

# HOUSE BILL NO. 5667

April 25, 2024, Introduced by Reps. Schmaltz, Kuhn, Maddock, Hoadley, Schuette, Hall, Outman, BeGole, Borton, DeBoyer, Wozniak, Rigas, Harris, Tisdell, DeSana, Carra, DeBoer, Slagh, Alexander, Bierlein, Bezotte, Bruck, Friske, VanderWall, Neyer, Zorn, Meerman, Fox, Paquette, Martin and Beson and referred to the Committee on Government Operations.

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
by amending section 51 (MCL 206.51), as amended by 2023 PA 4.

## **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%.

1           (b) ~~Except as otherwise provided under subdivision (c), on~~ **On**  
2 and after October 1, 2012 **and before January 1, 2023**, 4.25%.

3           (c) **Except as otherwise provided under subdivision (d), on and**  
4 **after January 1, 2023, 4.05%.**

5           (d) ~~(e)~~ For each tax year beginning on and after January 1,  
6 ~~2023, 2024~~, if the percentage increase in the total general  
7 fund/general purpose revenue from the immediately preceding fiscal  
8 year is greater than the inflation rate for the same period and the  
9 inflation rate is positive, then the current rate ~~shall~~ **must** be  
10 reduced by an amount determined by multiplying that rate by a  
11 fraction, the numerator of which is the difference between the  
12 total general fund/general purpose revenue from the immediately  
13 preceding state fiscal year and the capped general fund/general  
14 purpose revenue and the denominator of which is the total revenue  
15 collected from this part in the immediately preceding state fiscal  
16 year. For purposes of this subdivision only, the state treasurer,  
17 the director of the senate fiscal agency, and the director of the  
18 house fiscal agency shall determine whether the total revenue  
19 distributed to general fund/general purpose revenue has increased  
20 as required under this subdivision based on the comprehensive  
21 annual financial report prepared and published by the department of  
22 technology, management, and budget in accordance with section 23 of  
23 article IX of the state constitution of 1963. The state treasurer,  
24 the director of the senate fiscal agency, and the director of the  
25 house fiscal agency shall make the determination under this  
26 subdivision no later than the date of the January ~~2023~~ **2024** revenue  
27 estimating conference conducted pursuant to sections 367a through  
28 367f of the management and budget act, 1984 PA 431, MCL 18.1367a to  
29 18.1367f, and the date of each January revenue estimating

1 conference conducted each year thereafter. As used in this  
 2 subdivision:

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

11 (ii) **"Current rate" means the rate levied and imposed for the**  
 12 **immediately preceding tax year.**

13 (iii) "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) Except as otherwise provided for December 1, 2018 through  
 20 September 30, 2019, beginning January 1, 2000 through September 30,  
 21 2023, that percentage of the gross collections before refunds from  
 22 the tax levied under this section that is equal to 1.012% divided  
 23 by the income tax rate levied under this section ~~shall~~**must** be  
 24 deposited in the state school aid fund created in section 11 of  
 25 article IX of the state constitution of 1963. For December 1, 2018  
 26 through September 30, 2019 only, that percentage of the gross  
 27 collections before refunds from the tax levied under this section  
 28 that is equal to 0.954% divided by the income tax rate levied under  
 29 this section shall be deposited in the state school aid fund

1 created in section 11 of article IX of the state constitution of  
2 1963. For October 1, 2023 through September 30, 2024 only, that  
3 percentage of the gross collections before refunds from the tax  
4 levied under this section that is equal to 1.015% divided by the  
5 income tax rate levied under this section ~~shall~~**must** be deposited  
6 in the state school aid fund created in section 11 of article IX of  
7 the state constitution of 1963. For October 1, 2024 through  
8 September 30, 2025 only, that percentage of the gross collections  
9 before refunds from the tax levied under this section that is equal  
10 to 1.023% divided by the income tax rate levied under this section  
11 ~~shall~~**must** be deposited in the state school aid fund created in  
12 section 11 of article IX of the state constitution of 1963. For  
13 October 1, 2025 through September 30, 2026 only, that percentage of  
14 the gross collections before refunds from the tax levied under this  
15 section that is equal to 1.033% divided by the income tax rate  
16 levied under this section ~~shall~~**must** be deposited in the state  
17 school aid fund created in section 11 of article IX of the state  
18 constitution of 1963. Beginning October 1, 2026, that percentage of  
19 the gross collections before refunds from the tax levied under this  
20 section that is equal to 1.040% divided by the income tax rate  
21 levied under this section ~~shall~~**must** be deposited in the state  
22 school aid fund created in section 11 of article IX of the state  
23 constitution of 1963.

24 (3) In addition to the distributions under ~~subsections (2) and~~  
25 ~~(4)~~**this section** and sections 51d, 51e, and 51f, beginning October  
26 1, 2016, from the revenue collected under this section an amount  
27 equal to 3.5% of the average amount of farmland tax credits claimed  
28 under section 36109 of the natural resources and environmental  
29 protection act, 1994 PA 451, MCL 324.36109, for the immediately

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

5 (4) In addition to the distributions under ~~subsections (2) and~~  
 6 ~~(3)~~**this section** and sections 51d, 51e, and 51f, and subject to the  
 7 limitation under this subsection, beginning with the 2018-2019  
 8 state fiscal year and each fiscal year thereafter, from the revenue  
 9 collected under this section \$69,000,000.00 ~~shall~~**must** be deposited  
 10 into the renew Michigan fund created in section 51g. However, if,  
 11 in any 1 of the 2018-2019 through the 2021-2022 state fiscal years,  
 12 the minimum foundation allowance falls below the 2017-2018 minimum  
 13 foundation allowance established under section 20 of the state  
 14 school aid act of 1979, 1979 PA 94, MCL 388.1620, as amended by  
 15 2017 PA 108, then no money shall be deposited into the renew  
 16 Michigan fund pursuant to this subsection for that fiscal year.

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

21 (6) The taxable income of a nonresident ~~shall~~**must** be computed  
 22 in the same manner that the taxable income of a resident is  
 23 computed, subject to the allocation and apportionment provisions of  
 24 this part.

25 (7) A resident beneficiary of a trust whose taxable income  
 26 includes all or part of an accumulation distribution by a trust, as  
 27 defined in section 665 of the internal revenue code, ~~shall be~~**is**  
 28 allowed a credit against the tax otherwise due under this part. The  
 29 credit ~~shall be~~**is** all or a proportionate part of any tax paid by

1 the trust under this part for any preceding taxable year that would  
2 not have been payable if the trust had in fact made distribution to  
3 its beneficiaries at the times and in the amounts specified in  
4 section 666 of the internal revenue code. The credit ~~shall~~**must** not  
5 reduce the tax otherwise due from the beneficiary to an amount less  
6 than would have been due if the accumulation distribution were  
7 excluded from taxable income.

8 (8) The taxable income of a resident who is required to  
9 include income from a trust in the resident's federal income tax  
10 return under the provisions of 26 USC 671 to 679, ~~shall include~~  
11 **includes** items of income and deductions from the trust in taxable  
12 income to the extent required by this part with respect to property  
13 owned outright.

14 (9) It is the intention of this section that the income  
15 subject to tax of every person other than corporations ~~shall~~**must**  
16 be computed in like manner and be the same as provided in the  
17 internal revenue code subject to adjustments specifically provided  
18 for in this part.

19 (10) As used in this section:

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

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

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

28 (i) A partner in a partnership as defined in the internal  
29 revenue code.

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

3           (iii) An estate or trust as defined in the internal revenue  
4 code.

5           (d) "Taxable income" means taxable income as defined in this  
6 part subject to the applicable source and attribution rules  
7 contained in this part.

8           Enacting section 1. This amendatory act is intended to correct  
9 any misinterpretation of legislative intent in OAG, 2023, No. 7320  
10 (March 23, 2023). This amendatory act further expresses the  
11 original intent of the legislature that the triggering event was to  
12 create a permanent rate reduction.