

HOUSE BILL No. 5271

October 6, 2005, Introduced by Reps. Baxter, Gosselin, Steil, Huizenga, Hoogendyk, Elsenheimer, Amos and Drolet 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 upon
3 the taxable income of every person other than a corporation a tax
4 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 rate~~
9 ~~under section 51b, 51c, 51d, or 51e, as applicable~~ 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) FOR TAX YEARS THAT BEGIN ON AND AFTER JANUARY 1, 2003 AND
4 BEFORE JULY 1, 2004, 4.0%.

5 (F) FOR TAX YEARS THAT BEGIN ON AND AFTER JULY 1, 2004 AND
6 EXCEPT AS OTHERWISE PROVIDED IN SUBDIVISION (G), 3.9%.

7 (G) FOR TAX YEARS THAT BEGIN ON AND AFTER JANUARY 1, 2006, A
8 TAXPAYER MAY ELECT TO PAY ANY RATE THAT IS GREATER THAN 3.9% FOR A
9 TAX YEAR.

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

14 (a) Beginning October 1, 1994 and before October 1, 1996,
15 14.4% of the gross collections before refunds from the tax levied
16 under this section.

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

20 (c) Beginning January 1, 2000, that percentage of the gross
21 collections before refunds from the tax levied under this section
22 that is equal to 1.012% divided by the income tax rate levied under
23 this section. ~~or section 51b, 51c, 51d, or 51e, as applicable.~~

24 (3) The department shall annualize rates provided in
25 subsection (1) as necessary for tax years that end after April 30,
26 1994. The applicable annualized rate shall be imposed upon the
27 taxable income of every person other than a corporation for those

1 tax years.

2 (4) 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 act.

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

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

24 (7) 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

1 this act.

2 (8) As used in this section: ~~and sections 51b, 51c, 51d, and~~
3 ~~51e.~~

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

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

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

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

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

15 Enacting section 1. Sections 51c, 51d, and 51e of the income
16 tax act of 1967, 1967 PA 281, MCL 206.51c, 206.51d, and 206.51e,
17 are repealed.