

SENATE BILL NO. 573

September 18, 2025, Introduced by Senator SINGH and referred to Committee on Appropriations.

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, and
by adding sections 51a and 695a; and to repeal acts and parts of
acts.

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

1 circumstances:

2 (a) On and after October 1, 2007 and before October 1, 2012,
3 4.35%.

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

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

1 18.1367f, and the date of each January revenue estimating
2 conference conducted each year thereafter. As used in this
3 subdivision:

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

12 (ii) "Total general fund/general purpose revenue" means the
13 total general fund/general purpose revenue and other financing
14 sources as published in the comprehensive annual financial report
15 schedule of revenue and other financing sources - general fund for
16 that fiscal year plus any distribution made pursuant to section
17 51d.

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

~~2023 through September 30, 2024 only, that percentage of the gross collections before refunds from the tax levied under this section that is equal to 1.015% divided by the income tax rate levied under this section shall be deposited in the state school aid fund created in section 11 of article IX of the state constitution of 1963. For October 1, 2024 through September 30, 2025 only, that percentage of the gross collections before refunds from the tax levied under this section that is equal to 1.023% divided by the income tax rate levied under this section shall be deposited in the state school aid fund created in section 11 of article IX of the state constitution of 1963. For October 1, 2025 through September 30, 2026 only, that percentage of the gross collections before refunds from the tax levied under this section that is equal to 1.033% divided by the income tax rate levied under this section shall be deposited in the state school aid fund created in section 11 of article IX of the state constitution of 1963. Beginning October 1, 2026, that percentage of the gross collections before refunds from the tax levied under this section that is equal to 1.040% divided by the income tax rate levied under this section shall be deposited in the state school aid fund created in section 11 of article IX of the state constitution of 1963.~~

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

~~environmental protection act, 1994 PA 451, MCL 324.36202.~~

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

~~(2) (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.

~~(3) (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.

~~(4) (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~~ **must** be 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

1 section 666 of the internal revenue code. The credit ~~shall~~**does** not
 2 reduce the tax otherwise due from the beneficiary to an amount less
 3 than would have been due if the accumulation distribution were
 4 excluded from taxable income.

5 (5) ~~(8)~~—The taxable income of a resident who is required to
 6 include income from a trust in the resident's federal income tax
 7 return under the provisions of 26 USC 671 to 679, ~~shall include~~
 8 **includes** items of income and deductions from the trust in taxable
 9 income to the extent required by this part with respect to property
 10 owned outright.

11 (6) ~~(9)~~—It is the intention of this section that the income
 12 subject to tax of every person other than corporations ~~shall~~**must**
 13 be computed in like manner and be the same as provided in the
 14 internal revenue code subject to adjustments specifically provided
 15 for in this part.

16 (7) ~~(10)~~—As used in this section:

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

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

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

25 (i) A partner in a partnership as defined in the internal
 26 revenue code.

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

29 (iii) An estate or trust as defined in the internal revenue

1 code.

2 (d) "Taxable income" means taxable income as defined in this
3 part subject to the applicable source and attribution rules
4 contained in this part.

5 Sec. 51a. Except as otherwise provided under this section,
6 beginning October 1, 2025, the following amounts of revenue
7 collected from the tax levied under section 51 must be deposited in
8 the following manner:

9 (a) For October 1, 2025 through September 30, 2026 only, that
10 percentage of the gross collections before refunds from the tax
11 levied under section 51 that is equal to 1.033% divided by the
12 income tax rate levied under section 51 to the state school aid
13 fund created in section 11 of article IX of the state constitution
14 of 1963. Beginning October 1, 2026, that percentage of the gross
15 collections before refunds from the tax levied under section 51
16 that is equal to 1.040% divided by the income tax rate levied under
17 section 51 to the state school aid fund created in section 11 of
18 article IX of the state constitution of 1963.

19 (b) An amount equal to 3.5% of the average amount of farmland
20 tax credits claimed under section 36109 of the natural resources
21 and environmental protection act, 1994 PA 451, MCL 324.36109, for
22 the immediately preceding 3 state fiscal years to the agricultural
23 preservation fund created in section 36202 of the natural resources
24 and environmental protection act, 1994 PA 451, MCL 324.36202.

25 (c) \$69,000,000.00 to the renew Michigan fund created in
26 section 51g.

27 (d) \$600,000.00 to the Michigan transportation fund created in
28 section 10 of 1951 PA 51, MCL 247.660, and disbursed as provided in
29 section 10(1)(l) of 1951 PA 51, MCL 247.660.

1 (e) An amount equal to the construction period tax capture
2 revenues, withholding tax capture revenues, and income tax capture
3 revenues due to be transmitted under all transformational
4 brownfield plans adopted under the brownfield redevelopment
5 financing act, 1996 PA 381, MCL 125.2651 to 125.2670, to the state
6 brownfield redevelopment fund created in section 8a of the
7 brownfield redevelopment financing act, 1996 PA 381, MCL 125.2658a.
8 As used in this subdivision, "construction period tax capture
9 revenues", "income tax capture revenues", and "withholding tax
10 capture revenues" mean those terms as defined in section 2 of the
11 brownfield redevelopment financing act, 1996 PA 381, MCL 125.2652.

12 (f) An amount equal to that portion of the withholding tax
13 capture revenues attributable to certified new jobs and due to be
14 paid to an authorized business pursuant to a written agreement
15 entered into under chapter 8D of the Michigan strategic fund act,
16 1984 PA 270, MCL 125.2090g to 125.2090j, to the good jobs for
17 Michigan fund created in section 90j of the Michigan strategic fund
18 act, 1984 PA 270, MCL 125.2090j. As used in this subdivision,
19 "authorized business", "certified new jobs", "withholding tax
20 capture revenues", and "written agreement" mean those terms as
21 defined in section 90g of the Michigan strategic fund act, 1984 PA
22 270, MCL 125.2090g.

23 Sec. 695a. The revenue collected under this part must be
24 distributed to the general fund.

25 Enacting section 1. Sections 51d to 51f, 51h, 476, and 695 of
26 the income tax act of 1967, 1967 PA 281, MCL 206.51d to 206.51f,
27 206.51h, 206.476, and 206.695, are repealed.