

Act No. 448
Public Acts of 1996
Approved by the Governor
December 19, 1996
Filed with the Secretary of State
December 19, 1996

**STATE OF MICHIGAN
88TH LEGISLATURE
REGULAR SESSION OF 1996**

Introduced by Senators Steil, Schuette, Schwarz, Hoffman, Honigman, Stille, Geake, Shugars and Dunaskiss

ENROLLED SENATE BILL No. 669

AN ACT to amend section 365 of Act No. 281 of the Public Acts of 1967, entitled "An act to meet deficiencies in state funds by providing for the imposition, levy, computation, collection, assessment, and enforcement by lien and otherwise of taxes on or measured by net income; to prescribe the manner and time of making reports and paying the taxes, and the functions of public officers and others as to the taxes; to permit the inspection of the records of taxpayers; to provide for interest and penalties on unpaid taxes; to provide exemptions, credits and refunds of the taxes; to prescribe penalties for the violation of this act; to provide an appropriation; and to repeal certain acts and parts of acts," being section 206.365 of the Michigan Compiled Laws; and to add section 31.

The People of the State of Michigan enact:

Section 1. Section 365 of Act No. 281 of the Public Acts of 1967, being section 206.365 of the Michigan Compiled Laws, is amended and section 31 is added to read as follows:

Sec. 31. (1) Notwithstanding any other provision of this act and for the 1997 tax year and each tax year after 1997, "taxable income" means taxable income as determined under section 30 and, except as otherwise provided, subsequently adjusted under this section.

(2) For the 1997 tax year and each tax year after 1997 and to the extent and for the duration provided in the Michigan renaissance zone act, Act No. 376 of the Public Acts of 1996, being sections 125.2681 to 125.2696 of the Michigan Compiled Laws, to determine taxable income, a qualified taxpayer may deduct, to the extent included in adjusted gross income, an amount equal to the sum of all of the following:

(a) Except as provided in subdivisions (b), (c), and (d), income earned or received during the period of time that the qualified taxpayer was a resident of a renaissance zone.

(b) Interest and dividends received in the tax year during the period that the qualified taxpayer was a resident of a renaissance zone.

(c) Capital gains received in the tax year prorated based on the percentage of time that the asset was held by the qualified taxpayer while the qualified taxpayer was a resident of the renaissance zone.

(d) Income received by the qualified taxpayer from winning an on-line lottery game sponsored by this state only if the date on which the drawing for that game was held was after the taxpayer became a resident of a renaissance zone and income received by the qualified taxpayer from winning an instant lottery game sponsored by this state only if the taxpayer was a resident of a renaissance zone on the validation date of the lottery ticket for that game.

(3) Income used to calculate a deduction under any other section of this act shall not be used to calculate a deduction under this section.

(4) If a qualified taxpayer completes the residency requirements under subsection (11)(d) before the end of the tax year in which the qualified taxpayer first resided in the renaissance zone, the qualified taxpayer may claim the deduction allowed under this section for that tax year. If the qualified taxpayer completes the residency requirements under subsection (11)(d) in a tax year subsequent to the tax year in which the qualified taxpayer first resided in the renaissance zone, the following apply:

(a) If the qualified taxpayer completes the residency requirement in a tax year subsequent to the tax year in which the taxpayer first resided in the renaissance zone and before the date for filing the annual return under this act for the tax year in which the taxpayer first resided in the renaissance zone, the taxpayer may claim the deduction allowed under this section for the tax year in which the taxpayer first resided in the renaissance zone.

(b) If the qualified taxpayer completes the residency requirement in a tax year subsequent to the tax year in which the taxpayer first resided in the renaissance zone and after the date for filing the annual return under this act for the tax year in which the taxpayer first resided in the renaissance zone, the taxpayer may claim the deduction allowed under this section for the tax year in which the residency requirement is completed on the annual return for the tax year in which the residency requirement is completed and may claim the deduction for the tax year in which the qualified taxpayer first resided in the renaissance zone by filing an amended return for the tax year in which the qualified taxpayer first resided in the renaissance zone.

(5) To be eligible for the deduction under this section, a taxpayer shall file an annual return under this act.

(6) A qualified taxpayer shall file a withholding form prescribed by the department with his or her employer within 10 days after the date the taxpayer completes the requirements under subsection (11)(d).

(7) If the department finds that a taxpayer has claimed a deduction under this section to which he or she is not entitled, the taxpayer is subject to the interest and penalty provisions under Act No. 122 of the Public Acts of 1941, being sections 205.1 to 205.31 of the Michigan Compiled Laws.

(8) Any portion of taxable income derived from illegal activity conducted anywhere shall not be used to calculate a deduction under this section.

(9) The net operating loss deduction allowed under section 30(1)(p) shall be calculated without regard to the deductions allowed under this section.

(10) If a taxpayer who was a qualified taxpayer during the tax year changes status and is not a qualified taxpayer or vice versa, income subject to tax under this act shall be determined separately for income in each status.

(11) As used in this section:

(a) "Domicile" means a place where a person has his or her true, fixed, and permanent home and principal establishment to which, whenever absent, he or she intends to return, and domicile continues until another permanent establishment is established.

(b) "Qualified taxpayer" means a taxpayer that is a resident of a renaissance zone and that has gross income not exceeding \$1,000,000.00 for any tax year for which the taxpayer claims a credit under this section.

(c) "Renaissance zone" means that term as defined in Act No. 376 of the Public Acts of 1996.

(d) "Resident" means an individual domiciled in an area that is designated a renaissance zone for a period of 183 consecutive days. A taxpayer may begin calculating the 183-day period during the 183 days immediately preceding the designation of the area as a renaissance zone. Resident includes the estate of an individual who was a resident of a renaissance zone at the time of death. After a taxpayer has completed the 183-day residency requirement under this subdivision, the taxpayer is considered to have been a resident of that renaissance zone beginning from the first day used to determine if the 183-day residency requirement has been met.

Sec. 365. (1) Every employer required by this act to deduct and withhold taxes for a tax year on compensation shall furnish to each employee on or before January 31 of the succeeding year a statement in duplicate of the total compensation paid during the tax year and the amount deducted or withheld, or, if employment is terminated before the close of a calendar year by an employer who goes out of business or permanently ceases to be an employer in this state, within 30 days after the last payment of compensation. A duplicate of a statement made pursuant to this section and an annual reconciliation return, MI-W3, shall be filed with the department by February 28 of the succeeding year except that an employer who goes out of business or permanently ceases to be an employer shall file the statement and the annual reconciliation return within 30 days after going out of business or permanently ceasing to be an employer.

(2) Every employer required by this act to deduct or withhold taxes from compensation shall make a return or report in form and content and at times as prescribed by the department.

(3) Every employee shall furnish to his or her employer information required for the employer to make an accurate withholding. An employee shall file with his or her employer revised information within 10 days after a decrease in the number of exemptions or a change in status from a nonresident to a resident. An employee shall file revised information with his or her employer within 10 days after the employee completes the residency requirements under section 31(11)(d), and when a change of status occurs from resident of a renaissance zone to nonresident of a renaissance zone.

Within 10 days after an employer receives revised information from an employee who completes the residency requirements under section 31(11)(d), the employer shall forward a copy of that revised information to the department. The employee may file revised information when the number of exemptions increases or when a change in status occurs from that of a resident of this state to a nonresident of this state. Revised information shall not be given retroactive effect for withholding purposes. An employer shall rely on this information for withholding purposes unless directed by the department to withhold on some other basis. If an employee fails or refuses to furnish information, the employer shall withhold the full rate of tax from the employee's total compensation. As used in this subsection, "renaissance zone" means a renaissance zone designated pursuant to the Michigan renaissance zone act, Act No. 376 of the Public Acts of 1996, being sections 125.2681 to 125.2696 of the Michigan Compiled Laws.

This act is ordered to take immediate effect.

Secretary of the Senate.

Clerk of the House of Representatives.

Approved -----

Governor.