

# HOUSE BILL NO. 5507

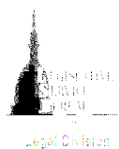
February 20, 2020, Introduced by Reps. Paquette and Bollin and referred to the Committee on Tax Policy.

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
by amending section 51 (MCL 206.51), as amended by 2018 PA 588.

## **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,



1 4.35%.

2 (b) ~~Except as otherwise provided under subdivision (c), on~~ On  
3 and after October 1, 2012 **and before January 1, 2021, 4.25%.**

4 (c) **On and after January 1, 2021 and before January 1, 2022,**  
5 **4.15%.**

6 (d) **On and after January 1, 2022 and before January 1, 2023,**  
7 **4.05%.**

8 (e) **On and after January 1, 2023 and before January 1, 2024,**  
9 **3.95%.**

10 (f) **Except as otherwise provided under subdivision (g), on and**  
11 **after January 1, 2024, 3.9%.**

12 (g) ~~(e)~~ For each tax year beginning on and after January 1,  
13 ~~2023, 2025,~~ if the percentage increase in the total general  
14 fund/general purpose revenue from the immediately preceding fiscal  
15 year is greater than the inflation rate for the same period and the  
16 inflation rate is positive, then the current rate shall be reduced  
17 by an amount determined by multiplying that rate by a fraction, the  
18 numerator of which is the difference between the total general  
19 fund/general purpose revenue from the immediately preceding state  
20 fiscal year and the capped general fund/general purpose revenue and  
21 the denominator of which is the total revenue collected from this  
22 part in the immediately preceding state fiscal year. For purposes  
23 of this subdivision only, the state treasurer, the director of the  
24 senate fiscal agency, and the director of the house fiscal agency  
25 shall determine whether the total revenue distributed to general  
26 fund/general purpose revenue has increased as required under this  
27 subdivision based on the comprehensive annual financial report  
28 prepared and published by the department of technology, management,  
29 and budget in accordance with section 23 of article IX of the state



constitution of 1963. The state treasurer, the director of the senate fiscal agency, and the director of the house fiscal agency shall make the determination under this subdivision no later than the date of the January ~~2023~~**2025** revenue estimating conference conducted pursuant to sections 367a through 367f of the management and budget act, 1984 PA 431, MCL 18.1367a to 18.1367f, and the date of each January revenue estimating conference conducted each year thereafter. As used in this subdivision:

(i) "Capped general fund/general purpose revenue" means the total general fund/general purpose revenue from the ~~2020-2021~~**2022-2023** state fiscal year multiplied by the sum of 1 plus the product of ~~1.425~~**1.39** times the difference between a fraction, the numerator of which is the consumer price index for the state fiscal year ending in the tax year prior to the tax year for which the adjustment is being made and the denominator of which is the Consumer Price Index for the ~~2020-2021~~**2022-2023** state fiscal year, and 1.

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

(2) Beginning January 1, 2000 and through November 30, 2018, 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. Except as otherwise provided under



1 this subsection, beginning December 1, 2018 and each state fiscal  
2 year thereafter, that percentage of the gross collections before  
3 refunds from the tax levied under this section that is equal to  
4 0.954% divided by the income tax rate levied under this section  
5 shall be deposited in the state school aid fund created in section  
6 11 of article IX of the state constitution of 1963. However, if, in  
7 any 1 of the 2018-2019 through the 2021-2022 state fiscal years,  
8 the minimum foundation allowance falls below the 2017-2018 minimum  
9 foundation allowance established under section 20 of the state  
10 school aid act of 1979, 1979 PA 94, MCL 388.1620, then for that  
11 fiscal year that percentage of the gross collections before refunds  
12 from the tax levied under this section that is equal to 1.012%  
13 divided by the income tax rate levied under this section shall be  
14 deposited in the state school aid fund created in section 11 of  
15 article IX of the state constitution of 1963.

16 (3) In addition to the distributions under subsections (2) and  
17 (4) and sections 51d, 51e, and 51f, beginning October 1, 2016, from  
18 the revenue collected under this section an amount equal to 3.5% of  
19 the average amount of farmland tax credits claimed under section  
20 36109 of the natural resources and environmental protection act,  
21 1994 PA 451, MCL 324.36109, for the immediately preceding 3 state  
22 fiscal years shall be deposited into the agricultural preservation  
23 fund created in section 36202 of the natural resources and  
24 environmental protection act, 1994 PA 451, MCL 324.36202.

25 (4) In addition to the distributions under subsections (2) and  
26 (3) and sections 51d, 51e, and 51f, and subject to the limitation  
27 under this subsection, beginning with the 2018-2019 state fiscal  
28 year and each fiscal year thereafter, from the revenue collected  
29 under this section \$69,000,000.00 shall be deposited into the renew



1 Michigan fund created in section 51g. However, if, in any 1 of the  
2 2018-2019 through the 2021-2022 state fiscal years, the minimum  
3 foundation allowance falls below the 2017-2018 minimum foundation  
4 allowance as provided in ~~section 51(2)~~ **subsection (2)** then no money  
5 shall be deposited into the renew Michigan fund pursuant to this  
6 subsection for that fiscal year.

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

15 (7) 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 (8) The taxable income of a resident who is required to  
28 include income from a trust in his or her federal income tax return  
29 under the provisions of 26 USC 671 to 679, shall include items of



1 income and deductions from the trust in taxable income to the  
2 extent required by this part with respect to property owned  
3 outright.

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

9 (10) As used in this section:

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

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

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

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

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

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

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

