HOUSE BILL No. 5908

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May 28, 1996, Introduced by Reps. Profit, Palamara, Bullard, Alley, Owen and Mathieu and referred to the Committee on Tax Policy.

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. 194 of the Public Acts of 1995, being section 206.51 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

Section 1. Section 51 of Act No. 281 of the Public Acts of 1967, as amended by Act No. 194 of the Public Acts of 1995, being section 206.51 of the Michigan Compiled Laws, is amended to read as follows:

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

(a) Before May 1, 1994, 4.6%.

(b) After April 30, 1994 AND BEFORE THE 1996 TAX YEAR, 4.4%.

(C) FOR THE 1996 TAX YEAR, 4.3%.

(D) FOR THE 1997 TAX YEAR, 4.2%.

(E) FOR THE 1998 TAX YEAR, 4.1%.

(F) FOR THE 1999 TAX YEAR, 4.0%.

(G) AFTER THE 1999 TAX YEAR, 3.9%.

(2) The following percentages of the net revenues collected 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:

(a) Beginning October 1, 1994 and before October 1, 1996, 14.4% of the gross collections before refunds from the tax levied under this section.

(b) After September 30, 1996, 23.0% of the gross collections before refunds from the tax levied under this section.

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

(4) The taxable income of a nonresident shall be computed in the same manner that the taxable income of a resident is computed, subject to the allocation and apportionment provisions of this act.

(5) 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 allowed a credit against the tax otherwise due under this act. The credit shall be all or a proportionate part of any tax paid by the trust under this act 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 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.

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

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

(8) As used in this section:

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

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

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

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

(b) "Taxable income" means taxable income as defined in this act subject to the applicable source and attribution rules contained in this act.