



SENATE BILL No. 677

September 26, 1995, Introduced by Senators ROGERS, SCHUETTE, STEIL and SHUGARS and referred to the Committee on Finance.

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, if the sales tax is levied~~
7 ~~at a rate of 6% under Act No. 167 of the Public Acts of 1933,~~
8 ~~4.6% minus 0.2% 4.4%.~~

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

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

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

21 (2) ~~(c) Beginning~~ FROM THE NET REVENUES COLLECTED UNDER
22 THIS ACT, BEGINNING October 1, 1994, 14.4% of the gross collec-
23 tions before refunds from the tax levied at a rate of 4.4% ~~under~~
24 ~~subsection (1)(c) if the sales tax is levied at a rate of 6%~~
25 ~~under Act No. 167 of the Public Acts of 1933~~ SHALL BE DEPOSITED
26 IN THE STATE SCHOOL AID FUND CREATED IN SECTION 11 OF ARTICLE IX
27 OF THE STATE CONSTITUTION OF 1963.

1 (3) FROM THE NET REVENUES COLLECTED UNDER THIS ACT,
2 BEGINNING OCTOBER 1, 1996 AND ENDING SEPTEMBER 30, 1997, 5.2% OF
3 GROSS COLLECTIONS BEFORE REFUNDS SHALL BE DEPOSITED IN THE
4 MICHIGAN TRANSPORTATION FUND ESTABLISHED IN SECTION 10 OF ACT
5 NO. 51 OF THE PUBLIC ACTS OF 1951, BEING SECTION 247.660 OF THE
6 MICHIGAN COMPILED LAWS.

7 (4) ~~(3)~~ The department shall annualize rates provided in
8 subsection (1) as necessary for tax years that end after
9 April 30, 1994. The applicable annualized rate shall be imposed
10 upon the taxable income of every person other than a corporation
11 for those tax years.

12 (5) ~~(4)~~ The taxable income of a nonresident shall be com-
13 puted in the same manner that the taxable income of a resident is
14 computed, subject to the allocation and apportionment provisions
15 of this act.

16 (6) ~~(5)~~ A resident beneficiary of a trust whose taxable
17 income includes all or part of an accumulation distribution by a
18 trust, as defined in section 665 of the internal revenue code,
19 shall be allowed a credit against the tax otherwise due under
20 this act. The credit shall be all or a proportionate part of any
21 tax paid by the trust under this act for any preceding taxable
22 year that would not have been payable if the trust had in fact
23 made distribution to its beneficiaries at the times and in the
24 amounts specified in section 666 of the internal revenue code.
25 The credit shall not reduce the tax otherwise due from the bene-
26 ficiary to an amount less than would have been due if the
27 accumulation distribution were excluded from taxable income.

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

8 (8) ~~-(7)-~~ It is the intention of this section that the
9 income subject to tax of every person other than corporations
10 shall be computed in like manner and be the same as provided in
11 the internal revenue code subject to adjustments specifically
12 provided for in this act.

13 (9) ~~-(8)-~~ As used in this section:

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

16 (i) A partner in a partnership as defined in the internal
17 revenue code.

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

20 (iii) An estate or trust as defined in the internal revenue
21 code.

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