

# HOUSE BILL NO. 4170

March 05, 2025, Introduced by Reps. Schmaltz, Pavlov, Wozniak, Cavitt, Markkanen, DeBoyer, Mueller, Hoadley, Frisbie, St. Germaine, DeSana, Prestin, DeBoer, Roth, Carra, Beson, Thompson, Rigas, Fairbairn, Borton, Bruck, Linting, Kunse and VanderWall and referred to Committee on Finance.

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
by amending section 51 (MCL 206.51), as amended by 2023 PA 4.

**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:

1 (a) On and after October 1, 2007 and before October 1, 2012,  
2 4.35%.

3 (b) ~~Except as otherwise provided under subdivision (c), on~~ On  
4 and after October 1, 2012 **and before January 1, 2023**, 4.25%.

5 (c) **On January 1, 2023 and before January 1, 2024, 4.05%.**

6 (d) **On and after January 1, 2024 and before January 1, 2025,**  
7 **4.25%.**

8 (e) **Except as otherwise provided under subdivision (f), on and**  
9 **after January 1, 2025, 4.05%.**

10 (f) ~~(e)~~ For each tax year beginning on and after January 1,  
11 ~~2023, 2026~~, if the percentage increase in the total general  
12 fund/general purpose revenue from the immediately preceding fiscal  
13 year is greater than the inflation rate for the same period and the  
14 inflation rate is positive, then the current rate ~~shall~~ **must** be  
15 reduced by an amount determined by multiplying that rate by a  
16 fraction, the numerator of which is the difference between the  
17 total general fund/general purpose revenue from the immediately  
18 preceding state fiscal year and the capped general fund/general  
19 purpose revenue and the denominator of which is the total revenue  
20 collected from this part in the immediately preceding state fiscal  
21 year. For purposes of this subdivision only, the state treasurer,  
22 the director of the senate fiscal agency, and the director of the  
23 house fiscal agency shall determine whether the total revenue  
24 distributed to general fund/general purpose revenue has increased  
25 as required under this subdivision based on the comprehensive  
26 annual financial report prepared and published by the department of  
27 technology, management, and budget in accordance with section 23 of  
28 article IX of the state constitution of 1963. The state treasurer,  
29 the director of the senate fiscal agency, and the director of the

1 house fiscal agency shall make the determination under this  
2 subdivision no later than the date of the January 2023 revenue  
3 estimating conference conducted pursuant to sections 367a through  
4 367f of the management and budget act, 1984 PA 431, MCL 18.1367a to  
5 18.1367f, and the date of each January revenue estimating  
6 conference conducted each year thereafter. **A rate reduction**  
7 **calculated under this subdivision is effective for all subsequent**  
8 **tax years and is the current rate going forward unless the**  
9 **triggering event in this subdivision occurs and results in**  
10 **subsequent rate reduction, then each subsequent rate reduction is**  
11 **the current rate subject to the triggering event in this**  
12 **subdivision.** As used in this subdivision:

13 (i) "Capped general fund/general purpose revenue" means the  
14 total general fund/general purpose revenue from the 2020-2021 state  
15 fiscal year multiplied by the sum of 1 plus the product of 1.425  
16 times the difference between a fraction, the numerator of which is  
17 the Consumer Price Index for the state fiscal year ending in the  
18 tax year prior to the tax year for which the adjustment is being  
19 made and the denominator of which is the Consumer Price Index for  
20 the 2020-2021 state fiscal year, and 1.

21 (ii) **"Current rate" means the rate levied and imposed for the**  
22 **immediately preceding tax year.**

23 (iii) "Total general fund/general purpose revenue" means the  
24 total general fund/general purpose revenue and other financing  
25 sources as published in the comprehensive annual financial report  
26 schedule of revenue and other financing sources - general fund for  
27 that fiscal year plus any distribution made pursuant to section  
28 51d.

29 (2) ~~Except as otherwise provided for December 1, 2018 through~~

1 ~~September 30, 2019, beginning January 1, 2000 through September 30,~~  
2 ~~2023, that percentage of the gross collections before refunds from~~  
3 ~~the tax levied under this section that is equal to 1.012% divided~~  
4 ~~by the income tax rate levied under this section shall be deposited~~  
5 ~~in the state school aid fund created in section 11 of article IX of~~  
6 ~~the state constitution of 1963. For December 1, 2018 through~~  
7 ~~September 30, 2019 only, that percentage of the gross collections~~  
8 ~~before refunds from the tax levied under this section that is equal~~  
9 ~~to 0.954% divided by the income tax rate levied under this section~~  
10 ~~shall be deposited in the state school aid fund created in section~~  
11 ~~11 of article IX of the state constitution of 1963. For October 1,~~  
12 ~~2023 through September 30, 2024 only, that percentage of the gross~~  
13 ~~collections before refunds from the tax levied under this section~~  
14 ~~that is equal to 1.015% divided by the income tax rate levied under~~  
15 ~~this section shall be deposited in the state school aid fund~~  
16 ~~created in section 11 of article IX of the state constitution of~~  
17 ~~1963. For October 1, 2024 through September 30, 2025 only, that~~  
18 ~~percentage of the gross collections before refunds from the tax~~  
19 ~~levied under this section that is equal to 1.023% divided by the~~  
20 ~~income tax rate levied under this section shall~~**must** ~~be deposited~~  
21 ~~in the state school aid fund. created in section 11 of article IX~~  
22 ~~of the state constitution of 1963. For October 1, 2025 through~~  
23 ~~September 30, 2026 only, that percentage of the gross collections~~  
24 ~~before refunds from the tax levied under this section that is equal~~  
25 ~~to 1.033% divided by the income tax rate levied under this section~~  
26 ~~shall~~**must** ~~be deposited in the state school aid fund. created in~~  
27 ~~section 11 of article IX of the state constitution of 1963.~~  
28 ~~Beginning October 1, 2026, that percentage of the gross collections~~  
29 ~~before refunds from the tax levied under this section that is equal~~

1 to 1.040% divided by the income tax rate levied under this section  
 2 ~~shall~~**must** be deposited in the state school aid fund ~~created in~~  
 3 ~~section 11 of article IX of the state constitution of 1963.~~

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

14 (4) In addition to the distributions under ~~subsections (2) and~~  
 15 ~~(3)~~**this section** and sections 51d, 51e, and 51f, ~~and subject to the~~  
 16 ~~limitation under this subsection,~~ beginning with the ~~2018-2019~~  
 17 **2022-2023** state fiscal year and each fiscal year thereafter, from  
 18 the revenue collected under this section, \$69,000,000.00 ~~shall~~**must**  
 19 be deposited into the renew Michigan fund created in section 51g.  
 20 ~~However, if, in any 1 of the 2018-2019 through the 2021-2022 state~~  
 21 ~~fiscal years, the minimum foundation allowance falls below the~~  
 22 ~~2017-2018 minimum foundation allowance established under section 20~~  
 23 ~~of the state school aid act of 1979, 1979 PA 94, MCL 388.1620, as~~  
 24 ~~amended by 2017 PA 108, then no money shall be deposited into the~~  
 25 ~~renew Michigan fund pursuant to this subsection for that fiscal~~  
 26 ~~year.~~

27 (5) The department shall annualize rates provided in  
 28 subsection (1) as necessary. The applicable annualized rate shall  
 29 be imposed upon the taxable income of every person other than a

1 corporation for those tax years.

2 (6) The taxable income of a nonresident ~~shall-must~~ be computed  
3 in the same manner that the taxable income of a resident is  
4 computed, subject to the allocation and apportionment provisions of  
5 this part.

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

18 (8) The taxable income of a resident who is required to  
19 include income from a trust in the resident's federal income tax  
20 return under the provisions of 26 USC 671 to 679, ~~shall-include~~  
21 **includes** items of income and deductions from the trust in taxable  
22 income to the extent required by this part with respect to property  
23 owned outright.

24 (9) It is the intention of this section that the income  
25 subject to tax of every person other than corporations ~~shall-must~~  
26 be computed in like manner and be the same as provided in the  
27 internal revenue code subject to adjustments specifically provided  
28 for in this part.

29 (10) As used in this section:

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

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

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

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

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

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

15 (d) **"State school aid fund" means the state school aid fund**  
16 **established in section 11 of article IX of the state constitution**  
17 **of 1963.**

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