

# SENATE BILL NO. 423

August 20, 2019, Introduced by Senator NESBITT and referred to the Committee on Finance.

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 **and before January 1, 2020**, 4.25%.

4 (c) ~~For~~ **Except as otherwise provided under this subdivision,**  
 5 **beginning January 1, 2020 and each January 1 after 2020, the**  
 6 **maximum rate under this subsection shall be reduced by 0.1 each**  
 7 **year until the rate is zero. However, for** each tax year beginning  
 8 on and after January 1, 2023, if the percentage increase in the  
 9 total general fund/general purpose revenue from the immediately  
 10 preceding fiscal year is greater than the inflation rate for the  
 11 same period and the inflation rate is positive, then the current  
 12 rate shall be reduced by an amount determined by multiplying that  
 13 rate by a fraction, the numerator of which is the difference  
 14 between the total general fund/general purpose revenue from the  
 15 immediately preceding state fiscal year and the capped general  
 16 fund/general purpose revenue and the denominator of which is the  
 17 total revenue collected from this part in the immediately preceding  
 18 state fiscal year **or 0.1, whichever is greater.** For purposes of  
 19 this subdivision only, the state treasurer, the director of the  
 20 senate fiscal agency, and the director of the house fiscal agency  
 21 shall determine whether the total revenue distributed to general  
 22 fund/general purpose revenue has increased as required under this  
 23 subdivision based on the comprehensive annual financial report  
 24 prepared and published by the department of technology, management,  
 25 and budget in accordance with section 23 of article IX of the state  
 26 constitution of 1963. The state treasurer, the director of the  
 27 senate fiscal agency, and the director of the house fiscal agency  
 28 shall make the determination under this subdivision no later than  
 29 the date of the January 2023 revenue estimating conference

1 conducted pursuant to sections 367a through 367f of the management  
2 and budget act, 1984 PA 431, MCL 18.1367a to 18.1367f, and the date  
3 of each January revenue estimating conference conducted each year  
4 thereafter. As used in this subdivision:

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

13 (ii) "Total general fund/general purpose revenue" means the  
14 total general fund/general purpose revenue and other financing  
15 sources as published in the comprehensive annual financial report  
16 schedule of revenue and other financing sources - general fund for  
17 that fiscal year plus any distribution made pursuant to section  
18 51d.

19 (2) Beginning January 1, 2000 and through November 30, 2018,  
20 that percentage of the gross collections before refunds from the  
21 tax levied under this section that is equal to 1.012% divided by  
22 the income tax rate levied under this section shall be deposited in  
23 the state school aid fund created in section 11 of article IX of  
24 the state constitution of 1963. Except as otherwise provided under  
25 this subsection, beginning December 1, 2018 and each state fiscal  
26 year thereafter, that percentage of the gross collections before  
27 refunds from the tax levied under this section that is equal to  
28 0.954% divided by the income tax rate levied under this section  
29 shall be deposited in the state school aid fund created in section

1 11 of article IX of the state constitution of 1963. However, if, in  
2 any 1 of the 2018-2019 through the 2021-2022 state fiscal years,  
3 the minimum foundation allowance falls below the 2017-2018 minimum  
4 foundation allowance established under section 20 of the state  
5 school aid act of 1979, 1979 PA 94, MCL 388.1620, then for that  
6 fiscal year that percentage of the gross collections before refunds  
7 from the tax levied under this section that is equal to 1.012%  
8 divided by the income tax rate levied under this section shall be  
9 deposited in the state school aid fund created in section 11 of  
10 article IX of the state constitution of 1963.

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

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

1 for that fiscal year.

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

6 (6) 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  
9 part.

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

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

28 (9) It is the intention of this section that the income  
29 subject to tax of every person other than corporations shall be

1 computed in like manner and be the same as provided in the internal  
2 revenue code subject to adjustments specifically provided for in  
3 this part.

4 (10) As used in this section:

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

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

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

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

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

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

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