

SENATE BILL NO. 555

September 18, 2025, Introduced by Senators WEBBER and HUIZENGA and referred to
Committee on Housing and Human Services.

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,

1 4.35%.

2 (b) Except as otherwise provided under subdivision (c), on and
3 after October 1, 2012, 4.25%.

4 (c) For each tax year beginning on and after January 1, 2023,
5 if the percentage increase in the total general fund/general
6 purpose revenue from the immediately preceding **state** fiscal year is
7 greater than the inflation rate for the same period and the
8 inflation rate is positive, then the current rate ~~shall~~**must** be
9 reduced by an amount determined by multiplying that rate by a
10 fraction, the numerator of which is the difference between the
11 total general fund/general purpose revenue from the immediately
12 preceding state fiscal year and the capped general fund/general
13 purpose revenue and the denominator of which is the total revenue
14 collected from this part in the immediately preceding state fiscal
15 year. For purposes of this subdivision only, the state treasurer,
16 the director of the senate fiscal agency, and the director of the
17 house fiscal agency shall determine whether the total revenue
18 distributed to general fund/general purpose revenue has increased
19 as required under this subdivision based on the comprehensive
20 annual financial report prepared and published by the department of
21 technology, management, and budget in accordance with section 23 of
22 article IX of the state constitution of 1963. The state treasurer,
23 the director of the senate fiscal agency, and the director of the
24 house fiscal agency shall make the determination under this
25 subdivision no later than the date of the January 2023 revenue
26 estimating conference conducted pursuant to sections 367a through
27 367f of the management and budget act, 1984 PA 431, MCL 18.1367a to
28 18.1367f, and the date of each January revenue estimating
29 conference conducted each year thereafter. As used in this

1 subdivision:

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

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

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

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

20 (3) In addition to the **other** distributions under ~~subsections~~
 21 ~~(2) and (4)~~ **this section** and sections 51d, 51e, and 51f, beginning
 22 October 1, 2016, from the revenue collected under this section an
 23 amount equal to 3.5% of the average amount of farmland tax credits
 24 claimed under section 36109 of the natural resources and
 25 environmental protection act, 1994 PA 451, MCL 324.36109, for the
 26 immediately preceding 3 state fiscal years ~~shall~~**must** be deposited
 27 into the agricultural preservation fund created in section 36202 of
 28 the natural resources and environmental protection act, 1994 PA
 29 451, MCL 324.36202.

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

14 (5) Except as otherwise provided under this subsection, in
15 addition to the other distributions under this section and sections
16 51d, 51e, and 51f, beginning October 1, 2025, from the revenue
17 collected from the tax levied under this section an amount equal to
18 the sum of the total maintenance fees and asset-based fees charged
19 for that state fiscal year or \$300,000.00, whichever is greater,
20 must be deposited in the MiABLE fund created in section 3a of the
21 Michigan achieving a better life experience (ABLE) program act,
22 2015 PA 160, MCL 206.983a. For each state fiscal year that begins
23 after September 30, 2026, the state treasurer shall adjust the
24 amount in this subsection by an amount determined by the state
25 treasurer at the end of each calendar year to reflect the
26 cumulative annual percentage change in the Consumer Price Index.
27 For each state fiscal year, if the cumulative annual percentage
28 change in the Consumer Price Index is negative, then the adjustment
29 for that state fiscal year is zero. As used in this subsection:

(a) "Asset-based fees" means the administrative and service fees charged under section 3(7)(e) of the Michigan achieving a better life experience (ABLE) program act, 2015 PA 160, MCL 206.983.

(b) "Maintenance fees" means the fees charged for opening or maintaining an account under section 3(6)(f) of the Michigan achieving a better life experience (ABLE) program act, 2015 PA 160, MCL 206.983.

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

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

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

(9) ~~(8)~~—The taxable income of a resident who is required to

1 include income from a trust in the resident's federal income tax
 2 return under the provisions of 26 USC 671 to 679, ~~shall include~~
 3 **includes** items of income and deductions from the trust in taxable
 4 income to the extent required by this part with respect to property
 5 owned outright.

6 (10) ~~(9)~~—It is the intention of this section that the income
 7 subject to tax of every person other than corporations ~~shall be is~~
 8 computed in like manner and be the same as provided in the internal
 9 revenue code subject to adjustments specifically provided for in
 10 this part.

11 (11) ~~(10)~~—As used in this section:

12 (a) "Consumer Price Index" means the United States Consumer
 13 Price Index for all urban consumers as defined and reported by the
 14 United States Department of Labor, Bureau of Labor Statistics.

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

18 (c) "Person other than a corporation" means a resident or
 19 nonresident individual or any of the following:

20 (i) A partner in a partnership as defined in the internal
 21 revenue code.

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

24 (iii) An estate or trust as defined in the internal revenue
 25 code.

26 (d) "Taxable income" means taxable income as defined in this
 27 part subject to the applicable source and attribution rules
 28 contained in this part.

29 Enacting section 1. This amendatory act does not take effect

1 unless Senate Bill No. 556 of the 103rd Legislature is enacted into
2 law.