

**SUBSTITUTE FOR
HOUSE BILL NO. 4605**

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%.~~

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

3 ~~—— (e) On and after January 1, 2003 and before July 1, 2004,~~
 4 ~~4.0%.~~

5 ~~—— (f) On and after July 1, 2004 and before October 1, 2007,~~
 6 ~~3.9%.~~

7 (A) ~~(g)~~ On and after October 1, 2007 and before October 1,
 8 2012, 4.35%.

9 (B) ~~(h)~~ Beginning on and after October 1, 2012, 4.25%.

10 ~~—— (2) The following percentages of the net revenues collected~~
 11 ~~under this section shall be deposited in the state school aid fund~~
 12 ~~created in section 11 of article IX of the state constitution of~~
 13 ~~1963.~~

14 ~~—— (a) Beginning October 1, 1994 and before October 1, 1996,~~
 15 ~~14.4% of the gross collections before refunds from the tax levied~~
 16 ~~under this section.~~

17 ~~—— (b) After September 30, 1996 and before January 1, 2000, 23.0%~~
 18 ~~of the gross collections before refunds from the tax levied under~~
 19 ~~this section.~~

20 (2) ~~(c)~~ Beginning January 1, 2000, that percentage of the
 21 gross collections before refunds from the tax levied under this
 22 section that is equal to 1.012% divided by the income tax rate
 23 levied under this section **SHALL BE DEPOSITED IN THE STATE SCHOOL**
 24 **AID FUND CREATED IN SECTION 11 OF ARTICLE IX OF THE STATE**
 25 **CONSTITUTION OF 1963.**

26 (3) **IN ADDITION TO THE DISTRIBUTION UNDER SUBSECTION (2), THE**
 27 **FOLLOWING AMOUNTS COLLECTED UNDER THIS SECTION SHALL BE DEPOSITED**

1 AND DISTRIBUTED AS PROVIDED IN SECTION 10(1)(K) OF 1951 PA 51, MCL
2 247.660:

3 (A) BEGINNING OCTOBER 1, 2015 THROUGH SEPTEMBER 30, 2016,
4 \$442,000,000.00.

5 (B) BEGINNING OCTOBER 1, 2016 THROUGH SEPTEMBER 30, 2017,
6 \$492,000,000.00.

7 (C) BEGINNING OCTOBER 1, 2017 THROUGH SEPTEMBER 30, 2018,
8 \$617,000,000.00.

9 (D) BEGINNING OCTOBER 1, 2018 THROUGH SEPTEMBER 30, 2019,
10 \$792,000,000.00.

11 (E) BEGINNING OCTOBER 1, 2019 AND EACH FISCAL YEAR THEREAFTER,
12 AN AMOUNT EQUAL TO \$792,000,000.00 MULTIPLIED BY A FRACTION, THE
13 NUMERATOR OF WHICH IS THE UNITED STATES CONSUMER PRICE INDEX FOR
14 THE STATE FISCAL YEAR PRIOR TO THE FISCAL YEAR FOR WHICH THE
15 ADJUSTMENT IS BEING MADE AND THE DENOMINATOR OF WHICH IS THE UNITED
16 STATES CONSUMER PRICE INDEX FOR THE 2017-2018 STATE FISCAL YEAR.
17 THE RESULTANT PRODUCT SHALL BE ROUNDED UP TO THE NEAREST \$100.00
18 INCREMENT. HOWEVER, THE DISTRIBUTION UNDER THIS SUBSECTION SHALL
19 NOT BE REDUCED TO LESS THAN THE DISTRIBUTION IN THE IMMEDIATELY
20 PRECEDING STATE FISCAL YEAR. AS USED IN THIS SECTION, "UNITED
21 STATES CONSUMER PRICE INDEX" MEANS THE AVERAGE OVER THE PERIOD FROM
22 OCTOBER 1 THROUGH SEPTEMBER 30 OF THE UNITED STATES CONSUMER PRICE
23 INDEX FOR ALL URBAN CONSUMERS AS DEFINED AND REPORTED BY THE UNITED
24 STATES DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS.

25 (4) ~~(3)~~The department shall annualize rates provided in
26 subsection (1) as necessary. ~~for tax years that end after April 30,~~
27 ~~1994.~~The applicable annualized rate shall be imposed upon the

1 taxable income of every person other than a corporation for those
2 tax years.

3 (5) ~~(4)~~—The taxable income of a nonresident shall be computed
4 in the same manner that the taxable income of a resident is
5 computed, subject to the allocation and apportionment provisions of
6 this part.

7 (6) ~~(5)~~—A resident beneficiary of a trust whose taxable income
8 includes all or part of an accumulation distribution by a trust, as
9 defined in section 665 of the internal revenue code, shall be
10 allowed a credit against the tax otherwise due under this part. The
11 credit shall be all or a proportionate part of any tax paid by the
12 trust under this part for any preceding taxable year that would not
13 have been payable if the trust had in fact made distribution to its
14 beneficiaries at the times and in the amounts specified in section
15 666 of the internal revenue code. The credit shall not reduce the
16 tax otherwise due from the beneficiary to an amount less than would
17 have been due if the accumulation distribution were excluded from
18 taxable income.

19 (7) ~~(6)~~—The taxable income of a resident who is required to
20 include income from a trust in his or her federal income tax return
21 under the provisions of 26 USC 671 to 679, shall include items of
22 income and deductions from the trust in taxable income to the
23 extent required by this part with respect to property owned
24 outright.

25 (8) ~~(7)~~—It is the intention of this section that the income
26 subject to tax of every person other than corporations shall be
27 computed in like manner and be the same as provided in the internal

1 revenue code subject to adjustments specifically provided for in
2 this part.

3 (9) ~~(8)~~—As used in this section:

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

6 (i) A partner in a partnership as defined in the internal
7 revenue code.

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

10 (iii) An estate or trust as defined in the internal revenue
11 code.

12 (b) "Taxable income" means taxable income as defined in this
13 part subject to the applicable source and attribution rules
14 contained in this part.