

HOUSE BILL No. 5503

February 12, 1992, Introduced by Rep. Gubow and referred to the Committee on Taxation.

A bill to amend section 3a of Act No. 301 of the Public Acts of 1939, entitled as amended

"An act to provide for the imposition and the collection of a specific tax upon the privilege of ownership of intangible personal property and on certain enterprises having possession of intangible personal property of another; to define owners of intangible personal property; to provide for the disposition of the proceeds thereof; to prescribe the powers and duties of the department of revenue with respect thereto; to prescribe penalties; to make an appropriation to carry out the provisions of this act; and to repeal all acts and parts of acts inconsistent with the provisions of this act,"

as added by Act No. 465 of the Public Acts of 1988, being section 205.133a of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 3a of Act No. 301 of the Public Acts of
2 1939, as added by Act No. 465 of the Public Acts of 1988, being
3 section 205.133a of the Michigan Compiled Laws, is amended to
4 read as follows:

1 Sec. 3a. (1) As used in this section:

2 (a) "S corporation" means a small business corporation, as
3 defined in section 1361 of the internal revenue code of 1986,
4 26 U.S.C. 1361, that has not terminated an election made under
5 section 1362 of the internal revenue code of 1986,
6 26 U.S.C. 1362.

7 (b) "Taxpayer's share of S corporation income" means the
8 taxpayer's pro rata share, as determined under section 1377(a) of
9 the internal revenue code OF 1986, 26 U.S.C. 1377, of the S
10 corporation's taxable income as computed under section 1363(b) of
11 the internal revenue code OF 1986, 26 U.S.C. 1363.

12 (2) A taxpayer who, with respect to an S corporation is
13 required to determine federal income tax liability based on
14 section 1366 of the internal revenue code OF 1986,
15 26 U.S.C. 1366, may claim a deduction from income equal to the
16 lesser of the amount includable as income due to a distribution
17 by an S corporation or 1 of the following amounts:

18 (a) For tax years ending in 1988, 10% of the taxpayer's
19 share of the S corporation income.

20 (b) For tax years ending in 1989, 15% of the taxpayer's
21 share of the S corporation income.

22 (c) For tax years ending after 1989, 20% of the taxpayer's
23 share of the S corporation income.

24 (3) FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 1990, UPON
25 ELECTION BY THE S CORPORATION AND ITS STOCKHOLDERS IN A TIME AND
26 MANNER PRESCRIBED BY THE REVENUE COMMISSIONER, FOR PURPOSES OF
27 DETERMINING "THE AMOUNT INCLUDABLE AS INCOME DUE TO A

1 DISTRIBUTION BY AN S CORPORATION" IN SUBSECTION (2),
2 DISTRIBUTIONS TO THE TAXPAYER FROM AN S CORPORATION ATTRIBUTABLE
3 TO A TAXABLE YEAR THAT WERE MADE AFTER THE END OF THE TAXABLE
4 YEAR BUT ON OR BEFORE THE DUE DATE FOR THE FILING OF THE
5 TAXPAYER'S ANNUAL RETURN FOR THAT TAXABLE YEAR, INCLUDING ANY
6 EXTENSIONS OF THE TAXPAYER'S TAX RETURN FILING DATE ALLOWED BY
7 THE REVENUE COMMISSIONER, SHALL BE CONSIDERED AS HAVING BEEN PAID
8 ON THE LAST DAY OF THE TAXABLE YEAR.