

HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 414

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
by amending section 51 (MCL 206.51), as amended by 2012 PA 223.

**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 under this part upon the taxable income of every person other than  
4 a corporation a tax at the following rates in the following  
5 circumstances:

6       ~~—— (a) Before May 1, 1994, 4.6%.~~

7       ~~—— (b) After April 30, 1994 and before January 1, 2000, 4.4%.~~

8       ~~—— (c) For tax years that begin on and after January 1, 2000 and~~  
9 ~~before January 1, 2002, 4.2%.~~

10       ~~—— (d) For tax years that begin on and after January 1, 2002 and~~

1 ~~before January 1, 2003, 4.1%.~~

2 ~~—— (e) On and after January 1, 2003 and before July 1, 2004,~~  
3 ~~4.0%.~~

4 ~~—— (f) On and after July 1, 2004 and before October 1, 2007,~~  
5 ~~3.9%.~~

6 (A) ~~(g)~~ On and after October 1, 2007 and before October 1,  
7 2012, 4.35%.

8 (B) ~~(h) Beginning~~ EXCEPT AS OTHERWISE PROVIDED UNDER  
9 SUBDIVISION (C), on and after October 1, 2012, 4.25%.

10 (C) FOR EACH TAX YEAR BEGINNING ON AND AFTER JANUARY 1, 2019,  
11 IF THE PERCENTAGE INCREASE IN THE TOTAL GENERAL FUND/GENERAL  
12 PURPOSE REVENUE FROM THE IMMEDIATELY PRECEDING FISCAL YEAR IS  
13 GREATER THAN THE INFLATION RATE FOR THE SAME PERIOD AND THE  
14 INFLATION RATE IS POSITIVE, THEN THE CURRENT RATE SHALL BE REDUCED  
15 BY AN AMOUNT DETERMINED BY MULTIPLYING THAT RATE BY A FRACTION, THE  
16 NUMERATOR OF WHICH IS THE DIFFERENCE BETWEEN THE TOTAL GENERAL  
17 FUND/GENERAL PURPOSE REVENUE FROM THE IMMEDIATELY PRECEDING STATE  
18 FISCAL YEAR AND THE CAPPED GENERAL FUND/GENERAL PURPOSE REVENUE AND  
19 THE DENOMINATOR OF WHICH IS THE TOTAL REVENUE COLLECTED FROM THIS  
20 PART IN THE IMMEDIATELY PRECEDING STATE FISCAL YEAR. FOR PURPOSES  
21 OF THIS SUBDIVISION ONLY, THE STATE TREASURER, THE DIRECTOR OF THE  
22 SENATE FISCAL AGENCY, AND THE DIRECTOR OF THE HOUSE FISCAL AGENCY  
23 SHALL DETERMINE WHETHER THE TOTAL REVENUE DISTRIBUTED TO GENERAL  
24 FUND/GENERAL PURPOSE REVENUE HAS INCREASED AS REQUIRED UNDER THIS  
25 SUBDIVISION BASED ON THE COMPREHENSIVE ANNUAL FINANCIAL REPORT  
26 PREPARED AND PUBLISHED BY THE DEPARTMENT OF TECHNOLOGY, MANAGEMENT,  
27 AND BUDGET IN ACCORDANCE WITH SECTION 23 OF ARTICLE IX OF THE STATE

1 CONSTITUTION OF 1963. THE STATE TREASURER, THE DIRECTOR OF THE  
 2 SENATE FISCAL AGENCY, AND THE DIRECTOR OF THE HOUSE FISCAL AGENCY  
 3 SHALL MAKE THE DETERMINATION UNDER THIS SUBDIVISION NO LATER THAN  
 4 THE DATE OF THE JANUARY 2019 REVENUE ESTIMATING CONFERENCE  
 5 CONDUCTED PURSUANT TO SECTIONS 367A THROUGH 367F OF THE MANAGEMENT  
 6 AND BUDGET ACT, 1984 PA 431, MCL 18.1367A TO 18.1367F, AND THE DATE  
 7 OF EACH JANUARY REVENUE ESTIMATING CONFERENCE CONDUCTED EACH YEAR  
 8 THEREAFTER. AS USED IN THIS SUBDIVISION:

9 (i) "CAPPED GENERAL FUND/GENERAL PURPOSE REVENUE" MEANS THE  
 10 TOTAL GENERAL FUND/GENERAL PURPOSE REVENUE FROM THE STATE FISCAL  
 11 YEAR ENDING IN THE TAX YEAR 2 YEARS PRIOR TO THE TAX YEAR FOR WHICH  
 12 THE ADJUSTMENT IS BEING MADE MULTIPLIED BY A FRACTION, THE  
 13 NUMERATOR OF WHICH IS THE CONSUMER PRICE INDEX FOR THE STATE FISCAL  
 14 YEAR ENDING IN THE TAX YEAR PRIOR TO THE TAX YEAR FOR WHICH THE  
 15 ADJUSTMENT IS BEING MADE AND THE DENOMINATOR OF WHICH IS THE  
 16 CONSUMER PRICE INDEX FOR THE STATE FISCAL YEAR ENDING IN THE TAX  
 17 YEAR 2 YEARS PRIOR TO THE TAX YEAR FOR WHICH THE ADJUSTMENT IS  
 18 BEING MADE.

19 (ii) "TOTAL GENERAL FUND/GENERAL PURPOSE REVENUE" MEANS THE  
 20 TOTAL GENERAL FUND/GENERAL PURPOSE REVENUE AND OTHER FINANCING  
 21 SOURCES AS PUBLISHED IN THE COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 22 SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES - GENERAL FUND FOR  
 23 THAT FISCAL YEAR.

24 ~~—— (2) The following percentages of the net revenues collected~~  
 25 ~~under this section shall be deposited in the state school aid fund~~  
 26 ~~created in section 11 of article IX of the state constitution of~~  
 27 ~~1963.~~

~~1 (a) Beginning October 1, 1994 and before October 1, 1996,~~  
~~2 14.4% of the gross collections before refunds from the tax levied~~  
~~3 under this section.~~

~~4 (b) After September 30, 1996 and before January 1, 2000, 23.0%~~  
~~5 of the gross collections before refunds from the tax levied under~~  
~~6 this section.~~

7 (2) ~~(e)~~ Beginning January 1, 2000, that percentage of the  
8 gross collections before refunds from the tax levied under this  
9 section that is equal to 1.012% divided by the income tax rate  
10 levied under this section **SHALL BE DEPOSITED IN THE STATE SCHOOL**  
11 **AID FUND CREATED IN SECTION 11 OF ARTICLE IX OF THE STATE**  
12 **CONSTITUTION OF 1963.**

13 (3) The department shall annualize rates provided in  
14 subsection (1) as necessary. ~~for tax years that end after April 30,~~  
15 ~~1994.~~ The applicable annualized rate shall be imposed upon the  
16 taxable income of every person other than a corporation for those  
17 tax years.

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

22 (5) A resident beneficiary of a trust whose taxable income  
23 includes all or part of an accumulation distribution by a trust, as  
24 defined in section 665 of the internal revenue code, shall be  
25 allowed a credit against the tax otherwise due under this part. The  
26 credit shall be all or a proportionate part of any tax paid by the  
27 trust under this part for any preceding taxable year that would not

1 have been payable if the trust had in fact made distribution to its  
2 beneficiaries at the times and in the amounts specified in section  
3 666 of the internal revenue code. The credit shall not reduce the  
4 tax otherwise due from the beneficiary to an amount less than would  
5 have been due if the accumulation distribution were excluded from  
6 taxable income.

7 (6) The taxable income of a resident who is required to  
8 include income from a trust in his or her federal income tax return  
9 under the provisions of 26 USC 671 to 679, shall include items of  
10 income and deductions from the trust in taxable income to the  
11 extent required by this part with respect to property owned  
12 outright.

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

18 (8) As used in this section:

19 (A) **"CONSUMER PRICE INDEX" MEANS THE UNITED STATES CONSUMER**  
20 **PRICE INDEX FOR ALL URBAN CONSUMERS AS DEFINED AND REPORTED BY THE**  
21 **UNITED STATES DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS.**

22 (B) **"INFLATION RATE" MEANS THE ANNUAL PERCENTAGE CHANGE IN THE**  
23 **CONSUMER PRICE INDEX, AS DETERMINED BY THE DEPARTMENT, COMPARING**  
24 **THE 2 MOST RECENT COMPLETED STATE FISCAL YEARS.**

25 (C) ~~(a)~~—"Person other than a corporation" means a resident or  
26 nonresident individual or any of the following:

27 (i) A partner in a partnership as defined in the internal

1 revenue code.

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

4 (iii) An estate or trust as defined in the internal revenue  
5 code.

6 (D) ~~(b)~~—"Taxable income" means taxable income as defined in  
7 this part subject to the applicable source and attribution rules  
8 contained in this part.