



# HOUSE BILL No. 5250

February 1, 2000, Introduced by Rep. Gilbert 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 1999 PA 6; and  
to repeal acts and parts of acts.

## 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 and before January 1, ~~2002 and on and after January 1, 2003, the~~  
9 ~~rate under section 51b, 51c, 51d, or 51e, as applicable~~ 2001,  
10 4.2%.

1 (d) For tax years that begin on and after January 1, ~~2002~~  
2 2001 and before January 1, ~~2003~~ 2002, 4.1%.

3 (E) FOR TAX YEARS THAT BEGIN ON AND AFTER JANUARY 1, 2002  
4 AND BEFORE JANUARY 1, 2003, 4.0%.

5 (F) FOR TAX YEARS THAT BEGIN ON AND AFTER JANUARY 1, 2003,  
6 3.9%.

7 (2) The following percentages of the net revenues collected  
8 under this section ~~and sections 51b, 51c, 51d, and 51e~~ shall be  
9 deposited in the state school aid fund created in section 11 of  
10 article IX of the state constitution of 1963:

11 (a) Beginning October 1, 1994 and before October 1, 1996,  
12 14.4% of the gross collections before refunds from the tax levied  
13 under this section.

14 (b) After September 30, 1996 and before January 1, 2000,  
15 23.0% of the gross collections before refunds from the tax levied  
16 under this section.

17 (c) Beginning January 1, 2000, that percentage of the gross  
18 collections before refunds from the tax levied under this section  
19 that is equal to 1.012% divided by the income tax rate levied  
20 under this section. ~~or section 51b, 51c, 51d, or 51e, as~~  
21 ~~applicable.~~

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

1       (4) The taxable income of a nonresident shall be computed in  
2 the same manner that the taxable income of a resident is  
3 computed, subject to the allocation and apportionment provisions  
4 of this act.

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

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

24       (7) It is the intention of this section that the income  
25 subject to tax of every person other than corporations shall be  
26 computed in like manner and be the same as provided in the

1 internal revenue code subject to adjustments specifically  
2 provided for in this act.

3 (8) As used in this section: ~~and sections 51b, 51c, 51d,~~  
4 ~~and 51e.~~

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

7 (i) A partner in a partnership as defined in the internal  
8 revenue code.

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

11 (iii) An estate or trust as defined in the internal revenue  
12 code.

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

16 Enacting section 1. Sections 51b, 51c, 51d, and 51e of the  
17 income tax act of 1967, 1967 PA 281, MCL 206.51b, 206.51c,  
18 206.51d, and 206.51e, are repealed.