



HOUSE BILL No. 5667

June 22 1994, Introduced by Reps Kaza Bullard Walberg Whyman, Gustafson Profit Shugars, Rocca, Horton, Lowe Jersevic Voorhees Weeks, London, Goschka, McManus, Middleton Galloway Cropsey Kukuk Vorva Jaye and Jamian and referred to the Committee on Taxation

A bill to amend section 51 of Act No 281 of the Public Acts of 1967, entitled

"Income tax act of 1967,"

as amended by Act No 328 of the Public Acts of 1993, being section 206 51 of the Michigan Compiled Laws

THE PEOPLE OF THE STATE OF MICHIGAN ENACT

1 Section 1 Section 51 of Act No 281 of the Public Acts of
2 1967, as amended by Act No 328 of the Public Acts of 1993, being
3 section 206 51 of the Michigan Compiled Laws, is amended to read
4 as follows

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

1 (a) Before May 1, 1994, 4 6%

2 ~~(b) After April 30, 1994, if the sales tax is levied at a~~
 3 ~~rate of 4% under the general sales tax act, Act No 167 of the~~
 4 ~~Public Acts of 1933, being sections 205 51 to 205 78 of the~~
 5 ~~Michigan Compiled Laws, 4 6% plus an additional 1 4%~~

6 (B) ~~(c)~~ After April 30, 1994 AND BEFORE JANUARY 1 1995,
 7 ~~if the sales tax is levied at a rate of 6% under Act No 167 of~~
 8 ~~the Public Acts of 1933, 4 6% minus 0 2% 4 4%~~

9 (C) AFTER DECEMBER 31, 1994 AND BEFORE JANUARY 1 1996
 10 4 2%

11 (D) AFTER DECEMBER 31, 1995, 4 0%

12 (2) The following percentages of the net revenues collected
 13 under this section shall be deposited in the state school aid
 14 fund created in section 11 of article IX of the state constitu-
 15 tion of 1963

16 ~~(a) Beginning May 1, 1994, 100% of the gross collections~~
 17 ~~before refunds from the additional rate levied pursuant to sub-~~
 18 ~~section (1)(b) minus the amount of income tax over withholding~~
 19 ~~attributable to that additional rate~~

20 ~~(b) Beginning October 1, 1994, 10 5% of the gross collec-~~
 21 ~~tions before refunds from the tax levied at a rate of 4 6% if the~~
 22 ~~sales tax is levied at a rate of 4% under Act No 167 of the~~
 23 ~~Public Acts of 1933~~

24 (A) ~~(c)~~ Beginning FOR THE PERIOD BEGINNING October 1, 1994
 25 AND ENDING DECEMBER 31, 1994, 14 4% of the gross collections
 26 before refunds from the tax levied at a rate of 4 4% under

1 subsection ~~(1)(c) if the sales tax is levied at a rate of 6%~~
2 ~~under Act No 167 of the Public Acts of 1933~~ (1)(B)

3 (B) FOR THE PERIOD BEGINNING JANUARY 1, 1995 AND ENDING
4 DECEMBER 31, 1995, 15 1% OF THE GROSS COLLECTIONS BEFORE REFUNDS
5 FROM THE TAX LEVIED AT A RATE OF 4 2% UNDER SUBSECTION (1)(C)

6 (C) BEGINNING JANUARY 1, 1996, 15 8% OF THE GROSS COLLEC-
7 TIONS BEFORE REFUNDS FROM THE TAX LEVIED AT A RATE OF 4 0% UNDER
8 SUBSECTION(1)(D)

9 (3) The department shall annualize rates provided in subsec-
10 tion (1) as necessary for tax years that end after April 30,
11 1994 The applicable annualized rate shall be imposed upon the
12 taxable income of every person other than a corporation for those
13 tax years

14 (4) The taxable income of a nonresident shall be computed in
15 the same manner that the taxable income of a resident is comput-
16 ed, subject to the allocation and apportionment provisions of
17 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 that
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 from taxable income

3 (6) The taxable income of a resident who is required to
4 include income from a trust in his or her federal income tax
5 return under the provisions of subpart E of part I of subchapter
6 J of chapter 1 of the internal revenue code, 26 U S C 671 to
7 679, shall include items of income and deductions from the trust
8 in taxable income to the extent required by this act with respect
9 to property owned outright

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

15 (8) As used in this section

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

18 (1) A partner in a partnership as defined in the internal
19 revenue code

20 (11) A beneficiary of an estate or a trust as defined in the
21 internal revenue code

22 (111) An estate or trust as defined in the internal revenue
23 code

24 (b) "Taxable income" means taxable income as defined in this
25 act subject to the applicable source and attribution rules con-
26 tained in this act