

**SUBSTITUTE FOR  
HOUSE BILL NO. 4187**

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
by amending sections 623 and 695 (MCL 206.623 and 206.695), section  
623 as amended by 2021 PA 135 and section 695 as amended by 2023 PA  
4.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 623. (1) Except as otherwise provided in this part, there  
2 is levied and imposed a corporate income tax on every taxpayer with  
3 business activity within this state or ownership interest or  
4 beneficial interest in a flow-through entity that has business  
5 activity in this state unless prohibited by 15 USC 381 to 384. The  
6 corporate income tax is imposed on the corporate income tax base,  
7 after allocation or apportionment to this state, at the rate of



1 6.0%.

2 (2) The corporate income tax base means a taxpayer's business  
3 income subject to the following adjustments, before allocation or  
4 apportionment, and the adjustment in subsection (4) after  
5 allocation or apportionment:

6 (a) Add interest income and dividends derived from obligations  
7 or securities of states other than this state, in the same amount  
8 that was excluded from federal taxable income, less the related  
9 portion of expenses not deducted in computing federal taxable  
10 income because of sections 265 and 291 of the internal revenue  
11 code.

12 (b) Add all taxes on or measured by net income including the  
13 tax imposed under this part to the extent that the taxes were  
14 deducted in arriving at federal taxable income including any direct  
15 or indirect allocated share of taxes paid by a flow-through entity  
16 under part 4.

17 (c) Add any carryback or carryover of a net operating loss to  
18 the extent deducted in arriving at federal taxable income.

19 (d) To the extent included in federal taxable income, deduct  
20 dividends and royalties received from persons other than United  
21 States persons and foreign operating entities, including, but not  
22 limited to, amounts determined under section 78 of the internal  
23 revenue code or sections 951 to 965 of the internal revenue code.

24 (e) Except as otherwise provided under this subdivision, to  
25 the extent deducted in arriving at federal taxable income, add any  
26 royalty, interest, or other expense paid to a person related to the  
27 taxpayer by ownership or control for the use of an intangible asset  
28 if the person is not included in the taxpayer's unitary business  
29 group. The addition of any royalty, interest, or other expense



1 described under this subdivision is not required to be added if the  
2 taxpayer can demonstrate that the transaction has a nontax business  
3 purpose, is conducted with arm's-length pricing and rates and terms  
4 as applied in accordance with sections 482 and 1274(d) of the  
5 internal revenue code, and 1 of the following is true:

6 (i) The transaction is a pass through of another transaction  
7 between a third party and the related person with comparable rates  
8 and terms.

9 (ii) An addition would result in double taxation. For purposes  
10 of this subparagraph, double taxation exists if the transaction is  
11 subject to tax in another jurisdiction.

12 (iii) An addition would be unreasonable as determined by the  
13 state treasurer.

14 (iv) The related person recipient of the transaction is  
15 organized under the laws of a foreign nation ~~which~~**that** has in  
16 force a comprehensive income tax treaty with the United States.

17 (f) To the extent included in federal taxable income, deduct  
18 interest income derived from United States obligations.

19 (g) Eliminate all of the following:

20 (i) Income from producing oil and gas to the extent included in  
21 federal taxable income.

22 (ii) Expenses of producing oil and gas to the extent deducted  
23 in arriving at federal taxable income.

24 (h) For a qualified taxpayer, eliminate all of the following:

25 (i) Income derived from a mineral to the extent included in  
26 federal taxable income.

27 (ii) Expenses related to the income deductible under  
28 subparagraph (i) to the extent deducted in arriving at federal  
29 taxable income.



1 (3) For purposes of subsection (2), the business income of a  
 2 unitary business group is the sum of the business income of each  
 3 person included in the unitary business group less any items of  
 4 income and related deductions arising from transactions including  
 5 dividends between persons included in the unitary business group.

6 (4) Deduct any available business loss incurred after December  
 7 31, 2011. As used in this subsection, "business loss" means a  
 8 negative business income taxable amount after allocation or  
 9 apportionment. For purposes of this subsection, a taxpayer that  
 10 acquires the assets of another corporation in a transaction  
 11 described under section 381(a)(1) or (2) of the internal revenue  
 12 code may deduct any business loss attributable to that distributor  
 13 or transferor corporation. The business loss shall be carried  
 14 forward to the year immediately succeeding the loss year as an  
 15 offset to the allocated or apportioned corporate income tax base,  
 16 then successively to the next 9 taxable years following the loss  
 17 year or until the loss is used up, whichever occurs first.

18 (5) As used in this section, "oil and gas" means oil and gas  
 19 that is subject to severance tax under 1929 PA 48, MCL 205.301 to  
 20 205.317.

21 ~~Sec. 695. (1) Except as otherwise provided under this section,~~  
 22 ~~the revenue collected under this part shall be distributed to the~~  
 23 ~~general fund. If the amendatory act that added section 51h takes~~  
 24 ~~effect before April 18, 2023, then for the 2021-2022 state fiscal~~  
 25 ~~year only, from the tax levied under this part, \$800,000,000.00 of~~  
 26 ~~the revenue collected is appropriated and must be deposited into~~  
 27 ~~the state treasury to the credit of the Michigan taxpayer rebate~~  
 28 ~~fund created in section 51h, and the balance of the revenue~~  
 29 ~~collected under this part for that state fiscal year shall be~~



1 ~~deposited to the general fund.~~

2       **(1) (2)** Beginning with the 2022-2023 state fiscal year **and,**  
 3 **except as otherwise provided under this subsection,** through the  
 4 2024-2025 state fiscal year, from the tax levied under this part,  
 5 the revenue collected under this part ~~shall~~**must** be deposited in  
 6 the following manner:

7       (a) Up to \$1,200,000,000.00 to the general fund.

8       (b) ~~After~~**For the state fiscal years ending before October 1,**  
 9 **2024, after** the deposit under subdivision (a), up to  
 10 \$50,000,000.00, if available, to the Michigan housing and community  
 11 development fund created in section 58a of the state housing  
 12 development authority act of 1966, 1966 PA 346, MCL 125.1458a.

13       (c) ~~After~~**For the state fiscal years ending before October 1,**  
 14 **2024, after** the deposits under subdivisions (a) and (b), up to  
 15 \$50,000,000.00, if available, to the revitalization and placemaking  
 16 fund created in section 696.

17       (d) ~~After~~**For the state fiscal years ending before October 1,**  
 18 **2024, after** the deposits under subdivisions (a), (b), and (c), up  
 19 to \$500,000,000.00, if available, to the strategic outreach and  
 20 attraction reserve fund created in section 4 of the Michigan trust  
 21 fund act, 2000 PA 489, MCL 12.254.

22       (e) The balance of any revenue collected under this part after  
 23 the deposits under subdivisions (a), (b), (c), and (d), to the  
 24 general fund.

25       **(2) (3)** Beginning with the 2025-2026 state fiscal year **through**  
 26 **the 2029-2030 state fiscal year,** from the tax levied under this  
 27 part, ~~\$50,000,000.00~~ **up to \$2,200,000,000.00** of the revenue  
 28 collected under this part ~~shall~~**must** be deposited ~~to the Michigan~~  
 29 ~~housing and community development fund created in section 58a of~~



1 ~~the state housing development authority act of 1966, 1966 PA 346,~~  
 2 ~~MCL 125.1458a, and the balance of the revenue collected under this~~  
 3 ~~part for that state fiscal year shall be deposited in the following~~  
 4 ~~manner and the balance of any revenue after the following~~  
 5 ~~distributions to the general fund:~~

6 (a) Ninety percent to local road agencies as follows:

7 (i) 18.94% to the neighborhood roads fund created in section  
 8 13c of 1951 PA 51, MCL 247.663c.

9 (ii) 44.58% to the department of transportation for county road  
 10 commissions of this state. Funds distributed to county road  
 11 commissions under this subparagraph must be distributed among  
 12 county road commissions in accordance with section 12 of 1951 PA  
 13 51, MCL 247.662.

14 (iii) 36.48% to the department of transportation for cities and  
 15 villages of this state. Funds distributed to cities and villages  
 16 under this subparagraph must be distributed among cities and  
 17 villages in accordance with section 13 of 1951 PA 51, MCL 247.663.

18 (b) Ten percent to the state trunk line fund created in  
 19 section 11 of 1951 PA 51, MCL 247.661.

20 ~~to the general fund.~~

21 (3) Beginning with the 2030-2031 state fiscal year and each  
 22 subsequent state fiscal year, from the tax levied under this part,  
 23 up to \$2,200,000,000.00 of the revenue collected under this part  
 24 must be deposited in the following manner and the balance of any  
 25 revenue after the following distributions to the general fund:

26 (a) Ninety percent to local road agencies as follows:

27 (i) 13.89% to the neighborhood roads fund created in section  
 28 13c of 1951 PA 51, MCL 247.663c.

29 (ii) 47.36% to the department of transportation for county road



1 commissions of this state. Funds distributed to county road  
2 commissions under this subparagraph must be distributed among  
3 county road commissions in accordance with section 12 of 1951 PA  
4 51, MCL 247.662.

5 (iii) 38.75% to the department of transportation for cities and  
6 villages of this state. Funds distributed to cities and villages  
7 under this subparagraph must be distributed among cities and  
8 villages in accordance with section 13 of 1951 PA 51, MCL 247.663.

9 (b) Ten percent to the state trunk line fund created in  
10 section 11 of 1951 PA 51, MCL 247.661.

11 (4) As used in this section, "county road commissions" means  
12 that term as defined in section 10c of 1951 PA 51, MCL 247.660c.

13 Enacting section 1. This amendatory act does not take effect  
14 unless all of the following bills of the 103rd Legislature are  
15 enacted into law:

- 16 (a) House Bill No. 4180.  
17 (b) House Bill No. 4181.  
18 (c) House Bill No. 4182.  
19 (d) House Bill No. 4183.  
20 (e) House Bill No. 4184.  
21 (f) House Bill No. 4185.  
22 (g) House Bill No. 4186.  
23 (h) House Bill No. 4230.

