

Act No. 6
Public Acts of 1999
Approved by the Governor
February 25, 1999
Filed with the Secretary of State
February 25, 1999
EFFECTIVE DATE: February 25, 1999

STATE OF MICHIGAN
90TH LEGISLATURE
REGULAR SESSION OF 1999

Introduced by Senators Goschka, Shugars, Steil, Rogers, Bennett, Sikkema, Stille, Van Regenmorter, Schuette, Gougeon, Jaye, Dunaskiss, Gast, Bullard, Hoffman, North, McCotter, McManus, Emmons, Schwarz and Hammerstrom

ENROLLED SENATE BILL No. 1

AN ACT to amend 1967 PA 281, entitled "An act to meet deficiencies in state funds by providing for the imposition, levy, computation, collection, assessment, and enforcement by lien and otherwise of taxes on or measured by net income; to prescribe the manner and time of making reports and paying the taxes, and the functions of public officers and others as to the taxes; to permit the inspection of the records of taxpayers; to provide for interest and penalties on unpaid taxes; to provide exemptions, credits and refunds of the taxes; to prescribe penalties for the violation of this act; to provide an appropriation; and to repeal certain acts and parts of acts," by amending section 51 (MCL 206.51), as amended by 1995 PA 194.

The People of the State of Michigan enact:

Sec. 51. (1) For receiving, earning, or otherwise acquiring income from any source whatsoever, there is levied and imposed upon the taxable income of every person other than a corporation a tax at the following rates in the following circumstances:

- (a) Before May 1, 1994, 4.6%.
- (b) After April 30, 1994 and before January 1, 2000, 4.4%.
- (c) For tax years that begin on and after January 1, 2000 and before January 1, 2002 and on and after January 1, 2003, the rate under section 51b, 51c, 51d, or 51e, as applicable.
- (d) For tax years that begin on and after January 1, 2002 and before January 1, 2003, 4.1%.

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

- (a) Beginning October 1, 1994 and before October 1, 1996, 14.4% of the gross collections before refunds from the tax levied under this section.
- (b) After September 30, 1996 and before January 1, 2000, 23.0% of the gross collections before refunds from the tax levied under this section.
- (c) Beginning January 1, 2000, that percentage of the gross collections before refunds from the tax levied under this section that is equal to 1.012% divided by the income tax rate levied under this section or section 51b, 51c, 51d, or 51e, as applicable.

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

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

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

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

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

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

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

- (i) A partner in a partnership as defined in the internal revenue code.
- (ii) A beneficiary of an estate or a trust as defined in the internal revenue code.
- (iii) An estate or trust as defined in the internal revenue code.

(b) "Taxable income" means taxable income as defined in this act subject to the applicable source and attribution rules contained in this act.

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

- (a) Senate Bill No. 2.
- (b) Senate Bill No. 5.
- (c) House Bill No. 4033.
- (d) House Bill No. 4034.
- (e) House Bill No. 4035.

This act is ordered to take immediate effect.

Carol Morey Viventi

Secretary of the Senate.

Jay E. Randall

Clerk of the House of Representatives.

Approved

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Governor.