



SENATE BILL No. 1183

Introduced by Senators MILLER, BERRYMAN, SCHWARZ, GAST,
DI NELLO and HART and referred to the Committee on
Finance

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
section 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 (i) Retirement or pension benefits received from THE FEDERAL
2 GOVERNMENT OR a public retirement system of or created by this
3 state or a political subdivision of this state

4 (ii) 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 (iii) Social security benefits as defined in section 86 of
12 the internal revenue code

13 (iv) 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 \$7,500 00
16 FOR TAX YEARS BEFORE THE 1994 TAX YEAR AND NOT MORE THAN
17 \$40,000 00 FOR TAX YEARS AFTER THE 1993 TAX YEAR

18 (B) For a joint return, the sum of not more than \$10,000 00
19 FOR TAX YEARS BEFORE THE 1994 TAX YEAR AND NOT MORE THAN
20 \$60,000 00 FOR TAX YEARS AFTER THE 1993 TAX YEAR

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

24 (g) Adjustments resulting from the application of section
25 271

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

1 (1) Adjustments resulting from the allocation and
2 apportionment provisions of chapter 3

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

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

12 (l) Deduct the following payments made by the taxpayer in
13 the tax year

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

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

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

25 (B) The contract applies only for a state institution of
26 higher education as defined in the Michigan education trust act,

1 Act No 316 of the Public Acts of 1986, or a community or junior
2 college in Michigan

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

6 (D) The contract is entered into after either of the
7 following

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

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

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

26 (n) Deduct from the taxable income of a purchaser the amount
27 included as income to the purchaser under the internal revenue

1 code after the advance tuition payment contract entered into
 2 under the Michigan education trust act, Act No 316 of the Public
 3 Acts of 1986, is terminated because the qualified beneficiary
 4 attends an institution of postsecondary education other than
 5 either a state institution of higher education or an institution
 6 of postsecondary education located outside this state with which
 7 a state institution of higher education has reciprocity

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

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

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

20 (2) The following personal exemptions multiplied by the
 21 number of personal or dependency exemptions allowable on the
 22 taxpayer's federal income tax return pursuant to the internal
 23 revenue code shall be subtracted from taxable income

24 (a) For a tax year beginning during 1987 \$1,600 00

25 (b) For a tax year beginning during 1988 \$1,800 00

1 (c) For a tax year beginning during 1989 \$2,000 00

2 (d) ~~Except as provided in subdivision (e), for~~

3 FOR a tax year beginning after 1989 \$2,100 00

4 ~~(e) For a tax year beginning after 1993, if the~~

5 ~~sales tax is levied at a rate of 4% under the~~

6 ~~general sales tax act, Act No 167 of the Public~~

7 ~~Acts of 1933, being sections 205 51 to 205 78 of~~

8 ~~the Michigan Compiled Laws~~ ~~\$3,000 00~~

9 ~~(3) The increase in the personal exemption under~~

10 ~~subsection (2)(e) shall take effect May 1, 1994 The department~~

11 ~~shall annualize the personal exemption amounts as necessary for a~~

12 ~~tax year beginning during 1994~~

13 (3) ~~(4)~~ A single additional exemption of \$1,400 00 for a

14 tax year beginning during 1987, \$1,200 00 for a tax year begin-

15 ning during 1988, \$1,000 00 for a tax year beginning during 1989,

16 and \$900 00 for a tax year beginning after 1989 is allowed in

17 each of the following circumstances

18 (a) The taxpayer is a paraplegic, a quadriplegic, a hemiple-

19 gic, a person who is blind as defined in section 504 or a

20 totally and permanently disabled person as defined in section

21 522

22 (b) The taxpayer is a deaf person as defined in section 2 of

23 the deaf persons' interpreters act, Act No 204 of the Public

24 Acts of 1982, being section 393 502 of the Michigan Compiled

25 Laws

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

1 (d) The return includes unemployment compensation that
2 amounts to 50% or more of adjusted gross income

3 (4) ~~(5)~~ For a tax year beginning after 1987, an individual
4 with respect to whom a deduction under section 151 of the inter-
5 nal revenue code is allowable to another federal taxpayer during
6 the tax year is not considered to have an allowable federal
7 exemption for purposes of subsection (2), but may deduct \$500 00
8 from taxable income for a tax year beginning in 1988 and
9 \$1,000 00 for a tax year beginning after 1988

10 (5) ~~(6)~~ A nonresident or a part-year resident is allowed
11 that proportion of an exemption or deduction allowed under sub-
12 section (2), (3), OR (4) ~~, or (5)~~ that the taxpayer's portion
13 of adjusted gross income from Michigan sources bears to the
14 taxpayer's total adjusted gross income

15 (6) ~~(7)~~ For a tax year beginning after 1987, in calculat-
16 ing taxable income, a taxpayer shall not subtract from adjusted
17 gross income the amount of prizes won by the taxpayer under the
18 McCauley-Traxler-Law-Bowman-McNeely lottery act, Act No 239 of
19 the Public Acts of 1972, being sections 432 1 to 432 47 of the
20 Michigan Compiled Laws