

# SENATE BILL No. 295

March 30, 2017, Introduced by Senators WARREN, KNEZEK, GREGORY, CONYERS and HERTEL and referred to the Committee on Finance.

A bill to amend 1967 PA 281, entitled  
 "Income tax act of 1967,"  
 by amending section 51 (MCL 206.51), as amended by 2016 PA 266.

**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) On and after October 1, 2007 and before October 1, 2012,  
 7 4.35%.

8           (b) ~~Except as otherwise provided under subdivision (c), on~~ ON  
 9 and after October 1, 2012 **THROUGH DECEMBER 31, 2017**, 4.25%.

10 ~~— (c) For each tax year beginning on and after January 1, 2023,~~  
 11 ~~if the percentage increase in the total general fund/general~~  
 12 ~~purpose revenue from the immediately preceding fiscal year is~~

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~~1 greater than the inflation rate for the same period and the  
2 inflation rate is positive, then the current rate shall be reduced  
3 by an amount determined by multiplying that rate by a fraction, the  
4 numerator of which is the difference between the total general  
5 fund/general purpose revenue from the immediately preceding state  
6 fiscal year and the capped general fund/general purpose revenue and  
7 the denominator of which is the total revenue collected from this  
8 part in the immediately preceding state fiscal year. For purposes  
9 of this subdivision only, the state treasurer, the director of the  
10 senate fiscal agency, and the director of the house fiscal agency  
11 shall determine whether the total revenue distributed to general  
12 fund/general purpose revenue has increased as required under this  
13 subdivision based on the comprehensive annual financial report  
14 prepared and published by the department of technology, management,  
15 and budget in accordance with section 23 of article IX of the state  
16 constitution of 1963. The state treasurer, the director of the  
17 senate fiscal agency, and the director of the house fiscal agency  
18 shall make the determination under this subdivision no later than  
19 the date of the January 2023 revenue estimating conference  
20 conducted pursuant to sections 367a through 367f of the management  
21 and budget act, 1984 PA 431, MCL 18.1367a to 18.1367f, and the date  
22 of each January revenue estimating conference conducted each year  
23 thereafter. As used in this subdivision:~~

~~24 — (i) "Capped general fund/general purpose revenue" means the  
25 total general fund/general purpose revenue from the 2020-2021 state  
26 fiscal year multiplied by the sum of 1 plus the product of 1.425  
27 times the difference between a fraction, the numerator of which is~~

1 ~~the consumer price index for the state fiscal year ending in the~~  
2 ~~tax year prior to the tax year for which the adjustment is being~~  
3 ~~made and the denominator of which is the consumer price index for~~  
4 ~~the 2020-2021 state fiscal year, and 1.~~

5 ~~—— (ii) "Total general fund/general purpose revenue" means the~~  
6 ~~total general fund/general purpose revenue and other financing~~  
7 ~~sources as published in the comprehensive annual financial report~~  
8 ~~schedule of revenue and other financing sources — general fund for~~  
9 ~~that fiscal year plus any distribution made pursuant to section~~  
10 ~~51d.~~

11 (C) BEGINNING ON AND AFTER JANUARY 1, 2018, EXCEPT AS  
12 OTHERWISE PROVIDED UNDER SUBSECTION (4) AS FOLLOWS:

13 (i) FOR A SINGLE RETURN AS FOLLOWS:

14 (A) ON THE FIRST \$20,000.00, 3.0%.

15 (B) ON ALL OVER \$20,000.00 BUT LESS THAN OR EQUAL TO  
16 \$40,000.00, 4.0%.

17 (C) ON ALL OVER \$40,000.00 BUT LESS THAN OR EQUAL TO  
18 \$80,000.00, 5.0%.

19 (D) ON ALL OVER \$80,000.00 BUT LESS THAN OR EQUAL TO  
20 \$125,000.00, 6.0%.

21 (E) ON ALL OVER \$125,000.00 BUT LESS THAN OR EQUAL TO  
22 \$200,000.00, 7.0%.

23 (F) ON ALL OVER \$200,000.00 BUT LESS THAN OR EQUAL TO  
24 \$500,000.00, 8.0%.

25 (G) ON ALL OVER \$500,000.00 BUT LESS THAN OR EQUAL TO  
26 \$1,000,000.00, 9.0%.

27 (H) ON ALL OVER \$1,000,000.00, 10.0%.

1 (ii) FOR A JOINT RETURN AS FOLLOWS:

2 (A) ON THE FIRST \$40,000.00, 3.0%.

3 (B) ON ALL OVER \$40,000.00 BUT LESS THAN OR EQUAL TO  
4 \$80,000.00, 4.0%.

5 (C) ON ALL OVER \$80,000.00 BUT LESS THAN OR EQUAL TO  
6 \$160,000.00, 5.0%.

7 (D) ON ALL OVER \$160,000.00 BUT LESS THAN OR EQUAL TO  
8 \$200,000.00, 6.0%.

9 (E) ON ALL OVER \$200,000.00 BUT LESS THAN OR EQUAL TO  
10 \$250,000.00, 7.0%.

11 (F) ON ALL OVER \$250,000.00 BUT LESS THAN OR EQUAL TO  
12 \$500,000.00, 8.0%.

13 (G) ON ALL OVER \$500,000.00 BUT LESS THAN OR EQUAL TO  
14 \$1,000,000.00, 9.0%.

15 (H) ON ALL OVER \$1,000,000.00, 10.0%.

16 (2) Beginning January 1, 2000, that percentage of the gross  
17 collections before refunds from the tax levied under this section  
18 that is equal to 1.012% divided by the income tax rate levied under  
19 this section shall be deposited in the state school aid fund  
20 created in section 11 of article IX of the state constitution of  
21 1963.

22 (3) In addition to the distribution under subsection (2) and  
23 section 51d, beginning October 1, 2016, from the revenue collected  
24 under this section an amount equal to 3.5% of the average amount of  
25 farmland tax credits claimed under section 36109 of the natural  
26 resources and environmental protection act, 1994 PA 451, MCL  
27 324.36109, for the immediately preceding 3 state fiscal years shall

1 be deposited into the agricultural preservation fund created in  
2 section 36202 of the natural resources and environmental protection  
3 act, 1994 PA 451, MCL 324.36202.

4 (4) FOR THE 2019 TAX YEAR AND EACH TAX YEAR AFTER THE 2019 TAX  
5 YEAR, THE TAXABLE INCOME AMOUNTS UNDER SUBSECTION (1)(C) SHALL BE  
6 ADJUSTED BY THE DEPARTMENT OF TREASURY FOR INFLATION BY MULTIPLYING  
7 EACH AMOUNT FOR THE TAX YEAR BEGINNING IN 2018 BY A FRACTION, THE  
8 NUMERATOR OF WHICH IS THE MIDWEST EMPLOYMENT COST INDEX FOR THE  
9 EAST NORTH CENTRAL DIVISION FOR THE STATE FISCAL YEAR ENDING IN THE  
10 TAX YEAR PRIOR TO THE TAX YEAR FOR WHICH THE ADJUSTMENT IS BEING  
11 MADE AND THE DENOMINATOR OF WHICH IS THE MIDWEST EMPLOYMENT COST  
12 INDEX FOR THE EAST NORTH CENTRAL DIVISION FOR THE 2016-2017 STATE  
13 FISCAL YEAR. THE RESULTANT PRODUCT SHALL BE ROUNDED TO THE NEAREST  
14 \$100.00 INCREMENT. The department shall annualize rates provided in  
15 subsection (1) as necessary. The applicable annualized rate shall  
16 be imposed upon the taxable income of every person other than a  
17 corporation for those tax years.

18 (5) The taxable income of a nonresident shall be computed in  
19 the same manner that the taxable income of a resident is computed,  
20 subject to the allocation and apportionment provisions of this  
21 part.

22 (6) A resident beneficiary of a trust whose taxable income  
23 includes all or part of an accumulation distribution by a trust, as  
24 defined in section 665 of the internal revenue code, shall be  
25 allowed a credit against the tax otherwise due under this part. The  
26 credit shall be all or a proportionate part of any tax paid by the  
27 trust under this part for any preceding taxable year that would not

1 have been payable if the trust had in fact made distribution to its  
2 beneficiaries at the times and in the amounts specified in section  
3 666 of the internal revenue code. The credit shall not reduce the  
4 tax otherwise due from the beneficiary to an amount less than would  
5 have been due if the accumulation distribution were excluded from  
6 taxable income.

7 (7) The taxable income of a resident who is required to  
8 include income from a trust in his or her federal income tax return  
9 under the provisions of 26 USC 671 to 679, shall include items of  
10 income and deductions from the trust in taxable income to the  
11 extent required by this part with respect to property owned  
12 outright.

13 (8) It is the intention of this section that the income  
14 subject to tax of every person other than corporations shall be  
15 computed in like manner and be the same as provided in the internal  
16 revenue code subject to adjustments specifically provided for in  
17 this part.

18 (9) As used in this section:

19 ~~—— (a) "Consumer price index" means the United States consumer~~  
20 ~~price index for all urban consumers as defined and reported by the~~  
21 ~~United States Department of Labor, Bureau of Labor Statistics.~~

22 ~~—— (b) "Inflation rate" means the annual percentage change in the~~  
23 ~~consumer price index, as determined by the department, comparing~~  
24 ~~the 2 most recent completed state fiscal years.~~

25 (A) "MIDWEST EMPLOYMENT COST INDEX FOR THE EAST NORTH CENTRAL  
26 DIVISION" MEANS THE MIDWEST EMPLOYMENT COST INDEX FOR THE EAST  
27 NORTH CENTRAL DIVISION FOR PRIVATE WORKERS AS DEFINED AND REPORTED

1 BY THE UNITED STATES DEPARTMENT OF LABOR, BUREAU OF LABOR  
2 STATISTICS.

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

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

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

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

11 (C) ~~(d)~~—"Taxable income" means taxable income as defined in  
12 this part subject to the applicable source and attribution rules  
13 contained in this part.

14 Enacting section 1. This amendatory act does not take effect  
15 unless Senate Joint Resolution I \_\_\_\_\_  
16 \_\_\_\_\_ of the 99th Legislature becomes a part of  
17 the state constitution of 1963 as provided in section 1 of article  
18 XII of the state constitution of 1963.