

SENATE BILL No. 89

February 1, 2017, Introduced by Senators GREGORY, BIEDA, CONYERS, ANANICH, NOFS, HANSEN, HOPGOOD, KOWALL, JOHNSON and O'BRIEN and referred to the Committee on Finance.

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
(MCL 206.1 to 206.713) by adding section 672.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 672. (1) FOR TAX YEARS BEGINNING ON AND AFTER JANUARY 1,
2 2018 AND BEFORE JANUARY 1, 2023, A QUALIFIED TAXPAYER MAY CLAIM A
3 CREDIT AGAINST THE TAX IMPOSED BY THIS PART FOR EACH QUALIFIED
4 EMPLOYEE HIRED DURING THE TAX YEAR EQUAL TO 25% OF THE COMPENSATION
5 PAID BY THE QUALIFIED TAXPAYER TO THE QUALIFIED EMPLOYEE DURING THE
6 TAX YEAR OR \$4,000.00, WHICHEVER IS LESS.

7 (2) IF THE CREDIT ALLOWED UNDER THIS SECTION FOR THE TAX YEAR
8 AND ANY UNUSED CARRYFORWARD OF THE CREDIT ALLOWED UNDER THIS
9 SECTION EXCEED THE TAX LIABILITY OF THE QUALIFIED TAXPAYER FOR THE
10 TAX YEAR, THE EXCESS SHALL NOT BE REFUNDED, BUT MAY BE CARRIED

1 FORWARD AS AN OFFSET TO THE TAX LIABILITY IN SUBSEQUENT TAX YEARS
2 FOR 5 TAX YEARS OR UNTIL THE EXCESS CREDIT IS USED UP, WHICHEVER
3 OCCURS FIRST.

4 (3) IF A TAXPAYER TERMINATES THE EMPLOYMENT OF A QUALIFIED
5 EMPLOYEE FOR WHICH A CREDIT UNDER THIS SECTION WAS CLAIMED WITHIN 1
6 YEAR AFTER THE TAXPAYER HIRED THAT EMPLOYEE, THE DEPARTMENT MAY
7 REDUCE, TERMINATE, OR HAVE A PERCENTAGE OF THE AMOUNT OF THE CREDIT
8 ALREADY CLAIMED UNDER THIS SECTION ADDED BACK TO THE TAX LIABILITY
9 OF THE TAXPAYER IN THE TAX YEAR THAT THE TAXPAYER TERMINATED THAT
10 EMPLOYEE.

11 (4) FOR PURPOSES OF THIS SECTION, TAXPAYER INCLUDES A
12 FINANCIAL INSTITUTION AND AN INSURANCE COMPANY.

13 (5) AS USED IN THIS SECTION:

14 (A) "COMPENSATION" MEANS ALL WAGES, SALARIES, FEES, BONUSES,
15 COMMISSIONS, AND OTHER PAYMENTS MADE IN THE TAX YEAR ON BEHALF OF
16 OR FOR THE BENEFIT OF EMPLOYEES, OFFICERS, OR DIRECTORS OF THE
17 TAXPAYERS. COMPENSATION INCLUDES, BUT IS NOT LIMITED TO, PAYMENTS
18 THAT ARE SUBJECT TO OR SPECIFICALLY EXEMPT OR EXCEPTED FROM
19 WITHHOLDING UNDER SECTIONS 3401 TO 3406 OF THE INTERNAL REVENUE
20 CODE. COMPENSATION ALSO INCLUDES, ON A CASH OR ACCRUAL BASIS
21 CONSISTENT WITH THE TAXPAYER'S METHOD OF ACCOUNTING FOR FEDERAL
22 INCOME TAX PURPOSES, PAYMENTS TO A PENSION, RETIREMENT, OR PROFIT
23 SHARING PLAN OTHER THAN THOSE PAYMENTS ATTRIBUTABLE TO UNFUNDED
24 ACCRUED ACTUARIAL LIABILITIES, AND PAYMENTS FOR INSURANCE FOR WHICH
25 EMPLOYEES ARE THE BENEFICIARIES, INCLUDING PAYMENTS UNDER HEALTH
26 AND WELFARE AND NONINSURED BENEFIT PLANS AND PAYMENT OF FEES FOR
27 THE ADMINISTRATION OF HEALTH AND WELFARE AND NONINSURED BENEFIT

1 PLANS. COMPENSATION DOES NOT INCLUDE ANY OF THE FOLLOWING:

2 (i) DISCOUNTS ON THE PRICE OF THE TAXPAYER'S MERCHANDISE OR
3 SERVICES SOLD TO THE TAXPAYER'S EMPLOYEES, OFFICERS, OR DIRECTORS
4 THAT ARE NOT AVAILABLE TO OTHER CUSTOMERS.

5 (ii) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION,
6 PAYMENTS TO AN INDEPENDENT CONTRACTOR.

7 (iii) PAYMENTS TO STATE AND FEDERAL UNEMPLOYMENT COMPENSATION
8 FUNDS.

9 (iv) THE EMPLOYER'S PORTION OF PAYMENTS UNDER THE FEDERAL
10 INSURANCE CONTRIBUTIONS ACT, 26 USC 3101 TO 3128, THE RAILROAD
11 RETIREMENT TAX ACT, 26 USC 3201 TO 3241, AND SIMILAR SOCIAL
12 INSURANCE PROGRAMS.

13 (v) PAYMENTS, INCLUDING SELF-INSURANCE PAYMENTS, FOR WORKER'S
14 COMPENSATION INSURANCE OR FEDERAL EMPLOYERS' LIABILITY ACT
15 INSURANCE PURSUANT TO 45 USC 51 TO 60.

16 (B) "DEPENDENT" MEANS THAT TERM AS DEFINED IN SECTION 152 OF
17 THE INTERNAL REVENUE CODE.

18 (C) "FULL-TIME JOB" MEANS A JOB PERFORMED BY AN INDIVIDUAL FOR
19 35 HOURS OR MORE EACH WEEK AND WHOSE INCOME AND SOCIAL SECURITY
20 TAXES ARE WITHHELD FROM THE WAGES EARNED BY THAT INDIVIDUAL FOR
21 PERFORMING THE JOB.

22 (D) "QUALIFIED EMPLOYEE" MEANS ANY INDIVIDUAL WHO SATISFIES
23 ALL OF THE FOLLOWING:

24 (i) CERTIFIES BY SIGNED AFFIDAVIT THAT HE OR SHE HAS NOT HELD
25 A FULL-TIME JOB DURING THE IMMEDIATELY PRECEDING 60-DAY PERIOD
26 BEFORE THE DATE THAT HE OR SHE BEGAN EMPLOYMENT WITH THE QUALIFIED
27 TAXPAYER.

1 (ii) IS A VETERAN WHO HAS SERVED AT LEAST 180 DAYS ON ACTIVE
2 DUTY OR HAS A SERVICE-CONNECTED DISABILITY.

3 (iii) IS NOT EMPLOYED BY THE QUALIFIED TAXPAYER TO REPLACE
4 ANOTHER EMPLOYEE OF THAT QUALIFIED TAXPAYER UNLESS THAT OTHER
5 EMPLOYEE SEPARATED FROM EMPLOYMENT VOLUNTARILY OR FOR CAUSE.

6 (iv) IS NOT A RELATIVE OR DEPENDENT OF AN INDIVIDUAL WHO OWNS,
7 DIRECTLY OR INDIRECTLY, MORE THAN 50% IN VALUE OF THE OUTSTANDING
8 STOCK OF THE QUALIFIED TAXPAYER, OR IF THE QUALIFIED TAXPAYER IS AN
9 ENTITY OTHER THAN A CORPORATION, IS NOT A RELATIVE OR DEPENDENT TO
10 ANY INDIVIDUAL WHO OWNS, DIRECTLY OR INDIRECTLY, MORE THAN 50% OF
11 THE CAPITAL AND PROFITS INTERESTS IN THE ENTITY.

12 (E) "QUALIFIED TAXPAYER" MEANS A TAXPAYER THAT IS AN EMPLOYER
13 THAT EMPLOYS FEWER THAN 100 FULL-TIME EMPLOYEES.

14 (F) "RELATIVE" MEANS AN INDIVIDUAL WHO BEARS A RELATIONSHIP
15 DESCRIBED IN SECTION 152(D)(2) OF THE INTERNAL REVENUE CODE TO THE
16 QUALIFIED EMPLOYER.

17 (G) "SERVICE-CONNECTED DISABILITY" MEANS A DISABILITY INCURRED
18 OR AGGRAVATED IN THE LINE OF DUTY IN THE ACTIVE MILITARY, NAVAL, OR
19 AIR SERVICE AS DESCRIBED IN 38 USC 101(16).

20 (H) "VETERAN" MEANS A PERSON WHO SERVED IN THE ACTIVE
21 MILITARY, NAVAL, MARINE, COAST GUARD, OR AIR SERVICE AND WHO WAS
22 DISCHARGED OR RELEASED FROM HIS OR HER SERVICE WITH AN HONORABLE OR
23 GENERAL DISCHARGE.