH FOLLOWING THE ORIGINAL DUE DATE OF THE RETURN. INTEREST AT

1 THE RATE UNDER SECTION 23(2) OF 1941 PA 122, MCL 205.23, SHALL BE
2 ADDED TO THE AMOUNT OF THE TAX UNPAID FOR THE PERIOD OF THE
3 EXTENSION.

4 SEC. 687. (1) A TAXPAYER REQUIRED TO FILE A RETURN UNDER
5 THIS PART MAY BE REQUIRED TO FURNISH A TRUE AND CORRECT COPY OF
6 ANY RETURN OR PORTION OF ANY RETURN FILED UNDER THE PROVISIONS OF
7 THE INTERNAL REVENUE CODE.

8 (2) A TAXPAYER SHALL FILE AN AMENDED RETURN WITH THE
9 DEPARTMENT SHOWING ANY ALTERATION IN OR MODIFICATION OF A FEDERAL
10 INCOME TAX RETURN THAT AFFECTS ITS TAX BASE UNDER THIS PART. THE
11 AMENDED RETURN SHALL BE FILED WITHIN 120 DAYS AFTER THE FINAL
12 DETERMINATION BY THE INTERNAL REVENUE SERVICE.

13 SEC. 689. AT THE REQUEST OF THE DEPARTMENT, A TAXPAYER
14 REQUIRED BY THE INTERNAL REVENUE CODE TO FILE OR SUBMIT AN
15 INFORMATION RETURN OF INCOME PAID TO OTHERS SHALL, TO THE EXTENT
16 THE INFORMATION IS APPLICABLE TO RESIDENTS OF THIS STATE, AT THE
17 SAME TIME FILE OR SUBMIT THE INFORMATION IN THE FORM AND CONTENT
18 PRESCRIBED TO THE DEPARTMENT.

19 SEC. 691. A UNITARY BUSINESS GROUP SHALL FILE A COMBINED
20 RETURN THAT INCLUDES EACH UNITED STATES PERSON THAT IS INCLUDED
21 IN THE UNITARY BUSINESS GROUP. EACH UNITED STATES PERSON INCLUDED
22 IN A UNITARY BUSINESS GROUP OR INCLUDED IN A COMBINED RETURN
23 SHALL BE TREATED AS A SINGLE PERSON, AND ALL TRANSACTIONS BETWEEN
24 THOSE PERSONS INCLUDED IN THE UNITARY BUSINESS GROUP SHALL BE
25 ELIMINATED FROM THE CORPORATE INCOME TAX BASE AND THE
26 APPORTIONMENT FORMULAS UNDER THIS PART. IF A UNITED STATES PERSON
27 INCLUDED IN A UNITARY BUSINESS GROUP OR INCLUDED IN A COMBINED

1 RETURN IS SUBJECT TO THE TAX UNDER CHAPTER 12 OR 13, ANY
2 CORPORATE INCOME ATTRIBUTABLE TO THAT PERSON SHALL BE ELIMINATED
3 FROM THE CORPORATE INCOME TAX BASE AND ANY SALES ATTRIBUTABLE TO
4 THAT PERSON SHALL BE ELIMINATED FROM THE APPORTIONMENT FORMULA
5 UNDER THIS PART.

6 SEC. 693. (1) THE TAX IMPOSED BY THIS PART SHALL BE
7 ADMINISTERED BY THE DEPARTMENT OF TREASURY PURSUANT TO 1941 PA
8 122, MCL 205.1 TO 205.31, AND THIS PART. IF A CONFLICT EXISTS
9 BETWEEN 1941 PA 122, MCL 205.1 TO 205.31, AND THIS PART, THE
10 PROVISIONS OF THIS PART APPLY.

11 (2) THE DEPARTMENT MAY PROMULGATE RULES TO IMPLEMENT THIS
12 PART PURSUANT TO THE ADMINISTRATIVE PROCEDURES ACT OF 1969, 1969
13 PA 306, MCL 24.201 TO 24.328.

14 (3) THE DEPARTMENT SHALL PRESCRIBE FORMS FOR USE BY
15 TAXPAYERS AND MAY PROMULGATE RULES IN CONFORMITY WITH THIS PART
16 FOR THE MAINTENANCE BY TAXPAYERS OF RECORDS, BOOKS, AND ACCOUNTS,
17 AND FOR THE COMPUTATION OF THE TAX, THE MANNER AND TIME OF
18 CHANGING OR ELECTING ACCOUNTING METHODS AND OF EXERCISING THE
19 VARIOUS OPTIONS CONTAINED IN THIS PART, THE MAKING OF RETURNS,
20 AND THE ASCERTAINMENT, ASSESSMENT, AND COLLECTION OF THE TAX
21 IMPOSED UNDER THIS PART.

22 (4) THE TAX IMPOSED BY THIS PART IS IN ADDITION TO ALL OTHER
23 TAXES FOR WHICH THE TAXPAYER MAY BE LIABLE.

24 (5) THE DEPARTMENT SHALL PREPARE AND PUBLISH STATISTICS FROM
25 THE RECORDS KEPT TO ADMINISTER THE TAX IMPOSED BY THIS PART THAT
26 DETAIL THE DISTRIBUTION OF TAX RECEIPTS BY TYPE OF BUSINESS,
27 LEGAL FORM OF ORGANIZATION, SOURCES OF TAX BASE, TIMING OF TAX

1 RECEIPTS, AND TYPES OF DEDUCTIONS. THE STATISTICS SHALL NOT
2 RESULT IN THE DISCLOSURE OF INFORMATION REGARDING ANY SPECIFIC
3 TAXPAYER.

4 SEC. 695. THE REVENUE COLLECTED UNDER THIS PART SHALL BE
5 DISTRIBUTED TO THE GENERAL FUND.

6 SEC. 697. THERE IS APPROPRIATED TO THE DEPARTMENT FOR THE
7 2011-2012 STATE FISCAL YEAR THE SUM OF \$100.00 TO BEGIN
8 IMPLEMENTING THE REQUIREMENTS OF THIS PART. ANY PORTION OF THIS
9 AMOUNT UNDER THIS SECTION THAT IS NOT EXPENDED IN THE 2011-2012
10 STATE FISCAL YEAR SHALL NOT LAPSE TO THE GENERAL FUND BUT SHALL
11 BE CARRIED FORWARD IN A WORK PROJECT ACCOUNT THAT IS IN
12 COMPLIANCE WITH SECTION 451A OF THE MANAGEMENT AND BUDGET ACT,
13 1984 PA 431, MCL 18.1451A, FOR THE FOLLOWING STATE FISCAL YEAR.

14 Enacting section 1. (1) Sections 30d, 31, 116, 117, 118,
15 119, 120, 252, 253, 257, 260, 261, 264, 267, 268, 269, 272, 274,
16 275, 276, 367, 482, 496, 498, and 499 of the income tax act of
17 1967, 1967 PA 281, MCL 206.30d, 206.31, 206.116, 206.117,
18 206.118, 206.119, 206.120, 206.252, 206.253, 206.257, 206.260,
19 206.261, 206.264, 206.267, 206.268, 206.269, 206.272, 206.274,
20 206.275, 206.276, 206.367, 206.482, 206.496, 206.498, and
21 206.499, are repealed effective January 1, 2012.

22 (2) Sections 7 and 8 of the individual or family development
23 account program act, 2006 PA 513, MCL 206.707 and 206.708, are
24 repealed effective January 1, 2012.

25 (3) Section 11 of the Traxler-McCauley-Law-Bowman bingo act,
26 1972 PA 382, MCL 432.111, is repealed effective January 1, 2012.

27 Enacting section 2. (1) Except as otherwise provided under

1 subsection (2), this amendatory act takes effect January 1, 2012.

2 (2) Section 51 of the income tax act of 1967, 1967 PA 281,

3 MCL 206.51, as amended by this amendatory act, takes effect

4 October 1, 2011.