

HOUSE BILL NO. 5337

January 16, 2020, Introduced by Reps. Wakeman, Steven Johnson, Paquette, Maddock, Eisen and Green and referred to the Committee on Tax Policy.

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending section 51 (MCL 206.51), as amended by 2018 PA 588.

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 On~~
 3 and after October 1, 2012 **and before January 1, 2021**, 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 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 be reduced~~
 9 ~~by an amount determined by multiplying that rate by a fraction, the~~
 10 ~~numerator of which is the difference between the total general~~
 11 ~~fund/general purpose revenue from the immediately preceding state~~
 12 ~~fiscal year and the capped general fund/general purpose revenue and~~
 13 ~~the denominator of which is the total revenue collected from this~~
 14 ~~part in the immediately preceding state fiscal year. For purposes~~
 15 ~~of this subdivision only, the state treasurer, the director of the~~
 16 ~~senate fiscal agency, and the director of the house fiscal agency~~
 17 ~~shall determine whether the total revenue distributed to general~~
 18 ~~fund/general purpose revenue has increased as required under this~~
 19 ~~subdivision based on the comprehensive annual financial report~~
 20 ~~prepared and published by the department of technology, management,~~
 21 ~~and budget in accordance with section 23 of article IX of the state~~
 22 ~~constitution of 1963. The state treasurer, the director of the~~
 23 ~~senate fiscal agency, and the director of the house fiscal agency~~
 24 ~~shall make the determination under this subdivision no later than~~
 25 ~~the date of the January 2023 revenue estimating conference~~
 26 ~~conducted pursuant to sections 367a through 367f of the management~~
 27 ~~and budget act, 1984 PA 431, MCL 18.1367a to 18.1367f, and the date~~
 28 ~~of each January revenue estimating conference conducted each year~~
 29 ~~thereafter. As used in this subdivision:~~



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

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

15 **(c) Beginning January 1, 2021 through December 31, 2021, 3.9%.**

16 **(d) Beginning January 1, 2022 and each January 1 after 2022,**
 17 **the maximum rate under this subsection shall be reduced by 0.1 each**
 18 **year until the rate is zero.**

19 (2) Beginning January 1, 2000 and through November 30, 2018,
 20 that percentage of the gross collections before refunds from the
 21 tax levied under this section that is equal to 1.012% divided by
 22 the income tax rate levied under this section shall be deposited in
 23 the state school aid fund created in section 11 of article IX of
 24 the state constitution of 1963. Except as otherwise provided under
 25 this subsection, beginning December 1, 2018 and each state fiscal
 26 year thereafter, that percentage of the gross collections before
 27 refunds from the tax levied under this section that is equal to
 28 0.954% divided by the income tax rate levied under this section
 29 shall be deposited in the state school aid fund created in section



1 11 of article IX of the state constitution of 1963. However, if, in
2 any 1 of the 2018-2019 through the 2021-2022 state fiscal years,
3 the minimum foundation allowance falls below the 2017-2018 minimum
4 foundation allowance established under section 20 of the state
5 school aid act of 1979, 1979 PA 94, MCL 388.1620, then for that
6 fiscal year that percentage of the gross collections before refunds
7 from the tax levied under this section that is equal to 1.012%
8 divided by the income tax rate levied under this section shall be
9 deposited in the state school aid fund created in section 11 of
10 article IX of the state constitution of 1963.

11 (3) In addition to the distributions under subsections (2) and
12 (4) and sections 51d, 51e, and 51f, beginning October 1, 2016, from
13 the revenue collected under this section an amount equal to 3.5% of
14 the average amount of farmland tax credits claimed under section
15 36109 of the natural resources and environmental protection act,
16 1994 PA 451, MCL 324.36109, for the immediately preceding 3 state
17 fiscal years shall be deposited into the agricultural preservation
18 fund created in section 36202 of the natural resources and
19 environmental protection act, 1994 PA 451, MCL 324.36202.

20 (4) In addition to the distributions under subsections (2) and
21 (3) and sections 51d, 51e, and 51f, and subject to the limitation
22 under this subsection, beginning with the 2018-2019 state fiscal
23 year and each fiscal year thereafter, from the revenue collected
24 under this section \$69,000,000.00 shall be deposited into the renew
25 Michigan fund created in section 51g. However, if, in any 1 of the
26 2018-2019 through the 2021-2022 state fiscal years, the minimum
27 foundation allowance falls below the 2017-2018 minimum foundation
28 allowance as provided in ~~section 51(2)~~ **subsection (2)** then no money
29 shall be deposited into the renew Michigan fund pursuant to this



1 subsection for that fiscal year.

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

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

10 (7) A resident beneficiary of a trust whose taxable income
11 includes all or part of an accumulation distribution by a trust, as
12 defined in section 665 of the internal revenue code, shall be
13 allowed a credit against the tax otherwise due under this part. The
14 credit shall be all or a proportionate part of any tax paid by the
15 trust under this part for any preceding taxable year that would not
16 have been payable if the trust had in fact made distribution to its
17 beneficiaries at the times and in the amounts specified in section
18 666 of the internal revenue code. The credit shall not reduce the
19 tax otherwise due from the beneficiary to an amount less than would
20 have been due if the accumulation distribution were excluded from
21 taxable income.

22 (8) The taxable income of a resident who is required to
23 include income from a trust in his or her federal income tax return
24 under the provisions of 26 USC 671 to 679, shall include items of
25 income and deductions from the trust in taxable income to the
26 extent required by this part with respect to property owned
27 outright.

28 (9) It is the intention of this section that the income
29 subject to tax of every person other than corporations shall be



1 computed in like manner and be the same as provided in the internal
2 revenue code subject to adjustments specifically provided for in
3 this part.

4 (10) As used in this section:

5 ~~(a) "Consumer Price Index" means the United States Consumer~~
6 ~~Price Index for all urban consumers as defined and reported by the~~
7 ~~United States Department of Labor, Bureau of Labor Statistics.~~

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

11 **(a)** ~~(c)~~ "Person other than a corporation" means a resident or
12 nonresident individual or any of the following:

13 (i) A partner in a partnership as defined in the internal
14 revenue code.

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

17 (iii) An estate or trust as defined in the internal revenue
18 code.

19 **(b)** ~~(d)~~ "Taxable income" means taxable income as defined in
20 this part subject to the applicable source and attribution rules
21 contained in this part.

