

# HOUSE BILL No. 5267

January 29, 2014, Introduced by Rep. Farrington 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 2012 PA 223.

**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) Before May 1, 1994, 4.6%.

7           (b) After April 30, 1994 and before January 1, 2000, 4.4%.

8           (c) For tax years that begin on and after January 1, 2000 and  
9 before January 1, 2002, 4.2%.

10           (d) For tax years that begin on and after January 1, 2002 and

1 before January 1, 2003, 4.1%.

2 (e) On and after January 1, 2003 and before July 1, 2004,  
3 4.0%.

4 (f) On and after July 1, 2004 and before October 1, 2007,  
5 3.9%.

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

8 (h) ~~Beginning on~~ ON and after October 1, 2012 **AND BEFORE**  
9 **OCTOBER 1, 2014**, 4.25%.

10 (I) ON AND AFTER OCTOBER 1, 2014 AND BEFORE JANUARY 1, 2016,  
11 4.15%.

12 (J) EXCEPT AS OTHERWISE PROVIDED UNDER SUBDIVISION (K), ON AND  
13 AFTER JANUARY 1, 2016, 4.05%.

14 (K) BEGINNING OCTOBER 1, 2017 AND, EXCEPT AS OTHERWISE  
15 PROVIDED UNDER THIS SUBDIVISION, EACH OCTOBER 1 THEREAFTER, IF THE  
16 INDIVIDUAL INCOME TAX REVENUE IN THE IMMEDIATELY PRECEDING FISCAL  
17 YEAR INCREASES BY \$300,000,000.00 AND THAT INCREASE IS AT LEAST THE  
18 RATE OF INFLATION FOR THAT YEAR, THE MAXIMUM RATE UNDER THIS  
19 SUBSECTION SHALL BE REDUCED BY 0.1 FOR THE BEGINNING OF THE NEXT  
20 FISCAL YEAR. FOR PURPOSES OF THIS SUBDIVISION ONLY, THE  
21 DETERMINATION OF WHETHER THE INDIVIDUAL INCOME TAX REVENUE HAS  
22 INCREASED AS REQUIRED UNDER THIS SUBDIVISION SHALL BE DETERMINED BY  
23 THE STATE TREASURER BASED ON AN OFFICIAL ECONOMIC FORECAST  
24 DETERMINED AT A REVENUE ESTIMATING CONFERENCE AS PROVIDED IN  
25 SECTIONS 367A THROUGH 367F OF THE MANAGEMENT AND BUDGET ACT, 1984  
26 PA 431, MCL 18.1367A TO 18.1367F. THE RATE UNDER THIS SUBDIVISION  
27 SHALL NOT BE REDUCED FOR 2 CONSECUTIVE YEARS.

1           (2) The following percentages of the net revenues collected  
2 under this section shall be deposited in the state school aid fund  
3 created in section 11 of article IX of the state constitution of  
4 1963:

5           (a) Beginning October 1, 1994 and before October 1, 1996,  
6 14.4% of the gross collections before refunds from the tax levied  
7 under this section.

8           (b) After September 30, 1996 and before January 1, 2000, 23.0%  
9 of the gross collections before refunds from the tax levied under  
10 this section.

11           (c) Beginning January 1, 2000, that percentage of the gross  
12 collections before refunds from the tax levied under this section  
13 that is equal to 1.012% divided by the income tax rate levied under  
14 this section.

15           (3) The department shall annualize rates provided in  
16 subsection (1) as necessary for tax years that end after April 30,  
17 1994. The applicable annualized rate shall be imposed upon the  
18 taxable income of every person other than a corporation for those  
19 tax years.

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

24           (5) A resident beneficiary of a trust whose taxable income  
25 includes all or part of an accumulation distribution by a trust, as  
26 defined in section 665 of the internal revenue code, shall be  
27 allowed a credit against the tax otherwise due under this part. The

1 credit shall be all or a proportionate part of any tax paid by the  
2 trust under this part for any preceding taxable year that would not  
3 have been payable if the trust had in fact made distribution to its  
4 beneficiaries at the times and in the amounts specified in section  
5 666 of the internal revenue code. The credit shall not reduce the  
6 tax otherwise due from the beneficiary to an amount less than would  
7 have been due if the accumulation distribution were excluded from  
8 taxable income.

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

15 (7) It is the intention of this section that the income  
16 subject to tax of every person other than corporations shall be  
17 computed in like manner and be the same as provided in the internal  
18 revenue code subject to adjustments specifically provided for in  
19 this part.

20 (8) As used in this section:

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

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

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

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

1 code.

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