

SENATE SUBSTITUTE FOR  
HOUSE BILL NO. 4125

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
by amending sections 51 and 51d (MCL 206.51 and 206.51d), 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,  
7 4.35%.

8           (b) Except as otherwise provided under subdivision (c), on and



1 after October 1, 2012, 4.25%.

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

28 (i) "Capped general fund/general purpose revenue" means the  
29 total general fund/general purpose revenue from the 2020-2021 state



1 fiscal year multiplied by the sum of 1 plus the product of 1.425  
 2 times the difference between a fraction, the numerator of which is  
 3 the ~~consumer price index~~ **Consumer Price Index** for the state fiscal  
 4 year ending in the tax year prior to the tax year for which the  
 5 adjustment is being made and the denominator of which is the  
 6 Consumer Price Index for the 2020-2021 state fiscal year, and 1.

7 (ii) "Total general fund/general purpose revenue" means the  
 8 total general fund/general purpose revenue and other financing  
 9 sources as published in the comprehensive annual financial report  
 10 schedule of revenue and other financing sources - general fund for  
 11 that fiscal year plus any distribution made pursuant to section  
 12 51d.

13 (2) ~~Beginning~~ **Except as otherwise provided for December 1,**  
 14 **2018 through September 30, 2019, beginning** January 1, 2000, and  
 15 ~~through November 30, 2018,~~ that percentage of the gross collections  
 16 before refunds from the tax levied under this section that is equal  
 17 to 1.012% divided by the income tax rate levied under this section  
 18 shall be deposited in the state school aid fund created in section  
 19 11 of article IX of the state constitution of 1963. ~~Except as~~  
 20 ~~otherwise provided under this subsection, beginning December 1,~~  
 21 ~~2018 and each state fiscal year thereafter,~~ **For December 1, 2018**  
 22 **through September 30, 2019 only,** that percentage of the gross  
 23 collections before refunds from the tax levied under this section  
 24 that is equal to 0.954% divided by the income tax rate levied under  
 25 this section shall be deposited in the state school aid fund  
 26 created in section 11 of article IX of the state constitution of  
 27 1963. ~~However, if, in any 1 of the 2018-2019 through the 2021-2022~~  
 28 ~~state fiscal years, the minimum foundation allowance falls below~~  
 29 ~~the 2017-2018 minimum foundation allowance established under~~



1 ~~section 20 of the state school aid act of 1979, 1979 PA 94, MCL~~  
 2 ~~388.1620, then for that fiscal year that percentage of the gross~~  
 3 ~~collections before refunds from the tax levied under this section~~  
 4 ~~that is equal to 1.012% divided by the income tax rate levied under~~  
 5 ~~this section shall be deposited in the state school aid fund~~  
 6 ~~created in section 11 of article IX of the state constitution of~~  
 7 ~~1963.~~

8 (3) In addition to the distributions under subsections (2) and  
 9 (4) and sections 51d, 51e, and 51f, beginning October 1, 2016, from  
 10 the revenue collected under this section an amount equal to 3.5% of  
 11 the average amount of farmland tax credits claimed under section  
 12 36109 of the natural resources and environmental protection act,  
 13 1994 PA 451, MCL 324.36109, for the immediately preceding 3 state  
 14 fiscal years shall be deposited into the agricultural preservation  
 15 fund created in section 36202 of the natural resources and  
 16 environmental protection act, 1994 PA 451, MCL 324.36202.

17 (4) In addition to the distributions under subsections (2) and  
 18 (3) and sections 51d, 51e, and 51f, and subject to the limitation  
 19 under this subsection, beginning with the 2018-2019 state fiscal  
 20 year and each fiscal year thereafter, from the revenue collected  
 21 under this section \$69,000,000.00 shall be deposited into the renew  
 22 Michigan fund created in section 51g. However, if, in any 1 of the  
 23 2018-2019 through the 2021-2022 state fiscal years, the minimum  
 24 foundation allowance falls below the 2017-2018 minimum foundation  
 25 allowance ~~as provided in section 51(2) established under section 20~~  
 26 **of the state school aid act of 1979, 1979 PA 94, MCL 388.1620, as**  
 27 **amended by 2017 PA 108,** then no money shall be deposited into the  
 28 renew Michigan fund pursuant to this subsection for that fiscal  
 29 year.



1           (5) The department shall annualize rates provided in  
2 subsection (1) as necessary. The applicable annualized rate shall  
3 be imposed upon the taxable income of every person other than a  
4 corporation for those tax years.

5           (6) The taxable income of a nonresident shall be computed in  
6 the same manner that the taxable income of a resident is computed,  
7 subject to the allocation and apportionment provisions of this  
8 part.

9           (7) 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 part. The  
13 credit shall be all or a proportionate part of any tax paid by the  
14 trust under this part 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           (8) 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 26 USC 671 to 679, shall include items of  
24 income and deductions from the trust in taxable income to the  
25 extent required by this part with respect to property owned  
26 outright.

27           (9) It is the intention of this section that the income  
28 subject to tax of every person other than corporations shall be  
29 computed in like manner and be the same as provided in the internal



1 revenue code subject to adjustments specifically provided for in  
2 this part.

3 (10) As used in this section:

4 (a) "Consumer Price Index" means the United States Consumer  
5 Price Index for all urban consumers as defined and reported by the  
6 United States Department of Labor, Bureau of Labor Statistics.

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

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

21 Sec. 51d. In addition to the distributions under sections 51,  
22 51e, and 51f, the following amounts of revenue collected from the  
23 tax levied under section 51 shall be deposited into the state  
24 treasury to the credit of the Michigan transportation fund created  
25 in section 10 of 1951 PA 51, MCL 247.660, and disbursed as provided  
26 in section 10(1) (l) of 1951 PA 51, MCL 247.660:

27 (a) Beginning October 1, 2018 through September 30, 2019,  
28 \$264,000,000.00 unless the minimum foundation allowance falls below  
29 the 2017-2018 minimum foundation allowance ~~as provided in section~~



1 ~~51(2)~~ established under section 20 of the state school aid act of  
2 1979, 1979 PA 94, MCL 388.1620, as amended by 2017 PA 108, then  
3 \$150,000,000.00.

4 (b) Beginning October 1, 2019 through September 30, 2020,  
5 \$468,000,000.00 unless the minimum foundation allowance falls below  
6 the 2017-2018 minimum foundation allowance ~~as provided in section~~  
7 ~~51(2)~~ established under section 20 of the state school aid act of  
8 1979, 1979 PA 94, MCL 388.1620, as amended by 2017 PA 108, then  
9 \$325,000,000.00.

10 (c) Beginning October 1, 2020 and each October 1 thereafter,  
11 \$600,000,000.00.

