

HOUSE BILL No. 4410

March 19, 2003, Introduced by Reps. Hart, Pumford and Minore 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 1999 PA 6; and
 to repeal acts and parts of acts.

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 upon the taxable income of every person other than a corporation
 4 a tax at the following rates in the following circumstances:

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

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

7 (c) For tax years that begin on and after January 1, 2000 and
 8 before January 1, 2002, ~~and on and after January 1, 2003,~~ the
 9 rate under section 51b. ~~, 51c, 51d, or 51e, as applicable.~~

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

1 before January 1, 2003, 4.1%.

2 (e) For tax years that begin on and after January 1, 2003 and
3 before January 1, 2005, 4.0%.

4 (f) For tax years that begin on and after January 1, 2005,
5 3.9%.

6 (2) The following percentages of the net revenues collected
7 under this section ~~and sections 51b, 51c, 51d, and 51e~~ shall be
8 deposited in the state school aid fund created in section 11 of
9 article IX of the state constitution of 1963:

10 (a) Beginning October 1, 1994 and before October 1, 1996,
11 14.4% of the gross collections before refunds from the tax levied
12 under this section.

13 (b) After September 30, 1996 and before January 1, 2000,
14 23.0% of the gross collections before refunds from the tax levied
15 under this section.

16 (c) 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
19 under this section. ~~or section 51b, 51c, 51d, or 51e, as~~
20 ~~applicable.~~

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

26 (4) The taxable income of a nonresident shall be computed in
27 the same manner that the taxable income of a resident is

1 computed, subject to the allocation and apportionment provisions
2 of this act.

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

15 (6) The taxable income of a resident who is required to
16 include income from a trust in his or her federal income tax
17 return under the provisions of subpart E of part I of subchapter
18 J of chapter 1 of the internal revenue code, 26 U.S.C. 671 to
19 679, shall include items of income and deductions from the trust
20 in taxable income to the extent required by this act with respect
21 to property owned outright.

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

27 (8) As used in this section: ~~and sections 51b, 51c, 51d, and~~

1 ~~51e:~~

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

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

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

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

10 (b) "Taxable income" means taxable income as defined in this
11 act subject to the applicable source and attribution rules
12 contained in this act.

13 Enacting section 1. Sections 51d and 51e of the income tax
14 act of 1967, 1967 PA 281, MCL 206.51d and 206.51e, are repealed.