

# HOUSE BILL No. 5519

March 24, 2016, Introduced by Reps. Nesbitt, Goike, Vaupel, Somerville and Runestad 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 2015 PA 180.

**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) On and after October 1, 2007 and before October 1, 2012,  
7 4.35%.

8           (b) ~~Except as otherwise provided under subdivision (c), on ON~~  
9 and after October 1, 2012 **AND BEFORE JANUARY 1, 2018**, 4.25%.

~~1 (c) For each tax year beginning on and after January 1, 2023,  
2 if the percentage increase in the total general fund/general  
3 purpose revenue from the immediately preceding fiscal year is  
4 greater than the inflation rate for the same period and the  
5 inflation rate is positive, then the current rate shall be reduced  
6 by an amount determined by multiplying that rate by a fraction, the  
7 numerator of which is the difference between the total general  
8 fund/general purpose revenue from the immediately preceding state  
9 fiscal year and the capped general fund/general purpose revenue and  
10 the denominator of which is the total revenue collected from this  
11 part in the immediately preceding state fiscal year. For purposes  
12 of this subdivision only, the state treasurer, the director of the  
13 senate fiscal agency, and the director of the house fiscal agency  
14 shall determine whether the total revenue distributed to general  
15 fund/general purpose revenue has increased as required under this  
16 subdivision based on the comprehensive annual financial report  
17 prepared and published by the department of technology, management,  
18 and budget in accordance with section 23 of article IX of the state  
19 constitution of 1963. The state treasurer, the director of the  
20 senate fiscal agency, and the director of the house fiscal agency  
21 shall make the determination under this subdivision no later than  
22 the date of the January 2023 revenue estimating conference  
23 conducted pursuant to sections 367a through 367f of the management  
24 and budget act, 1984 PA 431, MCL 18.1367a to 18.1367f, and the date  
25 of each January revenue estimating conference conducted each year  
26 thereafter. As used in this subdivision:~~

~~27 (i) "Capped general fund/general purpose revenue" means the~~

~~1 total general fund/general purpose revenue from the 2020-2021 state  
2 fiscal year multiplied by the sum of 1 plus the product of 1.425  
3 times the difference between a fraction, the numerator of which is  
4 the consumer price index for the state fiscal year ending in the  
5 tax year prior to the tax year for which the adjustment is being  
6 made and the denominator of which is the consumer price index for  
7 the 2020-2021 state fiscal year, and 1.~~

~~8 (ii) "Total general fund/general purpose revenue" means the  
9 total general fund/general purpose revenue and other financing  
10 sources as published in the comprehensive annual financial report  
11 schedule of revenue and other financing sources — general fund for  
12 that fiscal year plus any distribution made pursuant to section  
13 51d.~~

**14 (C) BEGINNING JANUARY 1, 2018 AND EACH JANUARY 1 AFTER 2018,  
15 THE MAXIMUM RATE UNDER THIS SUBSECTION SHALL BE REDUCED BY 0.1 EACH  
16 YEAR UNTIL THE RATE IS ZERO.**

17 (2) Beginning January 1, 2000, that percentage of the gross  
18 collections before refunds from the tax levied under this section  
19 that is equal to 1.012% divided by the income tax rate levied under  
20 this section shall be deposited in the state school aid fund  
21 created in section 11 of article IX of the state constitution of  
22 1963.

23 (3) The department shall annualize rates provided in  
24 subsection (1) as necessary. The applicable annualized rate shall  
25 be imposed upon the taxable income of every person other than a  
26 corporation for those tax years.

27 (4) The taxable income of a nonresident shall be computed in

1 the same manner that the taxable income of a resident is computed,  
2 subject to the allocation and apportionment provisions of this  
3 part.

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 part. The  
8 credit shall be all or a proportionate part of any tax paid by the  
9 trust under this part 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 part 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 part.

27 (8) As used in this section:

1 ~~—— (a) "Consumer price index" means the United States consumer~~  
2 ~~price index for all urban consumers as defined and reported by the~~  
3 ~~United States Department of Labor, Bureau of Labor Statistics.~~

4 ~~—— (b) "Inflation rate" means the annual percentage change in the~~  
5 ~~consumer price index, as determined by the department, comparing~~  
6 ~~the 2 most recent completed state fiscal years.~~

7 (A) ~~(e)~~—"Person other than a corporation" means a resident or  
8 nonresident individual or any of the following:

9 (i) A partner in a partnership as defined in the internal  
10 revenue code.

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

13 (iii) An estate or trust as defined in the internal revenue  
14 code.

15 (B) ~~(d)~~—"Taxable income" means taxable income as defined in  
16 this part subject to the applicable source and attribution rules  
17 contained in this part.