

HOUSE BILL NO. 4144

February 26, 2025, Introduced by Rep. Farhat and referred to Committee on Transportation and Infrastructure.

A bill to amend 1967 PA 281, entitled "Income tax act of 1967," by amending sections 623 and 695 (MCL 206.623 and 206.695), section 623 as amended by 2021 PA 135 and section 695 as amended by 2023 PA 4.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 623. (1) Except as otherwise provided in this part, there
2 is levied and imposed a corporate income tax on every taxpayer with
3 business activity within this state or ownership interest or
4 beneficial interest in a flow-through entity that has business

1 activity in this state unless prohibited by 15 USC 381 to 384. The
2 corporate income tax is imposed on the corporate income tax base,
3 after allocation or apportionment to this state, at the ~~rate of~~
4 **following rates in the following circumstances:**

5 (a) **Before January 1, 2025, 6.0%.**

6 (b) **Beginning on and after January 1, 2025, 8.5%.**

7 (2) The corporate income tax base means a taxpayer's business
8 income subject to the following adjustments, before allocation or
9 apportionment, and the adjustment in subsection (4) after
10 allocation or apportionment:

11 (a) Add interest income and dividends derived from obligations
12 or securities of states other than this state, in the same amount
13 that was excluded from federal taxable income, less the related
14 portion of expenses not deducted in computing federal taxable
15 income because of sections 265 and 291 of the internal revenue
16 code.

17 (b) Add all taxes on or measured by net income including the
18 tax imposed under this part to the extent that the taxes were
19 deducted in arriving at federal taxable income including any direct
20 or indirect allocated share of taxes paid by a flow-through entity
21 under part 4.

22 (c) Add any carryback or carryover of a net operating loss to
23 the extent deducted in arriving at federal taxable income.

24 (d) To the extent included in federal taxable income, deduct
25 dividends and royalties received from persons other than United
26 States persons and foreign operating entities, including, but not
27 limited to, amounts determined under section 78 of the internal
28 revenue code or sections 951 to 965 of the internal revenue code.

29 (e) Except as otherwise provided under this subdivision, to

1 the extent deducted in arriving at federal taxable income, add any
2 royalty, interest, or other expense paid to a person related to the
3 taxpayer by ownership or control for the use of an intangible asset
4 if the person is not included in the taxpayer's unitary business
5 group. The addition of any royalty, interest, or other expense
6 described under this subdivision is not required to be added if the
7 taxpayer can demonstrate that the transaction has a nontax business
8 purpose, is conducted with arm's-length pricing and rates and terms
9 as applied in accordance with sections 482 and 1274(d) of the
10 internal revenue code, and 1 of the following is true:

11 (i) The transaction is a pass through of another transaction
12 between a third party and the related person with comparable rates
13 and terms.

14 (ii) An addition would result in double taxation. For purposes
15 of this subparagraph, double taxation exists if the transaction is
16 subject to tax in another jurisdiction.

17 (iii) An addition would be unreasonable as determined by the
18 state treasurer.

19 (iv) The related person recipient of the transaction is
20 organized under the laws of a foreign nation ~~which~~**that** has in
21 force a comprehensive income tax treaty with the United States.

22 (f) To the extent included in federal taxable income, deduct
23 interest income derived from United States obligations.

24 (g) Eliminate all of the following:

25 (i) Income from producing oil and gas to the extent included in
26 federal taxable income.

27 (ii) Expenses of producing oil and gas to the extent deducted
28 in arriving at federal taxable income.

29 (h) For a qualified taxpayer, eliminate all of the following:

1 (i) Income derived from a mineral to the extent included in
2 federal taxable income.

3 (ii) Expenses related to the income deductible under
4 subparagraph (i) to the extent deducted in arriving at federal
5 taxable income.

6 (3) For purposes of subsection (2), the business income of a
7 unitary business group is the sum of the business income of each
8 person included in the unitary business group less any items of
9 income and related deductions arising from transactions including
10 dividends between persons included in the unitary business group.

11 (4) Deduct any available business loss incurred after December
12 31, 2011. As used in this subsection, "business loss" means a
13 negative business income taxable amount after allocation or
14 apportionment. For purposes of this subsection, a taxpayer that
15 acquires the assets of another corporation in a transaction
16 described under section 381(a)(1) or (2) of the internal revenue
17 code may deduct any business loss attributable to that distributor
18 or transferor corporation. The business loss shall be carried
19 forward to the year immediately succeeding the loss year as an
20 offset to the allocated or apportioned corporate income tax base,
21 then successively to the next 9 taxable years following the loss
22 year or until the loss is used up, whichever occurs first.

23 (5) As used in this section, "oil and gas" means oil and gas
24 that is subject to severance tax under 1929 PA 48, MCL 205.301 to
25 205.317.

26 Sec. 695. (1) Except as otherwise provided under this section,
27 the revenue collected under this part ~~shall~~**must** be distributed to
28 the general fund. ~~If the amendatory act that added section 51h~~
29 ~~takes effect before April 18, 2023, then for the 2021-2022 state~~

1 ~~fiscal year only, from the tax levied under this part,~~
2 ~~\$800,000,000.00 of the revenue collected is appropriated and must~~
3 ~~be deposited into the state treasury to the credit of the Michigan~~
4 ~~taxpayer rebate fund created in section 51h, and the balance of the~~
5 ~~revenue collected under this part for that state fiscal year shall~~
6 ~~be deposited to the general fund.~~

7 (2) Beginning with the 2022-2023 state fiscal year through the
8 2024-2025 state fiscal year, from the tax levied under this part,
9 the revenue collected under this part ~~shall~~**must** be deposited in
10 the following manner:

11 (a) Up to \$1,200,000,000.00 to the general fund.

12 (b) After the deposit under subdivision (a), up to
13 \$50,000,000.00, if available, to the Michigan housing and community
14 development fund created in section 58a of the state housing
15 development authority act of 1966, 1966 PA 346, MCL 125.1458a.

16 (c) After the deposits under subdivisions (a) and (b), up to
17 \$50,000,000.00, if available, to the revitalization and placemaking
18 fund created in section 696.

19 (d) After the deposits under subdivisions (a), (b), and (c),
20 up to \$500,000,000.00, if available, to the strategic outreach and
21 attraction reserve fund created in section 4 of the Michigan trust
22 fund act, 2000 PA 489, MCL 12.254.

23 (e) The balance of any revenue collected under this part after
24 the deposits under subdivisions (a), (b), (c), and (d), to the
25 general fund.

26 (3) Beginning with the 2025-2026 state fiscal year, from the
27 tax levied under this part, ~~\$50,000,000.00 of the revenue collected~~
28 ~~under this part shall~~**must** be deposited **in the following manner:**

29 (a) **\$50,000,000.00** to the Michigan housing and community

1 development fund created in section 58a of the state housing
2 development authority act of 1966, 1966 PA 346, MCL 125.1458a. ~~7~~
3 ~~and the~~

4 **(b) After the deposit under subdivision (a), an amount equal**
5 **to the increase in revenue collected that is attributable to the**
6 **2.5% rate increase under section 623, if available, to the state**
7 **school aid fund created in section 11 of article IX of the state**
8 **constitution of 1963.**

9 **(c) The balance of ~~the any~~ revenue collected ~~under this part~~**
10 **~~for that state fiscal year shall be deposited~~ after the deposits**
11 **under subdivisions (a) and (b) to the general fund.**