

HOUSE BILL NO. 5118

October 23, 2025, Introduced by Reps. Bierlein, Hoskins, Mentzer, Breen, Schmaltz and Beson
and referred to Committee on Economic Competitiveness.

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
(MCL 206.1 to 206.847) by adding sections 279 and 679.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 279. (1) For tax years beginning on and after January 1,
2 2026, a taxpayer other than an organization exempt from federal
3 taxation under section 501(c) of the internal revenue code that is
4 an employer may claim a work opportunity tax credit against the tax
5 imposed by this part for qualified wages paid to qualified

employees equal to 50% of the amount of the credit the taxpayer is allowed to claim as a credit under section 51 of the internal revenue code for a tax year on a return filed under this part for the same tax year or would have been allowed to claim if the credit under section 51 of the internal revenue code was still in effect. In calculating the amount of the credit allowed under this section, the taxpayer shall exclude from the amount of the credit allowed or that would have been allowed under section 51 of the internal revenue code for that same tax year both of the following:

(a) Any amount attributable to employees who were not qualified employees.

(b) Any amount of unused credits under section 51 of the internal revenue code that is carried back or forward from another tax year in accordance with section 39 of the internal revenue code.

(2) For a taxpayer who is a member of a flow-through entity that qualifies for the credit under this section, that taxpayer may claim a credit against the member's tax liability under this part based on the member's distributive share of business income reported from that flow-through entity or an alternative method approved by the department.

(3) If the credit allowed under this section for the tax year exceeds the taxpayer's tax liability for the tax year, that portion that exceeds the tax liability for the tax year must not be refunded.

(4) As used in this section:

(a) "Member of a targeted group" means an individual identified and defined under section 51(d) of the internal revenue code.

1 (b) "Qualified employee" means an employee who is a resident
2 of this state and has been certified by the Michigan unemployment
3 insurance agency as a member of a targeted group.

4 (c) "Qualified wages" means that term as defined under section
5 51 of the internal revenue code.

6 Sec. 679. (1) For tax years beginning on and after January 1,
7 2026, a taxpayer other than an organization exempt from federal
8 taxation under section 501(c) of the internal revenue code that is
9 an employer may claim a work opportunity tax credit against the tax
10 imposed by this part for qualified wages paid to qualified
11 employees equal to 50% of the amount of the credit the taxpayer is
12 allowed to claim as a credit under section 51 of the internal
13 revenue code for a tax year on a return filed under this part for
14 the same tax year or would have been allowed to claim if the credit
15 under section 51 of the internal revenue code was still in effect.
16 In calculating the amount of the credit allowed under this section,
17 the taxpayer shall exclude from the amount of the credit allowed or
18 that would have been allowed under section 51 of the internal
19 revenue code for that same tax year, both of the following:

20 (a) Any amount attributable to employees who were not
21 qualified employees.

22 (b) Any amount of unused credits under section 51 of the
23 internal revenue code that is carried back or forward from another
24 tax year in accordance with section 39 of the internal revenue
25 code.

26 (2) If the credit allowed under this section for the tax year
27 exceeds the taxpayer's tax liability for the tax year, that portion
28 that exceeds the tax liability for the tax year must not be
29 refunded.

1 (3) As used in this section:

2 (a) "Member of a targeted group" means an individual
3 identified and defined under section 51(d) of the internal revenue
4 code.

5 (b) "Qualified employee" means an employee who is a resident
6 of this state and has been certified by the Michigan unemployment
7 insurance agency as a member of a targeted group.

8 (c) "Qualified wages" means that term as defined in section 51
9 of the internal revenue code.

10 Enacting section 1. This amendatory act does not take effect
11 unless House Bill No. 5119 (request no. H04424'25) of the 103rd
12 Legislature is enacted into law.