

HOUSE BILL No. 5874

October 1, 2014, Introduced by Rep. Abed and referred to the Committee on Tax Policy.

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
(MCL 206.1 to 206.713) by adding section 672.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 672. (1) FOR TAX YEARS BEGINNING ON AND AFTER JANUARY 1,
2 2013, A QUALIFIED TAXPAYER MAY CLAIM A CREDIT AGAINST THE TAX
3 IMPOSED BY THIS ACT FOR EACH QUALIFIED EMPLOYEE DURING THE TAX YEAR
4 OF AN AMOUNT EQUAL TO 20% OF THE COMPENSATION PAID BY THE QUALIFIED
5 TAXPAYER TO THE QUALIFIED EMPLOYEE DURING THE TAX YEAR OR
6 \$3,000.00, WHICHEVER IS LESS.

7 (2) IF THE CREDIT ALLOWED UNDER THIS SECTION FOR THE TAX YEAR
8 AND ANY UNUSED CARRYFORWARD OF THE CREDIT ALLOWED UNDER THIS
9 SECTION EXCEED THE TAX LIABILITY OF THE QUALIFIED TAXPAYER FOR THE

1 TAX YEAR, THE EXCESS SHALL NOT BE REFUNDED, BUT MAY BE CARRIED
2 FORWARD AS AN OFFSET TO THE TAX LIABILITY IN SUBSEQUENT TAX YEARS
3 FOR 5 TAX YEARS OR UNTIL THE EXCESS CREDIT IS USED UP, WHICHEVER
4 OCCURS FIRST.

5 (3) IF A TAXPAYER TERMINATES THE EMPLOYMENT OF A QUALIFIED
6 EMPLOYEE FOR WHICH A CREDIT UNDER THIS SECTION WAS CLAIMED WITHIN 1
7 YEAR AFTER THE TAXPAYER HIRED THAT EMPLOYEE, THE DEPARTMENT MAY
8 REDUCE, TERMINATE, OR HAVE A PERCENTAGE OF THE AMOUNT OF THE CREDIT
9 ALREADY CLAIMED UNDER THIS SECTION ADDED BACK TO THE TAX LIABILITY
10 OF THE TAXPAYER IN THE TAX YEAR THAT THE TAXPAYER TERMINATED THAT
11 EMPLOYEE.

12 (4) FOR PURPOSES OF THIS SECTION, TAXPAYER INCLUDES A
13 FINANCIAL INSTITUTION AND AN INSURANCE COMPANY.

14 (5) AS USED IN THIS SECTION:

15 (A) "COMPENSATION" MEANS ALL WAGES, SALARIES, FEES, BONUSES,
16 COMMISSIONS, AND OTHER PAYMENTS MADE IN THE TAX YEAR ON BEHALF OF
17 OR FOR THE BENEFIT OF EMPLOYEES, OFFICERS, OR DIRECTORS OF THE
18 TAXPAYERS. COMPENSATION INCLUDES, BUT IS NOT LIMITED TO, PAYMENTS
19 THAT ARE SUBJECT TO OR SPECIFICALLY EXEMPT OR EXCEPTED FROM
20 WITHHOLDING UNDER SECTIONS 3401 TO 3406 OF THE INTERNAL REVENUE
21 CODE. COMPENSATION ALSO INCLUDES, ON A CASH OR ACCRUAL BASIS
22 CONSISTENT WITH THE TAXPAYER'S METHOD OF ACCOUNTING FOR FEDERAL
23 INCOME TAX PURPOSES, PAYMENTS TO A PENSION, RETIREMENT, OR PROFIT
24 SHARING PLAN OTHER THAN THOSE PAYMENTS ATTRIBUTABLE TO UNFUNDED
25 ACCRUED ACTUARIAL LIABILITIES, AND PAYMENTS FOR INSURANCE FOR WHICH
26 EMPLOYEES ARE THE BENEFICIARIES, INCLUDING PAYMENTS UNDER HEALTH
27 AND WELFARE AND NONINSURED BENEFIT PLANS AND PAYMENT OF FEES FOR

1 THE ADMINISTRATION OF HEALTH AND WELFARE AND NONINSURED BENEFIT
2 PLANS. COMPENSATION DOES NOT INCLUDE ANY OF THE FOLLOWING:

3 (i) DISCOUNTS ON THE PRICE OF THE TAXPAYER'S MERCHANDISE OR
4 SERVICES SOLD TO THE TAXPAYER'S EMPLOYEES, OFFICERS, OR DIRECTORS
5 THAT ARE NOT AVAILABLE TO OTHER CUSTOMERS.

6 (ii) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, PAYMENTS
7 TO AN INDEPENDENT CONTRACTOR.

8 (iii) PAYMENTS TO STATE AND FEDERAL UNEMPLOYMENT COMPENSATION
9 FUNDS.

10 (iv) THE EMPLOYER'S PORTION OF PAYMENTS UNDER THE FEDERAL
11 INSURANCE CONTRIBUTIONS ACT, 26 USC 3101 TO 3128, THE RAILROAD
12 RETIREMENT TAX ACT, 26 USC 3201 TO 3241, AND SIMILAR SOCIAL
13 INSURANCE PROGRAMS.

14 (v) PAYMENTS, INCLUDING SELF-INSURANCE PAYMENTS, FOR WORKER'S
15 COMPENSATION INSURANCE OR FEDERAL EMPLOYERS' LIABILITY ACT
16 INSURANCE PURSUANT TO 45 USC 51 TO 60.

17 (B) "DEPENDENT" MEANS THAT TERM AS DEFINED IN SECTION 152 OF
18 THE INTERNAL REVENUE CODE.

19 (C) "FULL-TIME JOB" MEANS A JOB PERFORMED BY AN INDIVIDUAL FOR
20 35 HOURS OR MORE EACH WEEK AND WHOSE INCOME AND SOCIAL SECURITY
21 TAXES ARE WITHHELD FROM THE WAGES EARNED BY THAT INDIVIDUAL FOR
22 PERFORMING THE JOB.

23 (D) "QUALIFIED EMPLOYEE" MEANS ANY INDIVIDUAL WHO SATISFIES
24 EACH OF THE FOLLOWING:

25 (i) IS CURRENTLY UNEMPLOYED AND CERTIFIES BY SIGNED AFFIDAVIT
26 THAT HE OR SHE HAS NOT HELD A FULL-TIME JOB DURING THE IMMEDIATELY
27 PRECEDING 60-DAY PERIOD BEFORE THE DATE THAT HE OR SHE BEGAN

1 EMPLOYMENT WITH THE QUALIFIED TAXPAYER.

2 (ii) IS NOT EMPLOYED BY THE QUALIFIED TAXPAYER TO REPLACE
3 ANOTHER EMPLOYEE OF THAT QUALIFIED TAXPAYER UNLESS THAT OTHER
4 EMPLOYEE SEPARATED FROM EMPLOYMENT VOLUNTARILY OR FOR CAUSE.

5 (iii) IS NOT A RELATIVE OR DEPENDENT OF AN INDIVIDUAL WHO OWNS,
6 DIRECTLY OR INDIRECTLY, MORE THAN 50% IN VALUE OF THE OUTSTANDING
7 STOCK OF THE QUALIFIED TAXPAYER, OR IF THE QUALIFIED TAXPAYER IS AN
8 ENTITY OTHER THAN A CORPORATION, IS NOT A RELATIVE OR DEPENDENT TO
9 ANY INDIVIDUAL WHO OWNS, DIRECTLY OR INDIRECTLY, MORE THAN 50% OF
10 THE CAPITAL AND PROFITS INTERESTS IN THE ENTITY.

11 (E) "QUALIFIED TAXPAYER" MEANS A TAXPAYER THAT IS AN EMPLOYER
12 THAT EMPLOYS FEWER THAN 100 FULL-TIME EMPLOYEES.

13 (F) "RELATIVE" MEANS AN INDIVIDUAL WHO BEARS A RELATIONSHIP
14 DESCRIBED IN SECTION 152(D)(2)(A) THROUGH (H) OF THE INTERNAL
15 REVENUE CODE TO THE QUALIFIED EMPLOYER.

16 (G) "UNEMPLOYED" MEANS AN INDIVIDUAL WHO IS WITHOUT A JOB AND
17 WHO WANTS AND IS AVAILABLE FOR WORK. FOR PURPOSES OF THIS SECTION,
18 AN INDIVIDUAL WHO IS RETIRED OR RECEIVING A PENSION, OR BOTH, IS
19 CONSIDERED UNEMPLOYED IF HE OR SHE DOES NOT HAVE A JOB, HAS
20 ACTIVELY LOOKED FOR WORK IN THE PRIOR 4 WEEKS, AND IS CURRENTLY
21 AVAILABLE AND ABLE TO WORK.