

# HOUSE BILL No. 6195

June 12, 2018, Introduced by Rep. Albert 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 2016 PA 266.

## 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  
9       after October 1, 2012, 4.25%.

10       (c) For each tax year beginning on and after January 1, 2023,

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

26 (i) "Capped general fund/general purpose revenue" means the  
27 total general fund/general purpose revenue from the 2020-2021 state

1 fiscal year multiplied by the sum of 1 plus the product of 1.425  
2 times the difference between a fraction, the numerator of which is  
3 the ~~consumer price index~~ **CONSUMER PRICE INDEX** for the state fiscal  
4 year ending in the tax year prior to the tax year for which the  
5 adjustment is being made and the denominator of which is the  
6 ~~consumer price index~~ **CONSUMER PRICE INDEX** for the 2020-2021 state  
7 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 (2) Beginning January 1, 2000 **AND BEFORE OCTOBER 1, 2020**, that  
15 percentage of the gross collections before refunds from the tax  
16 levied under this section that is equal to 1.012% divided by the  
17 income tax rate levied under this section shall be deposited in the  
18 state school aid fund created in section 11 of article IX of the  
19 state constitution of 1963. **BEGINNING OCTOBER 1, 2020, ONLY IF**  
20 **MONEY HAS NOT BEEN APPROPRIATED FOR COMMUNITY COLLEGES OR HIGHER**  
21 **EDUCATION FROM THE STATE SCHOOL AID FUND CREATED IN SECTION 11 OF**  
22 **ARTICLE IX OF THE STATE CONSTITUTION OF 1963 DURING THE IMMEDIATELY**  
23 **PRECEDING FISCAL YEAR, THEN THAT PERCENTAGE OF THE NET REVENUES**  
24 **COLLECTED FROM THE TAX LEVIED UNDER THIS SECTION THAT IS EQUAL TO**  
25 **1.012% DIVIDED BY THE INCOME TAX RATE LEVIED UNDER THIS SECTION**  
26 **SHALL BE DEPOSITED IN THE STATE SCHOOL AID FUND CREATED IN SECTION**  
27 **11 OF ARTICLE IX OF THE STATE CONSTITUTION OF 1963.**

1           (3) In addition to the distribution under subsection (2) and  
2 section 51d, beginning October 1, 2016, from the revenue collected  
3 under this section an amount equal to 3.5% of the average amount of  
4 farmland tax credits claimed under section 36109 of the natural  
5 resources and environmental protection act, 1994 PA 451, MCL  
6 324.36109, for the immediately preceding 3 state fiscal years shall  
7 be deposited into the agricultural preservation fund created in  
8 section 36202 of the natural resources and environmental protection  
9 act, 1994 PA 451, MCL 324.36202.

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

14           (5) The taxable income of a nonresident shall be computed in  
15 the same manner that the taxable income of a resident is computed,  
16 subject to the allocation and apportionment provisions of this  
17 part.

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

1 have been due if the accumulation distribution were excluded from  
2 taxable income.

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

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

14 (9) As used in this section:

15 (a) "Consumer ~~price index~~" **PRICE INDEX** means the United  
16 States ~~consumer price index~~ **CONSUMER PRICE INDEX** for all urban  
17 consumers as defined and reported by the United States Department  
18 of Labor, Bureau of Labor Statistics.

19 (b) "Inflation rate" means the annual percentage change in the  
20 ~~consumer price index~~, **CONSUMER PRICE INDEX**, as determined by the  
21 department, comparing the 2 most recent completed state fiscal  
22 years.

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

25 (i) A partner in a partnership as defined in the internal  
26 revenue code.

27 (ii) A beneficiary of an estate or a trust as defined in the

1 internal revenue code.

2 (iii) An estate or trust as defined in the internal revenue  
3 code.

4 (d) "Taxable income" means taxable income as defined in this  
5 part subject to the applicable source and attribution rules  
6 contained in this part.

7 Enacting section 1. This amendatory act does not take effect  
8 unless Senate Bill No.\_\_\_\_ or House Bill No.\_\_\_\_ (request no.  
9 05263'18) of the 99th Legislature is enacted into law.