

# HOUSE BILL NO. 4481

April 18, 2019, Introduced by Reps. Wittenberg, Warren, Ellison, Rabhi, Pagan, Hope, Sowerby, Hammoud, Neeley, Gay-Dagnogo, Sneller, Kennedy, Brixie, Hertel, Yancey, Guerra, Sabo, Garza, Tate, Tyrone Carter, Hoadley, Bolden, Whitsett and Love 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 2018 PA 588.

## **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 under this part upon the taxable income of every person other than  
4 a corporation a tax at the following rates in the following  
5 circumstances:

6       (a) On and after October 1, 2007 and before October 1, 2012,



1 4.35%.

2 (b) ~~Except as otherwise provided under subdivision (c), on~~ **On**  
3 and after October 1, 2012 **through December 31, 2020,** 4.25%.

4 ~~(c) For each tax year beginning on and after January 1, 2023,~~  
5 ~~if the percentage increase in the total general fund/general~~  
6 ~~purpose revenue from the immediately preceding fiscal year is~~  
7 ~~greater than the inflation rate for the same period and the~~  
8 ~~inflation rate is positive, then the current rate shall be reduced~~  
9 ~~by an amount determined by multiplying that rate by a fraction, the~~  
10 ~~numerator of which is the difference between the total general~~  
11 ~~fund/general purpose revenue from the immediately preceding state~~  
12 ~~fiscal year and the capped general fund/general purpose revenue and~~  
13 ~~the denominator of which is the total revenue collected from this~~  
14 ~~part in the immediately preceding state fiscal year. For purposes~~  
15 ~~of this subdivision only, the state treasurer, the director of the~~  
16 ~~senate fiscal agency, and the director of the house fiscal agency~~  
17 ~~shall determine whether the total revenue distributed to general~~  
18 ~~fund/general purpose revenue has increased as required under this~~  
19 ~~subdivision based on the comprehensive annual financial report~~  
20 ~~prepared and published by the department of technology, management,~~  
21 ~~and budget in accordance with section 23 of article IX of the state~~  
22 ~~constitution of 1963. The state treasurer, the director of the~~  
23 ~~senate fiscal agency, and the director of the house fiscal agency~~  
24 ~~shall make the determination under this subdivision no later than~~  
25 ~~the date of the January 2023 revenue estimating conference~~  
26 ~~conducted pursuant to sections 367a through 367f of the management~~  
27 ~~and budget act, 1984 PA 431, MCL 18.1367a to 18.1367f, and the date~~  
28 ~~of each January revenue estimating conference conducted each year~~  
29 ~~thereafter. As used in this subdivision:~~



~~(i) "Capped general fund/general purpose revenue" means the total general fund/general purpose revenue from the 2020-2021 state fiscal year multiplied by the sum of 1 plus the product of 1.425 times the difference between a fraction, the numerator of which is the consumer price index for the state fiscal year ending in the tax year prior to the tax year for which the adjustment is being made and the denominator of which is the Consumer Price Index for the 2020-2021 state fiscal year, and 1.~~

~~(ii) "Total general fund/general purpose revenue" means the total general fund/general purpose revenue and other financing sources as published in the comprehensive annual financial report schedule of revenue and other financing sources — general fund for that fiscal year plus any distribution made pursuant to section 51d.~~

**(c) Beginning on and after January 1, 2021, except as otherwise provided under subsection (4) as follows:**

**(i) For a single return as follows:**

**(A) On the first \$5,000.00, 4.0%.**

**(B) On all over \$5,000.00 but less than or equal to \$75,000.00, 4.25%.**

**(C) On all over \$75,000.00, 8.4%.**

**(ii) For a joint return as follows:**

**(A) On the first \$10,000.00, 4.0%.**

**(B) On all over \$10,000.00 but less than or equal to \$150,000.00, 4.25%.**

**(C) On all over \$150,000.00, 8.4%.**

**(2) Beginning January 1, 2000 and through November 30, 2018, that percentage of the gross collections before refunds from the tax levied under this section that is equal to 1.012% divided by**



the income tax rate levied 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. Except as otherwise provided under this subsection, beginning December 1, 2018 ~~and each state fiscal year thereafter,~~ **through December 31, 2020**, that percentage of the gross collections before refunds from the tax levied under this section that is equal to 0.954% divided by the income tax rate levied 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. However, if, in ~~any 1 of the 2018-2019 through the 2021-2022 state fiscal years,~~ **or 2019-2020 state fiscal year**, the minimum foundation allowance falls below the 2017-2018 minimum foundation allowance established under section 20 of the state school aid act of 1979, 1979 PA 94, MCL 388.1620, then for that fiscal year that percentage of the gross collections before refunds from the tax levied under this section that is equal to 1.012% divided by the income tax rate levied 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. **Beginning January 1, 2021, 22.74% of net collections after refunds from the tax levied 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.**

(3) In addition to the distributions under subsections (2) and (4) and sections 51d, 51e, and 51f, beginning October 1, 2016, from the revenue collected under this section an amount equal to 3.5% of the average amount of farmland tax credits claimed under section 36109 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.36109, for the immediately preceding 3 state



1 fiscal years shall be deposited into the agricultural preservation  
2 fund created in section 36202 of the natural resources and  
3 environmental protection act, 1994 PA 451, MCL 324.36202.

4 (4) In addition to the distributions under subsections (2) and  
5 (3) and sections 51d, 51e, and 51f, and subject to the limitation  
6 under this subsection, beginning with the 2018-2019 state fiscal  
7 year and each fiscal year thereafter, from the revenue collected  
8 under this section \$69,000,000.00 shall be deposited into the renew  
9 Michigan fund created in section 51g. However, if, in any 1 of the  
10 2018-2019 through the 2021-2022 state fiscal years, the minimum  
11 foundation allowance falls below the 2017-2018 minimum foundation  
12 allowance as provided in section 51(2) then no money shall be  
13 deposited into the renew Michigan fund pursuant to this subsection  
14 for that fiscal year.

15 (5) **For the 2022 tax year and each tax year after the 2022 tax**  
16 **year, the taxable income amounts under subsection (1)(c) shall be**  
17 **adjusted by the department for inflation by multiplying each amount**  
18 **for the tax year beginning in 2020 by a fraction, the numerator of**  
19 **which is the Midwest Employment Cost Index for the east north**  
20 **central division for the state fiscal year ending in the tax year**  
21 **prior to the tax year for which the adjustment is being made and**  
22 **the denominator of which is the Midwest Employment Cost Index for**  
23 **the east north central division for the 2018-2019 state fiscal**  
24 **year. The resultant product shall be rounded to the nearest \$100.00**  
25 **increment.** The department shall annualize rates provided in  
26 subsection (1) as necessary. The applicable annualized rate shall  
27 be imposed upon the taxable income of every person other than a  
28 corporation for those tax years.

29 (6) The taxable income of a nonresident shall be computed in



1 the same manner that the taxable income of a resident is computed,  
2 subject to the allocation and apportionment provisions of this  
3 part.

4 (7) A resident beneficiary of a trust whose taxable income  
5 includes all or part of an accumulation distribution by a trust, as  
6 defined in section 665 of the internal revenue code, shall be  
7 allowed a credit against the tax otherwise due under this part. The  
8 credit shall be all or a proportionate part of any tax paid by the  
9 trust under this part for any preceding taxable year that would not  
10 have been payable if the trust had in fact made distribution to its  
11 beneficiaries at the times and in the amounts specified in section  
12 666 of the internal revenue code. The credit shall not reduce the  
13 tax otherwise due from the beneficiary to an amount less than would  
14 have been due if the accumulation distribution were excluded from  
15 taxable income.

16 (8) The taxable income of a resident who is required to  
17 include income from a trust in his or her federal income tax return  
18 under the provisions of 26 USC 671 to 679, shall include items of  
19 income and deductions from the trust in taxable income to the  
20 extent required by this part with respect to property owned  
21 outright.

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

27 (10) As used in this section:

28 ~~(a) "Consumer Price Index" means the United States Consumer~~  
29 ~~Price Index for all urban consumers as defined and reported by the~~



1 ~~United States Department of Labor, Bureau of Labor Statistics.~~

2 ~~(b) "Inflation rate" means the annual percentage change in the~~  
 3 ~~Consumer Price Index, as determined by the department, comparing~~  
 4 ~~the 2 most recent completed state fiscal years.~~

5 (a) **"Midwest Employment Cost Index for the east north central**  
 6 **division" means the Midwest Employment Cost Index for the east**  
 7 **north central division for private workers as defined and reported**  
 8 **by the United States Department of Labor, Bureau of Labor**  
 9 **Statistics.**

10 (b) ~~(c)~~ "Person other than a corporation" means a resident or  
 11 nonresident individual or any of the following:

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

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

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

18 (c) ~~(d)~~ "Taxable income" means taxable income as defined in  
 19 this part subject to the applicable source and attribution rules  
 20 contained in this part.

21 Enacting section 1. This amendatory act does not take effect  
 22 unless Senate Joint Resolution \_\_\_\_ or House Joint Resolution  
 23 G(request no. 00492'19) of the 100th Legislature becomes a part of  
 24 the state constitution of 1963 as provided in section 1 of article  
 25 XII of the state constitution of 1963.

