



# SENATE BILL No. 423

March 21, 1995, Introduced by Senator DEGROW and referred to the Committee on Appropriations.

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:

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

~~(b) After April 30, 1994, if the sales tax is levied at a rate of 4% under the general sales tax act, Act No. 167 of the Public Acts of 1933, being sections 205.51 to 205.78 of the Michigan Compiled Laws, 4.6% plus an additional 1.4%.~~

(B) ~~(c) After April 30, 1994, if the sales tax is levied at a rate of 6% under Act No. 167 of the Public Acts of 1933, 4.6% minus 0.2% 4.4%.~~

(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 May 1, 1994, 100% of the gross collections before refunds from the additional rate levied pursuant to subsection (1)(b) minus the amount of income tax over withholding attributable to that additional rate.~~

~~(b) Beginning October 1, 1994, 10.5% of the gross collections before refunds from the tax levied at a rate of 4.6% if the sales tax is levied at a rate of 4% under Act No. 167 of the Public Acts of 1933.~~

(A) ~~(c)~~ Beginning October 1, 1994 AND THROUGH SEPTEMBER 30, 1995, 14.4% of the gross collections before refunds from the tax levied at a rate of 4.4%. ~~under subsection (1)(c) if the sales tax is levied at a rate of 6% under Act No. 167 of the Public Acts of 1933.~~

(B) BEGINNING OCTOBER 1, 1995, 33.5% OF THE GROSS 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.