

# HOUSE BILL NO. 4171

February 14, 2019, Introduced by Reps. Alexander, Miller, Cynthia Johnson, Kahle and Paquette and referred to the Committee on Tax Policy.

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
by amending section 30 (MCL 206.30), as amended by 2018 PA 589.

**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:

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

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

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

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

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

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

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

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

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

1 in subsection (9):

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

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

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

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

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

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

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

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

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

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

15           (ii) The amount of payment made under an advance tuition  
16 payment contract as provided in the Michigan education trust act,  
17 1986 PA 316, MCL 390.1421 to 390.1442.

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

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

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

28           (C) The contract provides for enrollment by the contract's  
29 qualified beneficiary in not less than 4 years after the date on

1 which the contract is entered into.

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

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

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

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

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

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

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

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

13 (p) Beginning on and after January 1, 2007, subject to any  
14 limitation provided in this subdivision, a taxpayer who is a senior  
15 citizen may deduct to the extent included in adjusted gross income,  
16 interest, dividends, and capital gains received in the tax year not  
17 to exceed \$9,420.00 for a single return and \$18,840.00 for a joint  
18 return. The maximum amounts allowed under this subdivision shall be  
19 reduced by the amount of a deduction claimed for retirement or  
20 pension benefits under subdivision (e) or a deduction claimed under  
21 subdivision (f) (i), (ii), (iv), or (v). For the 2008 tax year and each  
22 tax year after 2008, the maximum amounts allowed under this  
23 subdivision shall be adjusted by the percentage increase in the  
24 United States Consumer Price Index for the immediately preceding  
25 calendar year. The department shall annualize the amounts provided  
26 in this subdivision as necessary. Beginning January 1, 2012, the  
27 deduction under this subdivision is not available to a senior  
28 citizen born after 1945. As used in this subdivision, "senior  
29 citizen" means that term as defined in section 514.

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

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

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

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

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

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

1 taxpayer. As used in this subdivision:

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

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

11 (t) Deduct all of the following:

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

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

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

29 (u) Add, to the extent not included in adjusted gross income,



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

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

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

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

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

25 (B) All interest and passive dividends.

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

28 (D) All rents and royalties derived from tangible personal  
29 property, to the extent the personal property is utilized within

1 the agreement area.

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

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

7 (G) Capital gains from the sale or exchange of intangible  
8 personal property.

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

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

15 (J) All gaming winnings.

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

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

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

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

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

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

29 (ii) Expenses of producing oil and gas to the extent deducted

1 in arriving at adjusted gross income.

2 (x) For tax years that begin after December 31, 2015, deduct  
3 all of the following:

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

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

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

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

1 less any contributions for which no deduction was claimed under  
2 subdivision (x) that were withdrawn in all previous tax years.

3 (z) For tax years that begin after December 31, 2018, deduct,  
4 to the extent included in adjusted gross income, compensation  
5 received in the tax year pursuant to the wrongful imprisonment  
6 compensation act, 2016 PA 343, MCL 691.1751 to 691.1757.

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

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

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

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

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

29 (a) \$1,800.00 for each taxpayer and every dependent of the

1 taxpayer who is a deaf person as defined in section 2 of the deaf  
2 persons' interpreters act, 1982 PA 204, MCL 393.502; a paraplegic,  
3 a quadriplegic, or a hemiplegic; a person who is blind as defined  
4 in section 504; or a person who is totally and permanently disabled  
5 as defined in section 522. When a dependent of a taxpayer files an  
6 annual return under this part, the taxpayer or dependent of the  
7 taxpayer, but not both, may claim the additional exemption allowed  
8 under this subdivision.

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

15 (i) "Qualified disabled veteran" means a veteran with a  
16 service-connected disability.

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

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

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

29 (5) A nonresident or a part-year resident is allowed that

1 proportion of an exemption or deduction allowed under subsection  
2 (2), (3), or (4) that the taxpayer's portion of adjusted gross  
3 income from Michigan sources bears to the taxpayer's total adjusted  
4 gross income.

5 (6) In calculating taxable income, a taxpayer shall not  
6 subtract from adjusted gross income the amount of prizes won by the  
7 taxpayer under the McCauley-Traxler-Law-Bowman-McNeely lottery act,  
8 1972 PA 239, MCL 432.1 to 432.47.

9 (7) For each tax year beginning on and after January 1, 2013,  
10 the personal exemption allowed under subsection (2) shall be  
11 adjusted by multiplying the exemption for the tax year beginning in  
12 2012 by a fraction, the numerator of which is the United States  
13 Consumer Price Index for the state fiscal year ending in the tax  
14 year prior to the tax year for which the adjustment is being made  
15 and the denominator of which is the United States Consumer Price  
16 Index for the 2010-2011 state fiscal year. For the 2022 tax year  
17 and each tax year after 2022, the adjusted amount determined under  
18 this subsection shall be increased by an additional \$600.00. The  
19 resultant product shall be rounded to the nearest \$100.00  
20 increment. For each tax year, the exemptions allowed under  
21 subsection (3) shall be adjusted by multiplying the exemption  
22 amount under subsection (3) for the tax year by a fraction, the  
23 numerator of which is the United States Consumer Price Index for  
24 the state fiscal year ending the tax year prior to the tax year for  
25 which the adjustment is being made and the denominator of which is  
26 the United States Consumer Price Index for the 1998-1999 state  
27 fiscal year. The resultant product shall be rounded to the nearest  
28 \$100.00 increment.

29 (8) As used in this section, "retirement or pension benefits"

1 means distributions from all of the following:

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

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

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

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

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

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

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

24 (ii) Plans maintained by a church or a convention or  
25 association of churches.

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

29 (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, or  
18 discontinuance of a plan prior to the earliest date the recipient  
19 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  
28 subsection (1)(f) (i) , (ii) , and (iv) is limited to \$20,000.00 for a  
29 single return and \$40,000.00 for a joint return. After that person



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

10 (c) Beginning January 1, 2013 for a person born in 1946  
11 through 1952 and beginning January 1, 2018 for a person born after  
12 1945 who has retired as of January 1, 2013, if that person receives  
13 retirement or pension benefits from employment with a governmental  
14 agency that was not covered by the federal social security act,  
15 chapter 531, 49 Stat 620, the sum of the deductions under  
16 subsection (1) (f) (i), (ii), and (iv) is limited to \$35,000.00 for a  
17 single return and, except as otherwise provided under this  
18 subdivision, \$55,000.00 for a joint return. If both spouses filing  
19 a joint return receive retirement or pension benefits from  
20 employment with a governmental agency that was not covered by the  
21 federal social security act, chapter 531, 49 Stat 620, the sum of  
22 the deductions under subsection (1) (f) (i), (ii), and (iv) is limited  
23 to \$70,000.00 for a joint return. After that person reaches the age  
24 of 67, the deductions under subsection (1) (f) (i), (ii), and (iv) do  
25 not apply and that person is eligible for a deduction of \$35,000.00  
26 for a single return and \$55,000.00 for a joint return, or  
27 \$70,000.00 for a joint return if applicable, which deduction is  
28 available against all types of income and is not restricted to  
29 income from retirement or pension benefits. A person who takes the

1 deduction under subsection (1) (e) is not eligible for the  
2 unrestricted deduction of \$35,000.00 for a single return and  
3 \$55,000.00 for a joint return, or \$70,000.00 for a joint return if  
4 applicable, under this subdivision.

5 (d) Except as otherwise provided under subdivision (c) for a  
6 person who was retired as of January 1, 2013, for a person born  
7 after 1952 who has reached the age of 62 through 66 years of age  
8 and who receives retirement or pension benefits from employment  
9 with a governmental agency that was not covered by the federal  
10 social security act, chapter 532, 49 Stat 620, the sum of the  
11 deductions under subsection (1) (f) (i), (ii), and (iv) is limited to  
12 \$15,000.00 for a single return and, except as otherwise provided  
13 under this subdivision, \$15,000.00 for a joint return. If both  
14 spouses filing a joint return receive retirement or pension  
15 benefits from employment with a governmental agency that was not  
16 covered by the federal social security act, chapter 532, 49 Stat  
17 620, the sum of the deductions under subsection (1) (f) (i), (ii), and  
18 (iv) is limited to \$30,000.00 for a joint return.

19 (e) Except as otherwise provided under subdivision (c) or (d),  
20 for a person born after 1952, the deduction under subsection  
21 (1) (f) (i), (ii), or (iv) does not apply. When that person reaches the  
22 age of 67, that person is eligible for a deduction of \$20,000.00  
23 for a single return and \$40,000.00 for a joint return, which  
24 deduction is available against all types of income and is not  
25 restricted to income from retirement or pension benefits. If a  
26 person takes the deduction of \$20,000.00 for a single return and  
27 \$40,000.00 for a joint return, that person shall not take the  
28 deduction under subsection (1) (f) (iii) and shall not take the  
29 personal exemption under subsection (2). That person may elect not

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

8 (f) For a joint return, the limitations and restrictions in  
 9 this subsection shall be applied based on the ~~age~~**date of birth** of  
 10 the older spouse filing the joint return. **For tax years beginning**  
 11 **after December 31, 2018, if a deduction under subsection (1)(f) was**  
 12 **claimed on a joint return for at least 2 tax years prior to the**  
 13 **death of a spouse and the surviving spouse has not remarried since**  
 14 **the death of that spouse, the surviving spouse is entitled to claim**  
 15 **the deduction under subsection (1)(f) in subsequent tax years**  
 16 **subject to the same restrictions and limitations, for a single**  
 17 **return, that would have applied based on the date of birth of the**  
 18 **older of the 2 spouses. However, a surviving spouse born after 1945**  
 19 **who has reached the age of 67 and has not remarried since the death**  
 20 **of that spouse may elect to take the deduction that is available**  
 21 **against all types of income subject to the same limitations and**  
 22 **restrictions as provided under this subsection based on the**  
 23 **surviving spouse's date of birth instead of taking the deduction**  
 24 **allowed under subsection (1)(f), for a single return, based on the**  
 25 **date of birth of the older spouse.**

26 (10) As used in this section:

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

29 (b) "United States Consumer Price Index" means the United

- 1 States Consumer Price Index for all urban consumers as defined and
- 2 reported by the United States Department of Labor, Bureau of Labor
- 3 Statistics.