

SENATE BILL NO. 1046

May 19, 2022, Introduced by Senators WOJNO, MOSS, MCCANN, MCMORROW, IRWIN, POLEHANKI, ALEXANDER, BULLOCK, BRINKS, BAYER, SANTANA, ANANICH, GEISS, HOLLIER, HERTEL and WOZNIAK and referred to the Committee on Finance.

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending sections 30 and 51 (MCL 206.30 and 206.51), section 30
as amended by 2022 PA 5 and section 51 as amended by 2020 PA 75.

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
4 under this section:

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 less
4 related expenses not deducted in computing adjusted gross income
5 because of section 265(a) (1) of the internal revenue code.

6 (b) Add taxes on or measured by income to the extent the taxes
7 have been deducted in arriving at adjusted gross income including
8 any direct or indirect allocated share of taxes paid by a flow-
9 through entity under part 4.

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

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

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

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

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

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

1 (f) Deduct the following to the extent included in adjusted
2 gross income subject to the limitations and restrictions set forth
3 in subsection (9) **or 10, as applicable:**

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

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

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

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

1 in this subparagraph as necessary.

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) The amount of a charitable contribution made to the advance
13 tuition payment fund created under section 9 of the Michigan
14 education trust act, 1986 PA 316, MCL 390.1429.

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

18 (iii) The amount of payment made under a contract with a private
19 sector investment manager that meets all of the following criteria:

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

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

28 (C) The contract provides for enrollment by the contract's
29 qualified beneficiary in not less than 4 years after the date on

1 which the contract is entered into.

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

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

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

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

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

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

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

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

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

29 (q) Deduct, to the extent included in adjusted gross income,

1 all of the following:

2 (i) The amount of a refund received in the tax year based on
3 taxes paid under this part and any direct or indirect allocated
4 share of a refund received by a flow-through entity under part 4.

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

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

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

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

1 taxpayer. As used in this subdivision:

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

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

11 (t) Deduct all of the following:

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

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

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

29 (u) Add, to the extent not included in adjusted gross income,

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

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

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

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

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

25 (B) All interest and passive dividends.

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

28 (D) All rents and royalties derived from tangible personal
29 property, to the extent the personal property is utilized within

1 the agreement area.

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

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

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

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

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

15 (J) All gaming winnings.

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

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

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

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

25 (w) Eliminate all of the following:

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

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

1 (x) Deduct all of the following:

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

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

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

18 (y) Add, to the extent not included in adjusted gross income,
19 the amount of money withdrawn by the taxpayer in the tax year from
20 an ABLE savings account, not to exceed the total amount deducted
21 under subdivision (x) in the tax year and all previous tax years,
22 if the withdrawal was not a qualified withdrawal as provided in the
23 Michigan achieving a better life experience (ABLE) program act,
24 2015 PA 160, MCL 206.981 to 206.997. This subdivision does not
25 apply to withdrawals that are less than the sum of all
26 contributions made to an ABLE savings account in all previous tax
27 years for which no deduction was claimed under subdivision (x),
28 less any contributions for which no deduction was claimed under
29 subdivision (x) that were withdrawn in all previous tax years.

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

5 (aa) For the 2016, 2017, 2018, and 2019 tax years and for each
6 tax year that begins on and after January 1, 2025, a taxpayer who
7 is a disabled veteran may deduct, to the extent included in
8 adjusted gross income, income reported on a federal income tax form
9 1099-C that is attributable to the cancellation or discharge of a
10 student loan by the United States Department of Education pursuant
11 to the total and permanent disability discharge program, 34 CFR
12 685.213. As used in this subdivision, "disabled veteran" means an
13 individual who meets either of the following criteria:

14 (i) Has been determined by the United States Department of
15 Veterans Affairs to be permanently and totally disabled as a result
16 of military service and entitled to veterans' benefits at the 100%
17 rate.

18 (ii) Has been rated by the United States Department of Veterans
19 Affairs as individually unemployable.

20 (bb) For tax years that begin on and after January 1, 2021,
21 and subject to the limitation under this subdivision, deduct, to
22 the extent not deducted in determining adjusted gross income,
23 wagering losses deducted under section 165(d) of the internal
24 revenue code on the taxpayer's federal income tax return for the
25 same tax year. For a nonresident, only wagering losses that are
26 attributable to wagering transactions placed at or through a casino
27 or licensed race meeting located in this state may be deducted and
28 must not exceed the gains on wagering transactions allocated to
29 this state under section 110(2)(d). As used in this subdivision,

1 "casino" and "licensed race meeting" mean those terms as defined in
2 section 110.

3 (cc) Except as otherwise provided under subparagraph (i), for
4 tax years that begin on and after January 1, 2022, deduct all of
5 the following:

6 (i) To the extent not deducted in determining adjusted gross
7 income, contributions made by the taxpayer in the tax year less
8 qualified withdrawals made in the tax year from a first-time home
9 buyer savings account, pursuant to the Michigan first-time home
10 buyer savings program act, not to exceed a total deduction of
11 \$5,000.00 for a single return or \$10,000.00 for a joint return per
12 tax year. The amount calculated under this subparagraph for a
13 first-time home buyer savings account shall not be less than zero.
14 The deduction under this subparagraph does not apply for tax years
15 that begin after December 31, 2026.

16 (ii) To the extent not deducted in determining adjusted gross
17 income, interest earned in the tax year on the contributions to the
18 taxpayer's first-time home buyer savings account.

19 (iii) To the extent included in adjusted gross income,
20 distributions that are qualified withdrawals from a first-time home
21 buyer savings account to the qualified beneficiary of that savings
22 account.

23 (dd) For tax years that begin on and after January 1, 2022,
24 add, to the extent not included in adjusted gross income, the
25 amount of money withdrawn by the taxpayer in the tax year from a
26 first-time home buyer savings account, not to exceed the total
27 amount deducted under subdivision (cc) in the tax year and all
28 previous tax years, if the withdrawal was not a qualified
29 withdrawal as provided in the Michigan first-time home buyer

1 savings program act. This subdivision does not apply to withdrawals
2 that are less than the sum of all contributions made to a first-
3 time home buyer savings account in all previous tax years for which
4 no deduction was claimed under subdivision (cc), less any
5 contributions for which no deduction was claimed under subdivision
6 (cc) that were withdrawn in all previous tax years.

7 (2) Except as otherwise provided in subsection (7) and section
8 30a, a personal exemption of \$3,700.00 multiplied by the number of
9 personal and dependency exemptions shall be subtracted in the
10 calculation that determines taxable income. The number of personal
11 and dependency exemptions allowed shall be determined as follows:

12 (a) Each taxpayer may claim 1 personal exemption. However, if
13 a joint return is not made by the taxpayer and his or her spouse,
14 the taxpayer may claim a personal exemption for the spouse if the
15 spouse, for the calendar year in which the taxable year of the
16 taxpayer begins, does not have any gross income and is not the
17 dependent of another taxpayer.

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

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

25 (3) Except as otherwise provided in subsection (7), a single
26 additional exemption determined as follows shall be subtracted in
27 the calculation that determines taxable income in each of the
28 following circumstances:

29 (a) \$1,800.00 for each taxpayer and every dependent of the

1 taxpayer who is a deaf person as defined in section 2 of the deaf
2 persons' interpreters act, 1982 PA 204, MCL 393.502; a paraplegic,
3 a quadriplegic, or a hemiplegic; a person who is blind as defined
4 in section 504; or a person who is totally and permanently disabled
5 as defined in section 522. When a dependent of a taxpayer files an
6 annual return under this part, the taxpayer or dependent of the
7 taxpayer, but not both, may claim the additional exemption allowed
8 under this subdivision.

9 (b) For tax years beginning after 2007, \$250.00 for each
10 taxpayer and every dependent of the taxpayer who is a qualified
11 disabled veteran. When a dependent of a taxpayer files an annual
12 return under this part, the taxpayer or dependent of the taxpayer,
13 but not both, may claim the additional exemption allowed under this
14 subdivision. As used in this subdivision:

15 (i) "Qualified disabled veteran" means a veteran with a
16 service-connected disability.

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

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

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

29 (5) A nonresident or a part-year resident is allowed that

1 proportion of an exemption or deduction allowed under subsection
2 (2), (3), or (4) that the taxpayer's portion of adjusted gross
3 income from Michigan sources bears to the taxpayer's total adjusted
4 gross income.

5 (6) In calculating taxable income, a taxpayer shall not
6 subtract from adjusted gross income the amount of prizes won by the
7 taxpayer under the McCauley-Traxler-Law-Bowman-McNeely lottery act,
8 1972 PA 239, MCL 432.1 to 432.47.

9 (7) For each tax year beginning on and after January 1, 2013,
10 the personal exemption allowed under subsection (2) shall be
11 adjusted by multiplying the exemption for the tax year beginning in
12 2012 by a fraction, the numerator of which is the United States
13 Consumer Price Index for the state fiscal year ending in the tax
14 year prior to the tax year for which the adjustment is being made
15 and the denominator of which is the United States Consumer Price
16 Index for the 2010-2011 state fiscal year. For the 2022 tax year
17 and each tax year after 2022, the adjusted amount determined under
18 this subsection shall be increased by an additional \$600.00. The
19 resultant product shall be rounded to the nearest \$100.00
20 increment. For each tax year, the exemptions allowed under
21 subsection (3) shall be adjusted by multiplying the exemption
22 amount under subsection (3) for the tax year by a fraction, the
23 numerator of which is the United States Consumer Price Index for
24 the state fiscal year ending the tax year prior to the tax year for
25 which the adjustment is being made and the denominator of which is
26 the United States Consumer Price Index for the 1998-1999 state
27 fiscal year. The resultant product shall be rounded to the nearest
28 \$100.00 increment.

29 (8) As used in this section, "retirement or pension benefits"

1 means distributions from all of the following:

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

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

7 (ii) Individual retirement accounts that qualify under section
8 408 of the internal revenue code if the distributions are not made
9 until the participant has reached 59-1/2 years of age, except in
10 the case of death, disability, or distributions described by
11 section 72(t)(2)(A)(iv) of the internal revenue code.

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

16 (iv) Distributions from a 401(k) plan attributable to employee
17 contributions mandated by the plan or attributable to employer
18 contributions.

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

21 (i) Plans of the United States, state governments other than
22 this state, and political subdivisions, agencies, or
23 instrumentalities of this state.

24 (ii) Plans maintained by a church or a convention or
25 association of churches.

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

29 (c) Retirement or pension benefits received by a surviving

1 spouse if those benefits qualified for a deduction prior to the
 2 decedent's death. Benefits received by a surviving child are not
 3 deductible.

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

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

9 (A) Deferred compensation plans under section 457 of the
 10 internal revenue code.

11 (B) Distributions from plans under section 401(k) of the
 12 internal revenue code other than plans described in subdivision
 13 (a) (iv) .

14 (C) Distributions from plans under section 403(b) of the
 15 internal revenue code other than plans described in subdivision
 16 (a) (iii) .

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

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

22 (9) ~~In~~**Except as otherwise provided in subsection (10), in**
 23 determining taxable income under this section, the following
 24 limitations and restrictions apply:

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

27 (b) Except as otherwise provided in subdivision (c), for a
 28 person born in 1946 through 1952, the sum of the deductions under
 29 subsection (1) (f) (i) , (ii) , and (iv) is limited to \$20,000.00 for a

1 single return and \$40,000.00 for a joint return. After that person
2 reaches the age of 67, the deductions under subsection (1)(f)(i),
3 (ii), and (iv) do not apply and that person is eligible for a
4 deduction of \$20,000.00 for a single return and \$40,000.00 for a
5 joint return, which deduction is available against all types of
6 income and is not restricted to income from retirement or pension
7 benefits. A person who takes the deduction under subsection (1)(e)
8 is not eligible for the unrestricted deduction of \$20,000.00 for a
9 single return and \$40,000.00 for a joint return under this
10 subdivision.

11 (c) Beginning January 1, 2013 for a person born in 1946
12 through 1952 and beginning January 1, 2018 for a person born after
13 1945 who has retired as of January 1, 2013, if that person receives
14 retirement or pension benefits from employment with a governmental
15 agency that was not covered by the federal social security act,
16 chapter 531, 49 Stat 620, the sum of the deductions under
17 subsection (1)(f)(i), (ii), and (iv) is limited to \$35,000.00 for a
18 single return and, except as otherwise provided under this
19 subdivision, \$55,000.00 for a joint return. If both spouses filing
20 a joint return receive retirement or pension benefits from
21 employment with a governmental agency that was not covered by the
22 federal social security act, chapter 531, 49 Stat 620, the sum of
23 the deductions under subsection (1)(f)(i), (ii), and (iv) is limited
24 to \$70,000.00 for a joint return. After that person reaches the age
25 of 67, the deductions under subsection (1)(f)(i), (ii), and (iv) do
26 not apply and that person is eligible for a deduction of \$35,000.00
27 for a single return and \$55,000.00 for a joint return, or
28 \$70,000.00 for a joint return if applicable, which deduction is
29 available against all types of income and is not restricted to

1 income from retirement or pension benefits. A person who takes the
2 deduction under subsection (1)(e) is not eligible for the
3 unrestricted deduction of \$35,000.00 for a single return and
4 \$55,000.00 for a joint return, or \$70,000.00 for a joint return if
5 applicable, under this subdivision.

6 (d) Except as otherwise provided under subdivision (c) for a
7 person who was retired as of January 1, 2013, for a person born
8 after 1952 who has reached the age of 62 through 66 years of age
9 and who receives retirement or pension benefits from employment
10 with a governmental agency that was not covered by the federal
11 social security act, chapter 531, 49 Stat 620, the sum of the
12 deductions under subsection (1)(f)(i), (ii), and (iv) is limited to
13 \$15,000.00 for a single return and, except as otherwise provided
14 under this subdivision, \$15,000.00 for a joint return. If both
15 spouses filing a joint return receive retirement or pension
16 benefits from employment with a governmental agency that was not
17 covered by the federal social security act, chapter 531, 49 Stat
18 620, the sum of the deductions under subsection (1)(f)(i), (ii), and
19 (iv) is limited to \$30,000.00 for a joint return.

20 (e) Except as otherwise provided under subdivision (c) or (d),
21 for a person born after 1952, the deduction under subsection
22 (1)(f)(i), (ii), or (iv) does not apply. When that person reaches the
23 age of 67, that person is eligible for a deduction of \$20,000.00
24 for a single return and \$40,000.00 for a joint return, which
25 deduction is available against all types of income and is not
26 restricted to income from retirement or pension benefits. If a
27 person takes the deduction of \$20,000.00 for a single return and
28 \$40,000.00 for a joint return, that person shall not take the
29 deduction under subsection (1)(f)(iii) and shall not take the

1 personal exemption under subsection (2). That person may elect not
2 to take the deduction of \$20,000.00 for a single return and
3 \$40,000.00 for a joint return and elect to take the deduction under
4 subsection (1)(f) (iii) and the personal exemption under subsection
5 (2) if that election would reduce that person's tax liability. A
6 person who takes the deduction under subsection (1)(e) is not
7 eligible for the unrestricted deduction of \$20,000.00 for a single
8 return and \$40,000.00 for a joint return under this subdivision.

9 (f) For a joint return, the limitations and restrictions in
10 this subsection shall be applied based on the date of birth of the
11 older spouse filing the joint return. If a deduction under
12 subsection (1)(f) was claimed on a joint return for a tax year in
13 which a spouse died and the surviving spouse has not remarried
14 since the death of that spouse, the surviving spouse is entitled to
15 claim the deduction under subsection (1)(f) in subsequent tax years
16 subject to the same restrictions and limitations, for a single
17 return, that would have applied based on the date of birth of the
18 older of the 2 spouses. For tax years beginning after December 31,
19 2019, a surviving spouse born after 1945 who has reached the age of
20 67 and has not remarried since the death of that spouse may elect
21 to take the deduction that is available against all types of income
22 subject to the same limitations and restrictions as provided under
23 this subsection based on the surviving spouse's date of birth
24 instead of taking the deduction allowed under subsection (1)(f),
25 for a single return, based on the date of birth of the older
26 spouse.

27 **(10) In determining taxable income under this section, a**
28 **taxpayer may elect to apply the following limitations and**
29 **restrictions to the amount deductible under subsection (1)(f)**

1 rather than the limitations and restrictions in subsection (9):

2 (a) For the 2022 tax year, a taxpayer who was born after 1945
3 and before 1958 may deduct an amount of retirement or pension
4 benefits not to exceed 25% of the maximum amount of retirement or
5 pension benefits that the taxpayer would be allowed to deduct for
6 the tax year under subsection (1) (f) (iv) if the taxpayer's
7 retirement or pension benefits were subject to the limitations of
8 that subsection only.

9 (b) For the 2023 tax year, a taxpayer who was born after 1945
10 and before 1962 may deduct an amount of retirement or pension
11 benefits not to exceed 50% of the maximum amount of retirement or
12 pension benefits that the taxpayer would be allowed to deduct for
13 the tax year under subsection (1) (f) (iv) if the taxpayer's
14 retirement or pension benefits were subject to the limitations of
15 that subsection only.

16 (c) For the 2024 tax year, a taxpayer who was born after 1945
17 and before 1966 may deduct an amount of retirement or pension
18 benefits not to exceed 75% of the maximum amount of retirement or
19 pension benefits that the taxpayer would be allowed to deduct for
20 the tax year under subsection (1) (f) (iv) if the taxpayer's
21 retirement or pension benefits were subject to the limitations of
22 that subsection only.

23 (d) For the 2025 tax year and each tax year after 2025, a
24 taxpayer may deduct retirement or pension benefits as provided
25 under subsection (1) (f) .

26 (e) For a joint return, the limitations and restrictions in
27 this subsection shall be applied based on the date of birth of the
28 older spouse filing the joint return. If a deduction under
29 subsection (1) (f) was claimed on a joint return for a tax year in

1 which a spouse died and the surviving spouse has not remarried
2 since the death of that spouse, the surviving spouse is entitled to
3 claim the deduction under subsection (1) (f) in subsequent tax years
4 subject to the same restrictions and limitations under this
5 subsection that would have applied based on the date of birth of
6 the older of the 2 spouses.

7 (11) ~~(10)~~—As used in this section:

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

10 (b) "Senior citizen" means that term as defined in section
11 514.

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

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

21 (a) On and after October 1, 2007 and before October 1, 2012,
22 4.35%.

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

25 (c) For each tax year beginning on and after January 1, 2023,
26 if the percentage increase in the total general fund/general
27 purpose revenue from the immediately preceding fiscal year is
28 greater than the inflation rate for the same period and the
29 inflation rate is positive, then the current rate shall be reduced

1 by an amount determined by multiplying that rate by a fraction, the
2 numerator of which is the difference between the total general
3 fund/general purpose revenue from the immediately preceding state
4 fiscal year and the capped general fund/general purpose revenue and
5 the denominator of which is the total revenue collected from this
6 part in the immediately preceding state fiscal year. For purposes
7 of this subdivision only, the state treasurer, the director of the
8 senate fiscal agency, and the director of the house fiscal agency
9 shall determine whether the total revenue distributed to general
10 fund/general purpose revenue has increased as required under this
11 subdivision based on the comprehensive annual financial report
12 prepared and published by the department of technology, management,
13 and budget in accordance with section 23 of article IX of the state
14 constitution of 1963. The state treasurer, the director of the
15 senate fiscal agency, and the director of the house fiscal agency
16 shall make the determination under this subdivision no later than
17 the date of the January 2023 revenue estimating conference
18 conducted pursuant to sections 367a through 367f of the management
19 and budget act, 1984 PA 431, MCL 18.1367a to 18.1367f, and the date
20 of each January revenue estimating conference conducted each year
21 thereafter. As used in this subdivision:

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

1 (ii) "Total general fund/general purpose revenue" means the
2 total general fund/general purpose revenue and other financing
3 sources as published in the comprehensive annual financial report
4 schedule of revenue and other financing sources - general fund for
5 that fiscal year plus any distribution made pursuant to section
6 51d.

7 (2) Except as otherwise provided for December 1, 2018 through
8 September 30, 2019, beginning January 1, 2000 **through September 30,**
9 **2022,** that percentage of the gross collections before refunds from
10 the tax levied under this section that is equal to 1.012% divided
11 by the income tax rate levied under this section shall be deposited
12 in the state school aid fund created in section 11 of article IX of
13 the state constitution of 1963. For December 1, 2018 through
14 September 30, 2019 only, that percentage of the gross collections
15 before refunds from the tax levied under this section that is equal
16 to 0.954% divided by the income tax rate levied under this section
17 shall be deposited in the state school aid fund created in section
18 11 of article IX of the state constitution of 1963. **For October 1,**
19 **2022 through September 30, 2023 only, that percentage of the gross**
20 **collections before refunds from the tax levied under this section**
21 **that is equal to 1.019% divided by the income tax rate levied under**
22 **this section shall be deposited in the state school aid fund**
23 **created in section 11 of article IX of the state constitution of**
24 **1963. For October 1, 2023 through September 30, 2024 only, that**
25 **percentage of the gross collections before refunds from the tax**
26 **levied under this section that is equal to 1.031% divided by the**
27 **income tax rate levied under this section shall be deposited in the**
28 **state school aid fund created in section 11 of article IX of the**
29 **state constitution of 1963. Beginning October 1, 2024, that**

1 percentage of the gross collections before refunds from the tax
2 levied under this section that is equal to 1.045% divided by the
3 income tax rate levied under this section shall be deposited in the
4 state school aid fund created in section 11 of article IX of the
5 state constitution of 1963.

6 (3) In addition to the distributions under subsections (2) and
7 (4) and sections 51d, 51e, and 51f, beginning October 1, 2016, from
8 the revenue collected under this section an amount equal to 3.5% of
9 the average amount of farmland tax credits claimed under section
10 36109 of the natural resources and environmental protection act,
11 1994 PA 451, MCL 324.36109, for the immediately preceding 3 state
12 fiscal years shall be deposited into the agricultural preservation
13 fund created in section 36202 of the natural resources and
14 environmental protection act, 1994 PA 451, MCL 324.36202.

15 (4) In addition to the distributions under subsections (2) and
16 (3) and sections 51d, 51e, and 51f, and subject to the limitation
17 under this subsection, beginning with the 2018-2019 state fiscal
18 year and each fiscal year thereafter, from the revenue collected
19 under this section \$69,000,000.00 shall be deposited into the renew
20 Michigan fund created in section 51g. However, if, in any 1 of the
21 2018-2019 through the 2021-2022 state fiscal years, the minimum
22 foundation allowance falls below the 2017-2018 minimum foundation
23 allowance established under section 20 of the state school aid act
24 of 1979, 1979 PA 94, MCL 388.1620, as amended by 2017 PA 108, then
25 no money shall be deposited into the renew Michigan fund pursuant
26 to this subsection for that fiscal year.

27 (5) The department shall annualize rates provided in
28 subsection (1) as necessary. The applicable annualized rate shall
29 be imposed upon the taxable income of every person other than a

1 corporation for those tax years.

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

6 (7) A resident beneficiary of a trust whose taxable income
7 includes all or part of an accumulation distribution by a trust, as
8 defined in section 665 of the internal revenue code, shall be
9 allowed a credit against the tax otherwise due under this part. The
10 credit shall be all or a proportionate part of any tax paid by the
11 trust under this part for any preceding taxable year that would not
12 have been payable if the trust had in fact made distribution to its
13 beneficiaries at the times and in the amounts specified in section
14 666 of the internal revenue code. The credit shall not reduce the
15 tax otherwise due from the beneficiary to an amount less than would
16 have been due if the accumulation distribution were excluded from
17 taxable income.

18 (8) The taxable income of a resident who is required to
19 include income from a trust in his or her federal income tax return
20 under the provisions of 26 USC 671 to 679, shall include items of
21 income and deductions from the trust in taxable income to the
22 extent required by this part with respect to property owned
23 outright.

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

29 (10) As used in this section:

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

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

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

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

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

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

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