STATE OF MICHIGAN

96TH LEGISLATURE

REGULAR SESSION OF 2011

Introduced by Senators Hildenbrand and Hansen

ENROLLED SENATE BILL No. 748

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," (MCL 206.1 to 206.713) by adding section 31a.

The People of the State of Michigan enact:

Sec. 31a. (1) Notwithstanding any other provision of this act and for the 2012 tax year and each tax year after 2012, "taxable income" means taxable income as determined under section 30 and, except as otherwise provided, subsequently adjusted under this section.

(2) For the 2012 tax year and each tax year after 2012 and to the extent and for the duration provided in the Michigan renaissance zone act, 1996 PA 376, MCL 125.2681 to 125.2696, to determine taxable income, a qualified taxpayer may deduct, to the extent included in adjusted gross income, an amount equal to the sum of all of the following:

(a) Except as provided in subdivisions (b), (c), and (d), income earned or received during the period of time that the qualified taxpayer was a resident of a qualified renaissance zone.

(b) Interest and dividends received in the tax year during the period that the qualified taxpayer was a resident of a qualified renaissance zone.

(c) Capital gains received in the tax year prorated based on the percentage of time that the asset was held by the qualified taxpayer while the qualified taxpayer was a resident of the qualified renaissance zone.

(d) Income received by the qualified taxpayer from winning an on-line lottery game sponsored by this state only if the date on which the drawing for that game was held was after the taxpayer became a resident of a qualified renaissance zone and income received by the qualified taxpayer from winning an instant lottery game sponsored by this state only if the taxpayer was a resident of a qualified renaissance zone on the validation date of the lottery ticket for that game.

(3) Income used to calculate a deduction under any other section of this act shall not be used to calculate a deduction under this section.

(4) If a qualified taxpayer completes the residency requirements under subsection (11)(e), the qualified taxpayer may claim the deduction allowed under this section.

(5) To be eligible for the deduction under this section, a taxpayer shall file an annual return under this act.

(6) A qualified taxpayer shall file a withholding form prescribed by the department with his or her employer within 10 days after the date the taxpayer completes the requirements under subsection (11)(e).

(7) If the department finds that a taxpayer has claimed a deduction under this section to which he or she is not entitled, the taxpayer is subject to the interest and penalty provisions under 1941 PA 122, MCL 205.1 to 205.31.

(8) Any portion of taxable income derived from illegal activity conducted anywhere shall not be used to calculate a deduction under this section.

(9) The net operating loss deduction allowed under section 30(1)(n) shall be calculated without regard to the deductions allowed under this section.

(10) If a taxpayer who was a qualified taxpayer during the tax year changes status and is not a qualified taxpayer or vice versa, income subject to tax under this act shall be determined separately for income in each status.

(11) As used in this section:

(a) "Domicile" means a place where a person has his or her true, fixed, and permanent home and principal establishment to which, whenever absent, he or she intends to return, and domicile continues until another permanent establishment is established.

(b) "Qualified renaissance zone" means only those geographic areas in a renaissance zone that were designated as a renaissance zone under the Michigan renaissance zone act, 1996 PA 376, MCL 125.2681 to 125.2696, before January 1, 2012. A qualified renaissance zone does not include any portion of a renaissance zone for which an extension or renewal is approved after December 31, 2011.

(c) "Qualified taxpayer" means a taxpayer that is a resident of a qualified renaissance zone and that has gross income not exceeding $1,000,000.00 for any tax year for which the taxpayer claims a credit under this section.

(d) "Renaissance zone" means that term as defined in section 3 of the Michigan renaissance zone act, 1996 PA 376, MCL 125.2683.

(e) "Resident" means an individual domiciled in an area that is a qualified renaissance zone for a period of 183 consecutive days. A taxpayer may begin calculating the 183-day period during the 183 days immediately preceding the designation of the area as a qualified renaissance zone. Resident includes the estate of an individual who was a resident of a qualified renaissance zone at the time of death. After a taxpayer has completed the 183-day residency requirement under this subdivision, the taxpayer is considered to have been a resident of that qualified renaissance zone beginning from the first day used to determine if the 183-day residency requirement has been met.

Enacting section 1. This amendatory act takes effect January 1, 2012.

Enacting section 2. This amendatory act does not take effect unless House Bill No. 5157 of the 96th Legislature is enacted into law.

This act is ordered to take immediate effect.

Carol Morey Viventi

Secretary of the Senate

Gary E Randall

Clerk of the House of Representatives

Approved _____

Governor