

**STATE OF MICHIGAN
99TH LEGISLATURE
REGULAR SESSION OF 2018**

Introduced by Senator Hildenbrand

ENROLLED SENATE BILL No. 1170

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, reporting, payment, and enforcement by lien and otherwise of taxes on or measured by net income and on certain commercial, business, and financial activities; 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 acts and parts of acts,” (MCL 206.1 to 206.713) by adding sections 254 and 675 and part 4.

The People of the State of Michigan enact:

Sec. 254. (1) Except as otherwise provided under this section, for tax years beginning on and after January 1, 2018, a taxpayer who is either a member of a flow-through entity that elects to file a return and pay the tax imposed under part 4 or a direct or indirect member of another flow-through entity that elects to file a return and pay the tax imposed under part 4 may claim a credit against the tax imposed under this part in an amount equal to the member's allocated share of the tax as reported to the member by the flow-through entity pursuant to section 789(2) for the tax year ending on or within the taxpayer's same tax year.

(2) For a taxpayer that is an estate or trust, the amount of the credit allowed under this section shall be determined by multiplying the amount calculated under subsection (1) by a percentage equal to a fraction, the numerator of which is the flow-through entity business income tax base that is retained by the estate or trust and the denominator of which is the total flow-through entity business income tax base that is included in distributable net income.

(3) For a taxpayer who is a beneficiary of an estate or trust that is either a member of a flow-through entity that elects to file a return and pay the tax imposed under part 4 or a direct or indirect member of another flow-through entity that elects to file a return and pay the tax imposed under part 4, the amount of the credit allowed under this section is equal to the allocable share of the tax imposed under part 4 for the year ending on or within the taxpayer's same tax year as reported to the beneficiary in accordance with section 789(3).

(4) If the credit allowed under this section exceeds the tax liability of the taxpayer for the tax year, that portion of the credit that exceeds the tax liability shall be refunded.

Sec. 675. (1) Except as otherwise provided under this section, for tax years beginning on and after January 1, 2018, a taxpayer who is either a member of a flow-through entity that elects to file a return and pay the tax imposed under part 4 or a direct or indirect member of another flow-through entity that elects to file a return and pay the tax imposed under part 4 may claim a credit against the tax imposed under this part in an amount equal to the member's allocated share of the tax as reported to the member by the flow-through entity pursuant to section 789(2) for the tax year ending on or within the taxpayer's same tax year.

(2) If the credit allowed under this section exceeds the tax liability of the taxpayer for the tax year, that portion of the credit that exceeds the tax liability shall be refunded.

PART 4
CHAPTER 18

Sec. 751. A term used in this part and not defined differently shall have the same meaning as when used in comparable context in the laws of the United States relating to federal income taxes in effect for the tax year unless a different meaning is clearly required. A reference in this part to the internal revenue code includes other provisions of the laws of the United States relating to federal income taxes.

Sec. 753. (1) “Affiliated group” means that term as defined in section 1504 of the internal revenue code and includes all United States persons that are flow-through entities that are commonly controlled as provided in 26 CFR 1.414(c)-1.

(2) “Business activity” means a transfer of legal or equitable title to or rental of property, whether real, personal, or mixed, tangible or intangible, or the performance of services, or a combination thereof, made or engaged in, or caused to be made or engaged in, whether in intrastate, interstate, or foreign commerce, with the object of gain, benefit, or advantage, whether direct or indirect, to the taxpayer or to others, but does not include the services rendered by an employee to his or her employer or services as a director of a corporation. Although an activity of a taxpayer may be incidental to another or to others of his or her business activities, each activity shall be considered to be business engaged in within the meaning of this part.

(3) “Business income” means federal taxable income and includes payments and items of income and expense that are attributable to business activity of the flow-through entity and separately reported to its members.

(4) “Corporation” means a person that is required or has elected to file as a C corporation as defined under section 1361(a)(2) and section 7701(a)(3) of the internal revenue code. Corporation does not include an insurance company or a financial institution.

(5) “Department” means the department of treasury.

(6) “Employee” means an employee as defined in section 3401(c) of the internal revenue code. A person from whom an employer is required to withhold for federal income tax purposes is prima facie considered an employee.

(7) “Employer” means an employer as defined in section 3401(d) of the internal revenue code. A person required to withhold for federal income tax purposes is prima facie considered an employer.

(8) “Federal taxable income” means taxable income as defined in section 63 of the internal revenue code without the deductions described under section 703(a)(2) of the internal revenue code. For the purposes of this part in computing federal taxable income, S corporations shall be treated as a corporation under section 1361(a)(2) of the internal revenue code and partnerships shall be treated as an association taxable as a corporation pursuant to an election under 26 CFR 301.7701-3(a).

(9) “Financial institution” means that term as defined in section 651.

(10) “Flow-through entity” means an entity that for the applicable tax year is treated as an S corporation or a partnership under the internal revenue code for federal income tax purposes. Flow-through entity does not include a publicly traded partnership or any entity disregarded under section 799.

(11) “Gross receipts” means that term as defined under section 607.

(12) “Insurance company” means that term as defined in section 607.

(13) “Internal revenue code” means the United States internal revenue code of 1986 in effect on January 1, 2018 or, at the option of the taxpayer, in effect for the tax year.

(14) “Member”, when used in reference to a flow-through entity, means a shareholder of an S corporation or a partner or member in a partnership.

(15) “Partnership” means an entity that is required to or has elected to file as a partnership for federal income tax purposes. Partnership includes a limited liability company that is treated as a partnership for federal income tax purposes.

(16) “Person” means an individual, bank, financial institution, insurance company, association, corporation, flow-through entity, receiver, estate, trust, or any other group or combination of groups acting as a unit.

(17) “Publicly traded partnership” means that term as defined under section 7704 of the internal revenue code.

(18) “Resident” means a flow-through entity domiciled in the state or incorporated, formed, or organized under the laws of this state. “Domicile” means the principal place from which the trade or business of the flow-through entity is directed or managed.

(19) “S corporation” means a corporation or limited liability company electing taxation under sections 1361 to 1379 of the internal revenue code.

(20) “Sale” or “sales” means that term as defined in section 609.

(21) “State” means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, and any foreign country, or a political subdivision of any of the foregoing.

(22) “Tax” means the tax imposed under this part, including interest and penalties under this part, unless the term is given a more limited meaning in the context of this part or a provision of this part.

(23) “Tax year” means the calendar year, or the fiscal year ending during the calendar year, upon the basis of which the tax base of a taxpayer is computed under this part. If a return is made for a fractional part of a year, tax year means the period for which the return is made. Except for the first return required by this part, a taxpayer’s tax year is for the same period as is covered by its federal income tax return. A taxpayer that has a 52- or 53-week tax year beginning not more than 7 days before the end of any month is considered to have a tax year beginning on the first day of the subsequent month. A person included in a unitary business group that joins or departs the unitary business group other than at the end of that person’s federal tax year shall have a tax year beginning with its federal income tax period and ending on the date of joining or departing the unitary business group, and another tax year beginning on the date immediately after joining or departing the unitary business group and ending with its federal income tax period.

(24) “Taxpayer” means a flow-through entity that elects pursuant to section 757 to be subject to the tax under this part.

(25) “Unitary business group” means a group of United States persons that are flow-through entities, 1 of which owns or controls, directly or indirectly, more than 50% of the ownership interest with voting rights or ownership interests that confer comparable rights to voting rights of the other members, and that has business activities or operations which result in a flow of value between or among members included in the unitary business group or has business activities or operations that are integrated with, are dependent upon, or contribute to each other. Unitary business group includes an affiliated group that makes the election to be treated, and to file, as a unitary business group under section 791.

(26) “United States person” means that term as defined in section 7701(a)(30) of the internal revenue code.

Sec. 755. (1) Except as otherwise provided in this part, a taxpayer has substantial nexus in this state and is subject to the tax imposed under this part if the taxpayer elects to pay the tax pursuant to section 757 and if the taxpayer has a physical presence in this state for a period of more than 1 day during the tax year, actively solicits sales in this state and has gross receipts sourced to this state, or is a member or has an ownership interest or a beneficial interest in a flow-through entity, directly, or indirectly through 1 or more other flow-through entities, that has substantial nexus in this state.

(2) As used in this section:

(a) “Actively solicits” means either of the following:

(i) Speech, conduct, or activity that is purposefully directed at or intended to reach persons within this state and that explicitly or implicitly invites an order for a purchase or sale.

(ii) Speech, conduct, or activity that is purposefully directed at or intended to reach persons within this state that neither explicitly nor implicitly invites an order for a purchase or sale, but is entirely ancillary to requests for an order for a purchase or sale.

(b) “Physical presence” means any activity conducted by the taxpayer or on behalf of the taxpayer by the taxpayer’s employee, agent, or independent contractor acting in a representative capacity. Physical presence does not include the activities of professionals providing services in a professional capacity or other service providers if the activity is not significantly associated with the taxpayer’s ability to establish and maintain a market in this state.

Sec. 757. For tax years beginning on and after January 1, 2018, a flow-through entity may, in a form and manner as prescribed by the department, elect to file a return and pay the tax imposed by this part. A flow-through entity that elects to pay the tax imposed under this part for the first tax year beginning on or after January 1, 2018 only shall file its election with the department by January 31, 2019. An election made under this section for that first tax year beginning on or after January 1, 2018 is an irrevocable election that shall continue for the next 3 subsequent tax years and the taxpayer shall continue to file a return and pay the tax imposed under this part as provided in section 785. A flow-through entity that elects to pay the tax imposed under this part for any tax year beginning on or after January 1, 2019, shall file its election with the department on or before the fifteenth day of the fourth month of that tax year. An election made under this section for any tax year, other than that first tax year beginning on or after January 1, 2018, is an irrevocable election that shall continue for a period of 3 tax years and the taxpayer shall continue to file a return and pay the tax imposed under this part as provided in section 785. A separate election must be made after the expiration of the irrevocable period described in this section to continue to pay the tax imposed by this part.

Sec. 759. (1) Beginning January 1, 2018 and each tax year after 2018, there is levied and imposed a flow-through entity tax on every taxpayer with business activity in this state unless prohibited by 15 USC 381 to 384. Except as otherwise provided under subsection (6), the flow-through entity tax is imposed on the positive business income tax base, after allocation or apportionment to this state, at the same rate levied and imposed under section 51 for that same tax year. A negative business income tax base of a flow-through entity, after allocation or apportionment to this state, is includible in the business income tax base of each member of the flow-through entity and is not available as an offset to the allocated or apportioned business income tax base of the flow-through entity in any other tax year for which an election is made under section 757.

(2) The business income tax base means a taxpayer's business income subject to the following adjustments, before allocation or apportionment, and the adjustment in subsection (5) after allocation or apportionment:

(a) Add interest income and dividends derived from obligations or securities of states other than this state, in the same amount that was excluded from federal taxable income, less the related portion of expenses not deducted in computing federal taxable income because of sections 265 and 291 of the internal revenue code.

(b) Add all taxes on or measured by net income including the tax imposed under this part to the extent that the taxes were deducted in arriving at federal taxable income.

(c) To the extent included in federal taxable income, deduct dividends and royalties received from persons other than United States persons and foreign operating entities, including, but not limited to, amounts determined under section 78 of the internal revenue code or sections 951 to 965 of the internal revenue code.

(d) Except as otherwise provided under this subdivision, to the extent deducted in arriving at federal taxable income, add any royalty, interest, or other expense paid to a person related to the taxpayer by ownership or control for the use of an intangible asset if the person is not included in the taxpayer's unitary business group. The addition of any royalty, interest, or other expense described under this subdivision is not required to be added if the taxpayer can demonstrate that the transaction has a nontax business purpose, is conducted with arm's-length pricing and rates and terms as applied in accordance with sections 482 and 1274(d) of the internal revenue code, and 1 of the following is true:

(i) The transaction is a pass through of another transaction between a third party and the related person with comparable rates and terms.

(ii) An addition would result in double taxation. For purposes of this subparagraph, double taxation exists if the transaction is subject to tax in another jurisdiction.

(iii) An addition would be unreasonable as determined by the state treasurer.

(iv) The related person recipient of the transaction is organized under the laws of a foreign nation which has in force a comprehensive income tax treaty with the United States.

(e) To the extent included in federal taxable income, deduct interest income derived from United States obligations.

(f) Eliminate all of the following:

(i) Income from producing oil and gas to the extent included in federal taxable income.

(ii) Expenses of producing oil and gas to the extent deducted in arriving at federal taxable income.

(iii) Income derived from a mineral to the extent included in federal taxable income.

(iv) Expenses related to the income deductible under subparagraph (iii) to the extent deducted in arriving at federal taxable income.

(3) For a taxpayer that has a direct, or indirect through 1 or more other flow-through entities, ownership or beneficial interest in a flow-through entity for which an election was made under section 757 and which reported positive business income in a tax year ending on or within the taxpayer's tax year, the adjustments in subsection (2) shall not include the taxpayer's share of the electing flow-through entities adjustments under subsection (2).

(4) For purposes of subsection (2), the business income of a unitary business group is the sum of the business income of each person included in the unitary business group less any items of income and related deductions arising from transactions including dividends between persons included in the unitary business group.

(5) For a taxpayer that has a direct, or indirect through 1 or more other flow-through entities, ownership or beneficial interest in a flow-through entity for which an election was made under section 757, deduct the taxpayer's share of the electing flow-through entity's positive business income as determined under section 761(2).

(6) In computing the tax due under this part, the flow-through entity may elect to pay the tax due only on the business income allocable to those members who are individuals, estates, or trusts and exclude the business income allocable to those members that are corporations.

(7) As used in this section, "oil and gas" means oil and gas that is subject to severance tax under 1929 PA 48, MCL 205.301 to 205.317.

Sec. 761. (1) Except as otherwise provided in this part, the tax base established under this part shall be apportioned in accordance with allocation and apportionment provisions in chapter 3.

(2) For a taxpayer that has a direct, or indirect through 1 or more other flow-through entities, ownership interest or beneficial interest in a flow-through entity, the taxpayer's business income that is directly attributable to the business activity of the flow-through entity shall be apportioned to this state using an apportionment factor determined under chapter 3 based on the business activity of the flow-through entity unless the flow-through entity is included with a unitary business group filing a combined return.

(3) A taxpayer is subject to tax in another state in either of the following circumstances:

(a) The taxpayer is subject to, or would be subject to, if the taxpayer was not a flow-through entity, a business privilege tax, a net income tax, a franchise tax measured by net income, a franchise tax for the privilege of doing business, or a corporate stock tax.

(b) That state has jurisdiction to subject the taxpayer to 1 or more of the taxes listed in subdivision (a) regardless of whether, in fact, that state does or does not subject the taxpayer to that tax.

Sec. 771. (1) Any taxpayer allocated income as a member of a flow-through entity by the flow-through entity may claim a credit against the tax imposed by this part in an amount equal to the taxpayer's allocated share of the tax as reported by the other flow-through entity pursuant to section 789(2).

(2) A taxpayer is allowed a credit against the tax due under this part for the amount of an income tax imposed on the taxpayer for the tax year by another state of the United States, a political subdivision of another state of the United States, the District of Columbia, or a Canadian province, on income derived from sources outside this state that is also subject to tax under this part or the amount determined under this subsection, whichever is less. For purposes of the Canadian provincial credit, the credit is allowed for only that portion of the provincial tax not claimed as a credit for federal income tax purposes. It is presumed that the Canadian federal income tax is claimed first. The provincial tax claimed as a carryover deduction as provided in the internal revenue code is not allowed as a credit under this section. The credit under this subsection shall not exceed an amount determined by dividing income that is subject to taxation both in this state and in another jurisdiction by taxable income and then multiplying that result by the taxpayer's tax liability before any credits are deducted.

Sec. 781. (1) Except as otherwise provided under this section, beginning with the 2019 tax year, a taxpayer that reasonably expects liability for the tax year to exceed \$800.00 shall file an estimated return and pay an estimated tax for each quarter of the taxpayer's tax year.

(2) For taxpayers on a calendar year basis, the quarterly returns and estimated payments shall be made by April 15, July 15, October 15, and January 15. Taxpayers not on a calendar year basis shall file quarterly returns and make estimated payments on the appropriate due date which in the taxpayer's fiscal year corresponds to the calendar year.

(3) Except as otherwise provided under this subsection, the estimated payment made with each quarterly return of each tax year shall be for the estimated tax base that is applicable to the taxpayer under this part for the quarter or 25% of the estimated annual liability. The second, third, and fourth estimated payments in each tax year shall include adjustments, if necessary, to correct underpayments or overpayments from previous quarterly payments in the tax year to a revised estimate of the annual tax liability. For a taxpayer that calculates and pays estimated payments for federal income tax purposes pursuant to section 6655(e) of the internal revenue code, that taxpayer may use the same methodology as used to calculate the annualized income installment or the adjusted seasonal installment, whichever is used as the basis for the federal estimated payment, to calculate the estimated payments required each quarter under this section. The interest and penalty provided by this part shall not be assessed if any of the following occur:

(a) If the sum of the estimated payments equals at least 85% of the liability and the amount of each estimated payment reasonably approximates the tax liability incurred during the quarter for which the estimated payment was made.

(b) For the 2019 tax year and each subsequent tax year, if the preceding year's tax liability under this part was \$20,000.00 or less and if the taxpayer submitted 4 equal installments the sum of which equals the immediately preceding tax year's tax liability.

(4) Each estimated return shall be made on a form prescribed by the department and shall include an estimate of the annual tax liability and other information required by the state treasurer. The form prescribed under this subsection may be combined with any other tax reporting form prescribed by the department.

(5) With respect to a taxpayer filing an estimated tax return for the taxpayer's first tax year of less than 12 months, the amounts paid with each return shall be proportional to the number of payments made in the first tax year. A taxpayer with a tax year of less than 4 months is not required to file an estimated tax return or remit estimated payments.

(6) Payments made under this section shall be a credit against the payment required with the annual tax return required in section 785.

(7) If the department considers it necessary to insure payment of the tax or to provide a more efficient administration of the tax, the department may require filing of the returns and payment of the tax for other than quarterly or annual periods.

Sec. 785. (1) An annual or final return for the tax imposed under this part shall be filed with the department in the form and content prescribed by the department by the last day of the third month after the end of the taxpayer's tax year. Any final liability shall be remitted by the annual due date of the taxpayer's annual or final return, excluding any extension of time to file the return as provided under subsections (2) and (3). A taxpayer whose tax liability under this part is less than or equal to \$100.00 does not need to file a return or pay the tax imposed under this part. The department may provide rules for filing an information-only return for tax years for which an election under section 757 is not made after a tax year for which a return was filed under this part.

(2) The department, upon application of the taxpayer and for good cause shown, may extend the date for filing the annual return. Interest at the rate under section 23(2) of 1941 PA 122, MCL 205.23, shall be added to the amount of the tax unpaid for the period of the extension. The state treasurer shall require with the application payment of the estimated tax liability unpaid for the tax period covered by the extension.

(3) If a taxpayer is granted an extension of time within which to file the federal income tax return for any tax year, the filing of a copy of the request for extension together with a tentative return and payment of an estimated tax with the department by the due date provided in subsection (1) shall automatically extend the due date for the filing of an annual or final return under this part until the last day of the eighth month following the original due date of the return. Interest at the rate under section 23(2) of 1941 PA 122, MCL 205.23, shall be added to the amount of the tax unpaid for the period of the extension.

Sec. 787. (1) A taxpayer required to file a return under this part may be required to furnish a true and correct copy of any return or portion of any return filed under the provisions of the internal revenue code.

(2) A taxpayer shall file an amended return with the department showing any alteration in or modification of a federal income tax return that affects its tax base under this part. The amended return shall be filed within 120 days after the final determination by the internal revenue service.

Sec. 789. (1) At the request of the department, a taxpayer required by the internal revenue code to file or submit an information-only return of income paid to others shall, to the extent the information is applicable to residents of this state, at the same time file or submit the information in the form and content prescribed to the department.

(2) A taxpayer or a flow-through entity that did not make the election under section 757 shall provide on or before the due date of the return under section 785, upon the amendment of a return filed under section 785 or the adjustment of the tax under this part by the department, to any member to which the provision of information is required by the internal revenue code all of the following for the tax year:

(a) Information regarding the allocation and apportionment of the business income described under this part.

(b) The amount of tax under this part that was deducted or included in the determination of the member's share of business income.

(c) If the reporting flow-through entity is a taxpayer, the member's share of the tax imposed under this part on the taxpayer for the tax year.

(d) If the reporting flow-through entity did not make the election under section 757, the member's share of the amount of tax allocated to the reporting flow-through entity under subdivisions (c) and (d) by the other flow-through entities with tax years ending on or within the reporting flow-through entity's tax year.

(e) The member's share of the tax allocated under subdivisions (c) and (d) must be determined based on the member's share of the income or gain generating the tax imposed under this part and included in the member's share of business income. If a member is allocated different portions of separately reported categories of income and gain, then the allocated share of tax must be based on the tax imposed under this part on each separate category of income or gain.

(3) An estate or trust who is either a member of a flow-through entity that elects to file a return and pay the tax imposed under this part or a direct or indirect member of another flow-through entity that elects to file a return and pay the tax imposed under this part shall on or before the due date of the return required under part 1 report to its beneficiaries their allocable share of the tax imposed under this part and incurred by the estate or trust in the same tax year. The allocable share is determined by multiplying the total amount of tax imposed under this part and incurred by the estate or trust in the tax year by a percentage equal to a fraction, the numerator of which is the flow-through entity business income tax base that is distributed to the beneficiaries and the denominator of which is the total flow-through entity business income tax base that is included in distributable net income.

Sec. 791. (1) A unitary business group may elect to file a combined return that includes each United States person that is included in the unitary business group. Each United States person included in a unitary business group or included in a combined return shall be treated as a single person, and all transactions between those persons included in the unitary business group shall be eliminated from the flow-through entity business income tax base and from the apportionment formulas.

(2) A person that is part of an affiliated group may elect without the consent of the department to have all of the persons that are included in that affiliated group to be treated as a unitary business group. A taxpayer that elects to file as a unitary business group pursuant to this subsection shall compute its tax under this part in accordance with all other provisions of this part that apply to a unitary business group. The taxpayer shall make the election under this subsection on a form or in a format as prescribed by the department that is to be filed in a timely manner with the taxpayer's annual return. Each person included in the affiliated group is deemed to have agreed to be bound by the election made under this subsection and any renewal of that election and to have waived any objection to its inclusion in the affiliated group and treatment as a unitary business group. Each person that subsequently enters the affiliated group after the tax year for which the election is made is deemed to have consented to the application of and is bound by the election and to have waived any objection to its inclusion in the affiliated group and treatment as a unitary business group. An election made pursuant to this subsection is irrevocable and binding for and applicable to the tax year for which it is made and for the next 9 tax years but the liability for the tax under this part shall apply only for the years in which an election under section 757 is made. Upon the expiration of the election after it has been in effect for 10 tax years, an election may be renewed for another 10 tax years, without the consent of the department; provided however, that in the case of a nonrenewal a new election under this subsection is not permitted in any of the immediately

following 3 tax years. The renewal shall be made on a form or in a format as prescribed by the department that is to be filed in a timely manner with the taxpayer's annual return after the completion of a 10-year period for which an election under this subsection was in place.

Sec. 793. (1) The tax imposed by this part shall be administered by the department of treasury pursuant to 1941 PA 122, MCL 205.1 to 205.31, and this part. If a conflict exists between 1941 PA 122, MCL 205.1 to 205.31, and this part, the provisions of this part apply.

(2) The department may promulgate rules to implement this part pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328.

(3) The department shall prescribe forms for use by taxpayers and may promulgate rules in conformity with this part for the maintenance by taxpayers of records, books, and accounts, and for the computation of the tax, the manner and time of changing or electing accounting methods and of exercising the various options contained in this part, the making of returns, and the ascertainment, assessment, and collection of the tax imposed under this part.

(4) The tax imposed by this part is in addition to all other taxes for which the taxpayer may be liable.

(5) The department shall prepare and publish statistics from the records kept to administer the tax imposed by this part that detail the distribution of tax receipts by type of business, legal form of organization, sources of tax base, timing of tax receipts, and types of deductions. The statistics shall not result in the disclosure of information regarding any specific taxpayer.

Sec. 795. From the tax levied under this part, that percentage of the gross collections before refunds that is equal to 1.012% divided by the tax rate levied under this part shall be deposited in the state school aid fund created in section 11 of article IX of the state constitution of 1963 and the balance of the revenue collected under this part after the distribution to the school aid fund shall be deposited into the general fund.

Sec. 797. There is appropriated to the department for the 2018-2019 state fiscal year the sum of \$5,000,000.00 to begin implementing the requirements of this part. Any portion of this amount under this section that is not expended in the 2018-2019 state fiscal year shall not lapse to the general fund but shall be carried forward in a work project account that is in compliance with section 451a of the management and budget act, 1984 PA 431, MCL 18.1451a, for the following state fiscal year.

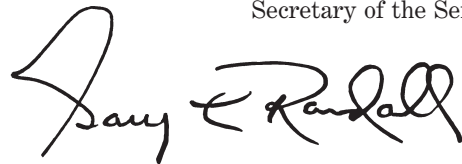
Sec. 799. Notwithstanding any other provision of this act, a person that is a disregarded entity for federal income tax purposes under the internal revenue code shall be classified as a disregarded entity for purposes of this part.

Enacting section 1. This amendatory act is retroactive and effective for tax years beginning on and after January 1, 2018.

This act is ordered to take immediate effect.



Secretary of the Senate



Clerk of the House of Representatives

Approved

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Governor