

**SUBSTITUTE FOR  
SENATE BILL NO. 512**

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
by amending section 30 (MCL 206.30), as amended by 2017 PA 149.

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

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

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

5 (d) Deduct, to the extent included in adjusted gross income,  
6 income derived from obligations, or the sale or exchange of  
7 obligations, of the United States government that this state is  
8 prohibited by law from subjecting to a net income tax, reduced by  
9 any interest on indebtedness incurred in carrying the obligations  
10 and by any expenses incurred in the production of that income to  
11 the extent that the expenses, including amortizable bond premiums,  
12 were deducted in arriving at adjusted gross income.

13 (e) Deduct, to the extent included in adjusted gross income,  
14 the following:

15 (i) Compensation, including retirement or pension benefits,  
16 received for services in the ~~armed forces~~ **ARMED FORCES** of the  
17 United States.

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

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

22 (f) Deduct the following to the extent included in adjusted  
23 gross income subject to the limitations and restrictions set forth  
24 in subsection (9):

25 (i) Retirement or pension benefits received from a federal  
26 public retirement system or from a public retirement system of or  
27 created by this state or a political subdivision of this state.

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

8           (iii) Social security benefits as defined in section 86 of the  
9 internal revenue code.

10           (iv) Beginning on and after January 1, 2007, retirement or  
11 pension benefits not deductible under subparagraph (i) or  
12 subdivision (e) from any other retirement or pension system or  
13 benefits from a retirement annuity policy in which payments are  
14 made for life to a senior citizen, to a maximum of \$42,240.00 for a  
15 single return and \$84,480.00 for a joint return. The maximum  
16 amounts allowed under this subparagraph shall be reduced by the  
17 amount of the deduction for retirement or pension benefits claimed  
18 under subparagraph (i) or subdivision (e) and by the amount of a  
19 deduction claimed under subdivision (p). For the 2008 tax year and  
20 each tax year after 2008, the maximum amounts allowed under this  
21 subparagraph shall be adjusted by the percentage increase in the  
22 United States ~~consumer price index~~ **CONSUMER PRICE INDEX** for the  
23 immediately preceding calendar year. The department shall annualize  
24 the amounts provided in this subparagraph as necessary. As used in  
25 this subparagraph, "senior citizen" means that term as defined in  
26 section 514.

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

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

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

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

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

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

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

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

23 (l) Deduct from the taxable income of a purchaser the amount  
24 included as income to the purchaser under the internal revenue code  
25 after the advance tuition payment contract entered into under the  
26 Michigan education trust act, 1986 PA 316, MCL 390.1421 to  
27 390.1442, is terminated because the qualified beneficiary attends

1 an institution of postsecondary education other than either a state  
2 institution of higher education or an institution of postsecondary  
3 education located outside this state with which a state institution  
4 of higher education has reciprocity.

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

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

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

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

1 United States ~~consumer price index~~ **CONSUMER PRICE INDEX** for the  
2 immediately preceding calendar year. The department shall annualize  
3 the amounts provided in this subdivision as necessary. Beginning  
4 January 1, 2012, the deduction under this subdivision is not  
5 available to a senior citizen born after 1945. As used in this  
6 subdivision, "senior citizen" means that term as defined in section  
7 514.

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

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

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

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

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

26 (s) Deduct, to the extent included in adjusted gross income,  
27 any amount, and any interest earned on that amount, received in the

1 tax year by a taxpayer who is a Holocaust victim as a result of a  
2 settlement of claims against any entity or individual for any  
3 recovered asset pursuant to the German act regulating unresolved  
4 property claims, also known as Gesetz zur Regelung offener  
5 Vermögensfragen, as a result of the settlement of the action  
6 entitled *In re: Holocaust victim assets litigation*, CV-96-4849, CV-  
7 96-5161, and CV-97-0461 (E.D. NY), or as a result of any similar  
8 action if the income and interest are not commingled in any way  
9 with and are kept separate from all other funds and assets of the  
10 taxpayer. As used in this subdivision:

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

14 (ii) "Recovered asset" means any asset of any type and any  
15 interest earned on that asset including, but not limited to, bank  
16 deposits, insurance proceeds, or artwork owned by a Holocaust  
17 victim during the period from 1920 to 1945, withheld from that  
18 Holocaust victim from and after 1945, and not recovered, returned,  
19 or otherwise compensated to the Holocaust victim until after 1993.

20 (t) Deduct, to the extent not deducted in determining adjusted  
21 gross income, both of the following:

22 (i) Contributions made by the taxpayer in the tax year less  
23 qualified withdrawals made in the tax year from education savings  
24 accounts, calculated on a per education savings account basis,  
25 pursuant to the Michigan education savings program act, 2000 PA  
26 161, MCL 390.1471 to 390.1486, not to exceed a total deduction of  
27 \$5,000.00 for a single return or \$10,000.00 for a joint return per



1 tax year. The amount calculated under this subparagraph for each  
2 education savings account shall not be less than zero.

3 (ii) The amount under section 30f.

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

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

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

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

27 (A) All income derived from wages whether the wages are earned

1 within the agreement area or outside of the agreement area.

2 (B) All interest and passive dividends.

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

5 (D) All rents and royalties derived from tangible personal  
6 property, to the extent the personal property is utilized within  
7 the agreement area.

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

10 (F) Capital gains from the sale or exchange of tangible  
11 personal property located within the agreement area at the time of  
12 sale.

13 (G) Capital gains from the sale or exchange of intangible  
14 personal property.

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

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

21 (J) All gaming winnings.

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

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

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

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

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

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

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

10 (x) For tax years that begin after December 31, 2015, deduct ~~7~~  
11 ~~to the extent not deducted in determining adjusted gross income,~~  
12 all of the following:

13 (i) ~~Contributions~~ **TO THE EXTENT NOT DEDUCTED IN DETERMINING**  
14 **ADJUSTED GROSS INCOME, CONTRIBUTIONS** made by the taxpayer in the  
15 tax year less qualified withdrawals made in the tax year from an  
16 ABLE savings account, pursuant to the Michigan ABLE program act,  
17 2015 PA 160, MCL 206.981 to 206.997, not to exceed a total  
18 deduction of \$5,000.00 for a single return or \$10,000.00 for a  
19 joint return per tax year. The amount calculated under this  
20 subparagraph for an ABLE savings account shall not be less than  
21 zero.

22 (ii) ~~Interest~~ **TO THE EXTENT NOT DEDUCTED IN DETERMINING**  
23 **ADJUSTED GROSS INCOME, INTEREST** earned in the tax year on the  
24 contributions to the taxpayer's ABLE savings account if the  
25 contributions were deductible under subparagraph (i).

26 (iii) ~~Distributions~~ **TO THE EXTENT INCLUDED IN ADJUSTED GROSS**  
27 **INCOME, DISTRIBUTIONS** that are qualified withdrawals from an ABLE

1 savings account to the designated beneficiary of that ABLE savings  
2 account.

3 (y) Add, to the extent not included in adjusted gross income,  
4 the amount of money withdrawn by the taxpayer in the tax year from  
5 an ABLE savings account, not to exceed the total amount deducted  
6 under subdivision (x) in the tax year and all previous tax years,  
7 if the withdrawal was not a qualified withdrawal as provided in the  
8 Michigan ABLE program act, 2015 PA 160, MCL 206.981 to 206.997.  
9 This subdivision does not apply to withdrawals that are less than  
10 the sum of all contributions made to an ABLE savings account in all  
11 previous tax years for which no deduction was claimed under  
12 subdivision (x), less any contributions for which no deduction was  
13 claimed under subdivision (x) that were withdrawn in all previous  
14 tax years.

15 (Z) FOR TAX YEARS THAT BEGIN AFTER DECEMBER 31, 2017, DEDUCT  
16 ALL OF THE FOLLOWING:

17 (i) TO THE EXTENT NOT DEDUCTED IN DETERMINING ADJUSTED GROSS  
18 INCOME, CONTRIBUTIONS MADE BY THE TAXPAYER IN THE TAX YEAR LESS  
19 QUALIFIED WITHDRAWALS MADE IN THE TAX YEAR FROM A FIRST-TIME HOME  
20 BUYER SAVINGS ACCOUNT, PURSUANT TO THE MICHIGAN FIRST-TIME HOME  
21 BUYER SAVINGS PROGRAM ACT, NOT TO EXCEED A TOTAL DEDUCTION OF  
22 \$5,000.00 FOR A SINGLE RETURN OR \$10,000.00 FOR A JOINT RETURN PER  
23 TAX YEAR. THE AMOUNT CALCULATED UNDER THIS SUBPARAGRAPH FOR A  
24 FIRST-TIME HOME BUYER SAVINGS ACCOUNT SHALL NOT BE LESS THAN ZERO.  
25 A DEDUCTION UNDER THIS SUBSECTION SHALL NOT BE CLAIMED FOR MORE  
26 THAN 20 TAX YEARS.

27 (ii) TO THE EXTENT NOT DEDUCTED IN DETERMINING ADJUSTED GROSS

1 INCOME, INTEREST EARNED IN THE TAX YEAR ON THE CONTRIBUTIONS TO THE  
2 TAXPAYER'S FIRST-TIME HOME BUYER SAVINGS ACCOUNT IF THE  
3 CONTRIBUTIONS WERE DEDUCTIBLE UNDER SUBPARAGRAPH (i).

4 (iii) TO THE EXTENT INCLUDED IN ADJUSTED GROSS INCOME,  
5 DISTRIBUTIONS THAT ARE QUALIFIED WITHDRAWALS FROM A FIRST-TIME HOME  
6 BUYER SAVINGS ACCOUNT TO THE QUALIFIED BENEFICIARY OF THAT SAVINGS  
7 ACCOUNT.

8 (AA) ADD, TO THE EXTENT NOT INCLUDED IN ADJUSTED GROSS INCOME,  
9 THE AMOUNT OF MONEY WITHDRAWN BY THE TAXPAYER IN THE TAX YEAR FROM  
10 A FIRST-TIME HOME BUYER SAVINGS ACCOUNT, NOT TO EXCEED THE TOTAL  
11 AMOUNT DEDUCTED UNDER SUBDIVISION (Z) IN THE TAX YEAR AND ALL  
12 PREVIOUS TAX YEARS, IF THE WITHDRAWAL WAS NOT A QUALIFIED  
13 WITHDRAWAL AS PROVIDED IN THE MICHIGAN FIRST-TIME HOME BUYER  
14 SAVINGS PROGRAM ACT. THIS SUBDIVISION DOES NOT APPLY TO WITHDRAWALS  
15 THAT ARE LESS THAN THE SUM OF ALL CONTRIBUTIONS MADE TO A FIRST-  
16 TIME HOME BUYER SAVINGS ACCOUNT IN ALL PREVIOUS TAX YEARS FOR WHICH  
17 NO DEDUCTION WAS CLAIMED UNDER SUBDIVISION (Z), LESS ANY  
18 CONTRIBUTIONS FOR WHICH NO DEDUCTION WAS CLAIMED UNDER SUBDIVISION  
19 (Z) THAT WERE WITHDRAWN IN ALL PREVIOUS TAX YEARS.

20 (2) Except as otherwise provided in subsection (7), a personal  
21 exemption of \$3,700.00 multiplied by the number of personal or  
22 dependency exemptions allowable on the taxpayer's federal income  
23 tax return pursuant to the internal revenue code shall be  
24 subtracted in the calculation that determines taxable income.

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

1 following circumstances:

2 (a) \$1,800.00 for each taxpayer and every dependent of the  
3 taxpayer who is a deaf person as defined in section 2 of the deaf  
4 persons' interpreters act, 1982 PA 204, MCL 393.502; a paraplegic,  
5 a quadriplegic, or a hemiplegic; a person who is blind as defined  
6 in section 504; or a person who is totally and permanently disabled  
7 as defined in section 522. When a dependent of a taxpayer files an  
8 annual return under this part, the taxpayer or dependent of the  
9 taxpayer, but not both, may claim the additional exemption allowed  
10 under this subdivision. As used in this subdivision, "dependent"  
11 means that term as defined in section 30e.

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

18 (i) "Qualified disabled veteran" means a veteran with a  
19 service-connected disability.

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

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

27 (4) An individual with respect to whom a deduction under

1 section 151 of the internal revenue code is allowable to another  
2 federal taxpayer during the tax year is not considered to have an  
3 allowable federal exemption for purposes of subsection (2), but may  
4 subtract \$1,500.00 in the calculation that determines taxable  
5 income for a tax year.

6 (5) A nonresident or a part-year resident is allowed that  
7 proportion of an exemption or deduction allowed under subsection  
8 (2), (3), or (4) that the taxpayer's portion of adjusted gross  
9 income from Michigan sources bears to the taxpayer's total adjusted  
10 gross income.

11 (6) In calculating taxable income, a taxpayer shall not  
12 subtract from adjusted gross income the amount of prizes won by the  
13 taxpayer under the McCauley-Traxler-Law-Bowman-McNeely lottery act,  
14 1972 PA 239, MCL 432.1 to 432.47.

15 (7) For each tax year beginning on and after January 1, 2013,  
16 the personal exemption allowed under subsection (2) shall be  
17 adjusted by multiplying the exemption for the tax year beginning in  
18 2012 by a fraction, the numerator of which is the United States  
19 ~~consumer price index~~ **CONSUMER PRICE INDEX** for the state fiscal year  
20 ending in the tax year prior to the tax year for which the  
21 adjustment is being made and the denominator of which is the United  
22 States ~~consumer price index~~ **CONSUMER PRICE INDEX** for the 2010-2011  
23 state fiscal year. The resultant product shall be rounded to the  
24 nearest \$100.00 increment. As used in this section, "United States  
25 ~~consumer price index~~" **CONSUMER PRICE INDEX**" means the United States  
26 ~~consumer price index~~ **CONSUMER PRICE INDEX** for all urban consumers  
27 as defined and reported by the United States Department of Labor,

1 Bureau of Labor Statistics. For each tax year, the exemptions  
2 allowed under subsection (3) shall be adjusted by multiplying the  
3 exemption amount under subsection (3) for the tax year by a  
4 fraction, the numerator of which is the United States ~~consumer~~  
5 ~~price index~~ **CONSUMER PRICE INDEX** for the state fiscal year ending  
6 the tax year prior to the tax year for which the adjustment is  
7 being made and the denominator of which is the United States  
8 ~~consumer price index~~ **CONSUMER PRICE INDEX** for the 1998-1999 state  
9 fiscal year. The resultant product shall be rounded to the nearest  
10 \$100.00 increment.

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

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

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

18 (ii) Individual retirement accounts that qualify under section  
19 408 of the internal revenue code if the distributions are not made  
20 until the participant has reached 59-1/2 years of age, except in  
21 the case of death, disability, or distributions described by  
22 section 72(t)(2)(A)(iv) of the internal revenue code.

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

27 (iv) Distributions from a 401(k) plan attributable to employee



1 contributions mandated by the plan or attributable to employer  
2 contributions.

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

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

8 (ii) Plans maintained by a church or a convention or  
9 association of churches.

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

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

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

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

22 (A) Deferred compensation plans under section 457 of the  
23 internal revenue code.

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

27 (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,  
4 or discontinuance of a plan prior to the earliest date the  
5 recipient 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

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

22 (d) Except as otherwise provided under subdivision (c) for a  
23 person who was retired as of January 1, 2013, for a person born  
24 after 1952 who has reached the age of 62 through 66 years of age  
25 and who receives retirement or pension benefits from employment  
26 with a governmental agency that was not covered by the federal  
27 social security act, chapter 532, 49 Stat 620, the sum of the

1 deductions under subsection (1)(f)(i), (ii), and (iv) is limited to  
2 \$15,000.00 for a single return and, except as otherwise provided  
3 under this subdivision, \$15,000.00 for a joint return. If both  
4 spouses filing a joint return receive retirement or pension  
5 benefits from employment with a governmental agency that was not  
6 covered by the federal social security act, chapter 532, 49 Stat  
7 620, the sum of the deductions under subsection (1)(f)(i), (ii),  
8 and (iv) is limited to \$30,000.00 for a joint return.

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

27 (f) For a joint return, the limitations and restrictions in

1 this subsection shall be applied based on the age of the older  
2 spouse filing the joint return.

3 (10) As used in this section, "oil and gas" means oil and gas  
4 subject to severance tax under 1929 PA 48, MCL 205.301 to 205.317.

5 Enacting section 1. This amendatory act does not take effect  
6 unless Senate Bill No. 511 of the 99th Legislature is enacted into  
7 law.