

HOUSE BILL NO. 5399

January 17, 2024, Introduced by Rep. Martin and referred to the Committee on Government Operations.

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~~

1 ~~total general fund/general purpose revenue from the 2020-2021 state~~
 2 ~~fiscal year multiplied by the sum of 1 plus the product of 1.425~~
 3 ~~times the difference between a fraction, the numerator of which is~~
 4 ~~the Consumer Price Index for the state fiscal year ending in the~~
 5 ~~tax year prior to the tax year for which the adjustment is being~~
 6 ~~made and the denominator of which is the Consumer Price Index for~~
 7 ~~the 2020-2021 state fiscal year, and 1.~~

8 ~~(ii) "Total general fund/general purpose revenue" means the~~
 9 ~~total general fund/general purpose revenue and other financing~~
 10 ~~sources as published in the comprehensive annual financial report~~
 11 ~~schedule of revenue and other financing sources — general fund for~~
 12 ~~that fiscal year plus any distribution made pursuant to section~~
 13 ~~51d.~~

14 **(c) On and after January 1, 2023 and before January 1, 2024,**
 15 **4.05%.**

16 **(d) On and after January 1, 2024, 3.9%.**

17 (2) Except as otherwise provided for December 1, 2018 through
 18 September 30, 2019, beginning January 1, 2000 through September 30,
 19 2023, that percentage of the gross collections before refunds from
 20 the tax levied under this section that is equal to 1.012% divided
 21 by the income tax rate levied under this section ~~shall~~**must** be
 22 deposited in the state school aid fund created in section 11 of
 23 article IX of the state constitution of 1963. For December 1, 2018
 24 through September 30, 2019 only, that percentage of the gross
 25 collections before refunds from the tax levied under this section
 26 that is equal to 0.954% divided by the income tax rate levied under
 27 this section ~~shall~~**must** be deposited in the state school aid fund
 28 created in section 11 of article IX of the state constitution of
 29 1963. For October 1, 2023 through September 30, 2024 only, that

1 percentage of the gross collections before refunds from the tax
 2 levied under this section that is equal to 1.015% divided by the
 3 income tax rate levied under this section shall be deposited in the
 4 state school aid fund created in section 11 of article IX of the
 5 state constitution of 1963. For October 1, 2024 through September
 6 30, 2025 only, that percentage of the gross collections before
 7 refunds from the tax levied under this section that is equal to
 8 1.023% divided by the income tax rate levied under this section
 9 shall be deposited in the state school aid fund created in section
 10 11 of article IX of the state constitution of 1963. For October 1,
 11 2025 through September 30, 2026 only, that percentage of the gross
 12 collections before refunds from the tax levied under this section
 13 that is equal to 1.033% divided by the income tax rate levied under
 14 this section shall be deposited in the state school aid fund
 15 created in section 11 of article IX of the state constitution of
 16 1963. Beginning October 1, 2026, that percentage of the gross
 17 collections before refunds from the tax levied under this section
 18 that is equal to 1.040% divided by the income tax rate levied under
 19 this section shall be deposited in the state school aid fund
 20 created in section 11 of article IX of the state constitution of
 21 1963.

22 (3) In addition to the distributions under subsections (2) and
 23 (4) and sections 51d, 51e, and 51f, beginning October 1, 2016, from
 24 the revenue collected under this section an amount equal to 3.5% of
 25 the average amount of farmland tax credits claimed under section
 26 36109 of the natural resources and environmental protection act,
 27 1994 PA 451, MCL 324.36109, for the immediately preceding 3 state
 28 fiscal years ~~shall~~**must** be deposited into the agricultural
 29 preservation fund created in section 36202 of the natural resources

1 and environmental protection act, 1994 PA 451, MCL 324.36202.

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

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

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

22 (7) A resident beneficiary of a trust whose taxable income
23 includes all or part of an accumulation distribution by a trust, as
24 defined in section 665 of the internal revenue code, ~~shall be~~ **is**
25 allowed a credit against the tax otherwise due under this part. The
26 credit ~~shall~~ **must** be all or a proportionate part of any tax paid by
27 the trust under this part for any preceding taxable year that would
28 not have been payable if the trust had in fact made distribution to
29 its beneficiaries at the times and in the amounts specified in

1 section 666 of the internal revenue code. The credit ~~shall~~**must** not
2 reduce the tax otherwise due from the beneficiary to an amount less
3 than would have been due if the accumulation distribution were
4 excluded from taxable income.

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

11 (9) It is the intention of this section that the income
12 subject to tax of every person other than corporations ~~shall~~**must**
13 be computed in like manner and be the same as provided in the
14 internal revenue code subject to adjustments specifically provided
15 for in this part.

16 (10) As used in this section:

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

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

23 ~~(a) (e)~~-"Person other than a corporation" means a resident or
24 nonresident individual or any of the following:

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

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

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

1 code.

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