



HOUSE BILL No. 5588

May 26 1994 Introduced by Reps Whyman, Gustafson, Hill Llewellyn Vorva, Rhead Hammerstrom Stille, Jersevic Bullard Goschka Cropsey Galloway Lowe Kukuk and Kaza 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 and to add section 473

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 and sec-
4 tion 473 is added to read 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 AND BEFORE JANUARY 1, 1995,~~
 7 ~~if the sales tax is levied at a rate of 6% under Act No 167 of~~
 8 ~~the Public Acts of 1933, 4 6% minus 0 2%~~

9 (C) AFTER DECEMBER 31, 1994, 4 3%

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

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

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

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

1 (B) BEGINNING JANUARY 1, 1995, THE PERCENTAGE OF GROSS
2 COLLECTIONS BEFORE REFUNDS FROM THE TAX LEVIED AT A RATE OF 4 3%
3 UNDER SUBSECTION (1)(C) NECESSARY TO PROVIDE THE SAME DOLLAR
4 AMOUNT THAT WOULD HAVE BEEN AVAILABLE FOR DEPOSIT IF SUBDIVISION
5 (A) HAD BEEN IN EFFECT

6 (3) The department shall annualize rates provided in subsec-
7 tion (1) as necessary for tax years that end after April 30,
8 1994 The applicable annualized rate shall be imposed upon the
9 taxable income of every person other than a corporation for those
10 tax years

11 (4) The taxable income of a nonresident shall be computed in
12 the same manner that the taxable income of a resident is comput-
13 ed, subject to the allocation and apportionment provisions of
14 this act

15 (5) A resident beneficiary of a trust whose taxable income
16 includes all or part of an accumulation distribution by a trust,
17 as defined in section 665 of the internal revenue code, shall be
18 allowed a credit against the tax otherwise due under this act
19 The credit shall be all or a proportionate part of any tax paid
20 by the trust under this act for any preceding taxable year that
21 would not have been payable if the trust had in fact made distri-
22 bution to its beneficiaries at the times and in the amounts spec-
23 ified in section 666 of the internal revenue code The credit
24 shall not reduce the tax otherwise due from the beneficiary to an
25 amount less than would have been due if the accumulation distri-
26 bution were excluded from taxable income

1 (6) The taxable income of a resident who is required to
 2 include income from a trust in his or her federal income tax
 3 return under the provisions of subpart E of part I of subchapter
 4 J of chapter 1 of the internal revenue code, 26 U S C 671 to
 5 679, shall include items of income and deductions from the trust
 6 in taxable income to the extent required by this act with respect
 7 to property owned outright

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

13 (8) As used in this section

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

16 (1) A partner in a partnership as defined in the internal
 17 revenue code

18 (11) A beneficiary of an estate or a trust as defined in the
 19 internal revenue code

20 (111) An estate or trust as defined in the internal revenue
 21 code

22 (b) 'Taxable income means taxable income as defined in this
 23 act subject to the applicable source and attribution rules con-
 24 tained in this act

25 SEC 473 (1) FOR A FISCAL YEAR IN WHICH TOTAL STATE REVE-
 26 NUES EXCEED THE REVENUE LIMIT AS PROVIDED IN SECTION 26 OF
 27 ARTICLE IX OF THE STATE CONSTITUTION OF 1963 BY 1% OR MORE, THE

1 REVENUES IN EXCESS OF THE REVENUE LIMIT SHALL BE REFUNDED ON A
2 PRO RATA BASIS TO EACH TAXPAYER BASED ON THE LIABILITY REPORTED
3 ON RETURNS FILED PURSUANT TO SECTION 73 OF THE SINGLE BUSINESS
4 TAX ACT, ACT NO 228 OF THE PUBLIC ACTS OF 1975, BEING SECTION
5 208 73 OF THE MICHIGAN COMPILED LAWS, AND SECTION 311 OF THIS ACT
6 FOR THE TAXPAYER S TAX YEAR BEGINNING IN THE FISCAL YEAR IN WHICH
7 IT IS DETERMINED THAT THE REVENUE LIMIT HAS BEEN EXCEEDED

8 (2) A REFUND IS NOT REQUIRED IF TOTAL STATE REVENUES EXCEED
9 THE REVENUE LIMIT BY LESS THAN ¹⁰1%

10 (3) A REFUND REQUIRED PURSUANT TO THIS SECTION SHALL BE
11 REFUNDED DURING THE FISCAL YEAR BEGINNING ON THE OCTOBER 1 FOL-
12 LOWING THE FILING OF THE REPORT REQUIRED BY SECTION 350E OF THE
13 MANAGEMENT AND BUDGET ACT, ACT NO 431 OF THE PUBLIC ACTS OF
14 1984 BEING SECTION 18 1350E OF THE MICHIGAN COMPILED LAWS, THAT
15 DETERMINES THAT THE REVENUE LIMIT WAS EXCEEDED IN THE IMMEDIATELY
16 PRECEDING FISCAL YEAR

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