

**SUBSTITUTE FOR
SENATE BILL NO. 414**

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending section 51 (MCL 206.51), as amended by 2012 PA 223.

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) Before May 1, 1994, 4.6%.~~

7 ~~—— (b) After April 30, 1994 and before January 1, 2000, 4.4%.~~

8 ~~—— (c) For tax years that begin on and after January 1, 2000 and~~
9 ~~before January 1, 2002, 4.2%.~~

10 ~~—— (d) For tax years that begin on and after January 1, 2002 and~~

1 ~~before January 1, 2003, 4.1%.~~

2 ~~—— (e) On and after January 1, 2003 and before July 1, 2004,~~
3 ~~4.0%.~~

4 ~~—— (f) On and after July 1, 2004 and before October 1, 2007,~~
5 ~~3.9%.~~

6 (A) ~~(g)~~ On and after October 1, 2007 and before October 1,
7 2012, 4.35%.

8 (B) ~~(h) Beginning~~ EXCEPT AS OTHERWISE PROVIDED UNDER
9 SUBDIVISION (C), on and after October 1, 2012, 4.25%.

10 (C) FOR EACH TAX YEAR BEGINNING ON AND AFTER JANUARY 1, 2018,
11 IF THE PERCENTAGE INCREASE IN THE TOTAL GENERAL FUND/GENERAL
12 PURPOSE REVENUE FROM THE IMMEDIATELY PRECEDING FISCAL YEAR IS
13 GREATER THAN THE INFLATION RATE FOR THE SAME PERIOD AND THE
14 INFLATION RATE IS POSITIVE, THEN THE CURRENT RATE SHALL BE REDUCED
15 BY AN AMOUNT DETERMINED BY MULTIPLYING THAT RATE BY A FRACTION, THE
16 NUMERATOR OF WHICH IS THE DIFFERENCE BETWEEN THE TOTAL GENERAL
17 FUND/GENERAL PURPOSE REVENUE FROM THE IMMEDIATELY PRECEDING STATE
18 FISCAL YEAR AND THE CAPPED GENERAL FUND/GENERAL PURPOSE REVENUE AND
19 THE DENOMINATOR OF WHICH IS THE TOTAL REVENUE COLLECTED FROM THIS
20 PART IN THE IMMEDIATELY PRECEDING STATE FISCAL YEAR. FOR PURPOSES
21 OF THIS SUBDIVISION ONLY, THE STATE TREASURER, THE DIRECTOR OF THE
22 SENATE FISCAL AGENCY, AND THE DIRECTOR OF THE HOUSE FISCAL AGENCY
23 SHALL DETERMINE WHETHER THE TOTAL REVENUE DISTRIBUTED TO GENERAL
24 FUND/GENERAL PURPOSE REVENUE HAS INCREASED AS REQUIRED UNDER THIS
25 SUBDIVISION BASED ON THE COMPREHENSIVE ANNUAL FINANCIAL REPORT
26 PREPARED AND PUBLISHED BY THE DEPARTMENT OF TECHNOLOGY, MANAGEMENT,
27 AND BUDGET IN ACCORDANCE WITH SECTION 23 OF ARTICLE IX OF THE STATE

1 CONSTITUTION OF 1963. THE STATE TREASURER, THE DIRECTOR OF THE
2 SENATE FISCAL AGENCY, AND THE DIRECTOR OF THE HOUSE FISCAL AGENCY
3 SHALL MAKE THE DETERMINATION UNDER THIS SUBDIVISION NO LATER THAN
4 THE DATE OF THE JANUARY 2018 REVENUE ESTIMATING CONFERENCE
5 CONDUCTED PURSUANT TO SECTIONS 367A THROUGH 367F OF THE MANAGEMENT
6 AND BUDGET ACT, 1984 PA 431, MCL 18.1367A TO 18.1367F, AND THE DATE
7 OF EACH JANUARY REVENUE ESTIMATING CONFERENCE CONDUCTED EACH YEAR
8 THEREAFTER. AS USED IN THIS SUBDIVISION:

9 (i) "CAPPED GENERAL FUND/GENERAL PURPOSE REVENUE" MEANS THE
10 TOTAL GENERAL FUND/GENERAL PURPOSE REVENUE FROM THE STATE FISCAL
11 YEAR ENDING IN THE TAX YEAR 2 YEARS PRIOR TO THE TAX YEAR FOR WHICH
12 THE ADJUSTMENT IS BEING MADE MULTIPLIED BY A FRACTION, THE
13 NUMERATOR OF WHICH IS THE CONSUMER PRICE INDEX FOR THE STATE FISCAL
14 YEAR ENDING IN THE TAX YEAR PRIOR TO THE TAX YEAR FOR WHICH THE
15 ADJUSTMENT IS BEING MADE AND THE DENOMINATOR OF WHICH IS THE
16 CONSUMER PRICE INDEX FOR THE STATE FISCAL YEAR ENDING IN THE TAX
17 YEAR 2 YEARS PRIOR TO THE TAX YEAR FOR WHICH THE ADJUSTMENT IS
18 BEING MADE.

19 (ii) "TOTAL GENERAL FUND/GENERAL PURPOSE REVENUE" MEANS THE
20 TOTAL GENERAL FUND/GENERAL PURPOSE REVENUE AND OTHER FINANCING
21 SOURCES AS PUBLISHED IN THE COMPREHENSIVE ANNUAL FINANCIAL REPORT
22 SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES - GENERAL FUND FOR
23 THAT FISCAL YEAR.

24 ~~—— (2) The following percentages of the net revenues collected~~
25 ~~under this section shall be deposited in the state school aid fund~~
26 ~~created in section 11 of article IX of the state constitution of~~
27 ~~1963.~~

~~1 (a) Beginning October 1, 1994 and before October 1, 1996,~~
~~2 14.4% of the gross collections before refunds from the tax levied~~
~~3 under this section.~~

~~4 (b) After September 30, 1996 and before January 1, 2000, 23.0%~~
~~5 of the gross collections before refunds from the tax levied under~~
~~6 this section.~~

(2) ~~(c)~~ Beginning January 1, 2000, that percentage of the
gross collections before refunds from the tax levied under this
section that is equal to 1.012% divided by the income tax rate
levied under this section **SHALL BE DEPOSITED IN THE STATE SCHOOL**
AID FUND CREATED IN SECTION 11 OF ARTICLE IX OF THE STATE
CONSTITUTION OF 1963.

(3) IN ADDITION TO THE DISTRIBUTION UNDER SUBSECTION (2), THE
FOLLOWING AMOUNTS OF REVENUE COLLECTED UNDER THIS SECTION SHALL BE
DEPOSITED INTO THE STATE TREASURY TO THE CREDIT OF THE MICHIGAN
TRANSPORTATION FUND CREATED IN SECTION 10 OF 1951 PA 51, MCL
247.660, AND DISBURSED AS PROVIDED IN SECTION 10F OF 1951 PA 51,
MCL 247.660F:

(A) BEGINNING OCTOBER 1, 2016 THROUGH SEPTEMBER 30, 2017,
\$350,000,000.00.

(B) BEGINNING OCTOBER 1, 2017 AND EACH OCTOBER 1 THEREAFTER
THROUGH DECEMBER 31, 2032, \$700,000,000.00.

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

1 (5) ~~(4)~~—The taxable income of a nonresident shall be computed
2 in the same manner that the taxable income of a resident is
3 computed, subject to the allocation and apportionment provisions of
4 this part.

5 (6) ~~(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 part. The
9 credit shall be all or a proportionate part of any tax paid by the
10 trust under this part 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 (7) ~~(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 26 USC 671 to 679, shall include items of
20 income and deductions from the trust in taxable income to the
21 extent required by this part with respect to property owned
22 outright.

23 (8) ~~(7)~~—It is the intention of this section that the income
24 subject to tax of every person other than corporations shall be
25 computed in like manner and be the same as provided in the internal
26 revenue code subject to adjustments specifically provided for in
27 this part.

1 (9) ~~(8)~~—As used in this section:

2 (A) "CONSUMER PRICE INDEX" MEANS THE UNITED STATES CONSUMER
3 PRICE INDEX FOR ALL URBAN CONSUMERS AS DEFINED AND REPORTED BY THE
4 UNITED STATES DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS.

5 (B) "INFLATION RATE" MEANS THE ANNUAL PERCENTAGE CHANGE IN THE
6 CONSUMER PRICE INDEX, AS DETERMINED BY THE DEPARTMENT, COMPARING
7 THE 2 MOST RECENT COMPLETED STATE FISCAL YEARS.

8 (C) ~~(a)~~—"Person other than a corporation" means a resident or
9 nonresident individual or any of the following:

10 (i) A partner in a partnership as defined in the internal
11 revenue code.

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

14 (iii) An estate or trust as defined in the internal revenue
15 code.

16 (D) ~~(b)~~—"Taxable income" means taxable income as defined in
17 this part subject to the applicable source and attribution rules
18 contained in this part.

19 Enacting section 1. This amendatory act does not take effect
20 unless all of the following bills of the 98th Legislature are
21 enacted into law:

22 (a) House Bill No. 4612.

23 (b) House Bill No. 4613.

24 (c) House Bill No. 4614.

25 (d) House Bill No. 4615.

26 (e) House Bill No. 4616.

27 Enacting section 2. It is the intent of the legislature to

1 offset the fiscal impact on the state general fund resulting from
2 the earmark to the Michigan transportation fund under section 51(3)
3 of the income tax act of 1967, 1967 PA 281, MCL 206.51, by reducing
4 or cutting general fund expenditures in fiscal year 2016-2017 and
5 each fiscal year thereafter.