

HOUSE BILL No. 5989

April 15, 2008, Introduced by Reps. Pavlov, Agema, Acciavatti, Meltzer, Rocca, Palmer, Opsommer, Emmons, Nitz, LaJoy, Moss, Stakoe, Hoogendyk, Horn, Knollenberg, Amos, Robertson, Hansen, Booher, Proos, Shaffer, Casperson, David Law, Brandenburg, Pastor, Steil, Caswell, Rick Jones, Stahl, Huizenga, Sheen, Moolenaar, Caul, Nofs, Moore, Hildenbrand, Schuitmaker, Calley, Meekhof, Hune, Walker, Palsrok and DeRoche 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 2007 PA 94.

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 upon
3 the taxable income of every person other than a corporation a tax
4 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 and
8 before January 1, 2002, 4.2%.

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

11 (e) On and after January 1, 2003 and before July 1, 2004,
12 4.0%.

1 (f) On and after July 1, 2004, ~~and before October 1, 2007,~~
2 3.9%.

3 ~~— (g) On and after October 1, 2007 and before October 1, 2011,~~
4 ~~4.35%.~~

5 ~~— (h) Beginning on October 1, 2011 and each October 1 after~~
6 ~~2011, the maximum rate under this subsection shall be reduced by~~
7 ~~0.1 each year until the rate is 3.95%.~~

8 ~~— (i) On and after October 1, 2015, 3.9%.~~

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

13 (a) Beginning October 1, 1994 and before October 1, 1996,
14 14.4% of the gross collections before refunds from the tax levied
15 under this section.

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

19 (c) Beginning January 1, 2000, that percentage of the gross
20 collections before refunds from the tax levied under this section
21 that is equal to 1.012% divided by the income tax rate levied under
22 this section.

23 (3) The department shall annualize rates provided in
24 subsection (1) as necessary for tax years that end after April 30,
25 1994. The applicable annualized rate shall be imposed upon the
26 taxable income of every person other than a corporation for those
27 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 computed,
3 subject to the allocation and apportionment provisions of this act.

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

16 (6) The taxable income of a resident who is required to
17 include income from a trust in his or her federal income tax return
18 under the provisions of 26 USC 671 to 679, shall include items of
19 income and deductions from the trust in taxable income to the
20 extent required by this act with respect to property owned
21 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 internal
25 revenue code subject to adjustments specifically provided for in
26 this act.

27 ~~— (8) There is appropriated to the department of treasury for~~

~~the 2006-2007 state fiscal year the sum of \$100,000.00 to begin implementing the requirements of the amendatory act that added this subsection. Any portion of this amount under this section that is not expended in the 2006-2007 state fiscal year shall not lapse to the general fund but shall be carried forward in a work project account that is in compliance with section 451a of the management and budget act, 1984 PA 431, MCL 18.1451a, for the following state fiscal year.~~

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

(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. Section 51 of the income tax act of 1967, 1967 PA 281, MCL 206.51, as amended by this amendatory act, is retroactive and is effective beginning October 1, 2007.