

HOUSE BILL No. 4035

January 26, 1999, Introduced by Reps. Van Woerkom, Bisbee, Caul, Patterson, Koetje, Sanborn, Hager, Richardville, Howell, Julian, DeWeese, Pumford, Voorhees, Allen, Kuipers, Middaugh, Mead, Law, Vear, Faunce, Woronchak, Shackleton, Toy, Garcia, Mortimer, Jansen, Rick Johnson, Pappageorge, Hart, Cassis, Scranton, Birkholz, Raczkowski, Tabor and Bishop and referred to the Committee on Tax Policy.

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending section 51 (MCL 206.51), as amended by 1995 PA 194.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 51. (1) For receiving, earning, or otherwise acquiring
2 income from any source whatsoever, there is levied and imposed
3 upon the taxable income of every person other than a corporation
4 a tax at the following rates in the following circumstances:
5 (a) Before May 1, 1994, 4.6%.
6 (b) After April 30, 1994 AND BEFORE JANUARY 1, 2000, 4.4%.
7 (c) FOR TAX YEARS THAT BEGIN ON AND AFTER JANUARY 1, 2000,
8 THE RATE UNDER SECTION 51B, 51C, 51D, 51E, OR 51F, AS APPLICABLE.
9 (2) The following percentages of the net revenues collected
10 under this section AND SECTIONS 51B, 51C, 51D, 51E, AND 51F shall

1 be deposited in the state school aid fund created in section 11
2 of article IX of the state constitution of 1963:

3 (a) Beginning October 1, 1994 and before October 1, 1996,
4 14.4% of the gross collections before refunds from the tax levied
5 under this section.

6 (b) After September 30, 1996 AND BEFORE JANUARY 1, 2000,
7 23.0% of the gross collections before refunds from the tax levied
8 under this section.

9 (C) BEGINNING JANUARY 1, 2000, THAT PERCENTAGE OF THE GROSS
10 COLLECTIONS BEFORE REFUNDS FROM THE TAX LEVIED UNDER THIS SECTION
11 THAT IS EQUAL TO 1.012% DIVIDED BY THE INCOME TAX RATE LEVIED
12 UNDER THIS SECTION OR SECTION 51B, 51C, 51D, 51E, OR 51F AS
13 APPLICABLE, MULTIPLIED BY 100.

14 (3) The department shall annualize rates provided in subsec-
15 tion (1) as necessary for tax years that end after April 30,
16 1994. The applicable annualized rate shall be imposed upon the
17 taxable income of every person other than a corporation for those
18 tax years.

19 (4) The taxable income of a nonresident shall be computed in
20 the same manner that the taxable income of a resident is comput-
21 ed, subject to the allocation and apportionment provisions of
22 this act.

23 (5) A resident beneficiary of a trust whose taxable income
24 includes all or part of an accumulation distribution by a trust,
25 as defined in section 665 of the internal revenue code, shall be
26 allowed a credit against the tax otherwise due under this act.
27 The credit shall be all or a proportionate part of any tax paid

1 by the trust under this act for any preceding taxable year that
2 would not have been payable if the trust had in fact made distri-
3 bution to its beneficiaries at the times and in the amounts spec-
4 ified in section 666 of the internal revenue code. The credit
5 shall not reduce the tax otherwise due from the beneficiary to an
6 amount less than would have been due if the accumulation distri-
7 bution were excluded from taxable income.

8 (6) The taxable income of a resident who is required to
9 include income from a trust in his or her federal income tax
10 return under the provisions of subpart E of part I of subchapter
11 J of chapter 1 of the internal revenue code, 26 U.S.C. 671 to
12 679, shall include items of income and deductions from the trust
13 in taxable income to the extent required by this act with respect
14 to property owned outright.

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

20 (8) As used in this section AND SECTIONS 51B, 51C, 51D, 51E,
21 AND 51F:

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

24 (i) A partner in a partnership as defined in the internal
25 revenue code.

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

1 (iii) An estate or trust as defined in the internal revenue
2 code.

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

6 Enacting section 1. This amendatory act does not take
7 effect unless all of the following bills of the 90th Legislature
8 are enacted into law:

9 (a) Senate Bill No. _____ or House Bill No. _____ (request
10 no. 00202'99 *).

11 (b) Senate Bill No. _____ or House Bill No. _____ (request
12 no. 00265'99).

13 (c) Senate Bill No. _____ or House Bill No. _____ (request
14 no. 00266'99).

15 (d) Senate Bill No. _____ or House Bill No. _____ (request
16 no. 00267'99).

17 (e) Senate Bill No. _____ or House Bill No. _____ (request
18 no. 00268'99).