

# HOUSE BILL No. 5527

February 3, 1998, Introduced by Rep. Whyman 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 1995 PA 194.

## **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 upon the taxable income of every person other than a corporation  
4 a tax at the following rates in the following circumstances:

5       (a) Before May 1, 1994, 4.6%.

6       (b) After April 30, 1994 AND BEFORE JANUARY 1, 1997, 4.4%.

7       (c) AFTER DECEMBER 31, 1996, 4.2%.

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

1 (a) Beginning October 1, 1994 and before October 1, 1996,  
2 14.4% of the gross collections before refunds from the tax levied  
3 under this section.

4 (b) After September 30, 1996 AND BEFORE OCTOBER 1, 1997,  
5 23.0% of the gross collections before refunds from the tax levied  
6 under this section.

7 (C) AFTER SEPTEMBER 30, 1997, 24.1% OF THE GROSS COLLECTIONS  
8 BEVORE REFUNDS FROM THE TAX LEVIED UNDER THIS SECTION.

9 (3) The department shall annualize rates provided in subsec-  
10 tion (1) as necessary. ~~for tax years that end after April 30,~~  
11 ~~1994.~~ The applicable annualized rate shall be imposed upon the  
12 taxable income of every person other than a corporation for those  
13 tax years.

14 (4) The taxable income of a nonresident shall be computed in  
15 the same manner that the taxable income of a resident is comput-  
16 ed, subject to the allocation and apportionment provisions of  
17 this act.

18 (5) A resident beneficiary of a trust whose taxable income  
19 includes all or part of an accumulation distribution by a trust,  
20 as defined in section 665 of the internal revenue code, shall be  
21 allowed a credit against the tax otherwise due under this act.  
22 The credit shall be all or a proportionate part of any tax paid  
23 by the trust under this act for any preceding taxable year that  
24 would not have been payable if the trust had in fact made distri-  
25 bution to its beneficiaries at the times and in the amounts spec-  
26 ified in section 666 of the internal revenue code. The credit  
27 shall not reduce the tax otherwise due from the beneficiary to an

1 amount less than would have been due if the accumulation  
2 distribution were excluded from taxable income.

3 (6) The taxable income of a resident who is required to  
4 include income from a trust in his or her federal income tax  
5 return under the provisions of subpart E of part I of subchapter  
6 J of chapter 1 of the internal revenue code, 26 U.S.C. 671 to  
7 679, shall include items of income and deductions from the trust  
8 in taxable income to the extent required by this act with respect  
9 to property owned outright.

10 (7) It is the intention of this section that the income  
11 subject to tax of every person other than corporations shall be  
12 computed in like manner and be the same as provided in the inter-  
13 nal revenue code subject to adjustments specifically provided for  
14 in this act.

15 (8) As used in this section:

16 (a) "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 (b) "Taxable income" means taxable income as defined in this  
25 act subject to the applicable source and attribution rules con-  
26 tained in this act.