



HOUSE BILL No. 5378

February 24, 1994, Introduced by Reps Rocca DeMars Lowe Porreca Goschka
Willard Anthony Martin Sikkema Voorhees Byrum and Owen and referred to the Committee
on Taxation

A bill to amend section 30 of Act No 281 of the Public Acts
of 1967, entitled

Income tax act of 1967,

as amended by Act No 328 of the Public Acts of 1993, being sec-
tion 206 30 of the Michigan Compiled Laws

THE PEOPLE OF THE STATE OF MICHIGAN ENACT

1 Section 1 Section 30 of Act No 281 of the Public Acts of
2 1967, as amended by Act No 328 of the Public Acts of 1993, being
3 section 206 30 of the Michigan Compiled Laws, is amended to read
4 as follows

5 Sec 30 (1) 'Taxable income" means, for a person other
6 than a corporation, estate, or trust, adjusted gross income as
7 defined in the internal revenue code subject to the following
8 adjustments

1 (a) Add gross interest income and dividends derived from
2 obligations or securities of states other than Michigan in the
3 same amount that has been excluded from adjusted gross income
4 less related expenses not deducted in computing adjusted gross
5 income because of section 265(a)(1) of the internal revenue
6 code

7 (b) Add taxes on or measured by income to the extent the
8 taxes have been deducted in arriving at adjusted gross income

9 (c) Add losses on the sale or exchange of obligations of the
10 United States government the income of which this state is pro-
11 hibited from subjecting to a net income tax, to the extent that
12 the loss has been deducted in arriving at adjusted gross income

13 (d) Deduct, to the extent included in adjusted gross income
14 income derived from obligations, or the sale or exchange of obli-
15 gations of the United States government that this state is pro-
16 hibited by law from subjecting to a net income tax reduced by
17 any interest on indebtedness incurred in carrying the obligations
18 and by any expenses incurred in the production of that income to
19 the extent that the expenses, including amortizable bond premi-
20 ums were deducted in arriving at adjusted gross income

21 (e) Deduct, to the extent included in adjusted gross income
22 compensation, including retirement benefits, received for serv-
23 ices in the armed forces of the United States

24 (f) Deduct the following to the extent included in adjusted
25 gross income

1 (1) Retirement or pension benefits received from a public
2 retirement system of or created by this state or a political
3 subdivision of this state

4 (11) Retirement or pension benefits received from a public
5 retirement system of or created by another state or any of its
6 political subdivisions if the income tax laws of the other state
7 permit a similar deduction or exemption or a reciprocal deduction
8 or exemption of a retirement or pension benefit received from a
9 public retirement system of or created by this state or any of
10 the political subdivisions of this state

11 (111) Social security benefits as defined in section 86 of
12 the internal revenue code

13 (1v) Retirement or pension benefits from any other retire-
14 ment or pension system as follows

15 (A) For a single return, the sum of not more than
16 \$7 500 00

17 (B) For a joint return the sum of not more than
18 \$10 000 00

19 (v) The amount determined to be the section 22 amount eligi-
20 ble for the elderly and permanently and totally disabled credit
21 provided in section 22 of the internal revenue code

22 (g) Adjustments resulting from the application of section
23 271

24 (h) Adjustments with respect to estate and trust income as
25 provided in section 36

26 (i) Adjustments resulting from the allocation and
27 apportionment provisions of chapter 3

1 (j) Deduct political contributions as described in section 4
2 of the Michigan campaign finance act, Act No 388 of the Public
3 Acts of 1976 being section 169 204 of the Michigan Compiled
4 Laws or section 301 of title III of the federal election cam-
5 paign act of 1971, Public Law 92-225, 2 U S C 431 not in excess
6 of \$50 00 per annum or \$100 00 per annum for a joint return

7 (k) Deduct, to the extent included in adjusted gross income
8 wages not deductible under section 280C of the internal revenue
9 code

10 (l) Deduct the following payments made by the taxpayer in
11 the tax year

12 (1) The amount of payment made under an advance tuition pay-
13 ment contract as provided in the Michigan education trust act
14 Act No 316 of the Public Acts of 1986, being sections 390 1421
15 to 390 1444 of the Michigan Compiled Laws

16 (11) The amount of payment made under a contract with a pri-
17 vate sector investment manager that meets all of the following
18 criteria

19 (A) The contract is certified and approved by the board of
20 directors of the Michigan education trust to provide equivalent
21 benefits and rights to purchasers and beneficiaries as an advance
22 tuition payment contract as described in subparagraph (1)

23 (B) The contract applies only for a state institution of
24 higher education as defined in the Michigan education trust act
25 Act No 316 of the Public Acts of 1986, or a community or junior
26 college in Michigan

1 (C) The contract provides for enrollment by the contract s
2 qualified beneficiary in not less than 4 years after the date on
3 which the contract is entered into

4 (D) The contract is entered into after either of the
5 following

6 (I) The purchaser has had his or her offer to enter into an
7 advance tuition payment contract rejected by the board of direc-
8 tors of the Michigan education trust if the board determines
9 that the trust cannot accept an unlimited number of enrollees
10 upon an actuarially sound basis

11 (II) The board of directors of the Michigan education trust
12 determines that the trust can accept an unlimited number of
13 enrollees upon an actuarially sound basis

14 (m) If an advance tuition payment contract under the
15 Michigan education trust act, Act No 316 of the Public Acts of
16 1986 or another contract for which the payment was deductible
17 under subdivision (l) is terminated and the qualified beneficiary
18 under that contract does not attend a university college junior
19 or community college or other institution of higher education
20 add the amount of a refund received by the taxpayer as a result
21 of that termination or the amount of the deduction taken under
22 subdivision (l) for payment made under that contract whichever
23 is less

24 (n) Deduct from the taxable income of a purchaser the amount
25 included as income to the purchaser under the internal revenue
26 code after the advance tuition payment contract entered into
27 under the Michigan education trust act Act No 316 of the Public

1 Acts of 1986, is terminated because the qualified beneficiary
2 attends an institution of postsecondary education other than
3 either a state institution of higher education or an institution
4 of postsecondary education located outside this state with which
5 a state institution of higher education has reciprocity

6 (o) Add, to the extent deducted in determining adjusted
7 gross income the net operating loss deduction under section 172
8 of the internal revenue code

9 (p) Deduct a net operating loss deduction for the taxable
10 year as defined in section 172 of the internal revenue code
11 subject to the modifications under section 172(b)(2) of the
12 internal revenue code and subject to the allocation and appor-
13 tionment provisions of chapter 3 of this act for the taxable year
14 in which the loss was incurred

15 (q) For a tax year beginning after 1986, deduct, to the
16 extent included in adjusted gross income benefits from a dis-
17 criminatory self-insurance medical expense reimbursement plan

18 (R) FOR TAX YEARS BEGINNING AFTER DECEMBER 31 1993 DEDUCT
19 TO THE EXTENT INCLUDED IN ADJUSTED GROSS INCOME FOR THE TAX YEAR
20 A CONTRIBUTION BY THE TAXPAYER TO THE VIETNAM VETERANS MEMORIAL
21 MONUMENT TRUST FUND CREATED IN SECTION 3 OF THE MICHIGAN VIETNAM
22 VETERANS MEMORIAL ACT ACT NO 234 OF THE PUBLIC ACTS OF 1988
23 BEING SECTION 35 1053 OF THE MICHIGAN COMPILED LAWS

24 (2) The following personal exemptions multiplied by the
25 number of personal or dependency exemptions allowable on the
26 taxpayer s federal income tax return pursuant to the internal
27 revenue code shall be subtracted from taxable income

1	(a) For a tax year beginning during 1987	\$1 600 00
2	(b) For a tax year beginning during 1988	\$1 800 00
3	(c) For a tax year beginning during 1989	\$2,000 00
4	(d) Except as provided in subdivision (e), for a	
5	tax year beginning after 1989	\$2 100 00
6	(e) For a tax year beginning after 1993, if the	
7	sales tax is levied at a rate of 4% under the	
8	general sales tax act, Act No 167 of the Public	
9	Acts of 1933 being sections 205 51 to 205 78 of	
10	the Michigan Compiled Laws	\$3,000 00

11 (3) The increase in the personal exemption under
 12 subsection (2)(e) shall take effect May 1 1994 The department
 13 shall annualize the personal exemption amounts as necessary for a
 14 tax year beginning during 1994

15 (4) A single additional exemption of \$1 400 00 for a tax
 16 year beginning during 1987 \$1 200 00 for a tax year beginning
 17 during 1988 \$1 000 00 for a tax year beginning during 1989 and
 18 \$900 00 for a tax year beginning after 1989 is allowed in each of
 19 the following circumstances

20 (a) The taxpayer is a paraplegic a quadriplegic a hemiple-
 21 gic a person who is blind as defined in section 504 or a
 22 totally and permanently disabled person as defined in section
 23 522

24 (b) The taxpayer is a deaf person as defined in section 2 of
 25 the deaf persons interpreters act Act No 204 of the Public
 26 Acts of 1982, being section 393 502 of the Michigan Compiled
 27 Laws

1 (c) The taxpayer is 65 years of age or older

2 (d) The return includes unemployment compensation that

3 amounts to 50% or more of adjusted gross income

4 (5) For a tax year beginning after 1987, an individual with

5 respect to whom a deduction under section 151 of the internal

6 revenue code is allowable to another federal taxpayer during the

7 tax year is not considered to have an allowable federal exemption

8 for purposes of subsection (2), but may deduct \$500 00 from tax-

9 able income for a tax year beginning in 1988 and \$1 000 00 for a

10 tax year beginning after 1988

11 (6) A nonresident or a part-year resident is allowed that

12 proportion of an exemption or deduction allowed under subsection

13 (2) (4) or (5) that the taxpayer's portion of adjusted gross

14 income from Michigan sources bears to the taxpayer's total

15 adjusted gross income

16 (7) For a tax year beginning after 1987 in calculating tax-

17 able income, a taxpayer shall not subtract from adjusted gross

18 income the amount of prizes won by the taxpayer under the

19 McCauley-Traxler-Law-Bowman-McNeely lottery act, Act No 239 of

20 the Public Acts of 1972, being sections 432 1 to 432 47 of the

21 Michigan Compiled Laws