

SENATE BILL No. 296

March 30, 2017, Introduced by Senators WARREN, KNEZEK, GREGORY, CONYERS and HERTEL and referred to the Committee on Finance.

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending section 30 (MCL 206.30), as amended by 2015 PA 161.

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 for the immediately preceding
23 calendar year. The department shall annualize the amounts provided
24 in this subparagraph as necessary. As used in this subparagraph,
25 "senior citizen" means that term as defined in section 514.

26 (v) The amount determined to be the section 22 amount eligible
27 for the elderly and the permanently and totally disabled credit

1 provided in section 22 of the internal revenue code.

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

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

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

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

9 (i) For the 2010 tax year and each tax year after 2010, the
10 amount of a charitable contribution made to the advance tuition
11 payment fund created under section 9 of the Michigan education
12 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
17 private sector investment manager that meets all of the following
18 criteria:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 calendar year. The department shall annualize the amounts provided
2 in this subdivision as necessary. Beginning January 1, 2012, the
3 deduction under this ~~subsection~~**SUBDIVISION** is not available to a
4 senior citizen born after 1945. As used in this subdivision,
5 "senior citizen" means that term as defined in section 514.

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

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

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

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

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

24 (s) Deduct, to the extent included in adjusted gross income,
25 any amount, and any interest earned on that amount, received in the
26 tax year by a taxpayer who is a Holocaust victim as a result of a
27 settlement of claims against any entity or individual for any

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

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

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

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

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

1 (ii) The amount under section 30f.

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

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

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

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

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

27 (B) All interest and passive dividends.

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

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

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

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

11 (G) Capital gains from the sale or exchange of intangible
12 personal property.

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

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

19 (J) All gaming winnings.

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

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

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

26 (C) The individual's principal place of residence is located
27 within the agreement area as designated in the agreement under sub-

1 subparagraph (B).

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

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

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

8 (x) For tax years that begin after December 31, 2015, deduct,
9 to the extent not deducted in determining adjusted gross income,
10 ~~both~~ **ALL** of the following:

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

18 ~~(ii) For tax years that begin after December 31, 2015, deduct,~~
19 ~~to the extent not deducted in determining adjusted gross income,~~
20 ~~interest~~ **INTEREST** earned in the tax year on the contributions to
21 the taxpayer's ABLE savings account if the contributions were
22 deductible under subparagraph (i).

23 ~~(iii) For tax years that begin after December 31, 2015,~~
24 ~~deduct, to the extent included in adjusted gross income,~~
25 ~~distributions~~ **DISTRIBUTIONS** that are qualified withdrawals from an
26 ABLE savings account to the designated beneficiary of that ABLE
27 savings account.

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

13 (2) Except as otherwise provided in subsection (7) **THROUGH**
14 **DECEMBER 31, 2017**, a personal exemption of \$3,700.00 multiplied by
15 the number of personal or dependency exemptions allowable on the
16 taxpayer's federal income tax return pursuant to the internal
17 revenue code shall be subtracted in the calculation that determines
18 taxable income. **FOR EACH TAX YEAR BEGINNING ON AND AFTER JANUARY 1,**
19 **2018, EXCEPT AS OTHERWISE PROVIDED UNDER SUBSECTION (7), A PERSONAL**
20 **EXEMPTION OF \$4,000.00 MULTIPLIED BY THE NUMBER OF PERSONAL OR**
21 **DEPENDENCY EXEMPTIONS ALLOWABLE ON THE TAXPAYER'S FEDERAL INCOME**
22 **TAX RETURN PURSUANT TO THE INTERNAL REVENUE CODE SHALL BE**
23 **SUBTRACTED IN THE CALCULATION THAT DETERMINES TAXABLE INCOME.**

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

1 (a) **THROUGH DECEMBER 31, 2017**, \$1,800.00 for each taxpayer and
2 every dependent of the taxpayer who is a deaf person as defined in
3 section 2 of the deaf persons' interpreters act, 1982 PA 204, MCL
4 393.502; a paraplegic, a quadriplegic, or a hemiplegic; a person
5 who is blind as defined in section 504; or a person who is totally
6 and permanently disabled as defined in section 522. **BEGINNING**

7 **JANUARY 1, 2018, \$2,600.00 FOR EACH TAXPAYER AND EVERY DEPENDENT OF**
8 **THE TAXPAYER WHO, AS DEFINED BY LAW, IS DEAF, BLIND, A PARAPLEGIC,**
9 **A QUADRIPLAGIC, A HEMIPLEGIC, OR TOTALLY AND PERMANENTLY DISABLED.**

10 When a dependent of a taxpayer files an annual return under this
11 part, the taxpayer or dependent of the taxpayer, but not both, may
12 claim the additional exemption allowed under this subdivision. As
13 used in this subdivision, "dependent" means that term as defined in
14 section 30e.

15 (b) For tax years beginning after 2007 **THROUGH DECEMBER 31,**
16 **2017**, \$250.00 for each taxpayer and every dependent of the taxpayer
17 who is a qualified disabled veteran. **BEGINNING JANUARY 1, 2018,**
18 **\$400.00 FOR EACH TAXPAYER AND EVERY DEPENDENT OF THE TAXPAYER WHO**
19 **IS A QUALIFIED DISABLED VETERAN.** When a dependent of a taxpayer
20 files an annual return under this part, the taxpayer or dependent
21 of the taxpayer, but not both, may claim the additional exemption
22 allowed under this subdivision. As used in this subdivision:

23 (i) "Qualified disabled veteran" means a veteran with a
24 service-connected disability.

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

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

5 (4) An individual with respect to whom a deduction under
6 section 151 of the internal revenue code is allowable to another
7 federal taxpayer during the tax year is not considered to have an
8 allowable federal exemption for purposes of subsection (2), but may
9 subtract \$1,500.00 in the calculation that determines taxable
10 income for a tax year.

11 (5) A nonresident or a part-year resident is allowed that
12 proportion of an exemption or deduction allowed under subsection
13 (2), (3), or (4) that the taxpayer's portion of adjusted gross
14 income from Michigan sources bears to the taxpayer's total adjusted
15 gross income.

16 (6) In calculating taxable income, a taxpayer shall not
17 subtract from adjusted gross income the amount of prizes won by the
18 taxpayer under the McCauley-Traxler-Law-Bowman-McNeely lottery act,
19 1972 PA 239, MCL 432.1 to 432.47.

20 (7) For each tax year beginning on and after January 1, 2013
21 **THROUGH DECEMBER 31, 2017**, the personal exemption allowed under
22 subsection (2) shall be adjusted by multiplying the exemption for
23 the tax year beginning in 2012 by a fraction, the numerator of
24 which is the United States consumer price index for the state
25 fiscal year ending in the tax year prior to the tax year for which
26 the adjustment is being made and the denominator of which is the
27 United States consumer price index for the 2010-2011 state fiscal

1 year. The resultant product shall be rounded to the nearest \$100.00
2 increment. As used in this section, "United States consumer price
3 index" means the United States consumer price index for all urban
4 consumers as defined and reported by the United States Department
5 of Labor, Bureau of Labor Statistics. For each tax year **THROUGH**
6 **DECEMBER 31, 2017**, the exemptions allowed under subsection (3)
7 shall be adjusted by multiplying the exemption amount under
8 subsection (3) for the tax year by a fraction, the numerator of
9 which is the United States consumer price index for the state
10 fiscal year ending the tax year prior to the tax year for which the
11 adjustment is being made and the denominator of which is the United
12 States consumer price index for the 1998-1999 state fiscal year.
13 The resultant product shall be rounded to the nearest \$100.00
14 increment. **FOR EACH TAX YEAR BEGINNING ON AND AFTER JANUARY 1,**
15 **2019, THE EXEMPTION AMOUNTS ALLOWED UNDER SUBSECTIONS (2) AND (3)**
16 **SHALL BE ADJUSTED FOR INFLATION BY THE DEPARTMENT OF TREASURY BY**
17 **MULTIPLYING EACH EXEMPTION BY A FRACTION, THE NUMERATOR OF WHICH IS**
18 **THE MIDWEST EMPLOYMENT COST INDEX FOR THE EAST NORTH CENTRAL**
19 **DIVISION FOR THE STATE FISCAL YEAR ENDING IN THE TAX YEAR PRIOR TO**
20 **THE TAX YEAR FOR WHICH THE ADJUSTMENT IS BEING MADE AND THE**
21 **DENOMINATOR OF WHICH IS THE MIDWEST EMPLOYMENT COST INDEX FOR THE**
22 **EAST NORTH CENTRAL DIVISION FOR THE 2016-2017 STATE FISCAL YEAR.**
23 **THE RESULTANT PRODUCT SHALL BE ROUNDED TO THE NEAREST \$100.00**
24 **INCREMENT. FOR EACH TAX YEAR BEGINNING ON AND AFTER JANUARY 1,**
25 **2018, FOR A TAXPAYER WHOSE TAXABLE INCOME EXCEEDS \$80,000.00 BUT IS**
26 **LESS THAN OR EQUAL TO \$100,000.00 FOR SINGLE FILERS, OR EXCEEDS**
27 **\$160,000.00 BUT IS LESS THAN OR EQUAL TO \$200,000.00 FOR JOINT**

1 FILERS, THE EXEMPTION ALLOWANCE SHALL BE ADJUSTED BY MULTIPLYING
2 THE EXEMPTION ALLOWANCE FOR A SINGLE RETURN BY A FRACTION, THE
3 NUMERATOR OF WHICH IS \$100,000.00 MINUS THE TAXPAYER'S TAXABLE
4 INCOME, AND THE DENOMINATOR OF WHICH IS \$20,000.00, AND FOR A JOINT
5 RETURN BY A FRACTION, THE NUMERATOR OF WHICH IS \$200,000.00 MINUS
6 THE TAXPAYER'S TAXABLE INCOME, AND THE DENOMINATOR OF WHICH IS
7 \$40,000.00. AN EXEMPTION ALLOWANCE SHALL BE ELIMINATED FOR SINGLE
8 FILERS WHOSE TAXABLE INCOME EXCEEDS \$100,000.00 AND FOR JOINT
9 FILERS WHOSE TAXABLE INCOME EXCEEDS \$200,000.00. FOR EACH TAX YEAR
10 BEGINNING ON AND AFTER JANUARY 1, 2019, THE INCOME THRESHOLDS FOR
11 THE ADJUSTMENT OR ELIMINATION OF EXEMPTION ALLOWANCES UNDER
12 SUBSECTION (7) SHALL BE ADJUSTED FOR INFLATION BY THE DEPARTMENT OF
13 TREASURY BY MULTIPLYING EACH INCOME THRESHOLD BY A FRACTION, THE
14 NUMERATOR OF WHICH IS THE MIDWEST EMPLOYMENT COST INDEX FOR THE
15 EAST NORTH CENTRAL DIVISION FOR THE STATE FISCAL YEAR ENDING IN THE
16 TAX YEAR PRIOR TO THE TAX YEAR FOR WHICH THE ADJUSTMENT IS BEING
17 MADE AND THE DENOMINATOR OF WHICH IS THE MIDWEST EMPLOYMENT COST
18 INDEX FOR THE EAST NORTH CENTRAL DIVISION FOR THE 2016-2017 STATE
19 FISCAL YEAR. THE RESULTANT PRODUCT SHALL BE ROUNDED TO THE NEAREST
20 \$100.00 INCREMENT. AS USED IN THIS SUBSECTION, "MIDWEST EMPLOYMENT
21 COST INDEX FOR THE EAST NORTH CENTRAL DIVISION" MEANS THE MIDWEST
22 EMPLOYMENT COST INDEX FOR THE EAST NORTH CENTRAL DIVISION FOR
23 PRIVATE WORKERS AS DEFINED AND REPORTED BY THE UNITED STATES
24 DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS.

25 (8) As used in ~~subsection (1)(f)~~, THIS SECTION, "retirement or
26 pension benefits" means distributions from all of the following:

27 (a) Except as provided in subdivision (d), qualified pension

1 trusts and annuity plans that qualify under section 401(a) of the
2 internal revenue code, including all of the following:

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

5 (ii) Individual retirement accounts that qualify under section
6 408 of the internal revenue code if the distributions are not made
7 until the participant has reached 59-1/2 years of age, except in
8 the case of death, disability, or distributions described by
9 section 72(t)(2)(A)(iv) of the internal revenue code.

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

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

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

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

22 (ii) Plans maintained by a church or a convention or
23 association of churches.

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

27 (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,
18 or discontinuance of a plan prior to the earliest date the
19 recipient 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 determining taxable income under this section, the
23 following limitations and restrictions apply:

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

26 (b) Except as otherwise provided in subdivision (c), for a
27 person born in 1946 through 1952, the sum of the deductions under

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

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

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

8 (d) For a person born after 1952 who has reached the age of 62
9 through 66 years of age and who receives retirement or pension
10 benefits from employment with a governmental agency that was not
11 covered by the federal social security act, chapter 532, 49 Stat
12 620, the sum of the deductions under subsection (1)(f)(i), (ii),
13 and (iv) is limited to \$15,000.00 for a single return and, except
14 as otherwise provided under this subdivision, \$15,000.00 for a
15 joint return. If both ~~the husband and wife~~ **SPOUSES** filing a joint
16 return receive retirement or pension benefits from employment with
17 a governmental agency that was not covered by the federal social
18 security act, chapter 532, 49 Stat 620, the sum of the deductions
19 under subsection (1)(f)(i), (ii), and (iv) is limited to \$30,000.00
20 for a joint return.

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

1 deduction of \$20,000.00 for a single return and \$40,000.00 for a
2 joint return, that person shall not take the deduction under
3 subsection (1)(f)(iii) and shall not take the personal exemption
4 under subsection (2). That person may elect not to take the
5 deduction of \$20,000.00 for a single return and \$40,000.00 for a
6 joint return and elect to take the deduction under subsection
7 (1)(f)(iii) and the personal exemption under subsection (2) if that
8 election would reduce that person's tax liability. A person who
9 takes the deduction under subsection (1)(e) is not eligible for the
10 unrestricted deduction of \$20,000.00 for a single return and
11 \$40,000.00 for a joint return under this subdivision.

12 (f) For a joint return, the limitations and restrictions in
13 this subsection shall be applied based on the age of the older
14 spouse filing the joint return.

15 (10) As used in this section, "oil and gas" means oil and gas
16 ~~that is~~ subject to severance tax under 1929 PA 48, MCL 205.301 to
17 205.317.

18 Enacting section 1. Section 30a of the income tax act of 1967,
19 1967 PA 281, MCL 206.30a, is repealed effective January 1, 2018.

20 Enacting section 2. This amendatory act does not take effect
21 unless Senate Joint Resolution I _____
22 of the 99th Legislature becomes a part of
23 the state constitution of 1963 as provided in section 1 of article
24 XII of the state constitution of 1963.