HOUSE BILL NO. 4180

February 13, 2019, Introduced by Reps. Coleman, Kuppa, Cynthia Johnson, Gay-Dagnogo, Robinson, Sneller, Ellison, Kennedy, Whitsett, Bellino and Jones and referred to the Committee on Tax Policy.

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:

Sec. 672. (1) For tax years beginning on and after January 1, 2019, a qualified taxpayer may claim a credit against the tax imposed by this part for each qualified employee during the tax year of an amount equal to 20% of the compensation paid by the qualified taxpayer to the qualified employee during the tax year or

$3,000.00, whichever is less.

(2) If the credit allowed under this section for the tax year and any unused carryforward of the credit allowed under this section exceed the tax liability of the qualified taxpayer for the tax year, the excess shall not be refunded, but may be carried forward as an offset to the tax liability in subsequent tax years for 5 tax years or until the excess credit is used up, whichever occurs first.

(3) If a taxpayer terminates the employment of a qualified employee for which a credit under this section was claimed within 1 year after the taxpayer hired that employee, the department may reduce, terminate, or have a percentage of the amount of the credit already claimed under this section added back to the tax liability of the taxpayer in the tax year that the taxpayer terminated that employee.

(4) For purposes of this section, taxpayer includes a financial institution and an insurance company.

(5) As used in this section:

(a) "Compensation" means all wages, salaries, fees, bonuses, commissions, and other payments made in the tax year on behalf of or for the benefit of employees, officers, or directors of the taxpayers. Compensation includes, but is not limited to, payments that are subject to or specifically exempt or excepted from withholding under sections 3401 to 3406 of the internal revenue code. Compensation also includes, on a cash or accrual basis consistent with the taxpayer's method of accounting for federal income tax purposes, payments to a pension, retirement, or profit sharing plan other than those payments attributable to unfunded accrued actuarial liabilities, and payments for insurance for which

employees are the beneficiaries, including payments under health and welfare and noninsured benefit plans and payment of fees for the administration of health and welfare and noninsured benefit plans. Compensation does not include any of the following:

(*i*) Discounts on the price of the taxpayer's merchandise or services sold to the taxpayer's employees, officers, or directors that are not available to other customers.

(*ii*) Except as otherwise provided in this subdivision, payments to an independent contractor.

(*iii*) Payments to state and federal unemployment compensation funds.

(*iv*) The employer's portion of payments under the federal insurance contributions act, 26 USC 3101 to 3128, the railroad retirement tax act, 26 USC 3201 to 3241, and similar social insurance programs.

(*v*) Payments, including self-insurance payments, for worker's compensation insurance or federal employers' liability act insurance pursuant to 45 USC 51 to 60.

(b) "Dependent" means that term as defined in section 152 of the internal revenue code.

(c) "Full-time job" means a job performed by an individual for 35 hours or more each week and whose income and social security taxes are withheld from the wages earned by that individual for performing the job.

(d) "Qualified employee" means any individual who satisfies each of the following:

(*i*) Is currently unemployed and certifies by signed affidavit that he or she has not held a full-time job during the immediately preceding 60-day period before the date that he or she began

employment with the qualified taxpayer.

(*ii*) Is not employed by the qualified taxpayer to replace another employee of that qualified taxpayer unless that other employee separated from employment voluntarily or for cause.

(*iii*) Is not a relative or dependent of an individual who owns, directly or indirectly, more than 50% in value of the outstanding stock of the qualified taxpayer, or if the qualified taxpayer is an entity other than a corporation, is not a relative or dependent to any individual who owns, directly or indirectly, more than 50% of the capital and profits interests in the entity.

(e) "Qualified taxpayer" means a taxpayer that is an employer that employs fewer than 100 full-time employees.

(f) "Relative" means an individual who bears a relationship described in section 152(d)(2)(A) through (H) of the internal revenue code to the qualified employer.

(g) "Unemployed" means an individual who is without a job and who wants and is available for work. For purposes of this section, an individual who is retired or receiving a pension, or both, is considered unemployed if he or she does not have a job, has actively looked for work in the prior 4 weeks, and is currently available and able to work.