



HOUSE BILL No. 5435

March 23 1994 Introduced by Reps O Neill Profit Richard A Young London and Palamara and referred to the Committee on Taxation

A bill to amend section 51 of Act No 281 of the Public Acts of 1967, entitled

Income tax act of 1967

as amended by Act No 328 of the Public Acts of 1993, being section 206 51 of the Michigan Compiled Laws

THE PEOPLE OF THE STATE OF MICHIGAN ENACT

1 Section 1 Section 51 of Act No 281 of the Public Acts of
2 1967 as amended by Act No 328 of the Public Acts of 1993 being
3 section 206 51 of the Michigan Compiled Laws is amended to read
4 as follows

5 Sec 51 (1) For receiving, earning, or otherwise acquiring
6 income from any source whatsoever there is levied and imposed
7 upon the taxable income of every person other than a corporation
8 a tax at the following rates in the following circumstances

1 (a) Before May 1, 1994 4 6%

2 ~~(b) After April 30, 1994, if the sales tax is levied at a~~
 3 ~~rate of 4% under the general sales tax act, Act No 167 of the~~
 4 ~~Public Acts of 1933, being sections 205 51 to 205 78 of the~~
 5 ~~Michigan Compiled Laws, 4 6% plus an additional 1 4%~~

6 (B) ~~(c) After April 30, 1994, if the sales tax is levied~~
 7 ~~at a rate of 6% under Act No 167 of the Public Acts of 1933,~~
 8 ~~4 6% minus 0 2% 4 4%~~

9 (2) The following percentages of the net revenues collected
 10 under this section shall be deposited in the state school aid
 11 fund created in section 11 of article IX of the state constitu-
 12 tion of 1963

13 ~~(a) Beginning May 1, 1994, 100% of the gross collections~~
 14 ~~before refunds from the additional rate levied pursuant to sub-~~
 15 ~~section (1)(b) minus the amount of income tax over withholding~~
 16 ~~attributable to that additional rate~~

17 ~~(b) Beginning October 1 1994 10 5% of the gross collec-~~
 18 ~~tions before refunds from the tax levied at a rate of 4 6% if the~~
 19 ~~sales tax is levied at a rate of 4% under Act No 167 of the~~
 20 ~~Public Acts of 1933~~

21 (A) ~~(c) Beginning October 1, 1994 AND THROUGH~~
 22 ~~SEPTEMBER 30, 1995, 14 4% of the gross collections before refunds~~
 23 ~~from the tax levied at a rate of 4 4% under subsection (1)(c)~~
 24 ~~if the sales tax is levied at a rate of 6% under Act No 167 of~~
 25 ~~the Public Acts of 1933~~

26 (B) BEGINNING OCTOBER 1 1995, 33 5% OF THE GROSS
 27 COLLECTIONS BEFORE REFUNDS FROM THE TAX LEVIED AT A RATE OF 4 4%

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

6 (4) The taxable income of a nonresident shall be computed in
7 the same manner that the taxable income of a resident is comput-
8 ed subject to the allocation and apportionment provisions of
9 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,
12 as defined in section 665 of the internal revenue code, shall be
13 allowed a credit against the tax otherwise due under this act
14 The credit shall be all or a proportionate part of any tax paid
15 by the trust under this act for any preceding taxable year that
16 would not have been payable if the trust had in fact made distri-
17 bution to its beneficiaries at the times and in the amounts spec-
18 ified in section 666 of the internal revenue code The credit
19 shall not reduce the tax otherwise due from the beneficiary to an
20 amount less than would have been due if the accumulation distri-
21 bution were excluded from 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
24 return under the provisions of subpart E of part I of subchapter
25 J of chapter 1 of the internal revenue code, 26 U S C 671 to
26 679 shall include items of income and deductions from the trust

1 in taxable income to the extent required by this act with respect
2 to property owned outright

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

8 (8) As used in this section

9 (a) Person other than a corporation means a resident or
10 nonresident individual or any of the following

11 (i) A partner in a partnership as defined in the internal
12 revenue code

13 (ii) A beneficiary of an estate or a trust as defined in the
14 internal revenue code

15 (iii) An estate or trust as defined in the internal revenue
16 code

17 (b) Taxable income means taxable income as defined in this
18 act subject to the applicable source and attribution rules con-
19 tained in this act