



# HOUSE BILL No. 5180

October 3, 1995, Introduced by Reps. Bullard, Perricone, Profit, Jamian, Jersevic, Gustafson, Dobb, Hammerstrom, Jaye, Freeman, Yokich, Kaza, Kukuk, London, Walberg, Horton, Law, Rhead and Galloway and referred to the Committee on Tax Policy.

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, 1996,~~  
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, 1995, 4.1%.

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

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

18 ~~(b) Beginning October 1, 1994, 10.5% of the gross collec-~~  
19 ~~tions before refunds from the tax levied at a rate of 4.6% if the~~  
20 ~~sales tax is levied at a rate of 4% under Act No. 167 of the~~  
21 ~~Public Acts of 1933.~~

22 (2) ~~(c) Beginning~~ FROM THE NET REVENUES COLLECTED UNDER  
23 THIS ACT BEGINNING October 1, 1994, 14.4% of the gross collec-  
24 tions before refunds from the tax levied ~~at a rate of 4.4% under~~  
25 ~~subsection (1)(c) if the sales tax is levied at a rate of 6%~~  
26 ~~under Act No. 167 of the Public Acts of 1933~~ UNDER THIS SECTION

1 SHALL BE DEPOSITED IN THE STATE SCHOOL AID FUND CREATED IN  
2 SECTION 11 OF ARTICLE IX OF THE STATE CONSTITUTION OF 1963.

3 (3) The department shall annualize rates provided in subsec-  
4 tion (1) as necessary for tax years that end after April 30,  
5 1994. The applicable annualized rate shall be imposed upon the  
6 taxable income of every person other than a corporation for those  
7 tax years.

8 (4) The taxable income of a nonresident shall be computed in  
9 the same manner that the taxable income of a resident is ~~comput-~~  
10 ed, subject to the allocation and apportionment provisions of  
11 this act.

12 (5) A resident beneficiary of a trust whose taxable income  
13 includes all or part of an accumulation distribution by a trust,  
14 as defined in section 665 of the internal revenue code, ~~shall~~  
15 ~~be~~ IS allowed a credit against the tax otherwise due under this  
16 act. The credit ~~shall be~~ IS all or a proportionate part of any  
17 tax paid by the trust under this act for any preceding taxable  
18 year that would not have been payable if the trust had in fact  
19 made distribution to its beneficiaries at the times and in the  
20 amounts specified in section 666 of the internal revenue code.  
21 The credit shall not reduce the tax otherwise due from the bene-  
22 ficiary to an amount less than would have been due if the accumu-  
23 lation distribution were excluded from taxable income.

24 (6) The taxable income of a resident who is required to  
25 include income from a trust in his or her federal income tax  
26 return under the provisions of subpart E of part I of subchapter  
27 J of chapter 1 of the internal revenue code, 26 U.S.C. 671 to

1 679, shall include items of income and deductions from the trust  
2 in taxable income to the extent required by this act with respect  
3 to property owned outright.

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

9 (8) As used in this section:

10 (a) "Person other than a corporation" means a resident or  
11 nonresident individual or any of the following:

12 (i) A partner in a partnership as defined in the internal  
13 revenue code.

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

16 (iii) An estate or trust as defined in the internal revenue  
17 code.

18 (b) "Taxable income" means taxable income as defined in this  
19 act subject to the applicable source and attribution rules con-  
20 tained in this act.

21 Section 2. This amendatory act shall take effect January 1,  
22 1996.

23 Section 3. This amendatory act shall not take effect unless  
24 all of the following bills of the 88th Legislature are enacted  
25 into law:

26 (a) Senate Bill No. \_\_\_\_\_ or House Bill No. 5184

27 (request no. 05372'95 f \*).

1 (b) Senate Bill No. \_\_\_\_\_ or House Bill No. 5182  
2 (request no. 06142'95).

3 (c) Senate Bill No. \_\_\_\_\_ or House Bill No. 5183  
4 (request no. 06143'95).

5 (d) Senate Bill No. \_\_\_\_\_ or House Bill No. 5181  
6 (request no. 05372 '95).