

HOUSE BILL No. 4877

May 5, 2009, Introduced by Reps. McMillin, Rocca, Opsommer and Lori 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 2007 PA 94.

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, 4.2%.

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

1 (e) On and after January 1, 2003 and before July 1, 2004,
2 4.0%.

3 (f) On and after July 1, 2004 and before October 1, 2007,
4 3.9%.

5 (g) On and after October 1, 2007 and before October 1, ~~2011~~
6 2009, 4.35%.

7 **(H) ON AND AFTER OCTOBER 1, 2009, 4.25%.**

8 **(I)** ~~(h)~~ Beginning on October 1, 2011 and each October 1 after
9 2011, the maximum rate under this subsection shall be reduced by
10 0.1 each year until the rate is 3.95%.

11 **(J)** ~~(i)~~ On and after October 1, ~~2015-2014~~, 3.9%.

12 (2) The following percentages of the net revenues collected
13 under this section shall be deposited in the state school aid fund
14 created in section 11 of article IX of the state constitution of
15 1963:

16 (a) Beginning October 1, 1994 and before October 1, 1996,
17 14.4% of the gross collections before refunds from the tax levied
18 under this section.

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

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

26 (3) The department shall annualize rates provided in
27 subsection (1) as necessary for tax years that end after April 30,

1 1994. The applicable annualized rate shall be imposed upon the
2 taxable income of every person other than a corporation for those
3 tax years.

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

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

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

25 (7) It is the intention of this section that the income
26 subject to tax of every person other than corporations shall be
27 computed in like manner and be the same as provided in the internal

1 revenue code subject to adjustments specifically provided for in
2 this act.

3 (8) There is appropriated to the department of treasury for
4 the 2006-2007 state fiscal year the sum of \$100,000.00 to begin
5 implementing the requirements of the amendatory act that added this
6 subsection. Any portion of this amount under this section that is
7 not expended in the 2006-2007 state fiscal year shall not lapse to
8 the general fund but shall be carried forward in a work project
9 account that is in compliance with section 451a of the management
10 and budget act, 1984 PA 431, MCL 18.1451a, for the following state
11 fiscal year.

12 (9) As used in this section:

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

15 (i) A partner in a partnership as defined in the internal
16 revenue code.

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

19 (iii) An estate or trust as defined in the internal revenue
20 code.

21 (b) "Taxable income" means taxable income as defined in this
22 act subject to the applicable source and attribution rules
23 contained in this act.