

HOUSE BILL NO. 4037

January 19, 2023, Introduced by Rep. Paquette 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 2020 PA 75.

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,

1 4.35%.

2 (b) ~~Except as otherwise provided under subdivision (c), on~~ On
3 and after October 1, 2012 **and before January 1, 2023, 4.25%.**

4 (c) **On and after January 1, 2023 and before January 1, 2024,**
5 **4.15%.**

6 (d) **On and after January 1, 2024 and before January 1, 2025,**
7 **4.05%.**

8 (e) **On and after January 1, 2025 and before January 1, 2026,**
9 **3.95%.**

10 (f) **Except as otherwise provided under subdivision (g), on and**
11 **after January 1, 2026, 3.9%.**

12 (g) ~~(e)~~ For each tax year beginning on and after January 1,
13 ~~2023, 2027,~~ if the percentage increase in the total general
14 fund/general purpose revenue from the immediately preceding fiscal
15 year is greater than the inflation rate for the same period and the
16 inflation rate is positive, then the current rate shall be reduced
17 by an amount determined by multiplying that rate by a fraction, the
18 numerator of which is the difference between the total general
19 fund/general purpose revenue from the immediately preceding state
20 fiscal year and the capped general fund/general purpose revenue and
21 the denominator of which is the total revenue collected from this
22 part in the immediately preceding state fiscal year. For purposes
23 of this subdivision only, the state treasurer, the director of the
24 senate fiscal agency, and the director of the house fiscal agency
25 shall determine whether the total revenue distributed to general
26 fund/general purpose revenue has increased as required under this
27 subdivision based on the comprehensive annual financial report
28 prepared and published by the department of technology, management,
29 and budget in accordance with section 23 of article IX of the state

1 constitution of 1963. The state treasurer, the director of the
2 senate fiscal agency, and the director of the house fiscal agency
3 shall make the determination under this subdivision no later than
4 the date of the January ~~2023~~**2027** revenue estimating conference
5 conducted pursuant to sections 367a through 367f of the management
6 and budget act, 1984 PA 431, MCL 18.1367a to 18.1367f, and the date
7 of each January revenue estimating conference conducted each year
8 thereafter. As used in this subdivision:

9 (i) "Capped general fund/general purpose revenue" means the
10 total general fund/general purpose revenue from the 2020-2021 state
11 fiscal year multiplied by the sum of 1 plus the product of 1.425
12 times the difference between a fraction, the numerator of which is
13 the Consumer Price Index for the state fiscal year ending in the
14 tax year prior to the tax year for which the adjustment is being
15 made and the denominator of which is the Consumer Price Index for
16 the 2020-2021 state fiscal year, and 1.

17 (ii) "Total general fund/general purpose revenue" means the
18 total general fund/general purpose revenue and other financing
19 sources as published in the comprehensive annual financial report
20 schedule of revenue and other financing sources - general fund for
21 that fiscal year plus any distribution made pursuant to section
22 51d.

23 (2) Except as otherwise provided for December 1, 2018 through
24 September 30, 2019, beginning January 1, 2000, that percentage of
25 the gross collections before refunds from the tax levied under this
26 section that is equal to 1.012% divided by the income tax rate
27 levied under this section shall be deposited in the state school
28 aid fund created in section 11 of article IX of the state
29 constitution of 1963. For December 1, 2018 through September 30,

1 2019 only, that percentage of the gross collections before refunds
2 from the tax levied under this section that is equal to 0.954%
3 divided by the income tax rate levied under this section shall be
4 deposited in the state school aid fund created in section 11 of
5 article IX of the state constitution of 1963.

6 (3) In addition to the distributions under subsections (2) and
7 (4) and sections 51d, 51e, and 51f, beginning October 1, 2016, from
8 the revenue collected under this section an amount equal to 3.5% of
9 the average amount of farmland tax credits claimed under section
10 36109 of the natural resources and environmental protection act,
11 1994 PA 451, MCL 324.36109, for the immediately preceding 3 state
12 fiscal years shall be deposited into the agricultural preservation
13 fund created in section 36202 of the natural resources and
14 environmental protection act, 1994 PA 451, MCL 324.36202.

15 (4) In addition to the distributions under subsections (2) and
16 (3) and sections 51d, 51e, and 51f, and subject to the limitation
17 under this subsection, beginning with the 2018-2019 state fiscal
18 year and each fiscal year thereafter, from the revenue collected
19 under this section \$69,000,000.00 shall be deposited into the renew
20 Michigan fund created in section 51g. However, if, in any 1 of the
21 2018-2019 through the 2021-2022 state fiscal years, the minimum
22 foundation allowance falls below the 2017-2018 minimum foundation
23 allowance established under section 20 of the state school aid act
24 of 1979, 1979 PA 94, MCL 388.1620, as amended by 2017 PA 108, then
25 no money shall be deposited into the renew Michigan fund pursuant
26 to this subsection for that fiscal year.

27 (5) The department shall annualize rates provided in
28 subsection (1) as necessary. The applicable annualized rate shall
29 be imposed upon the taxable income of every person other than a

1 corporation for those tax years.

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

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

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

24 (9) It is the intention of this section that the income
25 subject to tax of every person other than corporations shall be
26 computed in like manner and be the same as provided in the internal
27 revenue code subject to adjustments specifically provided for in
28 this part.

29 (10) As used in this section:

1 (a) "Consumer Price Index" means the United States Consumer
2 Price Index for all urban consumers as defined and reported by the
3 United States Department of Labor, Bureau of Labor Statistics.

4 (b) "Inflation rate" means the annual percentage change in the
5 Consumer Price Index, as determined by the department, comparing
6 the 2 most recent completed state fiscal years.

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

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

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

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

15 (d) "Taxable income" means taxable income as defined in this
16 part subject to the applicable source and attribution rules
17 contained in this part.