

# HOUSE BILL No. 5271

September 28, 2007, Introduced by Rep. Wenke 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 1999 PA 6; and to repeal acts and parts of acts.

**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 upon  
3 the taxable income of every person other than a corporation a tax  
4 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, 2000, 4.4%.

7           (c) For tax years that begin on and after January 1, 2000 and  
8 before January 1, 2002, ~~and on and after January 1, 2003, the rate~~  
9 ~~under section 51b, 51c, 51d, or 51e, as applicable~~ 4.2%.

1 (d) For tax years that begin on and after January 1, 2002 and  
2 before January 1, 2003, 4.1%.

3 (E) FOR TAX YEARS THAT BEGIN ON AND AFTER JANUARY 1, 2003 AND  
4 BEFORE JULY 1, 2004, 4.0%.

5 (F) FOR TAX YEARS THAT BEGIN ON AND AFTER JULY 1, 2004 AND  
6 BEFORE JANUARY 1, 2008, 3.9%.

7 (G) FOR TAX YEARS THAT BEGIN ON AND AFTER JANUARY 1, 2008,  
8 4.0%. THE DIFFERENCE BETWEEN THE AMOUNT OF REVENUE COLLECTED  
9 PURSUANT TO THIS SUBDIVISION AND THE AMOUNT OF REVENUE THAT WOULD  
10 HAVE BEEN COLLECTED AT THE RATE ESTABLISHED UNDER SUBDIVISION (F)  
11 SHALL BE APPROPRIATED TO FUND THE TRANSITION OF ALL PUBLIC SCHOOL  
12 EMPLOYEES FROM A DEFINED BENEFIT PLAN TO A DEFINED CONTRIBUTION  
13 PLAN.

14 (2) The following percentages of the net revenues collected  
15 under this section ~~and sections 51b, 51c, 51d, and 51e~~ shall be  
16 deposited in the state school aid fund created in section 11 of  
17 article IX of the state constitution of 1963:

18 (a) Beginning October 1, 1994 and before October 1, 1996,  
19 14.4% of the gross collections before refunds from the tax levied  
20 under this section.

21 (b) After September 30, 1996 and before January 1, 2000, 23.0%  
22 of the gross collections before refunds from the tax levied under  
23 this section.

24 (c) Beginning January 1, 2000, that percentage of the gross  
25 collections before refunds from the tax levied under this section  
26 that is equal to 1.012% divided by the income tax rate levied under  
27 this section. ~~or section 51b, 51c, 51d, or 51e, as applicable.~~

1           (3) The department shall annualize rates provided in  
2 subsection (1) as necessary for tax years that end after April 30,  
3 1994. The applicable annualized rate shall be imposed upon the  
4 taxable income of every person other than a corporation for those  
5 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 computed,  
8 subject to the allocation and apportionment provisions of this act.

9           (5) A resident beneficiary of a trust whose taxable income  
10 includes all or part of an accumulation distribution by a trust, as  
11 defined in section 665 of the internal revenue code, shall be  
12 allowed a credit against the tax otherwise due under this act. The  
13 credit shall be all or a proportionate part of any tax paid by the  
14 trust under this act for any preceding taxable year that would not  
15 have been payable if the trust had in fact made distribution to its  
16 beneficiaries at the times and in the amounts specified in section  
17 666 of the internal revenue code. The credit shall not reduce the  
18 tax otherwise due from the beneficiary to an amount less than would  
19 have been due if the accumulation distribution were excluded from  
20 taxable income.

21           (6) The taxable income of a resident who is required to  
22 include income from a trust in his or her federal income tax return  
23 under the provisions of ~~subpart E of part I of subchapter J of~~  
24 ~~chapter 1 of the internal revenue code, 26 U.S.C. USC 671 to 679,~~  
25 shall include items of income and deductions from the trust in  
26 taxable income to the extent required by this act with respect to  
27 property owned outright.

1           (7) It is the intention of this section that the income  
2 subject to tax of every person other than corporations shall be  
3 computed in like manner and be the same as provided in the internal  
4 revenue code subject to adjustments specifically provided for in  
5 this act.

6           (8) As used in this section: ~~and sections 51b, 51c, 51d, and~~  
7 ~~51e.~~

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

10           (i) A partner in a partnership as defined in the internal  
11 revenue code.

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

14           (iii) An estate or trust as defined in the internal revenue  
15 code.

16           (b) "Taxable income" means taxable income as defined in this  
17 act subject to the applicable source and attribution rules  
18 contained in this act.

19           Enacting section 1. Sections 51c, 51d, and 51e of the income  
20 tax act of 1967, 1967 PA 281, MCL 206.51c, 206.51d, and 206.51e,  
21 are repealed.