

**INCOME TAX ACT OF 1967 (EXCERPT)**  
**Act 281 of 1967**

CHAPTER 2

**206.51 Tax rate on taxable income of person other than corporation; percentages of collections deposited in state school aid fund; farmland credits; renew Michigan fund; imposition of annualized rate; computation of taxable income of nonresident; resident beneficiary of trust; tax credit; including items of income and deductions from trust in taxable income; intent of section; definitions.**

Sec. 51. (1) For receiving, earning, or otherwise acquiring income from any source whatsoever, there is levied and imposed under this part upon the taxable income of every person other than a corporation a tax at the following rates in the following circumstances:

(a) On and after October 1, 2007 and before October 1, 2012, 4.35%.

(b) Except as otherwise provided under subdivision (c), on and after October 1, 2012, 4.25%.

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

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

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

(2) Except as otherwise provided for December 1, 2018 through September 30, 2019, beginning January 1, 2000 through September 30, 2023, that percentage of the gross collections before refunds from the tax levied under this section that is equal to 1.012% divided by the income tax rate levied under this section shall be deposited in the state school aid fund created in section 11 of article IX of the state constitution of 1963. For December 1, 2018 through September 30, 2019 only, that percentage of the gross collections before refunds from the tax levied under this section that is equal to 0.954% divided by the income tax rate levied under this section shall be deposited in the state school aid fund created in section 11 of article IX of the state constitution of 1963. For October 1, 2023 through September 30, 2024 only, that percentage of the gross collections before refunds from the tax levied under this section that is equal to 1.015% divided by the income tax rate levied under this section shall be deposited in the state school aid fund created in section 11 of article IX of the state constitution of 1963. For October 1, 2024 through September 30, 2025 only, that percentage of the gross collections before refunds from the tax levied under this section that is equal to 1.023% divided by the income tax rate levied under this section shall be deposited in the state school aid fund created in section 11 of article IX of the state constitution of 1963. For October 1, 2025 through September 30, 2026 only, that percentage of the gross collections before refunds from the tax levied under this section that is equal to 1.033% divided by the income tax rate levied under this section shall be deposited in the state school aid fund created in section 11 of article IX of the state constitution of 1963. Beginning October 1, 2026, that percentage of the gross collections before refunds from the tax levied under this section that is equal to

1.040% divided by the income tax rate levied under this section shall be deposited in the state school aid fund created in section 11 of article IX of the state constitution of 1963.

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

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

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

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

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

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

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

(10) As used in this section:

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

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

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

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

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

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

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

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1971, Act 76, Eff. Aug. 1, 1971;—Am. 1972, Act 181, Eff. Aug. 1, 1972;—Am. 1975, Act 19, Eff. May 1, 1975;—Am. 1977, Act 44, Imd. Eff. June 30, 1977;—Am. 1982, Act 155, Imd. Eff. May 17, 1982;—Am. 1983, Act 15, Imd. Eff. Mar. 29, 1983;—Am. 1984, Act 221, Imd. Eff. July 26, 1984;—Am. 1986, Act 16, Eff. Mar. 26, 1986;—Am. 1990, Act 283, Imd. Eff. Dec. 14, 1990;—Am. 1993, Act 328, Eff. Apr. 1, 1994;—Am. 1995, Act 194, Imd. Eff. Nov. 7, 1995;—Am. 1999, Act 1, Imd. Eff. Feb. 25, 1999;—Am. 1999, Act 6, Imd. Eff. Feb. 25, 1999;—Am. 2007, Act 94, Imd. Eff. Oct. 1, 2007;—Am. 2011, Act 38, Eff. Oct. 1, 2011;—Am. 2012, Act 223, Imd. Eff. June 29, 2012;—Am. 2015, Act 180, Imd. Eff. Nov. 10, 2015;—Am. 2016, Act 266, Imd. Eff. June 28, 2016;—Am. 2018, Act 588, Imd. Eff. Dec. 28, 2018;—Am. 2020, Act 75, Imd. Eff. Apr. 2, 2020;—Am. 2023, Act 4, Eff. Feb. 13, 2024.

**Compiler's note:** Section 4 of Act 76 of 1971 provides:

**"Expiration of act; conditions.**

"Section 4. The provisions of this amendatory act shall expire August 1, 1972 unless prior thereto the legislature has submitted to the electors constitutional amendments which shall (a) grant property tax relief by limiting of levying of more than 10 mills on property for school operational purposes, (b) permit the legislature to enact taxes on income graduated either as to rate or base or both, or (c) a combination of (a) and (b) as one amendment and (a) as a separate amendment and which said amendments shall be voted upon at a

special election to be held on November 2, 1971 or at the general election to be held November 1972."

The legislature did not submit to the electors at a November 2, 1971 special election or at the November, 1972 general election proposed constitutional amendment(s) to effect the purposes enumerated in Section 4 of Act 76 of 1971.

Section 51 of Act 250 of 1978, purporting to amend this section, was submitted to and disapproved by the people as part of Proposal E at the general election held on November 4, 1980.

Section 2 of Act 15 of 1983 provides:

**"Legislative finding and purpose.**

"Section 2. Because a severe economic recession has caused an actual deficit in state funds, the legislature finds that this amendatory act is necessary to, and it is the purpose of this amendatory act to, meet the actual deficiencies existing in state funds at the time of this enactment."

Enacting section 1 of Act 588 of 2018 provides:

"Enacting section 1. Section 51 of the income tax act of 1967, 1967 PA 281, MCL 206.51, as amended by this amendatory act, is retroactive and effective beginning December 1, 2018."

**206.51a Repealed. 2011, Act 38 Eff. Jan. 1, 2012.**

**Compiler's note:** The repealed section pertained to calculation of tax, filing annual return, statute of limitations, and enforcement.

**206.51b Repealed. 2000, Act 40, Imd. Eff. Mar. 27, 2000.**

**Compiler's note:** The repealed section pertained to income tax rate other than corporation and its levy and imposition.

**206.51c Repealed. 2007, Act 94, Imd. Eff. Oct. 1, 2007.**

**Compiler's note:** The repealed section pertained to income tax rates other than for corporations.

**206.51d Additional distribution; credit to Michigan transportation fund; disbursements; amounts; dates.**

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

(a) Beginning October 1, 2018 through September 30, 2019, \$264,000,000.00 unless the minimum foundation allowance falls below the 2017-2018 minimum foundation allowance established under section 20 of the state school aid act of 1979, 1979 PA 94, MCL 388.1620, as amended by 2017 PA 108, then \$150,000,000.00.

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

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

**History:** Add. 2015, Act 179, Eff. Mar. 18, 2016;—Am. 2018, Act 588, Imd. Eff. Dec. 28, 2018;—Am. 2020, Act 75, Imd. Eff. Apr. 2, 2020.

**Compiler's note:** Former MCL 206.51d, which pertained to income tax rates other than for corporations, was repealed by Act 94 of 2007, Imd. Eff. Oct. 1, 2007.

**206.51e Deposit of revenue into state brownfield redevelopment fund; definitions.**

Sec. 51e. In addition to the distribution under sections 51 and 51d, from the revenue collected from the tax levied under section 51 an amount equal to the construction period tax capture revenues, withholding tax capture revenues, and income tax capture revenues due to be transmitted under all transformational brownfield plans adopted under the brownfield redevelopment financing act, 1996 PA 381, MCL 125.2651 to 125.2672, shall be deposited each state fiscal year into the state brownfield redevelopment fund created in section 8a of the brownfield redevelopment financing act, 1996 PA 381, MCL 125.2658a. As used in this section, "construction period tax capture revenues", "income tax capture revenues", and "withholding tax capture revenues" mean those terms as defined in section 2 of the brownfield redevelopment financing act, 1996 PA 381, MCL 125.2652.

**History:** Add. 2017, Act 47, Eff. July 24, 2017.

**Compiler's note:** Former MCL 206.51e, which pertained to income tax rates other than for corporations, was repealed by Act 94 of 2007, Imd. Eff. Oct. 1, 2007.

**206.51f Payment under MCL 125.2090g to 125.2090j; deposit into good jobs for Michigan fund; definitions.**

Sec. 51f. (1) In addition to the distributions under sections 51 and 51d, from the revenue collected from the tax levied under section 51 an amount equal to that portion of the withholding tax capture revenues attributable to certified new jobs and due to be paid to an authorized business pursuant to a written agreement

entered into under chapter 8D of the Michigan strategic fund act, 1984 PA 270, MCL 125.2090g to 125.2090j, shall be deposited each state fiscal year into the good jobs for Michigan fund created in section 90j of the Michigan strategic fund act, 1984 PA 270, MCL 125.2090j.

(2) As used in this section, "authorized business", "certified new jobs", "withholding tax capture revenues", and "written agreement" mean those terms as defined in section 90g of the Michigan strategic fund act, 1984 PA 270, MCL 125.2090g.

**History:** Add. 2017, Act 110, Eff. Aug. 25, 2017.

### **206.51g Renew Michigan fund; department of environmental quality administrator; use of funds disbursement percentages; annual report.**

Sec. 51g. (1) The renew Michigan fund is created within the state treasury. The state treasurer may receive money or other assets from any source for deposit into the renew Michigan fund. The state treasurer shall direct the investment of the fund. The state treasurer shall credit to the fund interest and earnings from fund investments.

(2) Money in the renew Michigan fund at the close of the fiscal year shall remain in the fund and shall not lapse to the general fund.

(3) The department of environmental quality shall be the administrator of the renew Michigan fund for auditing purposes.

(4) Beginning with the 2018-2019 state fiscal year and each fiscal year thereafter, the department shall expend money from the renew Michigan fund, upon appropriation, only for the following purposes:

(a) 65% of the revenue shall be used for environmental cleanup and redevelopment, including, but not limited to, addressing contaminated sites and emerging issues that have known or suspected potential to cause adverse environmental or human health effects. Criteria to determine which sites will be addressed each year may include, but are not limited to, the following:

(i) Population risk, such as the number of people exposed, whether sensitive populations are exposed, and whether the exposure occurs in a residential setting.

(ii) Chemical risk, including the type and concentration of chemicals and the public health risk associated with the chemicals.

(iii) Economic development potential, including the number of jobs, the amount of investment, or the amount of increase in the property's value.

(b) 13% of the revenue shall be used for waste management, including, but not limited to, oversight of active landfills, asbestos landfill gas monitoring, and department of environmental quality expenditures for closure, postclosure monitoring or maintenance, or corrective action for disposal areas that have been licensed under this part.

(c) 22% of the revenue shall be used for recycling, including, but not limited to, the following:

(i) Materials management planning, including grants to counties, regional planning agencies, municipalities, and other entities responsible for preparing, implementing, and maintaining materials management plans.

(ii) Local recycling programs, including grants to local units of government and nonprofit and for-profit entities for recycling infrastructure, local recycling outreach campaigns, and other costs necessary to support increased recycling.

(iii) Market development, including grants to local units of government and nonprofit and for-profit entities for purchasing equipment, research and development, or associated activities to provide new or increased use of recycled materials to support the development of recycling markets.

(5) By December 31 annually, the department shall prepare and submit to the senate and house appropriations committees a report detailing the amount of revenue received by and expenditures from the renew Michigan fund during the prior fiscal year and the fund balance at the end of the prior fiscal year.

**History:** Add. 2018, Act 588, Imd. Eff. Dec. 28, 2018.

### **206.51h Michigan taxpayer rebate fund.**

Sec. 51h. (1) The Michigan taxpayer rebate fund is created within the state treasury. The state treasurer may receive money or other assets from any source for deposit into the Michigan taxpayer rebate fund. The state treasurer shall direct the investment of the Michigan taxpayer rebate fund. The state treasurer shall credit to the Michigan taxpayer rebate fund interest and earnings from those fund investments.

(2) Money in the Michigan taxpayer rebate fund at the close of the fiscal year shall remain in that fund and shall not lapse to the general fund. However, any money in the Michigan taxpayer rebate fund after all rebates have been issued in accordance with section 476 shall lapse to the general fund at the close of that fiscal year.

(3) The department shall be the administrator of the Michigan taxpayer rebate fund.

(4) Except as otherwise provided under this subsection, if the amendatory act that added this section takes effect before April 18, 2023, the department shall, upon appropriation as provided in section 695, expend money from the Michigan taxpayer rebate fund to issue the advance refund payments in accordance with the rebate and credit authorized under section 476. The department shall not issue any advance refund payments after December 31, 2023.

**History:** Add. 2023, Act 4, Eff. Feb. 13, 2024.

#### **206.52 Exemption.**

Sec. 52. A person with respect to whom a deduction is allowable to another taxpayer during the tax year is not considered to have an allowable exemption for purposes of section 30(2) and, notwithstanding sections 51 and 315, if that person has an adjusted gross income for that tax year of \$1,500.00 or less, is exempt from the tax levied and imposed in section 51 and is not required to file a return under this part.

**History:** Add. 1988, Act 1, Imd. Eff. Jan. 22, 1988;—Am. 2011, Act 38, Eff. Jan. 1, 2012;—Am. 2018, Act 38, Imd. Eff. Feb. 28, 2018.

#### **206.61-206.81 Repealed. 1975, Act 233, Imd. Eff. Aug. 27, 1975.**

**Compiler's note:** The repealed sections pertained to taxes imposed on corporations, financial institutions, and unincorporated organizations.

#### **206.91 Common trust funds and participants; taxable status.**

Sec. 91. (1) A common trust fund meeting the requirements of section 584 of the internal revenue code, shall not be subject to tax under this part.

(2) Each participant in the common trust fund shall, under rules prescribed by the department, include its proportionate share of the taxable income whether or not distributed and whether or not distributable.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 2011, Act 38, Eff. Jan. 1, 2012.