

# HOUSE BILL NO. 4080

February 14, 2023, Introduced by Reps. Johnsen, Fox, Schmaltz, Greene, Zorn, Kunse, Bierlein, Cavitt, Hoadley, Markkanen, DeBoyer, Paquette, Wozniak, DeSana, Smit, Aragona, Prestin, Beson, Thompson, Alexander and Green and referred to the Committee on Tax Policy.

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

**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:

5           (a) Add gross interest income and dividends derived from  
6 obligations or securities of states other than Michigan, in the

1 same amount that has been excluded from adjusted gross income less  
2 related expenses not deducted in computing adjusted gross income  
3 because of section 265(a) (1) of the internal revenue code.

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

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

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

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

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

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

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

28 (f) Deduct the following to the extent included in adjusted  
29 gross income subject to the limitations and restrictions set forth

1 in subsection (9):

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

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

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

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

29 (v) The amount determined to be the section 22 amount eligible

1 for the elderly and the permanently and totally disabled credit  
2 provided in section 22 of the internal revenue code.

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

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

6 (i) Adjustments resulting from the allocation and  
7 apportionment provisions of chapter 3.

8 (j) Deduct the following payments made by the taxpayer in the  
9 tax year:

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

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

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

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

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

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

29 (D) The contract is entered into after either of the

1 following:

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

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

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

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

28 (m) Add, to the extent deducted in determining adjusted gross  
29 income, the net operating loss deduction under section 172 of the

1 internal revenue code.

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

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

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

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

29 (i) The amount of a refund received in the tax year based on

1 taxes paid under this part and any direct or indirect allocated  
2 share of a refund received by a flow-through entity under part 4.

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

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

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

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

29 (i) "Holocaust victim" means a person, or the heir or

1 beneficiary of that person, who was persecuted by Nazi Germany or  
2 any Axis regime during any period from 1933 to 1945.

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

9 (t) Deduct all of the following:

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

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

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

27 (u) Add, to the extent not included in adjusted gross income,  
28 the amount of money withdrawn by the taxpayer in the tax year from  
29 education savings accounts, not to exceed the total amount deducted



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

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

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

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

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

23 (B) All interest and passive dividends.

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

26 (D) All rents and royalties derived from tangible personal  
27 property, to the extent the personal property is utilized within  
28 the agreement area.

29 (E) Capital gains from the sale or exchange of real property

1 located within the agreement area.

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

5 (G) Capital gains from the sale or exchange of intangible  
6 personal property.

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

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

13 (J) All gaming winnings.

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

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

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

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

23 (w) Eliminate all of the following:

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

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

28 (x) Deduct all of the following:

29 (i) To the extent not deducted in determining adjusted gross

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

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

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

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

28 (z) For tax years that begin after December 31, 2018, deduct,  
29 to the extent included in adjusted gross income, compensation

1 received in the tax year pursuant to the wrongful imprisonment  
2 compensation act, 2016 PA 343, MCL 691.1751 to 691.1757.

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

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

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

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

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

4 (i) To the extent not deducted in determining adjusted gross  
5 income, contributions made by the taxpayer in the tax year less  
6 qualified withdrawals made in the tax year from a first-time home  
7 buyer savings account, pursuant to the Michigan first-time home  
8 buyer savings program act, **2022 PA 6, MCL 565.1001 to 565.1013**, not  
9 to exceed a total deduction of \$5,000.00 for a single return or  
10 \$10,000.00 for a joint return per tax year. The amount calculated  
11 under this subparagraph for a first-time home buyer savings account  
12 shall not be less than zero. The deduction under this subparagraph  
13 does not apply for tax years that begin after December 31, 2026.

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

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

21 (dd) For tax years that begin on and after January 1, 2022,  
22 add, to the extent not included in adjusted gross income, the  
23 amount of money withdrawn by the taxpayer in the tax year from a  
24 first-time home buyer savings account, not to exceed the total  
25 amount deducted under subdivision (cc) in the tax year and all  
26 previous tax years, if the withdrawal was not a qualified  
27 withdrawal as provided in the Michigan first-time home buyer  
28 savings program act, **2022 PA 6, MCL 565.1001 to 565.1013**. This  
29 subdivision does not apply to withdrawals that are less than the

1 sum of all contributions made to a first-time home buyer savings  
2 account in all previous tax years for which no deduction was  
3 claimed under subdivision (cc), less any contributions for which no  
4 deduction was claimed under subdivision (cc) that were withdrawn in  
5 all previous tax years.

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

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

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

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

24 (d) **For tax years beginning on and after January 1, 2023, a**  
25 **taxpayer who is at least 10 weeks pregnant as of the last day of**  
26 **the tax year and has been under the care and observation of a**  
27 **physician since at least the tenth week of pregnancy may claim an**  
28 **additional exemption under this subsection for that same tax year.**  
29 **In order to claim the exemption under this subdivision, the**

1 taxpayer shall request a medical statement from the taxpayer's  
2 physician verifying that the taxpayer is at least 10 weeks pregnant  
3 as of the last day of the tax year and shall attach the medical  
4 statement to the annual return filed under this part for the same  
5 tax year for which the exemption is claimed. The medical statement  
6 required under this subdivision must be signed and dated by the  
7 physician. As used in this subdivision, "physician" means an  
8 individual licensed to engage in the practice of medicine or the  
9 practice of osteopathic medicine and surgery under article 15 of  
10 the public health code, 1978 PA 368, MCL 333.16101 to 333.18838.

11 (3) Except as otherwise provided in subsection (7), a single  
12 additional exemption determined as follows shall be subtracted in  
13 the calculation that determines taxable income in each of the  
14 following circumstances:

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

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

1 (i) "Qualified disabled veteran" means a veteran with a  
2 service-connected disability.

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

6 (iii) "Veteran" means ~~a person~~ **an individual** who served in the  
7 active military, naval, marine, coast guard, or air service and who  
8 was discharged or released from ~~his or her~~ **the individual's** service  
9 with an honorable or general discharge.

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

15 (5) A nonresident or a part-year resident is allowed that  
16 proportion of an exemption or deduction allowed under subsection  
17 (2), (3), or (4) that the taxpayer's portion of adjusted gross  
18 income from Michigan sources bears to the taxpayer's total adjusted  
19 gross income.

20 (6) In calculating taxable income, a taxpayer shall not  
21 subtract from adjusted gross income the amount of prizes won by the  
22 taxpayer under the McCauley-Traxler-Law-Bowman-McNeely lottery act,  
23 1972 PA 239, MCL 432.1 to 432.47.

24 (7) For each tax year beginning on and after January 1, 2013,  
25 the personal exemption allowed under subsection (2) shall be  
26 adjusted by multiplying the exemption for the tax year beginning in  
27 2012 by a fraction, the numerator of which is the United States  
28 Consumer Price Index for the state fiscal year ending in the tax  
29 year prior to the tax year for which the adjustment is being made



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

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

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

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

22 (ii) Individual retirement accounts that qualify under section  
23 408 of the internal revenue code if the distributions are not made  
24 until the participant has reached 59-1/2 years of age, except in  
25 the case of death, disability, or distributions described by  
26 section 72(t)(2)(A)(iv) of the internal revenue code.

27 (iii) Employee annuities or tax-sheltered annuities purchased  
28 under section 403(b) of the internal revenue code by organizations  
29 exempt under section 501(c)(3) of the internal revenue code, or by

1 public school systems.

2 (iv) Distributions from a 401(k) plan attributable to employee  
3 contributions mandated by the plan or attributable to employer  
4 contributions.

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

7 (i) Plans of the United States, state governments other than  
8 this state, and political subdivisions, agencies, or  
9 instrumentalities of this state.

10 (ii) Plans maintained by a church or a convention or  
11 association of churches.

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

15 (c) Retirement or pension benefits received by a surviving  
16 spouse if those benefits qualified for a deduction prior to the  
17 decedent's death. Benefits received by a surviving child are not  
18 deductible.

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

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

24 (A) Deferred compensation plans under section 457 of the  
25 internal revenue code.

26 (B) Distributions from plans under section 401(k) of the  
27 internal revenue code other than plans described in subdivision  
28 (a) (iv) .

29 (C) Distributions from plans under section 403(b) of the

1 internal revenue code other than plans described in subdivision  
2 (a) (iii) .

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

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

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

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

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

25 (c) Beginning January 1, 2013 for a person born in 1946  
26 through 1952 and beginning January 1, 2018 for a person born after  
27 1945 who has retired as of January 1, 2013, if that person receives  
28 retirement or pension benefits from employment with a governmental  
29 agency that was not covered by the federal social security act,

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

20 (d) Except as otherwise provided under subdivision (c) for a  
21 person who was retired as of January 1, 2013, for a person born  
22 after 1952 who has reached the age of 62 through 66 years of age  
23 and who receives retirement or pension benefits from employment  
24 with a governmental agency that was not covered by the federal  
25 social security act, chapter 531, 49 Stat 620, the sum of the  
26 deductions under subsection (1) (f) (i), (ii), and (iv) is limited to  
27 \$15,000.00 for a single return and, except as otherwise provided  
28 under this subdivision, \$15,000.00 for a joint return. If both  
29 spouses filing a joint return receive retirement or pension

1 benefits from employment with a governmental agency that was not  
2 covered by the federal social security act, chapter 531, 49 Stat  
3 620, the sum of the deductions under subsection (1)(f)(i), (ii), and  
4 (iv) is limited to \$30,000.00 for a joint return.

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

23 (f) For a joint return, the limitations and restrictions in  
24 this subsection shall be applied based on the date of birth of the  
25 older spouse filing the joint return. If a deduction under  
26 subsection (1)(f) was claimed on a joint return for a tax year in  
27 which a spouse died and the surviving spouse has not remarried  
28 since the death of that spouse, the surviving spouse is entitled to  
29 claim the deduction under subsection (1)(f) in subsequent tax years

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

12 (10) As used in this section:

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

15 (b) "Senior citizen" means that term as defined in section  
16 514.

17 (c) "United States Consumer Price Index" means the United  
18 States Consumer Price Index for all urban consumers as defined and  
19 reported by the United States Department of Labor, Bureau of Labor  
20 Statistics.