

HOUSE BILL No. 5129

August 22, 2007, Introduced by Rep. Cushingberry and referred to the Committee on Tax Policy.

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending sections 30, 51, 261, 266, and 270 (MCL 206.30,
206.51, 206.261, 206.266, and 206.270), section 30 as amended by
2005 PA 214, section 51 as amended by 1999 PA 6, section 261 as
amended by 2000 PA 195, section 266 as amended by 2006 PA 52, and
section 270 as amended by 2005 PA 234; and to repeal acts and
parts of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 30. (1) "Taxable income" means, for a person other than
2 a corporation, estate, or trust, adjusted gross income as defined
3 in 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
2 less related expenses not deducted in computing adjusted gross
3 income because of section 265(a)(1) of the internal revenue code.

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

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

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

19 (e) Deduct, to the extent included in adjusted gross income,
20 compensation, including retirement benefits, received for
21 services in the armed forces of the United States.

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

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

27 (ii) Retirement or pension benefits received from a public

retirement system of or created by another state or any of its political subdivisions if the income tax laws of the other state permit a similar deduction or exemption or a reciprocal deduction or exemption of a retirement or pension benefit received from a public retirement system of or created by this state or any of the political subdivisions of this state.

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

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

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

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

(iv) ~~(v) After September 30, 1994, retirement~~ **RETIREMENT** or pension benefits not deductible under subparagraph (i) or subdivision (e) from any other retirement or pension system or benefits from a retirement annuity policy in which payments are made for life to a senior citizen, to a maximum of \$30,000.00 for a single return and \$60,000.00 for a joint return. The maximum amounts allowed under this subparagraph shall be reduced by the amount of the deduction for retirement or pension benefits claimed under subparagraph (i) or subdivision (e) and ~~for tax years after the 1996 tax year by~~ the amount of a deduction claimed under subdivision (r). ~~For the 1995 tax year and each tax year after 1995, the~~ **THE** maximum amounts allowed under this subparagraph shall be adjusted by the percentage increase in the United States consumer price index for the immediately preceding calendar year. The department shall annualize the amounts

provided in this subparagraph ~~and subparagraph (iv)~~ as necessary.
~~for tax years that end after September 30, 1994.~~ As used in this
subparagraph, "senior citizen" means that term as defined in
section 514.

(v) ~~(vi)~~ The amount determined to be the section 22 amount
eligible for the elderly and the permanently and totally disabled
credit provided in section 22 of the internal revenue code.

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

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

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

(j) Deduct political contributions as described in section 4
of the Michigan campaign finance act, 1976 PA 388, MCL 169.204,
or 2 USC 431, not in excess of \$50.00 per annum, or \$100.00 per
annum for a joint return.

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

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

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

(ii) The amount of payment made under a contract with a
private sector investment manager that meets all of the following

1 criteria:

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

6 (B) The contract applies only for a state institution of
7 higher education as defined in the Michigan education trust act,
8 1986 PA 316, MCL 390.1421 to 390.1442, or a community or junior
9 college in Michigan.

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

13 (D) The contract is entered into after either of the
14 following:

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

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

23 (m) If an advance tuition payment contract under the
24 Michigan education trust act, 1986 PA 316, MCL 390.1421 to
25 390.1442, or another contract for which the payment was
26 deductible under subdivision (l) is terminated and the qualified
27 beneficiary under that contract does not attend a university,

1 college, junior or community college, or other institution of
2 higher education, add the amount of a refund received by the
3 taxpayer as a result of that termination or the amount of the
4 deduction taken under subdivision (l) for payment made under that
5 contract, whichever is less.

6 (n) Deduct from the taxable income of a purchaser the amount
7 included as income to the purchaser under the internal revenue
8 code after the advance tuition payment contract entered into
9 under the Michigan education trust act, 1986 PA 316, MCL 390.1421
10 to 390.1442, is terminated because the qualified beneficiary
11 attends an institution of postsecondary education other than
12 either a state institution of higher education or an institution
13 of postsecondary education located outside this state with which
14 a state institution of higher education has reciprocity.

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

18 (p) Deduct a net operating loss deduction for the taxable
19 year as determined under section 172 of the internal revenue code
20 subject to the modifications under section 172(b)(2) of the
21 internal revenue code and subject to the allocation and
22 apportionment provisions of chapter 3 of this act for the taxable
23 year in which the loss was incurred.

24 (q) ~~For a tax year beginning after 1986, deduct~~ **DEDUCT**, to
25 the extent included in adjusted gross income, benefits from a
26 discriminatory self-insurance medical expense reimbursement plan.

27 (r) ~~After September 30, 1994 and before the 1997 tax year, a~~

~~1 taxpayer who is a senior citizen may deduct, to the extent~~
~~2 included in adjusted gross income, interest and dividends~~
~~3 received in the tax year not to exceed \$1,000.00 for a single~~
~~4 return or \$2,000.00 for a joint return. However, for tax years~~
~~5 before the 1997 tax year, the deduction under this subdivision~~
~~6 shall not be taken if the taxpayer takes a deduction for~~
~~7 retirement benefits under subdivision (e) or a deduction under~~
~~8 subdivision (f) (i), (ii), (iv), or (v). For tax years after the 1996~~
~~9 tax year, a~~ **A** taxpayer who is a senior citizen may deduct to the
10 extent included in adjusted gross income, interest, dividends,
11 and capital gains received in the tax year not to exceed
12 ~~\$3,500.00 for a single return and \$7,000.00 for a joint return~~
13 ~~for the 1997 tax year, and \$7,500.00 for a single return and~~
14 ~~\$15,000.00 for a joint return. for tax years after the 1997 tax~~
15 ~~year. For tax years after the 1996 tax year, the~~ **THE** maximum
16 amounts allowed under this subdivision shall be reduced by the
17 amount of a deduction claimed for retirement benefits under
18 subdivision (e) or a deduction claimed under subdivision (f) (i),
19 (ii), (iv), or (v). ~~For the 1995 tax year, for the 1996 tax year,~~
20 ~~and for each tax year after the 1998 tax year, the~~ **THE** maximum
21 amounts allowed under this subdivision shall be adjusted by the
22 percentage increase in the United States consumer price index for
23 the immediately preceding calendar year. The department shall
24 annualize the amounts provided in this subdivision as necessary.
25 ~~for tax years that end after September 30, 1994. As used in this~~
26 subdivision, "senior citizen" means that term as defined in
27 section 514.

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

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

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

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

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

~~(u) For the 1998 tax year and each tax year after the 1998 tax year, deduct~~ **DEDUCT** the amount calculated under section 30d.

~~(v) For tax years that begin on and after January 1, 1994, deduct~~ **DEDUCT**, to the extent included in adjusted gross income, any amount, and any interest earned on that amount, received in the tax year by a taxpayer who is a Holocaust victim as a result of a settlement of claims against any entity or individual for any recovered asset pursuant to the German act regulating

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

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

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

18 ~~(w) For tax years that begin after December 31, 1999, deduct~~
19 **DEDUCT**, to the extent not deducted in determining adjusted gross
20 income, both of the following:

21 (i) The total of all contributions made ~~on and after October~~
22 ~~1, 2000~~ by the taxpayer in the tax year less qualified
23 withdrawals made in the tax year to education savings accounts
24 pursuant to the Michigan education savings program act, 2000 PA
25 161, MCL 390.1471 to 390.1486, not to exceed \$5,000.00 for a
26 single return or \$10,000.00 for a joint return per tax year.

27 (ii) The amount under section 30f.

1 ~~(x) For tax years that begin after December 31, 1999, add~~
2 **ADD**, to the extent not included in adjusted gross income, the
3 amount of money withdrawn by the taxpayer in the tax year from
4 education savings accounts, not to exceed the total amount
5 deducted under subdivision (w) in the tax year and all previous
6 tax years, if the withdrawal was not a qualified withdrawal as
7 provided in the Michigan education savings program act, 2000 PA
8 161, MCL 390.1471 to 390.1486. This subdivision does not apply to
9 withdrawals that are less than the sum of all contributions made
10 to an education savings account in all previous tax years for
11 which no deduction was claimed under subdivision (w), less any
12 contributions for which no deduction was claimed under
13 subdivision (w) that were withdrawn in all previous tax years.

14 ~~(y) For tax years that begin after December 31, 1999, deduct~~
15 **DEDUCT**, to the extent included in adjusted gross income, the
16 amount of a distribution from individual retirement accounts that
17 qualify under section 408 of the internal revenue code if the
18 distribution is used to pay qualified higher education expenses
19 as that term is defined in the Michigan education savings program
20 act, 2000 PA 161, MCL 390.1471 to 390.1486.

21 ~~(z) For tax years that begin after December 31, 2000, deduct~~
22 **DEDUCT**, to the extent included in adjusted gross income, an
23 amount equal to the qualified charitable distribution made in the
24 tax year by a taxpayer to a charitable organization. The amount
25 allowed under this subdivision shall be equal to the amount
26 deductible by the taxpayer under section 170(c) of the internal
27 revenue code with respect to the qualified charitable

1 distribution in the tax year in which the taxpayer makes the
2 distribution to the qualified charitable organization, reduced by
3 both the amount of the deduction for retirement or pension
4 benefits claimed by the taxpayer under subdivision (f) (i), (ii),
5 (iv), or (v) and by 2 times the total amount of credits claimed
6 under sections 260 and 261 for the tax year. As used in this
7 subdivision, "qualified charitable distribution" means a
8 distribution of assets to a qualified charitable organization by
9 a taxpayer not more than 60 days after the date on which the
10 taxpayer received the assets as a distribution from a retirement
11 or pension plan described in subsection (8)(a). A distribution is
12 to a qualified charitable organization if the distribution is
13 made in any of the following circumstances:

14 (i) To an organization described in section 501(c)(3) of the
15 internal revenue code except an organization that is controlled
16 by a political party, an elected official or a candidate for an
17 elective office.

18 (ii) To a charitable remainder annuity trust or a charitable
19 remainder unitrust as defined in section 664(d) of the internal
20 revenue code; to a pooled income fund as defined in section
21 642(c)(5) of the internal revenue code; or for the issuance of a
22 charitable gift annuity as defined in section 501(m)(5) of the
23 internal revenue code. A trust, fund, or annuity described in
24 this subparagraph is a qualified charitable organization only if
25 no person holds any interest in the trust, fund, or annuity other
26 than 1 or more of the following:

27 (A) The taxpayer who received the distribution from the

1 retirement or pension plan.

2 (B) The spouse of an individual described in sub-
3 subparagraph (A).

4 (C) An organization described in section 501(c)(3) of the
5 internal revenue code.

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

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

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

18 (A) All income derived from wages whether the wages are
19 earned within the agreement area or outside of the agreement
20 area.

21 (B) All interest and passive dividends.

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

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

27 (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
4 of 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
8 limited to, distributions from a 401(k) plan, individual
9 retirement accounts under section 408 of the internal revenue
10 code, or a defined contribution plan, or payments from a defined
11 benefit plan.

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

14 (J) All gaming winnings.

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

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

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

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

24 (bb) For tax years that begin after December 31, 2006,
25 deduct, to the extent included in adjusted gross income, all or a
26 portion of the gain, as determined under this section, realized
27 from an initial equity investment of not less than \$100,000.00

1 made by the taxpayer before December 31, 2009, in a qualified
2 business, if an amount equal to the sum of the taxpayer's basis
3 in the investment as determined under the internal revenue code
4 plus the gain, or a portion of that amount, is reinvested in an
5 equity investment in a qualified business within 1 year after the
6 sale or disposition of the investment in the qualified business.
7 If the amount of the subsequent investment is less than the sum
8 of the taxpayer's basis from the prior equity investment plus the
9 gain from the prior equity investment, the amount of a deduction
10 under this section shall be reduced by the difference between the
11 sum of the taxpayer's basis from the prior equity investment plus
12 the gain from the prior equity investment and the subsequent
13 investment. As used in this subdivision:

14 (i) "Advanced automotive, manufacturing, and materials
15 technology" means any technology that involves 1 or more of the
16 following:

17 (A) Materials with engineered properties created through the
18 development of specialized process and synthesis technology.

19 (B) Nanotechnology, including materials, devices, or systems
20 at the atomic, molecular, or macromolecular level, with a scale
21 measured in nanometers.

22 (C) Microelectromechanical systems, including devices or
23 systems integrating microelectronics with mechanical parts and a
24 scale measured in micrometers.

25 (D) Improvements to vehicle safety, vehicle performance,
26 vehicle production, or environmental impact, including, but not
27 limited to, vehicle equipment and component parts.

1 (E) Any technology that involves an alternative energy
2 vehicle or its components. "Alternative energy vehicle" means
3 that term as defined in section 2 of the Michigan next energy
4 authority act, 2002 PA 593, MCL 207.822.

5 (F) A new technology, device, or system that enhances or
6 improves the manufacturing process of wood, timber, or
7 agricultural-based products.

8 (G) Advanced computing or electronic device technology
9 related to technology described under this subparagraph.

10 (H) Design, engineering, testing, or diagnostics related to
11 technology described under this subparagraph.

12 (I) Product research and development related to technology
13 described under this subparagraph.

14 (ii) "Advanced computing" means any technology used in the
15 design and development of 1 or more of the following:

16 (A) Computer hardware and software.

17 (B) Data communications.

18 (C) Information technologies.

19 (iii) "Alternative energy technology" means applied research
20 or commercialization of new or next generation technology in 1 or
21 more of the following:

22 (A) Alternative energy technology as that term is defined in
23 section 2 of the Michigan next energy authority act, 2002 PA 593,
24 MCL 207.822.

25 (B) Devices or systems designed and used solely for the
26 purpose of generating energy from agricultural crops, residue and
27 waste generated from the production and processing of

1 agricultural products, animal wastes, or food processing wastes,
2 not including a conventional gasoline or diesel fuel engine or a
3 retrofitted conventional gasoline or diesel fuel engine.

4 (C) A new technology, product, or system that permits the
5 utilization of biomass for the production of specialty,
6 commodity, or foundational chemicals or of novel or economical
7 commodity materials through the application of biotechnology that
8 minimizes, complements, or replaces reliance on petroleum for the
9 production.

10 (D) Advanced computing or electronic device technology
11 related to technology described under this subparagraph.

12 (E) Design, engineering, testing, or diagnostics related to
13 technology described under this subparagraph.

14 (F) Product research and development related to a technology
15 described under this subparagraph.

16 (iv) "Competitive edge technology" means 1 or more of the
17 following:

18 (A) Advanced automotive, manufacturing, and materials
19 technology.

20 (B) Alternative energy technology.

21 (C) Homeland security and defense technology.

22 (D) Life sciences technology.

23 (v) "Electronic device technology" means any technology that
24 involves microelectronics, semiconductors, electronic equipment,
25 and instrumentation, radio frequency, microwave, and millimeter
26 electronics; optical and optic-electrical devices; or data and
27 digital communications and imaging devices.

(vi) "Homeland security and defense technology" means technology that assists in the assessment of threats or damage to the general population and critical infrastructure, protection of, defense against, or mitigation of the effects of foreign or domestic threats, disasters, or attacks, or support for crisis or response management, including, but not limited to, 1 or more of the following:

(A) Sensors, systems, processes, or equipment for communications, identification and authentication, screening, surveillance, tracking, and data analysis.

(B) Advanced computing or electronic device technology related to technology described under this subparagraph.

(C) Aviation technology including, but not limited to, avionics, airframe design, sensors, early warning systems, and services related to the technology described in this subparagraph.

(D) Design, engineering, testing, or diagnostics related to technology described under this subparagraph.

(E) Product research and development related to technology described under this subparagraph.

(vii) "Life sciences technology" means any technology derived from life sciences intended to improve human health or the overall quality of human life, including, but not limited to, systems, processes, or equipment for drug or gene therapies, biosensors, testing, medical devices or instrumentation with a therapeutic or diagnostic value, a pharmaceutical or other product that requires United States food and drug administration

1 approval or registration prior to its introduction in the
2 marketplace and is a drug or medical device as defined by the
3 federal food, drug, and cosmetic act, 21 USC 301 to 399, or 1 or
4 more of the following:

5 (A) Advanced computing or electronic device technology
6 related to technology described under this subparagraph.

7 (B) Design, engineering, testing, or diagnostics related to
8 technology or the commercial manufacturing of technology
9 described under this subparagraph.

10 (C) Product research and development related to technology
11 described under this subparagraph.

12 (viii) "Life sciences" means science for the examination or
13 understanding of life or life processes, including, but not
14 limited to, all of the following:

15 (A) Bioengineering.

16 (B) Biomedical engineering.

17 (C) Genomics.

18 (D) Proteomics.

19 (E) Molecular and chemical ecology.

20 (F) Biotechnology, including any technology that uses living
21 organisms, cells, macromolecules, microorganisms, or substances
22 from living organisms to make or modify a product for useful
23 purposes. Biotechnology or life sciences do not include any of
24 the following:

25 (I) Activities prohibited under section 2685 of the public
26 health code, 1978 PA 368, MCL 333.2685.

27 (II) Activities prohibited under section 2688 of the public

1 health code, 1978 PA 368, MCL 333.2688.

2 (III) Activities prohibited under section 2690 of the public
3 health code, 1978 PA 368, MCL 333.2690.

4 (IV) Activities prohibited under section 16274 of the public
5 health code, 1978 PA 368, MCL 333.16274.

6 (V) Stem cell research with human embryonic tissue.

7 (ix) "Qualified business" means a business that complies with
8 all of the following:

9 (A) The business is a seed or early stage business as
10 defined in section 3 of the Michigan early stage venture
11 investment act of 2003, 2003 PA 296, MCL 125.2233.

12 (B) The business has its headquarters in this state, is
13 domiciled in this state, or has a majority of its employees
14 working a majority of their time in this state.

15 (C) The business has a preinvestment valuation of less than
16 \$10,000,000.00.

17 (D) The business has been in existence less than 5 years.
18 This sub-subparagraph does not apply to a business, the business
19 activity of which is derived from research at an institution of
20 higher education located within this state or an organization
21 exempt from federal taxation under section 501c(3) of the
22 internal revenue code and that is located within this state.

23 (E) The business is engaged only in competitive edge
24 technology.

25 (F) The business is certified by the Michigan strategic fund
26 as meeting the requirements of sub-subparagraphs (A) to (E) at
27 the time of each proposed investment.

(2) ~~The following~~ **EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (7), A** personal ~~exemptions~~ **EXEMPTION OF \$2,500.00** multiplied by the number of personal or dependency exemptions allowable on the taxpayer's federal income tax return pursuant to the internal revenue code shall be subtracted in the calculation that determines taxable income. ÷

~~_____ (a) For a tax year beginning during 1987 \$ 1,600.00.~~

~~_____ (b) For a tax year beginning during 1988 \$ 1,800.00.~~

~~_____ (c) For a tax year beginning during 1989 \$ 2,000.00.~~

~~_____ (d) For a tax year beginning after 1989~~

~~and before 1995 \$ 2,100.00.~~

~~_____ (e) For a tax year beginning during 1995~~

~~or 1996 \$ 2,400.00.~~

~~_____ (f) Except as otherwise provided in~~

~~subsection (7), for a tax year beginning after~~

~~1996 \$ 2,500.00.~~

(3) ~~A~~ **EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (7), A** single additional exemption determined as follows shall be subtracted in the calculation that determines taxable income in each of the following circumstances:

~~_____ (a) For tax years beginning after 1989 and before 2000,~~

~~\$900.00 in each of the following circumstances:~~

~~_____ (i) The taxpayer is a paraplegic, a quadriplegic, a~~

~~hemiplegic, a person who is blind as defined in section 504, or a~~

~~person who is totally and permanently disabled as defined in~~

~~section 522.~~

~~_____ (ii) The taxpayer is a deaf person as defined in section 2 of~~

~~the deaf persons' interpreters act, 1982 PA 204, MCL 393.502.~~

~~(iii) The taxpayer is 65 years of age or older.~~

~~(iv) The return includes unemployment compensation that amounts to 50% or more of adjusted gross income.~~

(A) ~~(b) For tax years beginning after 1999,~~ \$1,800.00 for each taxpayer and every dependent of the taxpayer who is 65 years of age or older. When a dependent of a taxpayer files an annual return under this act, the taxpayer or dependent of the taxpayer, but not both, may claim the additional exemption allowed under this subdivision. As used in this subdivision and subdivision (c), "dependent" means that term as defined in section 30e.

(B) ~~(c) For tax years beginning after 1999,~~ \$1,800.00 for each taxpayer and every dependent of the taxpayer who is a deaf person as defined in section 2 of the deaf persons' interpreters act, 1982 PA 204, MCL 393.502; a paraplegic, a quadriplegic, or a hemiplegic; a person who is blind as defined in section 504; or a person who is totally and permanently disabled as defined in section 522. When a dependent of a taxpayer files an annual return under this act, the taxpayer or dependent of the taxpayer, but not both, may claim the additional exemption allowed under this subdivision.

(C) ~~(d) For tax years beginning after 1999,~~ \$1,800.00 if the taxpayer's return includes unemployment compensation that amounts to 50% or more of adjusted gross income.

(4) ~~For a tax year beginning after 1987, an~~ **AN** individual with respect to whom a deduction under section 151 of the internal revenue code is allowable to another federal taxpayer

1 during the tax year is not considered to have an allowable
2 federal exemption for purposes of subsection (2), but may
3 subtract ~~\$500.00~~ **\$1,500.00** in the calculation that determines
4 taxable income for a tax year. ~~beginning in 1988, \$1,000.00 for a~~
5 ~~tax year beginning after 1988 and before 2000, and \$1,500.00 for~~
6 ~~a tax year beginning after 1999.~~

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

12 (6) ~~For a tax year beginning after 1987, in~~ **IN** calculating
13 taxable income, a taxpayer shall not subtract from adjusted gross
14 income the amount of prizes won by the taxpayer under the
15 McCauley-Traxler- Law-Bowman-McNeely lottery act, 1972 PA 239,
16 MCL 432.1 to 432.47.

17 (7) For each tax year, ~~after the 1997 tax year,~~ the personal
18 exemption allowed under subsection (2) shall be adjusted by
19 multiplying the exemption for the tax year beginning in 1997 by a
20 fraction, the numerator of which is the United States consumer
21 price index for the state fiscal year ending in the tax year
22 prior to the tax year for which the adjustment is being made and
23 the denominator of which is the United States consumer price
24 index for the 1995-96 state fiscal year. The resultant product
25 shall be rounded to the nearest \$100.00 increment. The personal
26 exemption for the tax year shall be determined by adding \$200.00
27 to that rounded amount. As used in this section, "United States

consumer price index" means the United States consumer price index for all urban consumers as defined and reported by the United States department of labor, bureau of labor statistics.

For each **TAX** year, ~~after the 2000 tax year,~~ the exemptions allowed under subsection (3) shall be adjusted by multiplying the exemption amount under subsection (3) for the tax year ~~beginning in 2000~~ by a fraction, the numerator of which is the United States consumer price index for the state fiscal year ending the tax year prior to the tax year for which the adjustment is being made and the denominator of which is the United States consumer price index for the 1998-1999 state fiscal year. The resultant product shall be rounded to the nearest \$100.00 increment.

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

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

(i) Plans for self-employed persons, commonly known as Keogh or ~~HR-10~~ **HR10** plans.

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

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

1 revenue code, or by public school systems.

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

1 (a) (iv) .

2 (C) Distributions from plans under section 403(b) of the
3 internal revenue code other than plans described in subdivision
4 (a) (iii) .

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

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

10 Sec. 51. (1) For receiving, earning, or otherwise acquiring
11 income from any source whatsoever, there is levied and imposed
12 upon the taxable income of every person other than a corporation
13 a tax at the following rates in the following circumstances:

14 (a) Before May 1, 1994, 4.6%.

15 (b) After April 30, 1994 and before January 1, 2000, 4.4%.

16 (c) For tax years that begin on and after January 1, 2000
17 and before January 1, 2002, ~~and on and after January 1, 2003, the~~
18 ~~rate under section 51b, 51c, 51d, or 51e, as applicable 4.2%.~~

19 (d) For tax years that begin on and after January 1, 2002
20 and before January 1, 2003, 4.1%.

21 **(E) FOR TAX YEARS THAT BEGIN ON AND AFTER JANUARY 1, 2003**
22 **AND BEFORE JULY 1, 2004, 4.0%.**

23 **(F) FOR TAX YEARS THAT BEGIN ON AND AFTER JULY 1, 2004,**
24 **3.9%.**

25 (2) The following percentages of the net revenues collected
26 under this section ~~and sections 51b, 51c, 51d, and 51e~~ shall be
27 deposited in the state school aid fund created in section 11 of

1 article IX of the state constitution of 1963:

2 (a) Beginning October 1, 1994 and before October 1, 1996,
3 14.4% of the gross collections before refunds from the tax levied
4 under this section.

5 (b) After September 30, 1996 and before January 1, 2000,
6 23.0% of the gross collections before refunds from the tax levied
7 under this section.

8 (c) Beginning January 1, 2000, that percentage of the gross
9 collections before refunds from the tax levied under this section
10 that is equal to 1.012% divided by the income tax rate levied
11 under this section. ~~or section 51b, 51c, 51d, or 51e, as~~
12 ~~applicable.~~

13 (3) The department shall annualize rates provided in
14 subsection (1) as necessary for tax years that end after April
15 30, 1994. The applicable annualized rate shall be imposed upon
16 the taxable income of every person other than a corporation for
17 those tax years.

18 (4) The taxable income of a nonresident shall be computed in
19 the same manner that the taxable income of a resident is
20 computed, subject to the allocation and apportionment provisions
21 of this act.

22 (5) A resident beneficiary of a trust whose taxable income
23 includes all or part of an accumulation distribution by a trust,
24 as defined in section 665 of the internal revenue code, shall be
25 allowed a credit against the tax otherwise due under this act.
26 The credit shall be all or a proportionate part of any tax paid
27 by the trust under this act for any preceding taxable year that

1 would not have been payable if the trust had in fact made
2 distribution to its beneficiaries at the times and in the amounts
3 specified in section 666 of the internal revenue code. The credit
4 shall not reduce the tax otherwise due from the beneficiary to an
5 amount less than would have been due if the accumulation
6 distribution were excluded from taxable income.

7 (6) The taxable income of a resident who is required to
8 include income from a trust in his or her federal income tax
9 return under the provisions of ~~subpart E of part I of subchapter~~
10 ~~J of chapter 1 of the internal revenue code, 26 U.S.C. USC~~ 671 to
11 679, shall include items of income and deductions from the trust
12 in taxable income to the extent required by this act with respect
13 to property owned outright.

14 (7) It is the intention of this section that the income
15 subject to tax of every person other than corporations shall be
16 computed in like manner and be the same as provided in the
17 internal revenue code subject to adjustments specifically
18 provided for in this act.

19 (8) As used in this section: ~~and sections 51b, 51c, 51d, and~~
20 ~~51e.~~

21 (a) "Person other than a corporation" means a resident or
22 nonresident individual or any of the following:

23 (i) A partner in a partnership as defined in the internal
24 revenue code.

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

27 (iii) An estate or trust as defined in the internal revenue

1 code.

2 (b) "Taxable income" means taxable income as defined in this
3 act subject to the applicable source and attribution rules
4 contained in this act.

5 Sec. 261. (1) For the 1989 tax year and each tax year after
6 1989 and subject to the applicable limitations in this section, a
7 taxpayer may credit against the tax imposed by this act 50% of
8 the amount the taxpayer contributes during the tax year to an
9 endowment fund of a community foundation or for the 1992 tax year
10 and each tax year after 1992 and subject to the applicable
11 limitations in this section, a taxpayer may credit against the
12 tax imposed by this act 50% of the cash amount the taxpayer
13 contributes during the tax year to a shelter for homeless
14 persons, food kitchen, food bank, or other entity located in this
15 state, the primary purpose of which is to provide overnight
16 accommodation, food, or meals to persons who are indigent if a
17 contribution to that entity is tax deductible for the donor under
18 the internal revenue code.

19 (2) For a taxpayer other than a resident estate or trust,
20 the credit allowed by this section for a contribution to a
21 community foundation shall not exceed \$100.00, or \$200.00 for a
22 husband and wife filing a joint return for tax years before the
23 2000 tax year and \$100.00 or \$200.00 for a husband and wife
24 filing a joint return for tax years after the 1999 tax year. For
25 the 1992 tax year and each tax year after 1992, a taxpayer may
26 claim an additional credit under this section not to exceed
27 \$100.00, or \$200.00 for a husband and wife filing a joint return,

1 for total cash contributions made in the tax year to shelters for
2 homeless persons, food kitchens, food banks, and, except for
3 community foundations, other entities allowed under subsection
4 (1). For a resident estate or trust, the credit allowed by this
5 section for a contribution to a community foundation shall not
6 exceed 10% of the taxpayer's tax liability for the tax year
7 before claiming any credits allowed by this act or \$5,000.00,
8 whichever is less. For the 1992 tax year and each tax year after
9 1992, a resident estate or trust may claim an additional credit
10 under this section not to exceed 10% of the taxpayer's tax
11 liability for the tax year before claiming any credits allowed by
12 this act or \$5,000.00, whichever is less, for total cash
13 contributions made in the tax year to shelters for homeless
14 persons, food kitchens, food banks, and, except for community
15 foundations, other entities allowed under subsection (1). For a
16 resident estate or trust, the amount used to calculate the
17 credits under this section shall not have been deducted in
18 arriving at federal taxable income.

19 (3) The credits allowed under this section are nonrefundable
20 so that a taxpayer shall not claim under this section a total
21 credit amount that reduces the taxpayer's tax liability to less
22 than zero.

23 (4) As used in this section, "community foundation" means an
24 organization that applies for certification on or before May 15
25 of the tax year for which the taxpayer is claiming the credit and
26 that the department certifies for that tax year as meeting all of
27 the following requirements:

1 (a) Qualifies for exemption from federal income taxation
2 under section 501(c)(3) of the internal revenue code.

3 (b) Supports a broad range of charitable activities within
4 the specific geographic area of this state that it serves, such
5 as a municipality or county.

6 (c) Maintains an ongoing program to attract new endowment
7 funds by seeking gifts and bequests from a wide range of
8 potential donors in the community or area served.

9 (d) Is publicly supported as defined by the regulations of
10 the United States department of treasury, 26 ~~C.F.R.~~ **CFR** 1.170A-
11 9(e)(10). To maintain certification, the community foundation
12 shall submit documentation to the department annually that
13 demonstrates compliance with this subdivision.

14 (e) Is not a supporting organization as an organization is
15 described in section 509(a)(3) of the internal revenue code and
16 the regulations of the United States department of treasury, 26
17 ~~C.F.R.~~ **CFR** 1.509(a)-4 and 1.509(a)-5.

18 (f) Meets the requirements for treatment as a single entity
19 contained in the regulations of the United States department of
20 treasury, 26 ~~C.F.R.~~ **CFR** 1.170A-9(e)(11).

21 (g) Except as provided in subsection (6), is incorporated or
22 established as a trust at least 6 months before the beginning of
23 the tax year for which the credit under this section is claimed
24 and that has an endowment value of at least \$100,000.00 before
25 the expiration of 18 months after the community foundation is
26 incorporated or established.

27 (h) Has an independent governing body representing the

1 general public's interest and that is not appointed by a single
2 outside entity.

3 (i) Provides evidence to the department that the community
4 foundation has, before the expiration of 6 months after the
5 community foundation is incorporated or established, and
6 maintains continually during the tax year for which the credit
7 under this section is claimed, at least 1 part-time or full-time
8 employee.

9 (j) For community foundations that have an endowment value
10 of \$1,000,000.00 or more only, the community foundation is
11 subject to an annual independent financial audit and provides
12 copies of that audit to the department not more than 3 months
13 after the completion of the audit. For community foundations that
14 have an endowment value of less than \$1,000,000.00, the community
15 foundation is subject to an annual review and an audit every
16 third year.

17 (k) In addition to all other criteria listed in this
18 subsection for a community foundation that is incorporated or
19 established after the effective date of the amendatory act that
20 added this subdivision, operates in a county of this state that
21 was not served by a community foundation when the community
22 foundation was incorporated or established or operates as a
23 geographic component of an existing certified community
24 foundation.

25 (5) An entity other than a community foundation may request
26 that the department determine if a contribution to that entity
27 qualifies for the credit under this section. The department shall

1 make a determination and respond to a request no later than 30
2 days after the department receives the request.

3 (6) A taxpayer may claim a credit under this section for
4 contributions to a community foundation made before the
5 expiration of the 18-month period after a community foundation
6 was incorporated or established during which the community
7 foundation must build an endowment value of \$100,000.00 as
8 provided in subsection (4)(g). If the community foundation does
9 not reach the required \$100,000.00 endowment value during that
10 18-month period, contributions to the community foundation made
11 after the date on which the 18-month period expires shall not be
12 used to calculate a credit under this section. At any time after
13 the expiration of the 18-month period under subsection (4)(g)
14 that the community foundation has an endowment value of
15 \$100,000.00, the community foundation may apply to the department
16 for certification under this section.

17 (7) On or before July 1 of each year, the department shall
18 report to the house committee on tax policy and the senate
19 finance committee the total amount of tax credits claimed under
20 this section and under section 38c of the single business tax
21 act, 1975 PA 228, MCL 208.38c, **OR SECTION 425 OF THE MICHIGAN**
22 **BUSINESS TAX ACT, 2007 PA 36, MCL 208.1425**, for the immediately
23 preceding tax year.

24 Sec. 266. (1) A qualified taxpayer with a rehabilitation
25 plan certified after December 31, 1998 may credit against the tax
26 imposed by this act the amount determined pursuant to subsection
27 (2) for the qualified expenditures for the rehabilitation of a

1 historic resource pursuant to the rehabilitation plan in the year
2 in which the certification of completed rehabilitation of the
3 historic resource is issued provided that the certification of
4 completed rehabilitation was issued not more than 5 years after
5 the rehabilitation plan was certified by the Michigan historical
6 center.

7 (2) The credit allowed under this section shall be 25% of
8 the qualified expenditures that are eligible for the credit under
9 section 47(a)(2) of the internal revenue code if the taxpayer is
10 eligible for the credit under section 47(a)(2) of the internal
11 revenue code or, if the taxpayer is not eligible for the credit
12 under section 47(a)(2) of the internal revenue code, 25% of the
13 qualified expenditures that would qualify under section 47(a)(2)
14 of the internal revenue code except that the expenditures are
15 made to a historic resource that is not eligible for the credit
16 under section 47(a)(2) of the internal revenue code, subject to
17 both of the following:

18 (a) A taxpayer with qualified expenditures that are eligible
19 for the credit under section 47(a)(2) of the internal revenue
20 code may not claim a credit under this section for those
21 qualified expenditures unless the taxpayer has claimed and
22 received a credit for those qualified expenditures under section
23 47(a)(2) of the internal revenue code.

24 (b) A credit under this section shall be reduced by the
25 amount of a credit received by the taxpayer for the same
26 qualified expenditures under section 47(a)(2) of the internal
27 revenue code.

1 (3) To be eligible for the credit under this section, the
2 taxpayer shall apply to and receive from the Michigan historical
3 center certification that the historic significance, the
4 rehabilitation plan, and the completed rehabilitation of the
5 historic resource meet the criteria under subsection (6) and
6 either of the following:

7 (a) All of the following criteria:

8 (i) The historic resource contributes to the significance of
9 the historic district in which it is located.

10 (ii) Both the rehabilitation plan and completed
11 rehabilitation of the historic resource meet the federal
12 secretary of the interior's standards for rehabilitation and
13 guidelines for rehabilitating historic buildings, 36 CFR part 67.

14 (iii) All rehabilitation work has been done to or within the
15 walls, boundaries, or structures of the historic resource or to
16 historic resources located within the property boundaries of the
17 resource.

18 (b) The taxpayer has received certification from the
19 national park service that the historic resource's significance,
20 the rehabilitation plan, and the completed rehabilitation qualify
21 for the credit allowed under section 47(a)(2) of the internal
22 revenue code.

23 (4) If a qualified taxpayer is eligible for the credit
24 allowed under section 47(a)(2) of the internal revenue code, the
25 qualified taxpayer shall file for certification with the center
26 to qualify for the credit allowed under section 47(a)(2) of the
27 internal revenue code. If the qualified taxpayer has previously

1 filed for certification with the center to qualify for the credit
2 allowed under section 47(a)(2) of the internal revenue code,
3 additional filing for the credit allowed under this section is
4 not required.

5 (5) The center may inspect a historic resource at any time
6 during the rehabilitation process and may revoke certification of
7 completed rehabilitation if the rehabilitation was not undertaken
8 as represented in the rehabilitation plan or if unapproved
9 alterations to the completed rehabilitation are made during the 5
10 years after the tax year in which the credit was claimed. The
11 center shall promptly notify the department of a revocation.

12 (6) Qualified expenditures for the rehabilitation of a
13 historic resource may be used to calculate the credit under this
14 section if the historic resource meets 1 of the criteria listed
15 in subdivision (a) and 1 of the criteria listed in subdivision
16 (b):

17 (a) The resource is 1 of the following during the tax year
18 in which a credit under this section is claimed for those
19 qualified expenditures:

20 (i) Individually listed on the national register of historic
21 places or state register of historic sites.

22 (ii) A contributing resource located within a historic
23 district listed on the national register of historic places or
24 the state register of historic sites.

25 (iii) A contributing resource located within a historic
26 district designated by a local unit pursuant to an ordinance
27 adopted under the local historic districts act, 1970 PA 169, MCL

1 399.201 to 399.215.

2 (b) The resource meets 1 of the following criteria during
3 the tax year in which a credit under this section is claimed for
4 those qualified expenditures:

5 (i) The historic resource is located in a designated historic
6 district in a local unit of government with an existing ordinance
7 under the local historic districts act, 1970 PA 169, MCL 399.201
8 to 399.215.

9 (ii) The historic resource is located in an incorporated
10 local unit of government that does not have an ordinance under
11 the local historic districts act, 1970 PA 169, MCL 399.201 to
12 399.215, and has a population of less than 5,000.

13 (iii) The historic resource is located in an unincorporated
14 local unit of government.

15 (iv) The historic resource is located in an incorporated
16 local unit of government that does not have an ordinance under
17 the local historic districts act, 1970 PA 169, MCL 399.201 to
18 399.215, and is located within the boundaries of an association
19 that has been chartered under 1889 PA 39, MCL 455.51 to 455.72.

20 (7) A credit amount assigned under section 39c(7) of the
21 single business tax act, 1975 PA 228, MCL 208.39c, **OR SECTION 435**
22 **OF THE MICHIGAN BUSINESS TAX ACT, 2007 PA 36, MCL 208.1435**, may
23 be claimed against the partner's, member's, or shareholder's tax
24 liability under this act as provided in section 39c(7) of the
25 single business tax act, 1975 PA 228, MCL 208.39c, **OR SECTION 435**
26 **OF THE MICHIGAN BUSINESS TAX ACT, 2007 PA 36, MCL 208.1435**.

27 (8) If the credit allowed under this section for the tax

1 year and any unused carryforward of the credit allowed by this
2 section exceed the taxpayer's tax liability for the tax year,
3 that portion that exceeds the tax liability for the tax year
4 shall not be refunded but may be carried forward to offset tax
5 liability in subsequent tax years for 10 years or until used up,
6 whichever occurs first.

7 (9) If the taxpayer sells a historic resource for which a
8 credit under this section was claimed less than 5 years after the
9 year in which the credit was claimed, the following percentage of
10 the credit amount previously claimed relative to that historic
11 resource shall be added back to the tax liability of the taxpayer
12 in the year of the sale:

13 (a) If the sale is less than 1 year after the year in which
14 the credit was claimed, 100%.

15 (b) If the sale is at least 1 year but less than 2 years
16 after the year in which the credit was claimed, 80%.

17 (c) If the sale is at least 2 years but less than 3 years
18 after the year in which the credit was claimed, 60%.

19 (d) If the sale is at least 3 years but less than 4 years
20 after the year in which the credit was claimed, 40%.

21 (e) If the sale is at least 4 years but less than 5 years
22 after the year in which the credit was claimed, 20%.

23 (f) If the sale is 5 years or more after the year in which
24 the credit was claimed, an addback to the taxpayer's tax
25 liability shall not be made.

26 (10) If a certification of completed rehabilitation is
27 revoked under subsection (5) less than 5 years after the year in

1 which a credit was claimed, the following percentage of the
2 credit amount previously claimed relative to that historic
3 resource shall be added back to the tax liability of the taxpayer
4 in the year of the revocation:

5 (a) If the revocation is less than 1 year after the year in
6 which the credit was claimed, 100%.

7 (b) If the revocation is at least 1 year but less than 2
8 years after the year in which the credit was claimed, 80%.

9 (c) If the revocation is at least 2 years but less than 3
10 years after the year in which the credit was claimed, 60%.

11 (d) If the revocation is at least 3 years but less than 4
12 years after the year in which the credit was claimed, 40%.

13 (e) If the revocation is at least 4 years but less than 5
14 years after the year in which the credit was claimed, 20%.

15 (f) If the revocation is 5 years or more after the year in
16 which the credit was claimed, an addback to the taxpayer's tax
17 liability shall not be made.

18 (11) The department of history, arts, and libraries through
19 the Michigan historical center may impose a fee to cover the
20 administrative cost of implementing the program under this
21 section.

22 (12) The qualified taxpayer shall attach all of the
23 following to the qualified taxpayer's annual return under this
24 act:

25 (a) Certification of completed rehabilitation.

26 (b) Certification of historic significance related to the
27 historic resource and the qualified expenditures used to claim a

1 credit under this section.

2 (c) A completed assignment form if the qualified taxpayer is
3 an assignee under section 39c of the single business tax act,
4 1975 PA 228, MCL 208.39c, **OR SECTION 435 OF THE MICHIGAN BUSINESS**
5 **TAX ACT, 2007 PA 36, MCL 208.1435**, of any portion of a credit
6 allowed under that section.

7 (13) The department of history, arts, and libraries shall
8 promulgate rules to implement this section pursuant to the
9 administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to
10 24.328.

11 (14) The total of the credits claimed under this section and
12 section 39c of the single business tax act, 1975 PA 228, MCL
13 208.39c, **OR SECTION 435 OF THE MICHIGAN BUSINESS TAX ACT, 2007 PA**
14 **36, MCL 208.1435**, for a rehabilitation project shall not exceed
15 25% of the total qualified expenditures eligible for the credit
16 under this section for that rehabilitation project.

17 (15) The department of history, arts, and libraries through
18 the Michigan historical center shall report all of the following
19 to the legislature annually for the immediately preceding state
20 fiscal year:

21 (a) The fee schedule used by the center and the total amount
22 of fees collected.

23 (b) A description of each rehabilitation project certified.

24 (c) The location of each new and ongoing rehabilitation
25 project.

26 (16) As used in this section:

27 (a) "Contributing resource" means a historic resource that

1 contributes to the significance of the historic district in which
2 it is located.

3 (b) "Historic district" means an area, or group of areas not
4 necessarily having contiguous boundaries, that contains 1
5 resource or a group of resources that are related by history,
6 architecture, archaeology, engineering, or culture.

7 (c) "Historic resource" means a publicly or privately owned
8 historic building, structure, site, object, feature, or open
9 space located within a historic district designated by the
10 national register of historic places, the state register of
11 historic sites, or a local unit acting under the local historic
12 districts act, 1970 PA 169, MCL 399.201 to 399.215; or that is
13 individually listed on the state register of historic sites or
14 national register of historic places and includes all of the
15 following:

16 (i) An owner-occupied personal residence or a historic
17 resource located within the property boundaries of that personal
18 residence.

19 (ii) An income-producing commercial, industrial, or
20 residential resource or a historic resource located within the
21 property boundaries of that resource.

22 (iii) A resource owned by a governmental body, nonprofit
23 organization, or tax-exempt entity that is used primarily by a
24 taxpayer lessee in a trade or business unrelated to the
25 governmental body, nonprofit organization, or tax-exempt entity
26 and that is subject to tax under this act.

27 (iv) A resource that is occupied or utilized by a

1 governmental body, nonprofit organization, or tax-exempt entity
2 pursuant to a long-term lease or lease with option to buy
3 agreement.

4 (v) Any other resource that could benefit from
5 rehabilitation.

6 (d) "Local unit" means a county, city, village, or township.

7 (e) "Long-term lease" means a lease term of at least 27.5
8 years for a residential resource or at least 31.5 years for a
9 nonresidential resource.

10 (f) "Michigan historical center" or "center" means the state
11 historic preservation office of the Michigan historical center of
12 the department of history, arts, and libraries or its successor
13 agency.

14 (g) "Open space" means undeveloped land, a naturally
15 landscaped area, or a formal or man-made landscaped area that
16 provides a connective link or a buffer between other resources.

17 (h) "Person" means an individual, partnership, corporation,
18 association, governmental entity, or other legal entity.

19 (i) "Qualified expenditures" means capital expenditures that
20 qualify for a rehabilitation credit under section 47(a)(2) of the
21 internal revenue code if the taxpayer is eligible for the credit
22 under section 47(a)(2) of the internal revenue code or, if the
23 taxpayer is not eligible for the credit under section 47(a)(2) of
24 the internal revenue code, the qualified expenditures that would
25 qualify under section 47(a)(2) of the internal revenue code
26 except that the expenditures are made to a historic resource that
27 is not eligible for the credit under section 47(a)(2) of the

1 internal revenue code, that were paid not more than 5 years after
2 the certification of the rehabilitation plan that included those
3 expenditures was approved by the center, and that were paid after
4 December 31, 1998 for the rehabilitation of a historic resource.
5 Qualified expenditures do not include capital expenditures for
6 nonhistoric additions to a historic resource except an addition
7 that is required by state or federal regulations that relate to
8 historic preservation, safety, or accessibility.

9 (j) "Qualified taxpayer" means a person that is an assignee
10 under section 39c of the single business tax act, 1975 PA 228,
11 MCL 208.39c, **OR SECTION 435 OF THE MICHIGAN BUSINESS TAX ACT,**
12 **2007 PA 36, MCL 208.1435,** or either owns the resource to be
13 rehabilitated or has a long-term lease agreement with the owner
14 of the historic resource and that has qualified expenditures for
15 the rehabilitation of the historic resource equal to or greater
16 than 10% of the state equalized valuation of the property. If the
17 historic resource to be rehabilitated is a portion of a historic
18 or nonhistoric resource, the state equalized valuation of only
19 that portion of the property shall be used for purposes of this
20 subdivision. If the assessor for the local tax collecting unit in
21 which the historic resource is located determines the state
22 equalized valuation of that portion, that assessor's
23 determination shall be used for purposes of this subdivision. If
24 the assessor does not determine that state equalized valuation of
25 that portion, qualified expenditures, for purposes of this
26 subdivision, shall be equal to or greater than 5% of the
27 appraised value as determined by a certified appraiser. If the

1 historic resource to be rehabilitated does not have a state
2 equalized valuation, qualified expenditures for purposes of this
3 subdivision shall be equal to or greater than 5% of the appraised
4 value of the resource as determined by a certified appraiser.

5 (k) "Rehabilitation plan" means a plan for the
6 rehabilitation of a historic resource that meets the federal
7 secretary of the interior's standards for rehabilitation and
8 guidelines for rehabilitation of historic buildings under 36 CFR
9 part 67.

10 Sec. 270. (1) For tax years that begin after December 31,
11 2008, a taxpayer to whom a tax voucher certificate is issued or a
12 taxpayer that is the transferee of a tax voucher certificate may
13 use the tax voucher certificate to pay any liability of the
14 taxpayer under section 51 or to pay any amount owed by the
15 taxpayer under section 351.

16 (2) A tax voucher certificate shall be used for the purposes
17 allowed under subsection (1) and only in a tax year that begins
18 after December 31, 2008.

19 (3) The amount of the tax voucher that may be used to pay a
20 liability due under this act in any tax year shall not exceed the
21 lesser of the following:

22 (a) The amount of the tax voucher stated in the tax voucher
23 certificate held by the taxpayer.

24 (b) The amount authorized to be used in the tax year under
25 the terms of the tax voucher certificate.

26 (c) The taxpayer's liability under this act for the tax year
27 for which the tax voucher is used.

1 (4) If the amount of any tax voucher certificate held by a
2 taxpayer or transferee exceeds the amount the taxpayer may use
3 under subsection (3)(b) or (c) in a tax year, that excess may be
4 used by the taxpayer or transferee to pay, subject to the
5 limitations of subsection (3), any future liability of the
6 taxpayer or transferee under this act.

7 (5) The tax voucher certificate, and any completed transfer
8 form that was issued pursuant to the Michigan early stage venture
9 investment act of 2003, 2003 PA 296, MCL 125.2231 to 125.2263,
10 shall be attached to the annual return under this act. The
11 department may prescribe and implement alternative methods of
12 reporting and recording ownership, transfer, and utilization of
13 tax voucher certificates that are not inconsistent with the
14 provisions of this act. The department shall administer this
15 section to assure that any amount of a tax voucher certificate
16 used to pay any liability under this act shall not also be
17 applied to pay any liability of the taxpayer or any other person
18 under the ~~single business tax act, 1975 PA 228, MCL 208.1 to~~
19 ~~208.145~~ **MICHIGAN BUSINESS TAX ACT, 2007 PA 36, MCL 208.1101 TO**
20 **208.1601**. The department shall take any action necessary to
21 enforce and effectuate the permissible issuance and use of tax
22 voucher certificates in a manner authorized under this section
23 and the Michigan early stage venture investment act of 2003, 2003
24 PA 296, MCL 125.2231 to 125.2263.

25 (6) As used in this section:

26 (a) "Certificate" or "tax voucher certificate" means the tax
27 voucher certificate issued under section 23 of the Michigan early

1 stage venture capital investment act of 2003, 2003 PA 296, MCL
2 125.2253, or any replacement tax voucher certificate issued under
3 **FORMER** section 37e(9)(b) or (d) of the single business tax act,
4 1975 PA 228, ~~MCL 208.37e~~ **OR SECTION 419 OF THE MICHIGAN BUSINESS**
5 **TAX ACT, 2007 PA 36, MCL 208.1419.**

6 (b) "Transferee" means a taxpayer to whom a tax voucher
7 certificate has been transferred under section 23 of the Michigan
8 early stage venture investment act of 2003, 2003 PA 296, MCL
9 125.2253, and **FORMER** section 37e of the single business tax act,
10 1975 PA 228, ~~MCL 208.37e~~ **OR SECTION 419 OF THE MICHIGAN BUSINESS**
11 **TAX ACT, 2007 PA 36, MCL 208.1419.**

12 Enacting section 1. Sections 51c, 51d, and 51e of the income
13 tax act of 1967, 1967 PA 281, MCL 206.51c, 206.51d, and 206.51e,
14 are repealed.