

# HOUSE BILL No. 5122

October 25, 2011, Introduced by Reps. Hughes, Wayne Schmidt and Opsommer and referred to the Committee on Tax Policy.

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
(MCL 206.1 to 206.713) by adding section 31a.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1        SEC. 31A. (1) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT  
2        AND FOR THE 2012 TAX YEAR AND EACH TAX YEAR AFTER 2012, "TAXABLE  
3        INCOME" MEANS TAXABLE INCOME AS DETERMINED UNDER SECTION 30 AND,  
4        EXCEPT AS OTHERWISE PROVIDED, SUBSEQUENTLY ADJUSTED UNDER THIS  
5        SECTION.

6        (2) FOR THE 2012 TAX YEAR AND EACH TAX YEAR AFTER 2012 AND TO  
7        THE EXTENT AND FOR THE DURATION PROVIDED IN THE MICHIGAN  
8        RENAISSANCE ZONE ACT, 1996 PA 376, MCL 125.2681 TO 125.2696, TO  
9        DETERMINE TAXABLE INCOME, A QUALIFIED TAXPAYER MAY DEDUCT, TO THE  
10        EXTENT INCLUDED IN ADJUSTED GROSS INCOME, AN AMOUNT EQUAL TO THE  
11        SUM OF ALL OF THE FOLLOWING:

1 (A) EXCEPT AS PROVIDED IN SUBDIVISIONS (B), (C), AND (D),  
2 INCOME EARNED OR RECEIVED DURING THE PERIOD OF TIME THAT THE  
3 QUALIFIED TAXPAYER WAS A RESIDENT OF A RENAISSANCE ZONE.

4 (B) INTEREST AND DIVIDENDS RECEIVED IN THE TAX YEAR DURING THE  
5 PERIOD THAT THE QUALIFIED TAXPAYER WAS A RESIDENT OF A RENAISSANCE  
6 ZONE.

7 (C) CAPITAL GAINS RECEIVED IN THE TAX YEAR PRORATED BASED ON  
8 THE PERCENTAGE OF TIME THAT THE ASSET WAS HELD BY THE QUALIFIED  
9 TAXPAYER WHILE THE QUALIFIED TAXPAYER WAS A RESIDENT OF THE  
10 RENAISSANCE ZONE.

11 (D) INCOME RECEIVED BY THE QUALIFIED TAXPAYER FROM WINNING AN  
12 ON-LINE LOTTERY GAME SPONSORED BY THIS STATE ONLY IF THE DATE ON  
13 WHICH THE DRAWING FOR THAT GAME WAS HELD WAS AFTER THE TAXPAYER  
14 BECAME A RESIDENT OF A RENAISSANCE ZONE AND INCOME RECEIVED BY THE  
15 QUALIFIED TAXPAYER FROM WINNING AN INSTANT LOTTERY GAME SPONSORED  
16 BY THIS STATE ONLY IF THE TAXPAYER WAS A RESIDENT OF A RENAISSANCE  
17 ZONE ON THE VALIDATION DATE OF THE LOTTERY TICKET FOR THAT GAME.

18 (3) INCOME USED TO CALCULATE A DEDUCTION UNDER ANY OTHER  
19 SECTION OF THIS ACT SHALL NOT BE USED TO CALCULATE A DEDUCTION  
20 UNDER THIS SECTION.

21 (4) IF A QUALIFIED TAXPAYER COMPLETES THE RESIDENCY  
22 REQUIREMENTS UNDER SUBSECTION (11) (D) BEFORE JANUARY 1, 2012, THE  
23 QUALIFIED TAXPAYER MAY CLAIM THE DEDUCTION ALLOWED UNDER THIS  
24 SECTION.

25 (5) TO BE ELIGIBLE FOR THE DEDUCTION UNDER THIS SECTION, A  
26 TAXPAYER SHALL FILE AN ANNUAL RETURN UNDER THIS ACT.

27 (6) A QUALIFIED TAXPAYER SHALL FILE A WITHHOLDING FORM

1   PRESCRIBED BY THE DEPARTMENT WITH HIS OR HER EMPLOYER WITHIN 10  
2   DAYS AFTER THE DATE THE TAXPAYER COMPLETES THE REQUIREMENTS UNDER  
3   SUBSECTION (11) (D) .

4       (7) IF THE DEPARTMENT FINDS THAT A TAXPAYER HAS CLAIMED A  
5   DEDUCTION UNDER THIS SECTION TO WHICH HE OR SHE IS NOT ENTITLED,  
6   THE TAXPAYER IS SUBJECT TO THE INTEREST AND PENALTY PROVISIONS  
7   UNDER 1941 PA 122, MCL 205.1 TO 205.31.

8       (8) ANY PORTION OF TAXABLE INCOME DERIVED FROM ILLEGAL  
9   ACTIVITY CONDUCTED ANYWHERE SHALL NOT BE USED TO CALCULATE A  
10  DEDUCTION UNDER THIS SECTION.

11       (9) THE NET OPERATING LOSS DEDUCTION ALLOWED UNDER SECTION  
12  30(1) (N) SHALL BE CALCULATED WITHOUT REGARD TO THE DEDUCTIONS  
13  ALLOWED UNDER THIS SECTION.

14       (10) IF A TAXPAYER WHO WAS A QUALIFIED TAXPAYER DURING THE TAX  
15  YEAR CHANGES STATUS AND IS NOT A QUALIFIED TAXPAYER OR VICE VERSA,  
16  INCOME SUBJECT TO TAX UNDER THIS ACT SHALL BE DETERMINED SEPARATELY  
17  FOR INCOME IN EACH STATUS.

18       (11) AS USED IN THIS SECTION:

19       (A) "DOMICILE" MEANS A PLACE WHERE A PERSON HAS HIS OR HER  
20  TRUE, FIXED, AND PERMANENT HOME AND PRINCIPAL ESTABLISHMENT TO  
21  WHICH, WHENEVER ABSENT, HE OR SHE INTENDS TO RETURN, AND DOMICILE  
22  CONTINUES UNTIL ANOTHER PERMANENT ESTABLISHMENT IS ESTABLISHED.

23       (B) "QUALIFIED TAXPAYER" MEANS A TAXPAYER THAT IS A RESIDENT  
24  OF A RENAISSANCE ZONE BEFORE JANUARY 1, 2012 AND THAT HAS GROSS  
25  INCOME NOT EXCEEDING \$1,000,000.00 FOR ANY TAX YEAR FOR WHICH THE  
26  TAXPAYER CLAIMS A CREDIT UNDER THIS SECTION.

27       (C) "RENAISSANCE ZONE" MEANS THAT TERM AS DEFINED IN SECTION 3

1 OF THE MICHIGAN RENAISSANCE ZONE ACT, 1996 PA 376, MCL 125.2683.

2 (D) "RESIDENT" MEANS AN INDIVIDUAL DOMICILED IN AN AREA THAT  
3 IS DESIGNATED A RENAISSANCE ZONE FOR A PERIOD OF 183 CONSECUTIVE  
4 DAYS. A TAXPAYER MAY BEGIN CALCULATING THE 183-DAY PERIOD DURING  
5 THE 183 DAYS IMMEDIATELY PRECEDING THE DESIGNATION OF THE AREA AS A  
6 RENAISSANCE ZONE. RESIDENT INCLUDES THE ESTATE OF AN INDIVIDUAL WHO  
7 WAS A RESIDENT OF A RENAISSANCE ZONE AT THE TIME OF DEATH. AFTER A  
8 TAXPAYER HAS COMPLETED THE 183-DAY RESIDENCY REQUIREMENT UNDER THIS  
9 SUBDIVISION, THE TAXPAYER IS CONSIDERED TO HAVE BEEN A RESIDENT OF  
10 THAT RENAISSANCE ZONE BEGINNING FROM THE FIRST DAY USED TO  
11 DETERMINE IF THE 183-DAY RESIDENCY REQUIREMENT HAS BEEN MET.

12 Enacting section 1. This amendatory act takes effect January  
13 1, 2012.