

HOUSE BILL No. 5978

June 30, 1998, Introduced by Reps. Schauer, Wojno, Brown, Mans and Callahan 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 1995 PA 194.

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 upon the taxable income of every person other than a corporation
4 a tax at the following rates in the following circumstances:
5 (a) Before May 1, 1994, 4.6%.
6 (b) After April 30, 1994 AND BEFORE JANUARY 1, 1999, 4.4%.
7 (c) ON AND AFTER JANUARY 1, 1999 AND BEFORE JANUARY 1, 2000,
8 4.3%.
9 (d) ON AND AFTER JANUARY 1, 2000 AND BEFORE JANUARY 1, 2001,
10 4.2%.

1 (E) ON AND AFTER JANUARY 1, 2001 AND BEFORE JANUARY 1, 2002,
2 4.1%.

3 (F) ON AND AFTER JANUARY 1, 2002 AND BEFORE JANUARY 1, 2003,
4 4.0%.

5 (G) ON AND AFTER JANUARY 1, 2003 AND BEFORE JANUARY 1, 2004,
6 3.9%.

7 (H) ON AND AFTER JANUARY 1, 2004, 3.8%.

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

12 (a) Beginning October 1, 1994 and before October 1, 1996,
13 14.4% of the gross collections before refunds from the tax levied
14 under this section.

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

17 (3) The department shall annualize rates provided in subsec-
18 tion (1) as necessary for tax years that end after April 30,
19 1994. The applicable annualized rate shall be imposed upon the
20 taxable income of every person other than a corporation for those
21 tax years.

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

26 (5) A resident beneficiary of a trust whose taxable income
27 includes all or part of an accumulation distribution by a trust,

1 as defined in section 665 of the internal revenue code, shall be
2 allowed a credit against the tax otherwise due under this act.
3 The credit shall be all or a proportionate part of any tax paid
4 by the trust under this act for any preceding taxable year that
5 would not have been payable if the trust had in fact made distri-
6 bution to its beneficiaries at the times and in the amounts spec-
7 ified in section 666 of the internal revenue code. The credit
8 shall not reduce the tax otherwise due from the beneficiary to an
9 amount less than would have been due if the accumulation distri-
10 bution were excluded from taxable income.

11 (6) The taxable income of a resident who is required to
12 include income from a trust in his or her federal income tax
13 return under the provisions of subpart E of part I of subchapter
14 J of chapter 1 of the internal revenue code, 26 U.S.C. 671 to
15 679, shall include items of income and deductions from the trust
16 in taxable income to the extent required by this act with respect
17 to property owned outright.

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

23 (8) As used in this section:

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

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

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

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

5 (b) "Taxable income" means taxable income as defined in this
6 act subject to the applicable source and attribution rules con-
7 tained in this act.

8 Enacting section 1. This amendatory act does not take
9 effect unless House Joint Resolution BB of the 89th Legislature
10 becomes a part of the state constitution of 1963 as provided in
11 section 1 of article XII of the state constitution of 1963.