

HOUSE BILL No. 4014

January 27, 1987, Introduced by Rep. Bryant and referred to the Committee on Taxation.

A bill to amend sections 12 and 51 of Act No. 281 of the Public Acts of 1967, entitled "Income tax act of 1967," section 12 as amended by Act No. 283 of the Public Acts of 1984 and section 51 as amended by Act No. 16 of the Public Acts of 1986, being sections 206.12 and 206.51 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 12 and 51 of Act No. 281 of the Public
2 Acts of 1967, section 12 as amended by Act No. 283 of the Public
3 Acts of 1984 and section 51 as amended by Act No. 16 of the
4 Public Acts of 1986, being sections 206.12 and 206.51 of the
5 Michigan Compiled Laws, are amended to read as follows:

6 Sec. 12. (1) "Gross income" means gross income as defined
7 in the internal revenue code.

1 (2) "Internal revenue code" means the United States internal
2 revenue code in effect on ~~November 15, 1984~~ JANUARY 1, 1987, or
3 at the option of the taxpayer, in effect for the taxable year.

4 Sec. 51. (1) For receiving, earning, or otherwise acquiring
5 income from any source whatsoever, there is levied and imposed a
6 tax at the following rates for the following periods upon the
7 taxable income of every person, other than a corporation:

8 (a) Through March 31, 1982: 4.6%.

9 (b) From April 1, 1982 through September 30, 1982: 4.6%
10 plus a temporary emergency surcharge of 1% of the taxable income
11 of every person other than a corporation.

12 (c) From October 1, 1982 through December 31, 1982: 4.6%.

13 (d) From January 1, 1983 ~~and thereafter,~~ THROUGH
14 DECEMBER 31, 1986: 4.6% plus the additional rates specified in
15 subparagraphs (i) and (ii):

16 (i) The following additional rates shall apply for the fol-
17 lowing specified periods:

18 (A) From January 1, 1983 through December 31, 1983: 1.5%.

19 (B) From January 1, 1984 through August 31, 1984: 1.25%.

20 (C) From September 1, 1984 through March 31, 1986: 0.5%.

21 (ii) 0.25% until the first of the month following the month
22 in which the state treasurer makes the certification required by
23 subsection (10), or through September 30, 1986, whichever date is
24 earlier.

25 (E) FROM JANUARY 1, 1987 AND THEREAFTER, AT A RATE THAT
26 RESULTS IN THE SAME REVENUE TO THE STATE THAT THE RATE OF 4.6%
27 WOULD YIELD FOR THE TAX YEAR IF THE PROVISIONS OF THE INTERNAL

1 REVENUE CODE IN EFFECT ON NOVEMBER 15, 1984 WERE IN EFFECT FOR
2 THAT TAX YEAR.

3 (2) As used in this section, "taxable income" means taxable
4 income as defined in this act subject to the applicable source
5 and attribution rules contained in this act.

6 (3) As used in this section, a person other than a corpora-
7 tion means in addition to a resident or nonresident individual:

8 (a) A partner in a partnership as defined in the internal
9 revenue code.

10 (b) A beneficiary of an estate or a trust as defined in the
11 internal revenue code.

12 (c) An estate or trust as defined in the internal revenue
13 code.

14 (4) As used in this section, the taxable income of a nonres-
15 ident shall be computed in the same manner as in the case of a
16 resident, subject to the allocation and apportionment provisions
17 of this act.

18 (5) A resident beneficiary of a trust whose taxable income
19 includes all or part of an accumulation distribution by a trust,
20 as defined in section 665 of the internal revenue code, shall be
21 allowed a credit against the tax otherwise due under this act.
22 The credit shall be all or a proportionate part of any tax paid
23 by the trust under this act for any preceding taxable year which
24 would not have been payable if the trust had in fact made distri-
25 bution to its beneficiaries at the times and in the amounts spec-
26 ified in section 666 of the internal revenue code. The credit
27 shall not reduce the tax otherwise due from the beneficiary to an

1 amount less than would have been due if the accumulation
2 distribution were excluded taxable income.

3 (6) Taxable income of a nonresident who is a beneficiary of
4 a resident estate or trust shall not include the beneficiary's
5 share of estate or trust income.

6 (7) The taxable income of a resident who is required to
7 include income from a trust in his or her federal income tax
8 return under the provisions of subpart E of subchapter J of the
9 internal revenue code, sections 671 through 679, shall include
10 items of income and deductions from the trust in taxable income
11 to the extent required by this act with respect to property owned
12 outright.

13 (8) It is the intention of this section that the income
14 subject to tax of every person other than corporations shall be
15 computed in like manner and be the same as provided in the inter-
16 nal revenue code, subject to adjustments specifically provided
17 for in this act.

18 (9) The rates provided in subsection (1), as limited by sub-
19 section (11), shall be annualized as necessary by the department
20 for tax years that end after March 31, 1982 and then adjusted
21 pursuant to subsection (12). The applicable annualized rate
22 shall be imposed upon the taxable income of every person, other
23 than a corporation, for these tax years.

24 (10) The rate provided by subsection (1)(d)(ii) shall not
25 apply after the month in which the requirements of section 495 of
26 the management and budget act, Act No. 431 of the Public Acts of
27 1984, being section 18.1495 of the Michigan Compiled Laws, for

1 appropriation of collections deposited in the state accounting
2 and fiscal responsibility account have been met, as certified by
3 the state treasurer. The state treasurer shall make this certi-
4 fication on the date that the requirements of section 495 of the
5 management and budget act for appropriation of the collections
6 therein have been met.

7 (11) For any full calendar year in which the state sales and
8 use tax rates are set by law at greater than 4%, an additional
9 rate under subsection (1)(d)(i) shall not exceed a percentage
10 rate that would equal the difference between the rate effective
11 in that calendar year under subsection (1)(d)(i) without regard
12 to this subsection minus a percentage rate to be determined each
13 year by the department that would have produced the same collec-
14 tions under this act in the state fiscal year immediately preced-
15 ing the calendar year for which a rate limitation is being deter-
16 mined as produced or would have been produced from any portion of
17 state sales and use tax rates over 4% that was collected, or
18 would have been collected if effective, in the same state fiscal
19 year immediately preceding the calendar year for which this rate
20 limitation is being determined and that, for the calendar year
21 for which a rate limitation is being determined, are dedicated to
22 the general purpose account of the state general fund. However,
23 the rate limitation set by this subsection shall not be less than
24 4.6%.

25 (12) For the tax year ending December 31, 1986, the state
26 treasurer shall reduce the annualized tax rate by 0.025
27 percentage points for each \$20,000,000.00 that the combined

1 general fund/general purpose revenues for fiscal year 1985-86, as
2 reported in a report made by the director of the department of
3 management and budget, exceed by \$50,000,000.00 the 1985-86
4 fiscal year total general fund/general purpose appropriations
5 reduced by total general fund/general purpose lapses from appro-
6 priations for the 1985-86 fiscal year. For purposes of this sub-
7 section combined general fund/general purpose revenues for the
8 1985-86 fiscal year shall be the sum of the statutory general
9 fund/general purpose balance carried forward from fiscal year
10 1984-85 and general fund/general purpose revenue for fiscal year
11 1985-86. Any statutory general fund/general purpose balance car-
12 ried forward for fiscal year 1984-85 shall reflect the reporting
13 standards prescribed under section 494 of Act No. 431 of the
14 Public Acts of 1984, being section 18.1494 of the Michigan
15 Compiled Laws, for the state's comprehensive annual financial
16 report, except that the establishment of a capital outlay reserve
17 shall not offset any general fund balance for purposes of this
18 subsection. The annualized rate computed pursuant to this sub-
19 section shall not be less than the rate provided in
20 subsection (1)(a).