

SENATE BILL NO. 151

March 13, 2025, Introduced by Senators VICTORY, DALEY, BELLINO, HOITENGA, HAUCK, MCBROOM and JOHNSON and referred to Committee on Finance, Insurance, and Consumer Protection.

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:

6 (a) On and after October 1, 2007 and before October 1, 2012,
7 4.35%.

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

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

29 ~~(i) "Capped general fund/general purpose revenue" means the~~

~~total general fund/general purpose revenue from the 2020-2021 state fiscal year multiplied by the sum of 1 plus the product of 1.425 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 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.~~

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

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

(e) On and after January 1, 2025, 3.9%.

~~(2) Except as otherwise provided for December 1, 2018 through September 30, 2019, beginning January 1, 2000 through September 30, 2023, 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. For December 1, 2018 through September 30, 2019 only, that percentage of the gross collections before refunds from the tax levied under this section that is equal to 0.954% 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. For October 1,~~
~~2023 through September 30, 2024 only, that percentage of the gross~~
~~collections before refunds from the tax levied under this section~~
~~that is equal to 1.015% 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. For October 1, 2024 through September 30, 2025 only, that~~
percentage of the gross collections before refunds from the tax
levied under this section that is equal to 1.023% divided by the
income tax rate levied under this section ~~shall~~ **must** be deposited
in the state school aid fund. ~~created in section 11 of article IX~~
~~of the state constitution of 1963. For October 1, 2025 through~~
September 30, 2026 only, that percentage of the gross collections
before refunds from the tax levied under this section that is equal
to 1.033% divided by the income tax rate levied under this section
~~shall~~ **must** be deposited in the state school aid fund. ~~created in~~
~~section 11 of article IX of the state constitution of 1963.~~
Beginning October 1, 2026, that percentage of the gross collections
before refunds from the tax levied under this section that is equal
to 1.040% divided by the income tax rate levied under this section
~~shall~~ **must** 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 **other** distributions under ~~subsections~~
~~(2) and (4)~~ **this section** 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~~ **must** be deposited

1 into the agricultural preservation fund created in section 36202 of
 2 the natural resources and environmental protection act, 1994 PA
 3 451, MCL 324.36202.

4 (4) In addition to the **other** distributions under ~~subsections~~
 5 ~~(2) and (3)~~ **this section** and sections 51d, 51e, and 51f, ~~and~~
 6 ~~subject to the limitation under this subsection,~~ beginning with the
 7 2018-2019 state fiscal year and each **state** fiscal year thereafter,
 8 from the revenue collected under this section \$69,000,000.00 ~~shall~~
 9 **must** be deposited into the renew Michigan fund created in section
 10 51g. ~~However, if, in any 1 of the 2018-2019 through the 2021-2022~~
 11 ~~state fiscal years, the minimum foundation allowance falls below~~
 12 ~~the 2017-2018 minimum foundation allowance established under~~
 13 ~~section 20 of the state school aid act of 1979, 1979 PA 94, MCL~~
 14 ~~388.1620, as amended by 2017 PA 108, then no money shall be~~
 15 ~~deposited into the renew Michigan fund pursuant to this subsection~~
 16 ~~for that fiscal year.~~

17 (5) The department shall annualize rates provided in
 18 subsection (1) as necessary. The applicable annualized rate ~~shall~~
 19 **must** be imposed upon the taxable income of every person other than
 20 a corporation for those tax years.

21 (6) The taxable income of a nonresident ~~shall~~ **must** be computed
 22 in the same manner that the taxable income of a resident is
 23 computed, subject to the allocation and apportionment provisions of
 24 this part.

25 (7) A resident beneficiary of a trust whose taxable income
 26 includes all or part of an accumulation distribution by a trust, as
 27 defined in section 665 of the internal revenue code, ~~shall be~~ **is**
 28 allowed a credit against the tax otherwise due under this part. The
 29 credit ~~shall~~ **must** be all or a proportionate part of any tax paid by

the trust under this part for any preceding taxable year that would not have been payable if the trust had in fact made distribution to its beneficiaries at the times and in the amounts specified in section 666 of the internal revenue code. The credit ~~shall~~**must** not reduce the tax otherwise due from the beneficiary to an amount less than would have been due if the accumulation distribution were excluded from taxable income.

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

(9) It is the intention of this section that the income subject to tax of every person other than corporations ~~shall~~**must** 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.

(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.~~

(a) ~~(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.

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

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

5 **(b) "State school aid fund" means the state school aid fund**
6 **established in section 11 of article IX of the state constitution**
7 **of 1963.**

8 **(c)** ~~(d)~~ "Taxable income" means taxable income as defined in
9 this part subject to the applicable source and attribution rules
10 contained in this part.