

# HOUSE BILL No. 4227

February 10, 2009, Introduced by Reps. McMillin, Knollenberg and Lund 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 2007 PA 94.

**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 upon  
3 the taxable income of every person other than a corporation a tax  
4 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, 2000, 4.4%.

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

9           (d) For tax years that begin on and after January 1, 2002 and  
10 before January 1, 2003, 4.1%.

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

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

5 (g) On and after October 1, 2007 and before October 1, ~~2011~~  
6 2009, 4.35%.

7 ~~Beginning on October 1, 2011 and each October 1 after~~  
8 ~~2011, the maximum rate under this subsection shall be reduced by~~  
9 ~~0.1 each year until the rate is 3.95%.~~

10 (H) ON AND AFTER OCTOBER 1, 2009 AND BEFORE OCTOBER 1, 2010,  
11 4.25%.

12 (I) ON AND AFTER OCTOBER 1, 2010 AND BEFORE OCTOBER 1, 2011,  
13 4.1%.

14 (J) ~~(i)~~ On and after October 1, ~~2015~~ 2011, 3.9%.

15 (2) The following percentages of the net revenues collected  
16 under this section shall be deposited in the state school aid fund  
17 created in section 11 of article IX of the state constitution of  
18 1963:

19 (a) Beginning October 1, 1994 and before October 1, 1996,  
20 14.4% of the gross collections before refunds from the tax levied  
21 under this section.

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

25 (c) Beginning January 1, 2000, that percentage of the gross  
26 collections before refunds from the tax levied under this section  
27 that is equal to 1.012% divided by the income tax rate levied under

1 this section.

2 (3) The department shall annualize rates provided in  
3 subsection (1) as necessary for tax years that end after April 30,  
4 1994. The applicable annualized rate shall be imposed upon the  
5 taxable income of every person other than a corporation for those  
6 tax years.

7 (4) The taxable income of a nonresident shall be computed in  
8 the same manner that the taxable income of a resident is computed,  
9 subject to the allocation and apportionment provisions of this act.

10 (5) A resident beneficiary of a trust whose taxable income  
11 includes all or part of an accumulation distribution by a trust, as  
12 defined in section 665 of the internal revenue code, shall be  
13 allowed a credit against the tax otherwise due under this act. The  
14 credit shall be all or a proportionate part of any tax paid by the  
15 trust under this act for any preceding taxable year that would not  
16 have been payable if the trust had in fact made distribution to its  
17 beneficiaries at the times and in the amounts specified in section  
18 666 of the internal revenue code. The credit shall not reduce the  
19 tax otherwise due from the beneficiary to an amount less than would  
20 have been due if the accumulation distribution were excluded from  
21 taxable income.

22 (6) The taxable income of a resident who is required to  
23 include income from a trust in his or her federal income tax return  
24 under the provisions of 26 USC 671 to 679, shall include items of  
25 income and deductions from the trust in taxable income to the  
26 extent required by this act with respect to property owned  
27 outright.

1           (7) It is the intention of this section that the income  
2 subject to tax of every person other than corporations shall be  
3 computed in like manner and be the same as provided in the internal  
4 revenue code subject to adjustments specifically provided for in  
5 this act.

6           (8) There is appropriated to the department of treasury for  
7 the 2006-2007 state fiscal year the sum of \$100,000.00 to begin  
8 implementing the requirements of the amendatory act that added this  
9 subsection. Any portion of this amount under this section that is  
10 not expended in the 2006-2007 state fiscal year shall not lapse to  
11 the general fund but shall be carried forward in a work project  
12 account that is in compliance with section 451a of the management  
13 and budget act, 1984 PA 431, MCL 18.1451a, for the following state  
14 fiscal year.

15           (9) 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  
26 contained in this act.