



# SENATE BILL No. 1157

September 18, 1996, Introduced by Senators BULLARD, SCHUETTE, VAN REGENMORTER, NORTH, ROGERS, CISKY, GOUGEON, STEIL, BENNETT, STILLE, GEAKE, BOUCHARD, SCHWARZ, HOFFMAN, DUNASKISS, CARL 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. 194 of the Public Acts of 1995, 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. 194 of the Public Acts of 1995, 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 AND BEFORE JANUARY 1, 1997, 4.4%.

3 (C) AFTER DECEMBER 31, 1996 AND BEFORE JANUARY 1, 1998,  
4 4.3%.

5 (D) AFTER DECEMBER 31, 1997 AND BEFORE JANUARY 1, 1999,  
6 4.2%.

7 (E) AFTER DECEMBER 31, 1998 AND BEFORE JANUARY 1, 2000,  
8 4.1%.

9 (F) AFTER DECEMBER 31, 1999 AND BEFORE JANUARY 1, 2001,  
10 4.0%.

11 (G) AFTER DECEMBER 31, 2000, 3.9%.

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 October 1, 1994 and before October 1, 1996,  
17 14.4% of the gross collections before refunds from the tax levied  
18 under this section.

19 (b) After September 30, 1996, 23.0% of the gross collections  
20 before refunds from the tax levied under this section.

21 (3) The department shall annualize rates provided in subsec-  
22 tion (1) as necessary for tax years that end after April 30,  
23 1994. The applicable annualized rate shall be imposed upon the  
24 taxable income of every person other than a corporation for those  
25 tax years.

26 (4) The taxable income of a nonresident shall be computed in  
27 the same manner that the taxable income of a resident is

1 computed, subject to the allocation and apportionment provisions  
2 of this act.

3 (5) A resident beneficiary of a trust whose taxable income  
4 includes all or part of an accumulation distribution by a trust,  
5 as defined in section 665 of the internal revenue code, shall be  
6 allowed a credit against the tax otherwise due under this act.  
7 The credit shall be all or a proportionate part of any tax paid  
8 by the trust under this act for any preceding taxable year that  
9 would not have been payable if the trust had in fact made distri-  
10 bution to its beneficiaries at the times and in the amounts spec-  
11 ified in section 666 of the internal revenue code. The credit  
12 shall not reduce the tax otherwise due from the beneficiary to an  
13 amount less than would have been due if the accumulation distri-  
14 bution were excluded from taxable income.

15 (6) The taxable income of a resident who is required to  
16 include income from a trust in his or her federal income tax  
17 return under the provisions of subpart E of part I of subchapter  
18 J of chapter 1 of the internal revenue code, 26 U.S.C. 671 to  
19 679, shall include items of income and deductions from the trust  
20 in taxable income to the extent required by this act with respect  
21 to property owned outright.

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

1 (8) As used in this section:

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

4 (i) A partner in a partnership as defined in the internal  
5 revenue code.

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

8 (iii) An estate or trust as defined in the internal revenue  
9 code.

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