

# HOUSE BILL NO. 5402

October 14, 2021, Introduced by Reps. Haadsma, Camilleri, Brenda Carter, Cavanagh, Aiyash, Sowerby, Weiss, Cambensy and Cherry and referred to the Committee on Regulatory Reform.

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"

by amending sections 30 and 623 (MCL 206.30 and 206.623), section 30 as amended by 2020 PA 65 and section 623 as amended by 2014 PA 13.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

**1**           Sec. 30. (1) "Taxable income" means, for a person other than a  
**2** corporation, estate, or trust, adjusted gross income as defined in  
**3** the internal revenue code subject to the following adjustments

1 under this section:

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

7 (b) Add taxes on or measured by income to the extent the taxes  
8 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  
11 prohibited 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  
15 obligations, of the United States government that this state is  
16 prohibited 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 premiums,  
20 were deducted in arriving at adjusted gross income.

21 (e) Deduct, to the extent included in adjusted gross income,  
22 the following:

23 (i) Compensation, including retirement or pension benefits,  
24 received for services in the Armed Forces of the United States.

25 (ii) Retirement or pension benefits under the railroad  
26 retirement act of 1974, 45 USC 231 to 231v.

27 (iii) Beginning January 1, 2012, retirement or pension benefits  
28 received for services in the Michigan National Guard.

29 (f) Deduct the following to the extent included in adjusted

1 gross income subject to the limitations and restrictions set forth  
2 in subsection (9):

3 (i) Retirement or pension benefits received from a federal  
4 public retirement system or from a public retirement system of or  
5 created by this state or a political subdivision of this state.

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

13 (iii) Social Security benefits as defined in section 86 of the  
14 internal revenue code.

15 (iv) Beginning on and after January 1, 2007, retirement or  
16 pension benefits not deductible under subparagraph (i) or  
17 subdivision (e) from any other retirement or pension system or  
18 benefits from a retirement annuity policy in which payments are  
19 made for life to a senior citizen, to a maximum of \$42,240.00 for a  
20 single return and \$84,480.00 for a joint return. The maximum  
21 amounts allowed under this subparagraph shall be reduced by the  
22 amount of the deduction for retirement or pension benefits claimed  
23 under subparagraph (i) or subdivision (e) and by the amount of a  
24 deduction claimed under subdivision (p). For the 2008 tax year and  
25 each tax year after 2008, the maximum amounts allowed under this  
26 subparagraph shall be adjusted by the percentage increase in the  
27 United States Consumer Price Index for the immediately preceding  
28 calendar year. The department shall annualize the amounts provided  
29 in this subparagraph as necessary. ~~As used in this subparagraph,~~

1 ~~"senior citizen" means that term as defined in section 514.~~

2 (v) The amount determined to be the section 22 amount eligible  
3 for the elderly and the permanently and totally disabled credit  
4 provided in section 22 of the internal revenue code.

5 (g) Adjustments resulting from the application of section 271.

6 (h) Adjustments with respect to estate and trust income as  
7 provided in section 36.

8 (i) Adjustments resulting from the allocation and  
9 apportionment provisions of chapter 3.

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

12 (i) For the 2010 tax year and each tax year after 2010, the  
13 amount of a charitable contribution made to the advance tuition  
14 payment fund created under section 9 of the Michigan education  
15 trust act, 1986 PA 316, MCL 390.1429.

16 (ii) The amount of payment made under an advance tuition  
17 payment contract as provided in the Michigan education trust act,  
18 1986 PA 316, MCL 390.1421 to 390.1442.

19 (iii) The amount of payment made under a contract with a private  
20 sector investment manager that meets all of the following 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 (ii).

25 (B) The contract applies only for a state institution of  
26 higher education as defined in the Michigan education trust act,  
27 1986 PA 316, MCL 390.1421 to 390.1442, or a community or junior  
28 college in Michigan.

29 (C) The contract provides for enrollment by the contract's

1 qualified beneficiary in not less than 4 years after the date on  
2 which the contract is entered into.

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

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

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

13 (k) If an advance tuition payment contract under the Michigan  
14 education trust act, 1986 PA 316, MCL 390.1421 to 390.1442, or  
15 another contract for which the payment was deductible under  
16 subdivision (j) is terminated and the qualified beneficiary under  
17 that contract does not attend a university, college, junior or  
18 community college, or other institution of higher education, add  
19 the amount of a refund received by the taxpayer as a result of that  
20 termination or the amount of the deduction taken under subdivision  
21 (j) for payment made under that contract, whichever is less.

22 (l) Deduct from the taxable income of a purchaser the amount  
23 included as income to the purchaser under the internal revenue code  
24 after the advance tuition payment contract entered into under the  
25 Michigan education trust act, 1986 PA 316, MCL 390.1421 to  
26 390.1442, is terminated because the qualified beneficiary attends  
27 an institution of postsecondary education other than either a state  
28 institution of higher education or an institution of postsecondary  
29 education located outside this state with which a state institution

1 of higher education has reciprocity.

2 (m) Add, to the extent deducted in determining adjusted gross  
3 income, the net operating loss deduction under section 172 of the  
4 internal revenue code.

5 (n) Deduct a net operating loss deduction for the taxable year  
6 as determined under section 172 of the internal revenue code  
7 subject to the modifications under section 172(b)(2) of the  
8 internal revenue code and subject to the allocation and  
9 apportionment provisions of chapter 3 for the taxable year in which  
10 the loss was incurred.

11 (o) Deduct, to the extent included in adjusted gross income,  
12 benefits from a discriminatory self-insurance medical expense  
13 reimbursement plan.

14 (p) Beginning on and after January 1, 2007, subject to any  
15 limitation provided in this subdivision, a taxpayer who is a senior  
16 citizen may deduct to the extent included in adjusted gross income,  
17 interest, dividends, and capital gains received in the tax year not  
18 to exceed \$9,420.00 for a single return and \$18,840.00 for a joint  
19 return. The maximum amounts allowed under this subdivision shall be  
20 reduced by the amount of a deduction claimed for retirement or  
21 pension benefits under subdivision (e) or a deduction claimed under  
22 subdivision (f) (i), (ii), (iv), or (v). For the 2008 tax year and each  
23 tax year after 2008, the maximum amounts allowed under this  
24 subdivision shall be adjusted by the percentage increase in the  
25 United States Consumer Price Index for the immediately preceding  
26 calendar year. The department shall annualize the amounts provided  
27 in this subdivision as necessary. Beginning January 1, 2012, the  
28 deduction under this subdivision is not available to a senior  
29 citizen born after 1945. ~~As used in this subdivision, "senior~~

1 ~~citizen" means that term as defined in section 514.~~

2 (q) Deduct, to the extent included in adjusted gross income,  
3 all of the following:

4 (i) The amount of a refund received in the tax year based on  
5 taxes paid under this part.

6 (ii) The amount of a refund received in the tax year based on  
7 taxes paid under the city income tax act, 1964 PA 284, MCL 141.501  
8 to 141.787.

9 (iii) The amount of a credit received in the tax year based on a  
10 claim filed under sections 520 and 522 to the extent that the taxes  
11 used to calculate the credit were not used to reduce adjusted gross  
12 income for a prior year.

13 (r) Add the amount paid by the state on behalf of the taxpayer  
14 in the tax year to repay the outstanding principal on a loan taken  
15 on which the taxpayer defaulted that was to fund an advance tuition  
16 payment contract entered into under the Michigan education trust  
17 act, 1986 PA 316, MCL 390.1421 to 390.1442, if the cost of the  
18 advance tuition payment contract was deducted under subdivision (j)  
19 and was financed with a Michigan education trust secured loan.

20 (s) Deduct, to the extent included in adjusted gross income,  
21 any amount, and any interest earned on that amount, received in the  
22 tax year by a taxpayer who is a Holocaust victim as a result of a  
23 settlement of claims against any entity or individual for any  
24 recovered asset pursuant to the German act regulating unresolved  
25 property claims, also known as Gesetz zur Regelung offener  
26 Vermögensfragen, as a result of the settlement of the action  
27 entitled *In re: Holocaust victim assets litigation*, CV-96-4849, CV-  
28 96-5161, and CV-97-0461 (E.D. NY), or as a result of any similar  
29 action if the income and interest are not commingled in any way

1 with and are kept separate from all other funds and assets of the  
2 taxpayer. As used in this subdivision:

3 (i) "Holocaust victim" means a person, or the heir or  
4 beneficiary of that person, who was persecuted by Nazi Germany or  
5 any Axis regime during any period from 1933 to 1945.

6 (ii) "Recovered asset" means any asset of any type and any  
7 interest earned on that asset including, but not limited to, bank  
8 deposits, insurance proceeds, or artwork owned by a Holocaust  
9 victim during the period from 1920 to 1945, withheld from that  
10 Holocaust victim from and after 1945, and not recovered, returned,  
11 or otherwise compensated to the Holocaust victim until after 1993.

12 (t) Deduct all of the following:

13 (i) To the extent not deducted in determining adjusted gross  
14 income, contributions made by the taxpayer in the tax year less  
15 qualified withdrawals made in the tax year from education savings  
16 accounts, calculated on a per education savings account basis,  
17 pursuant to the Michigan education savings program act, 2000 PA  
18 161, MCL 390.1471 to 390.1486, not to exceed a total deduction of  
19 \$5,000.00 for a single return or \$10,000.00 for a joint return per  
20 tax year. The amount calculated under this subparagraph for each  
21 education savings account shall not be less than zero.

22 (ii) To the extent included in adjusted gross income, interest  
23 earned in the tax year on the contributions to the taxpayer's  
24 education savings accounts if the contributions were deductible  
25 under subparagraph (i).

26 (iii) To the extent included in adjusted gross income,  
27 distributions that are qualified withdrawals from an education  
28 savings account to the designated beneficiary of that education  
29 savings account.



1           (u) Add, to the extent not included in adjusted gross income,  
2 the amount of money withdrawn by the taxpayer in the tax year from  
3 education savings accounts, not to exceed the total amount deducted  
4 under subdivision (t) in the tax year and all previous tax years,  
5 if the withdrawal was not a qualified withdrawal as provided in the  
6 Michigan education savings program act, 2000 PA 161, MCL 390.1471  
7 to 390.1486. This subdivision does not apply to withdrawals that  
8 are less than the sum of all contributions made to an education  
9 savings account in all previous tax years for which no deduction  
10 was claimed under subdivision (t), less any contributions for which  
11 no deduction was claimed under subdivision (t) that were withdrawn  
12 in all previous tax years.

13           (v) A taxpayer who is a resident tribal member may deduct, to  
14 the extent included in adjusted gross income, all nonbusiness  
15 income earned or received in the tax year and during the period in  
16 which an agreement entered into between the taxpayer's tribe and  
17 this state pursuant to section 30c of 1941 PA 122, MCL 205.30c, is  
18 in full force and effect. As used in this subdivision:

19           (i) "Business income" means business income as defined in  
20 section 4 and apportioned under chapter 3.

21           (ii) "Nonbusiness income" means nonbusiness income as defined  
22 in section 14 and, to the extent not included in business income,  
23 all of the following:

24           (A) All income derived from wages whether the wages are earned  
25 within the agreement area or outside of the agreement area.

26           (B) All interest and passive dividends.

27           (C) All rents and royalties derived from real property located  
28 within the agreement area.

29           (D) All rents and royalties derived from tangible personal

1 property, to the extent the personal property is utilized within  
2 the agreement area.

3 (E) Capital gains from the sale or exchange of real property  
4 located within the agreement area.

5 (F) Capital gains from the sale or exchange of tangible  
6 personal property located within the agreement area at the time of  
7 sale.

8 (G) Capital gains from the sale or exchange of intangible  
9 personal property.

10 (H) All pension income and benefits including, but not limited  
11 to, distributions from a 401(k) plan, individual retirement  
12 accounts under section 408 of the internal revenue code, or a  
13 defined contribution plan, or payments from a defined benefit plan.

14 (I) All per capita payments by the tribe to resident tribal  
15 members, without regard to the source of payment.

16 (J) All gaming winnings.

17 (iii) "Resident tribal member" means an individual who meets all  
18 of the following criteria:

19 (A) Is an enrolled member of a federally recognized tribe.

20 (B) The individual's tribe has an agreement with this state  
21 pursuant to section 30c of 1941 PA 122, MCL 205.30c, that is in  
22 full force and effect.

23 (C) The individual's principal place of residence is located  
24 within the agreement area as designated in the agreement under sub-  
25 subparagraph (B).

26 (w) For tax years beginning after December 31, 2011, eliminate  
27 all of the following:

28 (i) Income from producing oil and gas to the extent included in  
29 adjusted gross income.

1           (ii) Expenses of producing oil and gas to the extent deducted  
2 in arriving at adjusted gross income.

3           (x) For tax years that begin after December 31, 2015, deduct  
4 all of the following:

5           (i) To the extent not deducted in determining adjusted gross  
6 income, contributions made by the taxpayer in the tax year less  
7 qualified withdrawals made in the tax year from an ABLE savings  
8 account, pursuant to the Michigan achieving a better life  
9 experience (ABLE) program act, 2015 PA 160, MCL 206.981 to 206.997,  
10 not to exceed a total deduction of \$5,000.00 for a single return or  
11 \$10,000.00 for a joint return per tax year. The amount calculated  
12 under this subparagraph for an ABLE savings account shall not be  
13 less than zero.

14           (ii) To the extent included in adjusted gross income, interest  
15 earned in the tax year on the contributions to the taxpayer's ABLE  
16 savings account if the contributions were deductible under  
17 subparagraph (i).

18           (iii) To the extent included in adjusted gross income,  
19 distributions that are qualified withdrawals from an ABLE savings  
20 account to the designated beneficiary of that ABLE savings account.

21           (y) For tax years that begin after December 31, 2015, add, to  
22 the extent not included in adjusted gross income, the amount of  
23 money withdrawn by the taxpayer in the tax year from an ABLE  
24 savings account, not to exceed the total amount deducted under  
25 subdivision (x) in the tax year and all previous tax years, if the  
26 withdrawal was not a qualified withdrawal as provided in the  
27 Michigan achieving a better life experience (ABLE) program act,  
28 2015 PA 160, MCL 206.981 to 206.997. This subdivision does not  
29 apply to withdrawals that are less than the sum of all

1 contributions made to an ABLE savings account in all previous tax  
2 years for which no deduction was claimed under subdivision (x),  
3 less any contributions for which no deduction was claimed under  
4 subdivision (x) that were withdrawn in all previous tax years.

5 (z) For tax years that begin after December 31, 2018, deduct,  
6 to the extent included in adjusted gross income, compensation  
7 received in the tax year pursuant to the wrongful imprisonment  
8 compensation act, 2016 PA 343, MCL 691.1751 to 691.1757.

9 (aa) For tax years beginning on and after January 1, 2021, a  
10 taxpayer who sells a mobile home park licensed under the mobile  
11 home commission act, 1987 PA 96, MCL 125.2301 to 125.2350, to a  
12 local government, a housing authority, a housing commission, or a  
13 nonprofit housing corporation may deduct, to the extent included in  
14 adjusted gross income, 100% of the amount of recognized gain on the  
15 sale of a mobile home park with not more than 50 lots or 50% of the  
16 amount of the recognized gain on the sale of a mobile home park  
17 with more than 50 lots. As used in this subdivision:

18 (i) "Housing authority" and "housing commission" mean those  
19 terms as defined in section 3 of the housing cooperation law, 1937  
20 PA 293, MCL 125.603.

21 (ii) "Local government" and "mobile home park" mean those terms  
22 as defined in section 2 of the mobile home commission act, 1987 PA  
23 96, MCL 125.2302.

24 (iii) "Nonprofit housing corporation" means that term as defined  
25 in section 11 of the state housing development authority act of  
26 1966, 1966 PA 346, MCL 125.1411.

27 (2) Except as otherwise provided in subsection (7) and section  
28 30a, a personal exemption of \$3,700.00 multiplied by the number of  
29 personal and dependency exemptions shall be subtracted in the

1 calculation that determines taxable income. The number of personal  
2 and dependency exemptions allowed shall be determined as follows:

3 (a) Each taxpayer may claim 1 personal exemption. However, if  
4 a joint return is not made by the taxpayer and his or her spouse,  
5 the taxpayer may claim a personal exemption for the spouse if the  
6 spouse, for the calendar year in which the taxable year of the  
7 taxpayer begins, does not have any gross income and is not the  
8 dependent of another taxpayer.

9 (b) A taxpayer may claim a dependency exemption for each  
10 individual who is a dependent of the taxpayer for the tax year.

11 (c) For tax years beginning on and after January 1, 2019, a  
12 taxpayer may claim an additional exemption under this subsection in  
13 the tax year for which the taxpayer has a certificate of stillbirth  
14 from the department of health and human services as provided under  
15 section 2834 of the public health code, 1978 PA 368, MCL 333.2834.

16 (3) Except as otherwise provided in subsection (7), a single  
17 additional exemption determined as follows shall be subtracted in  
18 the calculation that determines taxable income in each of the  
19 following circumstances:

20 (a) \$1,800.00 for each taxpayer and every dependent of the  
21 taxpayer who is a deaf person as defined in section 2 of the deaf  
22 persons' interpreters act, 1982 PA 204, MCL 393.502; a paraplegic,  
23 a quadriplegic, or a hemiplegic; a person who is blind as defined  
24 in section 504; or a person who is totally and permanently disabled  
25 as defined in section 522. When a dependent of a taxpayer files an  
26 annual return under this part, the taxpayer or dependent of the  
27 taxpayer, but not both, may claim the additional exemption allowed  
28 under this subdivision.

29 (b) For tax years beginning after 2007, \$250.00 for each

1 taxpayer and every dependent of the taxpayer who is a qualified  
2 disabled veteran. When a dependent of a taxpayer files an annual  
3 return under this part, the taxpayer or dependent of the taxpayer,  
4 but not both, may claim the additional exemption allowed under this  
5 subdivision. As used in this subdivision:

6 (i) "Qualified disabled veteran" means a veteran with a  
7 service-connected disability.

8 (ii) "Service-connected disability" means a disability incurred  
9 or aggravated in the line of duty in the active military, naval, or  
10 air service as described in 38 USC 101(16).

11 (iii) "Veteran" means a person who served in the active  
12 military, naval, marine, coast guard, or air service and who was  
13 discharged or released from his or her service with an honorable or  
14 general discharge.

15 (4) An individual with respect to whom a deduction under  
16 subsection (2) is allowable to another taxpayer during the tax year  
17 is not entitled to an exemption for purposes of subsection (2), but  
18 may subtract \$1,500.00 in the calculation that determines taxable  
19 income for a tax year.

20 (5) A nonresident or a part-year resident is allowed that  
21 proportion of an exemption or deduction allowed under subsection  
22 (2), (3), or (4) that the taxpayer's portion of adjusted gross  
23 income from Michigan sources bears to the taxpayer's total adjusted  
24 gross income.

25 (6) In calculating taxable income, a taxpayer shall not  
26 subtract from adjusted gross income the amount of prizes won by the  
27 taxpayer under the McCauley-Traxler-Law-Bowman-McNeely lottery act,  
28 1972 PA 239, MCL 432.1 to 432.47.

29 (7) For each tax year beginning on and after January 1, 2013,

1 the personal exemption allowed under subsection (2) shall be  
2 adjusted by multiplying the exemption for the tax year beginning in  
3 2012 by a fraction, the numerator of which is the United States  
4 Consumer Price Index for the state fiscal year ending in the tax  
5 year prior to the tax year for which the adjustment is being made  
6 and the denominator of which is the United States Consumer Price  
7 Index for the 2010-2011 state fiscal year. For the 2022 tax year  
8 and each tax year after 2022, the adjusted amount determined under  
9 this subsection shall be increased by an additional \$600.00. The  
10 resultant product shall be rounded to the nearest \$100.00  
11 increment. For each tax year, the exemptions allowed under  
12 subsection (3) shall be adjusted by multiplying the exemption  
13 amount under subsection (3) for the tax year by a fraction, the  
14 numerator of which is the United States Consumer Price Index for  
15 the state fiscal year ending the tax year prior to the tax year for  
16 which the adjustment is being made and the denominator of which is  
17 the United States Consumer Price Index for the 1998-1999 state  
18 fiscal year. The resultant product shall be rounded to the nearest  
19 \$100.00 increment.

20 (8) As used in this section, "retirement or pension benefits"  
21 means distributions from all of the following:

22 (a) Except as provided in subdivision (d), qualified pension  
23 trusts and annuity plans that qualify under section 401(a) of the  
24 internal revenue code, including all of the following:

25 (i) Plans for self-employed persons, commonly known as Keogh or  
26 HR10 plans.

27 (ii) Individual retirement accounts that qualify under section  
28 408 of the internal revenue code if the distributions are not made  
29 until the participant has reached 59-1/2 years of age, except in

1 the case of death, disability, or distributions described by  
2 section 72(t)(2)(A)(iv) of the internal revenue code.

3 (iii) Employee annuities or tax-sheltered annuities purchased  
4 under section 403(b) of the internal revenue code by organizations  
5 exempt under section 501(c)(3) of the internal revenue code, or by  
6 public school systems.

7 (iv) Distributions from a 401(k) plan attributable to employee  
8 contributions mandated by the plan or attributable to employer  
9 contributions.

10 (b) The following retirement and pension plans not qualified  
11 under the internal revenue code:

12 (i) Plans of the United States, state governments other than  
13 this state, and political subdivisions, agencies, or  
14 instrumentalities of this state.

15 (ii) Plans maintained by a church or a convention or  
16 association of churches.

17 (iii) All other unqualified pension plans that prescribe  
18 eligibility for retirement and predetermine contributions and  
19 benefits if the distributions are made from a pension trust.

20 (c) Retirement or pension benefits received by a surviving  
21 spouse if those benefits qualified for a deduction prior to the  
22 decedent's death. Benefits received by a surviving child are not  
23 deductible.

24 (d) Retirement and pension benefits do not include:

25 (i) Amounts received from a plan that allows the employee to  
26 set the amount of compensation to be deferred and does not  
27 prescribe retirement age or years of service. These plans include,  
28 but are not limited to, all of the following:

29 (A) Deferred compensation plans under section 457 of the



1 internal revenue code.

2 (B) Distributions from plans under section 401(k) of the  
3 internal revenue code other than plans described in subdivision  
4 (a) (iv) .

5 (C) Distributions from plans under section 403(b) of the  
6 internal revenue code other than plans described in subdivision  
7 (a) (iii) .

8 (ii) Premature distributions paid on separation, withdrawal, or  
9 discontinuance of a plan prior to the earliest date the recipient  
10 could have retired under the provisions of the plan.

11 (iii) Payments received as an incentive to retire early unless  
12 the distributions are from a pension trust.

13 (9) In determining taxable income under this section, the  
14 following limitations and restrictions apply:

15 (a) For a person born before 1946, this subsection provides no  
16 additional restrictions or limitations under subsection (1) (f) .

17 (b) Except as otherwise provided in subdivision (c), for a  
18 person born in 1946 through 1952, the sum of the deductions under  
19 subsection (1) (f) (i) , (ii) , and (iv) is limited to \$20,000.00 for a  
20 single return and \$40,000.00 for a joint return. After that person  
21 reaches the age of 67, the deductions under subsection (1) (f) (i) ,  
22 (ii) , and (iv) do not apply and that person is eligible for a  
23 deduction of \$20,000.00 for a single return and \$40,000.00 for a  
24 joint return, which deduction is available against all types of  
25 income and is not restricted to income from retirement or pension  
26 benefits. A person who takes the deduction under subsection (1) (e)  
27 is not eligible for the unrestricted deduction of \$20,000.00 for a  
28 single return and \$40,000.00 for a joint return under this  
29 subdivision.

1           (c) Beginning January 1, 2013 for a person born in 1946  
2 through 1952 and beginning January 1, 2018 for a person born after  
3 1945 who has retired as of January 1, 2013, if that person receives  
4 retirement or pension benefits from employment with a governmental  
5 agency that was not covered by the federal social security act,  
6 chapter 531, 49 Stat 620, the sum of the deductions under  
7 subsection (1)(f)(i), (ii), and (iv) is limited to \$35,000.00 for a  
8 single return and, except as otherwise provided under this  
9 subdivision, \$55,000.00 for a joint return. If both spouses filing  
10 a joint return receive retirement or pension benefits from  
11 employment with a governmental agency that was not covered by the  
12 federal social security act, chapter 531, 49 Stat 620, the sum of  
13 the deductions under subsection (1)(f)(i), (ii), and (iv) is limited  
14 to \$70,000.00 for a joint return. After that person reaches the age  
15 of 67, the deductions under subsection (1)(f)(i), (ii), and (iv) do  
16 not apply and that person is eligible for a deduction of \$35,000.00  
17 for a single return and \$55,000.00 for a joint return, or  
18 \$70,000.00 for a joint return if applicable, which deduction is  
19 available against all types of income and is not restricted to  
20 income from retirement or pension benefits. A person who takes the  
21 deduction under subsection (1)(e) is not eligible for the  
22 unrestricted deduction of \$35,000.00 for a single return and  
23 \$55,000.00 for a joint return, or \$70,000.00 for a joint return if  
24 applicable, under this subdivision.

25           (d) Except as otherwise provided under subdivision (c) for a  
26 person who was retired as of January 1, 2013, for a person born  
27 after 1952 who has reached the age of 62 through 66 years of age  
28 and who receives retirement or pension benefits from employment  
29 with a governmental agency that was not covered by the federal

1 social security act, chapter 531, 49 Stat 620, the sum of the  
2 deductions under subsection (1)(f)(i), (ii), and (iv) is limited to  
3 \$15,000.00 for a single return and, except as otherwise provided  
4 under this subdivision, \$15,000.00 for a joint return. If both  
5 spouses filing a joint return receive retirement or pension  
6 benefits from employment with a governmental agency that was not  
7 covered by the federal social security act, chapter 531, 49 Stat  
8 620, the sum of the deductions under subsection (1)(f)(i), (ii), and  
9 (iv) is limited to \$30,000.00 for a joint return.

10 (e) Except as otherwise provided under subdivision (c) or (d),  
11 for a person born after 1952, the deduction under subsection  
12 (1)(f)(i), (ii), or (iv) does not apply. When that person reaches the  
13 age of 67, that person is eligible for a deduction of \$20,000.00  
14 for a single return and \$40,000.00 for a joint return, which  
15 deduction is available against all types of income and is not  
16 restricted to income from retirement or pension benefits. If a  
17 person takes the deduction of \$20,000.00 for a single return and  
18 \$40,000.00 for a joint return, that person shall not take the  
19 deduction under subsection (1)(f)(iii) and shall not take the  
20 personal exemption under subsection (2). That person may elect not  
21 to take the deduction of \$20,000.00 for a single return and  
22 \$40,000.00 for a joint return and elect to take the deduction under  
23 subsection (1)(f)(iii) and the personal exemption under subsection  
24 (2) if that election would reduce that person's tax liability. A  
25 person who takes the deduction under subsection (1)(e) is not  
26 eligible for the unrestricted deduction of \$20,000.00 for a single  
27 return and \$40,000.00 for a joint return under this subdivision.

28 (f) For a joint return, the limitations and restrictions in  
29 this subsection shall be applied based on the date of birth of the

1 older spouse filing the joint return. If a deduction under  
 2 subsection (1)(f) was claimed on a joint return for a tax year in  
 3 which a spouse died and the surviving spouse has not remarried  
 4 since the death of that spouse, the surviving spouse is entitled to  
 5 claim the deduction under subsection (1)(f) in subsequent tax years  
 6 subject to the same restrictions and limitations, for a single  
 7 return, that would have applied based on the date of birth of the  
 8 older of the 2 spouses. For tax years beginning after December 31,  
 9 2019, a surviving spouse born after 1945 who has reached the age of  
 10 67 and has not remarried since the death of that spouse may elect  
 11 to take the deduction that is available against all types of income  
 12 subject to the same limitations and restrictions as provided under  
 13 this subsection based on the surviving spouse's date of birth  
 14 instead of taking the deduction allowed under subsection (1)(f),  
 15 for a single return, based on the date of birth of the older  
 16 spouse.

17 (10) As used in this section:

18 (a) "Oil and gas" means oil and gas subject to severance tax  
 19 under 1929 PA 48, MCL 205.301 to 205.317.

20 (b) **"Senior citizen" means that term as defined in section**  
 21 **514.**

22 (c) ~~(b)~~—"United States Consumer Price Index" means the United  
 23 States Consumer Price Index for all urban consumers as defined and  
 24 reported by the United States Department of Labor, Bureau of Labor  
 25 Statistics.

26 Sec. 623. (1) Except as otherwise provided in this part, there  
 27 is levied and imposed a corporate income tax on every taxpayer with  
 28 business activity within this state or ownership interest or  
 29 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 6.0%.

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

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

15 (b) Add all taxes on or measured by net income including the  
16 tax imposed under this part to the extent that the taxes were  
17 deducted in arriving at federal taxable income.

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

20 (d) To the extent included in federal taxable income, deduct  
21 dividends and royalties received from persons other than United  
22 States persons and foreign operating entities, including, but not  
23 limited to, amounts determined under section 78 of the internal  
24 revenue code or sections 951 to ~~964~~**965** of the internal revenue  
25 code.

26 (e) Except as otherwise provided under this subdivision, to  
27 the extent deducted in arriving at federal taxable income, add any  
28 royalty, interest, or other expense paid to a person related to the  
29 taxpayer by ownership or control for the use of an intangible asset

1 if the person is not included in the taxpayer's unitary business  
2 group. The addition of any royalty, interest, or other expense  
3 described under this subdivision is not required to be added if the  
4 taxpayer can demonstrate that the transaction has a nontax business  
5 purpose, is conducted with arm's-length pricing and rates and terms  
6 as applied in accordance with sections 482 and 1274(d) of the  
7 internal revenue code, and 1 of the following is true:

8 (i) The transaction is a pass through of another transaction  
9 between a third party and the related person with comparable rates  
10 and terms.

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

14 (iii) An addition would be unreasonable as determined by the  
15 state treasurer.

16 (iv) The related person recipient of the transaction is  
17 organized under the laws of a foreign nation which has in force a  
18 comprehensive income tax treaty with the United States.

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

21 (g) For tax years beginning after December 31, 2011, eliminate  
22 all of the following:

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

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

27 (h) For tax years beginning after December 31, 2012, for a  
28 qualified taxpayer, eliminate all of the following:

29 (i) Income derived from a mineral to the extent included in

1 federal taxable income.

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

5 (i) For tax years beginning on and after January 1, 2021, a  
6 taxpayer who sells a mobile home park licensed under the mobile  
7 home commission act, 1987 PA 96, MCL 125.2301 to 125.2350, to a  
8 local government, a housing authority, a housing commission, or a  
9 nonprofit housing corporation may deduct, to the extent included in  
10 adjusted gross income, 100% of the amount of recognized gain on the  
11 sale of a mobile home park with not more than 50 lots or 50% of the  
12 amount of the recognized gain on the sale of a mobile home park  
13 with more than 50 lots. As used in this subdivision:

14 (i) "Housing authority" and "housing commission" mean those  
15 terms as defined in section 3 of the housing cooperation law, 1937  
16 PA 293, MCL 125.603.

17 (ii) "Local government" and "mobile home park" mean those terms  
18 as defined in section 2 of the mobile home commission act, 1987 PA  
19 96, MCL 125.2302.

20 (iii) "Nonprofit housing corporation" means that term as defined  
21 under section 11 of the state housing development authority act of  
22 1966, 1966 PA 346, MCL 125.1411.

23 (3) For purposes of subsection (2), the business income of a  
24 unitary business group is the sum of the business income of each  
25 person included in the unitary business group less any items of  
26 income and related deductions arising from transactions including  
27 dividends between persons included in the unitary business group.

28 (4) Deduct any available business loss incurred after December  
29 31, 2011. As used in this subsection, "business loss" means a

1 negative business income taxable amount after allocation or  
2 apportionment. For purposes of this subsection, a taxpayer that  
3 acquires the assets of another corporation in a transaction  
4 described under section 381(a)(1) or (2) of the internal revenue  
5 code may deduct any business loss attributable to that distributor  
6 or transferor corporation. The business loss shall be carried  
7 forward to the year immediately succeeding the loss year as an  
8 offset to the allocated or apportioned corporate income tax base,  
9 then successively to the next 9 taxable years following the loss  
10 year or until the loss is used up, whichever occurs first.

11 (5) As used in this section, "oil and gas" means oil and gas  
12 that is subject to severance tax under 1929 PA 48, MCL 205.301 to  
13 205.317.