

# HOUSE BILL NO. 6105

November 13, 2024, Introduced by Reps. Wegela and Dievendorf and referred to the Committee on Tax Policy.

A bill to amend 1967 PA 281, entitled "Income tax act of 1967," by amending sections 623 and 695 (MCL 206.623 and 206.695), section 623 as amended by 2021 PA 135 and section 695 as amended by 2023 PA 4.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

**1**           Sec. 623. (1) Except as otherwise provided in this part, there  
**2** is levied and imposed a corporate income tax on every taxpayer with  
**3** business activity within this state or ownership interest or

1 beneficial interest in a flow-through entity that has business  
2 activity in this state unless prohibited by 15 USC 381 to 384. The  
3 corporate income tax is imposed on the corporate income tax base,  
4 after allocation or apportionment to this state, at the ~~rate of~~  
5 **following rates in the following circumstances:**

6 (a) **Before October 1, 2025, 6.0%.**

7 (b) **Beginning on and after October 1, 2025, 10.0%.**

8 (2) The corporate income tax base means a taxpayer's business  
9 income subject to the following adjustments, before allocation or  
10 apportionment, and the adjustment in subsection (4) after  
11 allocation or apportionment:

12 (a) Add interest income and dividends derived from obligations  
13 or securities of states other than this state, in the same amount  
14 that was excluded from federal taxable income, less the related  
15 portion of expenses not deducted in computing federal taxable  
16 income because of sections 265 and 291 of the internal revenue  
17 code.

18 (b) Add all taxes on or measured by net income including the  
19 tax imposed under this part to the extent that the taxes were  
20 deducted in arriving at federal taxable income including any direct  
21 or indirect allocated share of taxes paid by a flow-through entity  
22 under part 4.

23 (c) Add any carryback or carryover of a net operating loss to  
24 the extent deducted in arriving at federal taxable income.

25 (d) To the extent included in federal taxable income, deduct  
26 dividends and royalties received from persons other than United  
27 States persons and foreign operating entities, including, but not  
28 limited to, amounts determined under section 78 of the internal  
29 revenue code or sections 951 to 965 of the internal revenue code.

1           (e) Except as otherwise provided under this subdivision, to  
2 the extent deducted in arriving at federal taxable income, add any  
3 royalty, interest, or other expense paid to a person related to the  
4 taxpayer by ownership or control for the use of an intangible asset  
5 if the person is not included in the taxpayer's unitary business  
6 group. The addition of any royalty, interest, or other expense  
7 described under this subdivision is not required to be added if the  
8 taxpayer can demonstrate that the transaction has a nontax business  
9 purpose, is conducted with arm's-length pricing and rates and terms  
10 as applied in accordance with sections 482 and 1274(d) of the  
11 internal revenue code, and 1 of the following is true:

12           (i) The transaction is a pass through of another transaction  
13 between a third party and the related person with comparable rates  
14 and terms.

15           (ii) An addition would result in double taxation. For purposes  
16 of this subparagraph, double taxation exists if the transaction is  
17 subject to tax in another jurisdiction.

18           (iii) An addition would be unreasonable as determined by the  
19 state treasurer.

20           (iv) The related person recipient of the transaction is  
21 organized under the laws of a foreign nation which has in force a  
22 comprehensive income tax treaty with the United States.

23           (f) To the extent included in federal taxable income, deduct  
24 interest income derived from United States obligations.

25           (g) Eliminate all of the following:

26           (i) Income from producing oil and gas to the extent included in  
27 federal taxable income.

28           (ii) Expenses of producing oil and gas to the extent deducted  
29 in arriving at federal taxable income.

1 (h) For a qualified taxpayer, eliminate all of the following:

2 (i) Income derived from a mineral to the extent included in  
3 federal taxable income.

4 (ii) Expenses related to the income deductible under  
5 subparagraph (i) to the extent deducted in arriving at federal  
6 taxable income.

7 (3) For purposes of subsection (2), the business income of a  
8 unitary business group is the sum of the business income of each  
9 person included in the unitary business group less any items of  
10 income and related deductions arising from transactions including  
11 dividends between persons included in the unitary business group.

12 (4) Deduct any available business loss incurred after December  
13 31, 2011. As used in this subsection, "business loss" means a  
14 negative business income taxable amount after allocation or  
15 apportionment. For purposes of this subsection, a taxpayer that  
16 acquires the assets of another corporation in a transaction  
17 described under section 381(a)(1) or (2) of the internal revenue  
18 code may deduct any business loss attributable to that distributor  
19 or transferor corporation. The business loss shall be carried  
20 forward to the year immediately succeeding the loss year as an  
21 offset to the allocated or apportioned corporate income tax base,  
22 then successively to the next 9 taxable years following the loss  
23 year or until the loss is used up, whichever occurs first.

24 (5) As used in this section, "oil and gas" means oil and gas  
25 that is subject to severance tax under 1929 PA 48, MCL 205.301 to  
26 205.317.

27 Sec. 695. (1) ~~Except as otherwise provided under this section,~~  
28 ~~the revenue collected under this part shall be distributed to the~~  
29 ~~general fund. If the amendatory act that added section 51h takes~~

1 ~~effect before April 18, 2023, then for the 2021-2022 state fiscal~~  
 2 ~~year only, from the tax levied under this part, \$800,000,000.00 of~~  
 3 ~~the revenue collected is appropriated and must be deposited into~~  
 4 ~~the state treasury to the credit of the Michigan taxpayer rebate~~  
 5 ~~fund created in section 51h, and the balance of the revenue~~  
 6 ~~collected under this part for that state fiscal year shall be~~  
 7 ~~deposited to the general fund.~~

8 ~~(2) Beginning with~~ **For** the 2022-2023 state fiscal year ~~through~~  
 9 ~~the 2024-2025~~ **and the 2023-2024** state fiscal year, from the tax  
 10 levied under this part, the revenue collected under this part ~~shall~~  
 11 **for the state fiscal year must** be deposited in the following  
 12 manner:

13 (a) Up to \$1,200,000,000.00 to the general fund.

14 (b) After the deposit under subdivision (a), up to  
 15 \$50,000,000.00, if available, to the Michigan housing and community  
 16 development fund created in section 58a of the state housing  
 17 development authority act of 1966, 1966 PA 346, MCL 125.1458a.

18 (c) After the deposits under subdivisions (a) and (b), up to  
 19 \$50,000,000.00, if available, to the revitalization and placemaking  
 20 fund created in section 696.

21 (d) After the deposits under subdivisions (a), (b), and (c),  
 22 up to \$500,000,000.00, if available, to the strategic outreach and  
 23 attraction reserve fund created in section 4 of the Michigan trust  
 24 fund act, 2000 PA 489, MCL 12.254.

25 (e) The balance of any revenue collected under this part after  
 26 the deposits under subdivisions (a), (b), (c), and (d), to the  
 27 general fund.

28 ~~(2) (3)~~ **(2)** Beginning with the ~~2025-2026~~ **2024-2025** state fiscal  
 29 year **and each state fiscal year after** ~~, 2024-2025~~, from the tax

1 levied under this part, **the revenue collected under this part for**  
2 **the state fiscal year must be deposited in the following manner:**

3 (a) Up to \$1,200,000,000.00 to the general fund.

4 (b) After the deposit under subdivision (a), \$50,000,000.00 of  
5 the revenue collected under this part, ~~shall be deposited if~~  
6 **available**, to the Michigan housing and community development fund  
7 created in section 58a of the state housing development authority  
8 act of 1966, 1966 PA 346, MCL 125.1458a. ~~, and the~~

9 (c) After the deposits under subdivisions (a) and (b), the  
10 balance of the revenue collected under this part for that state  
11 fiscal year ~~shall be deposited to the general fund.~~ **state school aid**  
12 **fund created in section 11 of article IX of the state constitution**  
13 **of 1963.**