

HOUSE BILL No. 5685

May 24, 2016, Introduced by Rep. Forlini and referred to the Committee on Appropriations.

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending sections 51 and 51d (MCL 206.51 and 206.51d), section
51 as amended by 2015 PA 180 and section 51d as added by 2015 PA
179.

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 and

1 after October 1, 2012, 4.25%.

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

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

9 (ii) "Total general fund/general purpose revenue" means the
10 total general fund/general purpose revenue and other financing
11 sources as published in the comprehensive annual financial report
12 schedule of revenue and other financing sources - general fund for
13 that fiscal year plus any distribution made pursuant to section
14 51d.

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

21 (3) IN ADDITION TO THE DISTRIBUTION UNDER SUBSECTION (2) AND
22 SECTION 51D, BEGINNING OCTOBER 1, 2016 AND EACH OCTOBER 1
23 THEREAFTER, THE STATE SHALL, FROM THE REVENUE COLLECTED FROM THE
24 TAX LEVIED UNDER THIS SECTION, REIMBURSE THE LOCAL GOVERNMENTAL
25 UNITS THAT LEVY TAXES COLLECTED UNDER THE GENERAL PROPERTY TAX ACT,
26 1893 PA 206, MCL 211.1 TO 211.155, FOR ALL REVENUE LOST DURING THAT
27 FISCAL YEAR AS A RESULT OF THE HOMESTEAD PROPERTY TAX EXEMPTION FOR

1 DISABLED VETERANS CREATED UNDER SECTION 7B OF THE GENERAL PROPERTY
2 TAX ACT, 1893 PA 206, MCL 211.7B. THE REIMBURSEMENTS DESCRIBED IN
3 THIS SUBSECTION ARE SUBJECT TO AN APPROPRIATION AS PROVIDED BY LAW.
4 IF THE AMOUNT APPROPRIATED IS LESS THAN THE AMOUNT REQUIRED FOR
5 PAYMENTS TO ALL LOCAL GOVERNMENTAL UNITS DESCRIBED IN THIS
6 SUBSECTION, PAYMENTS SHALL BE PRORATED.

7 (4) ~~(3)~~—The department shall annualize rates provided in
8 subsection (1) as necessary. The applicable annualized rate shall
9 be imposed upon the taxable income of every person other than a
10 corporation for those tax years.

11 (5) ~~(4)~~—The taxable income of a nonresident shall be computed
12 in the same manner that the taxable income of a resident is
13 computed, subject to the allocation and apportionment provisions of
14 this part.

15 (6) ~~(5)~~—A resident beneficiary of a trust whose taxable income
16 includes all or part of an accumulation distribution by a trust, as
17 defined in section 665 of the internal revenue code, shall be
18 allowed a credit against the tax otherwise due under this part. The
19 credit shall be all or a proportionate part of any tax paid by the
20 trust under this part for any preceding taxable year that would not
21 have been payable if the trust had in fact made distribution to its
22 beneficiaries at the times and in the amounts specified in section
23 666 of the internal revenue code. The credit shall not reduce the
24 tax otherwise due from the beneficiary to an amount less than would
25 have been due if the accumulation distribution were excluded from
26 taxable income.

27 (7) ~~(6)~~—The taxable income of a resident who is required to

1 include income from a trust in his or her federal income tax return
2 under the provisions of 26 USC 671 to 679, shall include items of
3 income and deductions from the trust in taxable income to the
4 extent required by this part with respect to property owned
5 outright.

6 (8) ~~(7)~~—It is the intention of this section that the income
7 subject to tax of every person other than corporations shall be
8 computed in like manner and be the same as provided in the internal
9 revenue code subject to adjustments specifically provided for in
10 this part.

11 (9) ~~(8)~~—As used in this section:

12 (a) "Consumer price index" means the United States consumer
13 price index for all urban consumers as defined and reported by the
14 United States Department of Labor, Bureau of Labor Statistics.

15 (b) "Inflation rate" means the annual percentage change in the
16 consumer price index, as determined by the department, comparing
17 the 2 most recent completed state fiscal years.

18 (c) "Person other than a corporation" means a resident or
19 nonresident individual or any of the following:

20 (i) A partner in a partnership as defined in the internal
21 revenue code.

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

24 (iii) An estate or trust as defined in the internal revenue
25 code.

26 (d) "Taxable income" means taxable income as defined in this
27 part subject to the applicable source and attribution rules

1 contained in this part.

2 Sec. 51d. In addition to the ~~distribution~~**DISTRIBUTIONS** under
3 section ~~51(2)~~**51**, the following amounts of revenue collected from
4 the tax levied under section 51 shall be deposited into the state
5 treasury to the credit of the Michigan transportation fund created
6 in section 10 of 1951 PA 51, MCL 247.660, and disbursed as provided
7 in section 10(1)(k) of 1951 PA 51, MCL 247.660:

8 (a) Beginning October 1, 2018 through September 30, 2019,
9 \$150,000,000.00.

10 (b) Beginning October 1, 2019 through September 30, 2020,
11 \$325,000,000.00.

12 (c) Beginning October 1, 2020 and each October 1 thereafter,
13 \$600,000,000.00.