



HOUSE BILL No. 6037

September 11, 1996, Introduced by Reps. Profit, Yokich and Willard and referred to the Committee on Tax Policy.

A bill to amend section 30 of Act No. 281 of the Public Acts of 1967, entitled "Income tax act of 1967," as amended by Act No. 230 of the Public Acts of 1995, being section 206.30 of the Michigan Compiled Laws; and to repeal acts and parts of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 30 of Act No. 281 of the Public Acts of
2 1967, as amended by Act No. 230 of the Public Acts of 1995, being
3 section 206.30 of the Michigan Compiled Laws, is amended to read
4 as follows:

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

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

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

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

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

21 (e) Deduct, to the extent included in adjusted gross income,
22 compensation, including retirement benefits, received for serv-
23 ices in the armed forces of the United States.

24 (f) Deduct the following to the extent included in adjusted
25 gross income:

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

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

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

13 (iv) Before October 1, 1994, retirement or pension benefits
14 from any other retirement or pension system as follows:

15 (A) For a single return, the sum of not more than
16 \$7,500.00.

17 (B) For a joint return, the sum of not more than
18 \$10,000.00.

19 (v) After September 30, 1994 AND BEFORE JANUARY 1, 1996,
20 retirement or pension benefits not deductible under subparagraph
21 (i) or subdivision (e) from any other retirement or pension
22 system or benefits from a retirement annuity policy in which pay-
23 ments are made for life to a senior citizen, to a maximum of the
24 amounts provided for in section 30a. ~~The~~ BEFORE JANUARY 1,
25 1996, THE maximum amounts allowed under this subparagraph shall
26 be reduced by the amount of the deduction for retirement or
27 pension benefits claimed under subparagraph (i) or subdivision

1 (e). ~~and for tax years after the 1996 tax year by the amount of~~
2 ~~a deduction claimed under subdivision (r). For the 1995 tax year~~
3 ~~and each tax year after 1995, the maximum amounts allowed under~~
4 ~~this subparagraph shall be adjusted by the percentage increase in~~
5 ~~the Detroit consumer price index for the immediately preceding~~
6 ~~calendar year.~~ AFTER DECEMBER 1, 1995, A TAXPAYER MAY DEDUCT ALL
7 RETIREMENT OR PENSION BENEFITS NOT DEDUCTIBLE UNDER SUBPARAGRAPH
8 (i) OR SUBDIVISION (E) FROM ANY OTHER RETIREMENT OR PENSION
9 SYSTEM OR BENEFITS FROM A RETIREMENT ANNUITY POLICY IN WHICH PAY-
10 MENTS ARE MADE FOR LIFE TO A SENIOR CITIZEN. The department shall
11 annualize the amounts provided in this subparagraph and subpara-
12 graph (iv) as necessary for tax years that end after September
13 30, 1994. As used in this subparagraph, "senior citizen" means
14 that term as defined in section 514.

15 (vi) The amount determined to be the section 22 amount eli-
16 gible for the elderly and permanently and totally disabled credit
17 provided in section 22 of the internal revenue code.

18 (g) Adjustments resulting from the application of section
19 271.

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

22 (i) Adjustments resulting from the allocation and apportion-
23 ment provisions of chapter 3.

24 (j) Deduct political contributions as described in section 4
25 of the Michigan campaign finance act, Act No. 388 of the Public
26 Acts of 1976, being section 169.204 of the Michigan Compiled
27 Laws, or section 301 of title III of the federal election

1 campaign act of 1971, Public Law 92-225, 2 U.S.C. 431, not in
2 excess of \$50.00 per annum, or \$100.00 per annum for a joint
3 return.

4 (k) Deduct, to the extent included in adjusted gross income,
5 wages not deductible under section 280C of the internal revenue
6 code.

7 (l) Deduct the following payments made by the taxpayer in
8 the tax year:

9 (i) The amount of payment made under an advance tuition pay-
10 ment contract as provided in the Michigan education trust act,
11 Act No. 316 of the Public Acts of 1986, being sections 390.1421
12 to 390.1444 of the Michigan Compiled Laws.

13 (ii) The amount of payment made under a contract with a pri-
14 vate sector investment manager that meets all of the following
15 criteria:

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

20 (B) The contract applies only for a state institution of
21 higher education as defined in the Michigan education trust act,
22 Act No. 316 of the Public Acts of 1986, or a community or junior
23 college in Michigan.

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

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

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

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

11 (m) If an advance tuition payment contract under the
12 Michigan education trust act, Act No. 316 of the Public Acts of
13 1986, or another contract for which the payment was deductible
14 under subdivision (l) is terminated and the qualified beneficiary
15 under that contract does not attend a university, college, junior
16 or community college, or other institution of higher education,
17 add the amount of a refund received by the taxpayer as a result
18 of that termination or the amount of the deduction taken under
19 subdivision (l) for payment made under that contract, whichever
20 is less.

21 (n) Deduct from the taxable income of a purchaser the amount
22 included as income to the purchaser under the internal revenue
23 code after the advance tuition payment contract entered into
24 under the Michigan education trust act, Act No. 316 of the Public
25 Acts of 1986, is terminated because the qualified beneficiary
26 attends an institution of postsecondary education other than
27 either a state institution of higher education or an institution

1 of postsecondary education located outside this state with which
2 a state institution of higher education has reciprocity.

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

6 (p) Deduct a net operating loss deduction for the taxable
7 year as defined in section 172 of the internal revenue code
8 subject to the modifications under section 172(b)(2) of the
9 internal revenue code and subject to the allocation and appor-
10 tionment provisions of chapter 3 of this act for the taxable year
11 in which the loss was incurred.

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

15 (r) After September 30, 1994 and before the ~~1997~~ 1996 tax
16 year, a taxpayer who is a senior citizen may deduct, to the
17 extent included in adjusted gross income, interest and dividends
18 received in the tax year not to exceed \$1,000.00 for a single
19 return or \$2,000.00 for a joint return. However, for tax years
20 before the ~~1997~~ 1996 tax year, the deduction under this subdi-
21 vision shall not be taken if the taxpayer takes a deduction for
22 retirement benefits under subdivision (e) or a deduction under
23 subdivision (f)(i), (ii), (iv), or (v). For tax years after the
24 ~~1996~~ 1995 tax year, a taxpayer who is a senior citizen may
25 deduct to the extent included in adjusted gross income, ALL
26 interest, dividends, and capital gains received in the tax year.
27 ~~not to exceed \$3,500.00 for a single return and \$7,000.00 for a~~

1 ~~joint return for the 1997 tax year, and the amounts determined~~
2 ~~under section 30c for tax years after the 1997 tax year. For tax~~
3 ~~years after the 1996 tax year, the maximum amounts allowed under~~
4 ~~this subdivision shall be reduced by the amount of a deduction~~
5 ~~claimed for retirement benefits under subdivision (e) or a deduc-~~
6 ~~tion claimed under subdivision (f)(i), (ii), (iv), or (v). For~~
7 ~~the 1995 tax year, for the 1996 tax year, and for each tax year~~
8 ~~after the 1998 tax year,~~ the maximum amounts allowed under this
9 subdivision shall be adjusted by the percentage increase in the
10 Detroit consumer price index for the immediately preceding calen-
11 dar year. The department shall annualize the amounts provided in
12 this subdivision as necessary for tax years that end after
13 September 30, 1994. As used in this subdivision, "senior
14 citizen" means that term as defined in section 514.

15 (2) The following personal exemptions multiplied by the
16 number of personal or dependency exemptions allowable on the
17 taxpayer's federal income tax return pursuant to the internal
18 revenue code shall be subtracted from taxable income:

- 19 (a) For a tax year beginning during 1987..... \$1,600.00.
- 20 (b) For a tax year beginning during 1988..... \$1,800.00.
- 21 (c) For a tax year beginning during 1989..... \$2,000.00.
- 22 (d) For a tax year beginning after 1989 and before
23 1995..... \$2,100.00.
- 24 (e) For a tax year beginning during 1995 or 1996 \$2,400.00.
- 25 (f) Except as otherwise provided in ~~section 30b~~
26 SUBSECTION (7), for a tax year beginning after 1996... \$2,500.00.

1 (3) A single additional exemption of \$1,400.00 for a tax
2 year beginning during 1987, \$1,200.00 for a tax year beginning
3 during 1988, \$1,000.00 for a tax year beginning during 1989, and
4 \$900.00 for a tax year beginning after 1989 is allowed in each of
5 the following circumstances:

6 (a) The taxpayer is a paraplegic, a quadriplegic, a hemiple-
7 gic, a person who is blind as defined in section 504, or a
8 totally and permanently disabled person as defined in section
9 522.

10 (b) The taxpayer is a deaf person as defined in section 2 of
11 the deaf persons' interpreters act, Act No. 204 of the Public
12 Acts of 1982, being section 393.502 of the Michigan Compiled
13 Laws.

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

15 (d) The return includes unemployment compensation that
16 amounts to 50% or more of adjusted gross income.

17 (4) For a tax year beginning after 1987, an individual with
18 respect to whom a deduction under section 151 of the internal
19 revenue code is allowable to another federal taxpayer during the
20 tax year is not considered to have an allowable federal exemption
21 for purposes of subsection (2), but may deduct \$500.00 from tax-
22 able income for a tax year beginning in 1988 and \$1,000.00 for a
23 tax year beginning after 1988.

24 (5) A nonresident or a part-year resident is allowed that
25 proportion of an exemption or deduction allowed under subsection
26 (2), (3), or (4) that the taxpayer's portion of adjusted gross

1 income from Michigan sources bears to the taxpayer's total
2 adjusted gross income.

3 (6) For a tax year beginning after 1987, in calculating tax-
4 able income, a taxpayer shall not subtract from adjusted gross
5 income the amount of prizes won by the taxpayer under the
6 McCauley-Traxler-Law-Bowman-McNeely lottery act, Act No. 239 of
7 the Public Acts of 1972, being sections 432.1 to 432.47 of the
8 Michigan Compiled Laws.

9 (7) FOR EACH TAX YEAR AFTER THE 1997 TAX YEAR, THE PERSONAL
10 EXEMPTION ALLOWED UNDER SUBSECTION (2) SHALL BE ADJUSTED BY
11 MULTIPLYING THE EXEMPTION FOR THE TAX YEAR BEGINNING IN 1997 BY A
12 FRACTION, THE NUMERATOR OF WHICH IS THE UNITED STATES CONSUMER
13 PRICE INDEX FOR THE STATE FISCAL YEAR ENDING IN THE TAX YEAR FOR
14 WHICH THE ADJUSTMENT IS BEING MADE AND THE DENOMINATOR OF WHICH
15 IS THE UNITED STATES CONSUMER PRICE INDEX FOR THE 1996-97 STATE
16 FISCAL YEAR. THE RESULTANT PRODUCT SHALL BE ROUNDED TO THE NEAR-
17 EST \$100.00 INCREMENT WHICH SHALL BE THE PERSONAL EXEMPTION FOR
18 THE TAX YEAR. AS USED IN THIS SECTION, "UNITED STATES CONSUMER
19 PRICE INDEX" MEANS THE UNITED STATES CONSUMER PRICE INDEX FOR ALL
20 URBAN CONSUMERS AS DEFINED AND REPORTED BY THE UNITED STATES
21 DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS.

22 Section 2. Sections 30a, 30b, and 30c of Act No. 281 of the
23 Public Acts of 1967, being sections 206.30a, 206.30b, and 206.30c
24 of the Michigan Compiled Laws, are repealed effective January 1,
25 1996.

26 Section 3. This amendatory act is effective January 1,
27 1996.