

HOUSE BILL NO. 4125

February 05, 2019, Introduced by Rep. VanSingel and referred to the Committee on Tax Policy.

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), as
amended by 2018 PA 588; and to repeal acts and parts of acts.

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

1 a corporation a tax at the following rates in the following
2 circumstances:

3 (a) On and after October 1, 2007 and before October 1, 2012,
4 4.35%.

5 (b) Except as otherwise provided under subdivision (c), on and
6 after October 1, 2012, 4.25%.

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

1 and budget act, 1984 PA 431, MCL 18.1367a to 18.1367f, and the date
2 of each January revenue estimating conference conducted each year
3 thereafter. As used in this subdivision:

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

12 (ii) "Total general fund/general purpose revenue" means the
13 total general fund/general purpose revenue and other financing
14 sources as published in the comprehensive annual financial report
15 schedule of revenue and other financing sources - general fund for
16 that fiscal year plus any distribution made pursuant to section
17 51d.

18 (2) Beginning January 1, 2000, ~~and through November 30, 2018,~~
19 that percentage of the gross collections before refunds from the
20 tax levied under this section that is equal to 1.012% divided by
21 the income tax rate levied under this section shall be deposited in
22 the state school aid fund created in section 11 of article IX of
23 the state constitution of 1963. ~~Except as otherwise provided under~~
24 ~~this subsection, beginning December 1, 2018 and each state fiscal~~
25 ~~year thereafter, that percentage of the gross collections before~~
26 ~~refunds from the tax levied under this section that is equal to~~
27 ~~0.954% divided by the income tax rate levied under this section~~
28 ~~shall be deposited in the state school aid fund created in section~~
29 ~~11 of article IX of the state constitution of 1963. However, if, in~~

~~any 1 of the 2018-2019 through the 2021-2022 state fiscal years, the minimum foundation allowance falls below the 2017-2018 minimum foundation allowance established under section 20 of the state school aid act of 1979, 1979 PA 94, MCL 388.1620, then for that fiscal year that percentage of the gross collections before refunds from the tax levied under this section that is equal to 1.012% divided by the income tax rate levied under this section shall be deposited in the state school aid fund created in section 11 of article IX of the state constitution of 1963.~~

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

~~(4) In addition to the distributions under subsections (2) and (3) and sections 51d, 51e, and 51f, and subject to the limitation under this subsection, beginning with the 2018-2019 state fiscal year and each fiscal year thereafter, from the revenue collected under this section \$69,000,000.00 shall be deposited into the renew Michigan fund created in section 51g. However, if, in any 1 of the 2018-2019 through the 2021-2022 state fiscal years, the minimum foundation allowance falls below the 2017-2018 minimum foundation allowance as provided in section 51(2) then no money shall be deposited into the renew Michigan fund pursuant to this subsection~~

1 ~~for that fiscal year.~~

2 (4) ~~(5)~~—The department shall annualize rates provided in
3 subsection (1) as necessary. The applicable annualized rate shall
4 be imposed upon the taxable income of every person other than a
5 corporation for those tax years.

6 (5) ~~(6)~~—The taxable income of a nonresident shall be computed
7 in the same manner that the taxable income of a resident is
8 computed, subject to the allocation and apportionment provisions of
9 this part.

10 (6) ~~(7)~~—A resident beneficiary of a trust whose taxable income
11 includes all or part of an accumulation distribution by a trust, as
12 defined in section 665 of the internal revenue code, shall be
13 allowed a credit against the tax otherwise due under this part. The
14 credit shall be all or a proportionate part of any tax paid by the
15 trust under this part for any preceding taxable year that would not
16 have been payable if the trust had in fact made distribution to its
17 beneficiaries at the times and in the amounts specified in section
18 666 of the internal revenue code. The credit shall not reduce the
19 tax otherwise due from the beneficiary to an amount less than would
20 have been due if the accumulation distribution were excluded from
21 taxable income.

22 (7) ~~(8)~~—The taxable income of a resident who is required to
23 include income from a trust in his or her federal income tax return
24 under the provisions of 26 USC 671 to 679, shall include items of
25 income and deductions from the trust in taxable income to the
26 extent required by this part with respect to property owned
27 outright.

28 (8) ~~(9)~~—It is the intention of this section that the income
29 subject to tax of every person other than corporations shall be

computed in like manner and be the same as provided in the internal revenue code subject to adjustments specifically provided for in this part.

(9) ~~(10)~~—As used in this section:

(a) "Consumer Price Index" means the United States Consumer Price Index for all urban consumers as defined and reported by the United States Department of Labor, Bureau of Labor Statistics.

(b) "Inflation rate" means the annual percentage change in the Consumer Price Index, as determined by the department, comparing the 2 most recent completed state fiscal years.

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

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

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

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

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

Sec. 51d. In addition to the distributions under sections 51, 51e, and 51f, the following amounts of revenue collected from the tax levied under section 51 shall be deposited into the state treasury to the credit of the Michigan transportation fund created in section 10 of 1951 PA 51, MCL 247.660, and disbursed as provided in section 10(1)(l) of 1951 PA 51, MCL 247.660:

(a) Beginning October 1, 2018 through September 30, 2019, ~~\$264,000,000.00 unless the minimum foundation allowance falls below~~

~~the 2017-2018 minimum foundation allowance as provided in section 51(2) then \$150,000,000.00.~~

(b) Beginning October 1, 2019 through September 30, 2020, ~~\$468,000,000.00 unless the minimum foundation allowance falls below the 2017-2018 minimum foundation allowance as provided in section 51(2) then \$325,000,000.00.~~

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

Enacting section 1. Section 51g of the income tax act of 1967, 1968 PA 281, MCL 206.51g, is repealed.