

# HOUSE BILL No. 4200

February 17, 2015, Introduced by Rep. Somerville and referred to the Committee on Tax Policy.

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
by amending section 51 (MCL 206.51), as amended by 2012 PA 223.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

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

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

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

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

10           (d) For tax years that begin on and after January 1, 2002 and

1 before January 1, 2003, 4.1%.

2 (e) On and after January 1, 2003 and before July 1, 2004,  
3 4.0%.

4 (f) On and after July 1, 2004 and before October 1, 2007,  
5 3.9%.

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

8 (h) ~~Beginning on~~ **ON** and after October 1, 2012 **AND BEFORE**  
9 **OCTOBER 1, 2015**, 4.25%.

10 (I) **ON AND AFTER OCTOBER 1, 2015 AND BEFORE OCTOBER 1, 2016**,  
11 4.15%.

12 (J) **ON AND AFTER OCTOBER 1, 2016, 4.0%**.

13 (2) The following percentages of the net revenues collected  
14 under this section shall be deposited in the state school aid fund  
15 created in section 11 of article IX of the state constitution of  
16 1963:

17 (a) Beginning October 1, 1994 and before October 1, 1996,  
18 14.4% of the gross collections before refunds from the tax levied  
19 under this section.

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

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

27 (3) The department shall annualize rates provided in

1 subsection (1) as necessary for tax years that end after April 30,  
2 1994. The applicable annualized rate shall be imposed upon the  
3 taxable income of every person other than a corporation for those  
4 tax years.

5 (4) The taxable income of a nonresident shall be computed in  
6 the same manner that the taxable income of a resident is computed,  
7 subject to the allocation and apportionment provisions of this  
8 part.

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

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

27 (7) It is the intention of this section that the income

1 subject to tax of every person other than corporations shall be  
2 computed in like manner and be the same as provided in the internal  
3 revenue code subject to adjustments specifically provided for in  
4 this part.

5 (8) 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 part subject to the applicable source and attribution rules  
16 contained in this part.