

**SUBSTITUTE FOR
HOUSE BILL NO. 5267**

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%.

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

3 (e) On and after January 1, 2003 and before July 1, 2004,
4 4.0%.

5 (f) On and after July 1, 2004 and before October 1, 2007,
6 3.9%.

7 (g) On and after October 1, 2007 and before October 1, 2012,
8 4.35%.

9 (h) ~~Beginning on~~ ON and after October 1, 2012 **AND BEFORE**
10 **OCTOBER 1, 2014**, 4.25%.

11 (I) **ON AND AFTER OCTOBER 1, 2014 AND BEFORE JANUARY 1, 2016**,
12 4.15%.

13 (J) EXCEPT AS OTHERWISE PROVIDED UNDER SUBDIVISION (K), ON AND
14 AFTER JANUARY 1, 2016, 4.05%.

15 (K) BEGINNING OCTOBER 1, 2017 AND, EXCEPT AS OTHERWISE
16 PROVIDED UNDER THIS SUBDIVISION, EACH OCTOBER 1 THEREAFTER, IF THE
17 TOTAL GENERAL FUND/GENERAL PURPOSE REVENUE IN THE IMMEDIATELY
18 PRECEDING FISCAL YEAR INCREASES BY \$300,000,000.00 AND THAT
19 INCREASE IS AT LEAST THE RATE OF INFLATION FOR THAT YEAR, THE
20 MAXIMUM RATE UNDER THIS SUBSECTION SHALL BE REDUCED BY 0.1 FOR THE
21 BEGINNING OF THE NEXT FISCAL YEAR. FOR PURPOSES OF THIS SUBDIVISION
22 ONLY, THE DETERMINATION OF WHETHER THE TOTAL GENERAL FUND/GENERAL
23 PURPOSE REVENUE HAS INCREASED AS REQUIRED UNDER THIS SUBDIVISION
24 SHALL BE DETERMINED BY THE STATE TREASURER BASED ON AN OFFICIAL
25 ECONOMIC FORECAST DETERMINED AT A REVENUE ESTIMATING CONFERENCE AS
26 PROVIDED IN SECTIONS 367A THROUGH 367F OF THE MANAGEMENT AND BUDGET
27 ACT, 1984 PA 431, MCL 18.1367A TO 18.1367F. THE RATE UNDER THIS

1 **SUBDIVISION SHALL NOT BE REDUCED FOR 2 CONSECUTIVE YEARS.**

2 (2) The following percentages of the net revenues collected
3 under this section shall be deposited in the state school aid fund
4 created in section 11 of article IX of the state constitution of
5 1963:

6 (a) Beginning October 1, 1994 and before October 1, 1996,
7 14.4% of the gross collections before refunds from the tax levied
8 under this section.

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

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

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

21 (4) The taxable income of a nonresident shall be computed in
22 the same manner that the taxable income of a resident is computed,
23 subject to the allocation and apportionment provisions of this
24 part.

25 (5) A resident beneficiary of a trust whose taxable income
26 includes all or part of an accumulation distribution by a trust, as
27 defined in section 665 of the internal revenue code, shall be

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

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

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

21 (8) As used in this section:

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

24 (i) A partner in a partnership as defined in the internal
25 revenue code.

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

1 (iii) An estate or trust as defined in the internal revenue
2 code.

3 (b) "Taxable income" means taxable income as defined in this
4 part subject to the applicable source and attribution rules
5 contained in this part.