

# SENATE BILL NO. 874

May 16, 2024, Introduced by Senator WEBBER and referred to the Committee on Finance, Insurance, and Consumer Protection.

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
by amending section 51 (MCL 206.51), as amended by 2023 PA 4.

**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 under this part upon the taxable income of every person other than  
4 a corporation a tax at the following rates in the following  
5 circumstances:

6           (a) On and after October 1, 2007 and before October 1, 2012,

1 4.35%.

2 (b) Except as otherwise provided under subdivision (c), on and  
3 after October 1, 2012, 4.25%.

4 (c) For each tax year beginning on and after January 1, 2023,  
5 if the percentage increase in the total general fund/general  
6 purpose revenue from the immediately preceding fiscal year is  
7 greater than the inflation rate for the same period and the  
8 inflation rate is positive, then the current rate shall be reduced  
9 by an amount determined by multiplying that rate by a fraction, the  
10 numerator of which is the difference between the total general  
11 fund/general purpose revenue from the immediately preceding state  
12 fiscal year and the capped general fund/general purpose revenue and  
13 the denominator of which is the total revenue collected from this  
14 part in the immediately preceding state fiscal year. For purposes  
15 of this subdivision only, the state treasurer, the director of the  
16 senate fiscal agency, and the director of the house fiscal agency  
17 shall determine whether the total revenue distributed to general  
18 fund/general purpose revenue has increased as required under this  
19 subdivision based on the comprehensive annual financial report  
20 prepared and published by the department of technology, management,  
21 and budget in accordance with section 23 of article IX of the state  
22 constitution of 1963. The state treasurer, the director of the  
23 senate fiscal agency, and the director of the house fiscal agency  
24 shall make the determination under this subdivision no later than  
25 the date of the January 2023 revenue estimating conference  
26 conducted pursuant to sections 367a through 367f of the management  
27 and budget act, 1984 PA 431, MCL 18.1367a to 18.1367f, and the date  
28 of each January revenue estimating conference conducted each year  
29 thereafter. As used in this subdivision:

1 (i) "Capped general fund/general purpose revenue" means the  
2 total general fund/general purpose revenue from the 2020-2021 state  
3 fiscal year multiplied by the sum of 1 plus the product of 1.425  
4 times the difference between a fraction, the numerator of which is  
5 the Consumer Price Index for the state fiscal year ending in the  
6 tax year prior to the tax year for which the adjustment is being  
7 made and the denominator of which is the Consumer Price Index for  
8 the 2020-2021 state fiscal year, and 1.

9 (ii) "Total general fund/general purpose revenue" means the  
10 total general fund/general purpose revenue and other financing  
11 sources as published in the comprehensive annual financial report  
12 schedule of revenue and other financing sources - general fund for  
13 that fiscal year plus any distribution made pursuant to section  
14 51d.

15 (2) Except as otherwise provided for December 1, 2018 through  
16 September 30, 2019, beginning January 1, 2000 through September 30,  
17 2023, that percentage of the gross collections before refunds from  
18 the tax levied under this section that is equal to 1.012% divided  
19 by the income tax rate levied under this section shall be deposited  
20 in the state school aid fund created in section 11 of article IX of  
21 the state constitution of 1963. For December 1, 2018 through  
22 September 30, 2019 only, that percentage of the gross collections  
23 before refunds from the tax levied under this section that is equal  
24 to 0.954% divided by the income tax rate levied under this section  
25 shall be deposited in the state school aid fund created in section  
26 11 of article IX of the state constitution of 1963. For October 1,  
27 2023 through September 30, 2024 only, that percentage of the gross  
28 collections before refunds from the tax levied under this section  
29 that is equal to 1.015% divided by the income tax rate levied under

1 this section shall be deposited in the state school aid fund  
2 created in section 11 of article IX of the state constitution of  
3 1963. For October 1, 2024 through September 30, 2025 only, that  
4 percentage of the gross collections before refunds from the tax  
5 levied under this section that is equal to 1.023% divided by the  
6 income tax rate levied under this section shall be deposited in the  
7 state school aid fund created in section 11 of article IX of the  
8 state constitution of 1963. For October 1, 2025 through September  
9 30, 2026 only, that percentage of the gross collections before  
10 refunds from the tax levied under this section that is equal to  
11 1.033% divided by the income tax rate levied under this section  
12 shall be deposited in the state school aid fund created in section  
13 11 of article IX of the state constitution of 1963. Beginning  
14 October 1, 2026, that percentage of the gross collections before  
15 refunds from the tax levied under this section that is equal to  
16 1.040% divided by the income tax rate levied under this section  
17 shall be deposited in the state school aid fund created in section  
18 11 of article IX of the state constitution of 1963.

19 (3) In addition to the distributions under subsections (2),  
20 ~~and (4)~~, **and (5)** and sections 51d, 51e, and 51f, beginning October  
21 1, 2016, from the revenue collected under this section an amount  
22 equal to 3.5% of the average amount of farmland tax credits claimed  
23 under section 36109 of the natural resources and environmental  
24 protection act, 1994 PA 451, MCL 324.36109, for the immediately  
25 preceding 3 state fiscal years shall be deposited into the  
26 agricultural preservation fund created in section 36202 of the  
27 natural resources and environmental protection act, 1994 PA 451,  
28 MCL 324.36202.

29 (4) In addition to the distributions under subsections (2),

1 ~~and~~ (3), **and (5)** and sections 51d, 51e, and 51f, and subject to the  
2 limitation under this subsection, beginning with the 2018-2019  
3 state fiscal year and each fiscal year thereafter, from the revenue  
4 collected under this section \$69,000,000.00 shall be deposited into  
5 the renew Michigan fund created in section 51g. However, if, in any  
6 1 of the 2018-2019 through the 2021-2022 state fiscal years, the  
7 minimum foundation allowance falls below the 2017-2018 minimum  
8 foundation allowance established under section 20 of the state  
9 school aid act of 1979, 1979 PA 94, MCL 388.1620, as amended by  
10 2017 PA 108, then no money shall be deposited into the renew  
11 Michigan fund pursuant to this subsection for that fiscal year.

12 **(5) Except as otherwise provided under this subsection, in**  
13 **addition to the distribution under subsections (2), (3), and (4)**  
14 **and sections 51d, 51e, and 51f, beginning October 1, 2024, each**  
15 **fiscal year, from the revenue collected from the tax levied under**  
16 **this section an amount equal to the sum of the total maintenance**  
17 **fees and asset-based fees charged for that fiscal year or**  
18 **\$300,000.00, whichever is greater, must be deposited in the MiABLE**  
19 **fund created in section 3a of the Michigan achieving a better life**  
20 **experience (ABLE) program act, 2015 PA 160, MCL 206.983a. For each**  
21 **fiscal year that begins after September 30, 2025, the state**  
22 **treasurer shall adjust the amount in this subsection by an amount**  
23 **determined by the state treasurer at the end of each calendar year**  
24 **to reflect the cumulative annual percentage change in the Consumer**  
25 **Price Index. For each fiscal year, if the cumulative annual**  
26 **percentage change in the Consumer Price Index is negative, then the**  
27 **adjustment for that fiscal year is zero. As used in this**  
28 **subsection:**

29 **(a) "Asset-based fees" means the administrative and service**

1 fees charged under section 3(7)(e) of the Michigan achieving a  
2 better life experience (ABLE) program act, 2015 PA 160, MCL  
3 206.983.

4 (b) "Maintenance fees" means the fees charged for opening or  
5 maintaining an account under section 3(6)(f) of the Michigan  
6 achieving a better life experience (ABLE) program act, 2015 PA 160,  
7 MCL 206.983.

8 (6) ~~(5)~~—The department shall annualize rates provided in  
9 subsection (1) as necessary. The applicable annualized rate shall  
10 be imposed upon the taxable income of every person other than a  
11 corporation for those tax years.

12 (7) ~~(6)~~—The taxable income of a nonresident shall be computed  
13 in the same manner that the taxable income of a resident is  
14 computed, subject to the allocation and apportionment provisions of  
15 this part.

16 (8) ~~(7)~~—A resident beneficiary of a trust whose taxable income  
17 includes all or part of an accumulation distribution by a trust, as  
18 defined in section 665 of the internal revenue code, shall be  
19 allowed a credit against the tax otherwise due under this part. The  
20 credit shall be all or a proportionate part of any tax paid by the  
21 trust under this part for any preceding taxable year that would not  
22 have been payable if the trust had in fact made distribution to its  
23 beneficiaries at the times and in the amounts specified in section  
24 666 of the internal revenue code. The credit shall not reduce the  
25 tax otherwise due from the beneficiary to an amount less than would  
26 have been due if the accumulation distribution were excluded from  
27 taxable income.

28 (9) ~~(8)~~—The taxable income of a resident who is required to  
29 include income from a trust in the resident's federal income tax

1 return under the provisions of 26 USC 671 to 679, shall include  
2 items of income and deductions from the trust in taxable income to  
3 the extent required by this part with respect to property owned  
4 outright.

5 **(10)** ~~(9)~~—It is the intention of this section that the income  
6 subject to tax of every person other than corporations shall be  
7 computed in like manner and be the same as provided in the internal  
8 revenue code subject to adjustments specifically provided for in  
9 this part.

10 **(11)** ~~(10)~~—As used in this section:

11 (a) "Consumer Price Index" means the United States Consumer  
12 Price Index for all urban consumers as defined and reported by the  
13 United States Department of Labor, Bureau of Labor Statistics.

14 (b) "Inflation rate" means the annual percentage change in the  
15 Consumer Price Index, as determined by the department, comparing  
16 the 2 most recent completed state fiscal years.

17 (c) "Person other than a corporation" means a resident or  
18 nonresident individual or any of the following:

19 (i) A partner in a partnership as defined in the internal  
20 revenue code.

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

23 (iii) An estate or trust as defined in the internal revenue  
24 code.

25 (d) "Taxable income" means taxable income as defined in this  
26 part subject to the applicable source and attribution rules  
27 contained in this part.

28 Enacting section 1. This amendatory act does not take effect  
29 unless Senate Bill No. 873 of the 102nd Legislature is enacted into

1 law.