

HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 764

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
by amending section 30 (MCL 206.30), as amended by 2021 PA 120.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 30. (1) "Taxable income" means, for a person other than a  
2 corporation, estate, or trust, adjusted gross income as defined in  
3 the internal revenue code subject to the following adjustments  
4 under this section:

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

1           (b) Add taxes on or measured by income to the extent the taxes  
2 have been deducted in arriving at adjusted gross income **including**  
3 **any direct or indirect allocated share of taxes paid by a flow-**  
4 **through entity under part 4.**

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

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

17           (e) Deduct, to the extent included in adjusted gross income,  
18 the following:

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

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

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

25           (f) Deduct the following to the extent included in adjusted  
26 gross income subject to the limitations and restrictions set forth  
27 in subsection (9):

28           (i) Retirement or pension benefits received from a federal  
29 public retirement system or from a public retirement system of or

1 created by this state or a political subdivision of this state.

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

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

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

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

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

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

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

5 (j) Deduct the following payments made by the taxpayer in the  
6 tax year:

7 (i) ~~For the 2010 tax year and each tax year after 2010, the~~ **The**  
8 amount of a charitable contribution made to the advance tuition  
9 payment fund created under section 9 of the Michigan education  
10 trust act, 1986 PA 316, MCL 390.1429.

11 (ii) The amount of payment made under an advance tuition  
12 payment contract as provided in the Michigan education trust act,  
13 1986 PA 316, MCL 390.1421 to 390.1442.

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

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

20 (B) The contract applies only for a state institution of  
21 higher education as defined in the Michigan education trust act,  
22 1986 PA 316, MCL 390.1421 to 390.1442, or a community or junior  
23 college in Michigan.

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

27 (D) The contract is entered into after either of the  
28 following:

29 (I) The purchaser has had his or her offer to enter into an

1 advance tuition payment contract rejected by the board of directors  
2 of the Michigan education trust, if the board determines that the  
3 trust cannot accept an unlimited number of enrollees upon an  
4 actuarially sound basis.

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

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

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

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

29 (n) Deduct a net operating loss deduction for the taxable year

1 as determined under section 172 of the internal revenue code  
2 subject to the modifications under section 172(b)(2) of the  
3 internal revenue code and subject to the allocation and  
4 apportionment provisions of chapter 3 for the taxable year in which  
5 the loss was incurred.

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

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

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

27 (i) The amount of a refund received in the tax year based on  
28 taxes paid under this part **and any direct or indirect allocated**  
29 **share of a refund received by a flow-through entity under part 4.**

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

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

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

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

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

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

7           (t) Deduct all of the following:

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

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

21           (iii) To the extent included in adjusted gross income,  
22 distributions that are qualified withdrawals from an education  
23 savings account to the designated beneficiary of that education  
24 savings account.

25           (u) Add, to the extent not included in adjusted gross income,  
26 the amount of money withdrawn by the taxpayer in the tax year from  
27 education savings accounts, not to exceed the total amount deducted  
28 under subdivision (t) in the tax year and all previous tax years,  
29 if the withdrawal was not a qualified withdrawal as provided in the

1 Michigan education savings program act, 2000 PA 161, MCL 390.1471  
2 to 390.1486. This subdivision does not apply to withdrawals that  
3 are less than the sum of all contributions made to an education  
4 savings account in all previous tax years for which no deduction  
5 was claimed under subdivision (t), less any contributions for which  
6 no deduction was claimed under subdivision (t) that were withdrawn  
7 in all previous tax years.

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

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

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

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

21 (B) All interest and passive dividends.

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

29 (F) Capital gains from the sale or exchange of tangible

1 personal property located within the agreement area at the time of  
2 sale.

3 (G) Capital gains from the sale or exchange of intangible  
4 personal property.

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

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

11 (J) All gaming winnings.

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

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

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

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

21 ~~(w) For tax years beginning after December 31, 2011, eliminate~~  
22 **Eliminate** all of the following:

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

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

27 ~~(x) For tax years that begin after December 31, 2015, deduct~~  
28 **Deduct** all of the following:

29 (i) To the extent not deducted in determining adjusted gross

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

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

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

16 (y) ~~For tax years that begin after December 31, 2015, add,~~  
17 **Add**, to the extent not included in adjusted gross income, the  
18 amount of money withdrawn by the taxpayer in the tax year from an  
19 ABLE savings account, not to exceed the total amount deducted under  
20 subdivision (x) in the tax year and all previous tax years, if the  
21 withdrawal was not a qualified withdrawal as provided in the  
22 Michigan achieving a better life experience (ABLE) program act,  
23 2015 PA 160, MCL 206.981 to 206.997. This subdivision does not  
24 apply to withdrawals that are less than the sum of all  
25 contributions made to an ABLE savings account in all previous tax  
26 years for which no deduction was claimed under subdivision (x),  
27 less any contributions for which no deduction was claimed under  
28 subdivision (x) that were withdrawn in all previous tax years.

29 (z) For tax years that begin after December 31, 2018, deduct,

1 to the extent included in adjusted gross income, compensation  
2 received in the tax year pursuant to the wrongful imprisonment  
3 compensation act, 2016 PA 343, MCL 691.1751 to 691.1757.

4 (aa) For the 2016, 2017, 2018, and 2019 tax years and for each  
5 tax year that begins on and after January 1, 2025, a taxpayer who  
6 is a disabled veteran may deduct, to the extent included in  
7 adjusted gross income, income reported on a federal income tax form  
8 1099-C that is attributable to the cancellation or discharge of a  
9 student loan by the United States Department of Education pursuant  
10 to the total and permanent disability discharge program, 34 CFR  
11 685.213. As used in this subdivision, "disabled veteran" means an  
12 individual who meets either of the following criteria:

13 (i) Has been determined by the United States Department of  
14 Veterans Affairs to be permanently and totally disabled as a result  
15 of military service and entitled to veterans' benefits at the 100%  
16 rate.

17 (ii) Has been rated by the United States Department of Veterans  
18 Affairs as individually unemployable.

19 **(bb) For tax years that begin on and after January 1, 2021,**  
20 **and subject to the limitation under this subdivision, deduct, to**  
21 **the extent not deducted in determining adjusted gross income,**  
22 **wagering losses deducted under section 165(d) of the internal**  
23 **revenue code on the taxpayer's federal income tax return for the**  
24 **same tax year. For a nonresident, only wagering losses that are**  
25 **attributable to wagering transactions placed at or through a casino**  
26 **or licensed race meeting located in this state may be deducted and**  
27 **must not exceed the gains on wagering transactions allocated to**  
28 **this state under section 110(2)(d). As used in this subdivision,**  
29 **"casino" and "licensed race meeting" mean those terms as defined in**

1 **section 110.**

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

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

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

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

20 (3) Except as otherwise provided in subsection (7), a single  
21 additional exemption determined as follows shall be subtracted in  
22 the calculation that determines taxable income in each of the  
23 following circumstances:

24 (a) \$1,800.00 for each taxpayer and every dependent of the  
25 taxpayer who is a deaf person as defined in section 2 of the deaf  
26 persons' interpreters act, 1982 PA 204, MCL 393.502; a paraplegic,  
27 a quadriplegic, or a hemiplegic; a person who is blind as defined  
28 in section 504; or a person who is totally and permanently disabled  
29 as defined in section 522. When a dependent of a taxpayer files an

1 annual return under this part, the taxpayer or dependent of the  
2 taxpayer, but not both, may claim the additional exemption allowed  
3 under this subdivision.

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

10 (i) "Qualified disabled veteran" means a veteran with a  
11 service-connected disability.

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

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

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

24 (5) A nonresident or a part-year resident is allowed that  
25 proportion of an exemption or deduction allowed under subsection  
26 (2), (3), or (4) that the taxpayer's portion of adjusted gross  
27 income from Michigan sources bears to the taxpayer's total adjusted  
28 gross income.

29 (6) In calculating taxable income, a taxpayer shall not

1 subtract from adjusted gross income the amount of prizes won by the  
2 taxpayer under the McCauley-Traxler-Law-Bowman-McNeely lottery act,  
3 1972 PA 239, MCL 432.1 to 432.47.

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

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

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

29 (i) Plans for self-employed persons, commonly known as Keogh or

1 HR10 plans.

2 (ii) Individual retirement accounts that qualify under section  
3 408 of the internal revenue code if the distributions are not made  
4 until the participant has reached 59-1/2 years of age, except in  
5 the case of death, disability, or distributions described by  
6 section 72(t)(2)(A)(iv) of the internal revenue code.

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

11 (iv) Distributions from a 401(k) plan attributable to employee  
12 contributions mandated by the plan or attributable to employer  
13 contributions.

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

16 (i) Plans of the United States, state governments other than  
17 this state, and political subdivisions, agencies, or  
18 instrumentalities of this state.

19 (ii) Plans maintained by a church or a convention or  
20 association of churches.

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

24 (c) Retirement or pension benefits received by a surviving  
25 spouse if those benefits qualified for a deduction prior to the  
26 decedent's death. Benefits received by a surviving child are not  
27 deductible.

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

29 (i) Amounts received from a plan that allows the employee to

1 set the amount of compensation to be deferred and does not  
2 prescribe retirement age or years of service. These plans include,  
3 but are not limited to, all of the following:

4 (A) Deferred compensation plans under section 457 of the  
5 internal revenue code.

6 (B) Distributions from plans under section 401(k) of the  
7 internal revenue code other than plans described in subdivision  
8 (a) (iv) .

9 (C) Distributions from plans under section 403(b) of the  
10 internal revenue code other than plans described in subdivision  
11 (a) (iii) .

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

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

17 (9) In determining taxable income under this section, the  
18 following limitations and restrictions apply:

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

21 (b) Except as otherwise provided in subdivision (c), for a  
22 person born in 1946 through 1952, the sum of the deductions under  
23 subsection (1) (f) (i) , (ii) , and (iv) is limited to \$20,000.00 for a  
24 single return and \$40,000.00 for a joint return. After that person  
25 reaches the age of 67, the deductions under subsection (1) (f) (i) ,  
26 (ii) , and (iv) do not apply and that person is eligible for a  
27 deduction of \$20,000.00 for a single return and \$40,000.00 for a  
28 joint return, which deduction is available against all types of  
29 income and is not restricted to income from retirement or pension

1 benefits. A person who takes the deduction under subsection (1) (e)  
2 is not eligible for the unrestricted deduction of \$20,000.00 for a  
3 single return and \$40,000.00 for a joint return under this  
4 subdivision.

5 (c) Beginning January 1, 2013 for a person born in 1946  
6 through 1952 and beginning January 1, 2018 for a person born after  
7 1945 who has retired as of January 1, 2013, if that person receives  
8 retirement or pension benefits from employment with a governmental  
9 agency that was not covered by the federal social security act,  
10 chapter 531, 49 Stat 620, the sum of the deductions under  
11 subsection (1) (f) (i), (ii), and (iv) is limited to \$35,000.00 for a  
12 single return and, except as otherwise provided under this  
13 subdivision, \$55,000.00 for a joint return. If both spouses filing  
14 a joint return receive retirement or pension benefits from  
15 employment with a governmental agency that was not covered by the  
16 federal social security act, chapter 531, 49 Stat 620, the sum of  
17 the deductions under subsection (1) (f) (i), (ii), and (iv) is limited  
18 to \$70,000.00 for a joint return. After that person reaches the age  
19 of 67, the deductions under subsection (1) (f) (i), (ii), and (iv) do  
20 not apply and that person is eligible for a deduction of \$35,000.00  
21 for a single return and \$55,000.00 for a joint return, or  
22 \$70,000.00 for a joint return if applicable, which deduction is  
23 available against all types of income and is not restricted to  
24 income from retirement or pension benefits. A person who takes the  
25 deduction under subsection (1) (e) is not eligible for the  
26 unrestricted deduction of \$35,000.00 for a single return and  
27 \$55,000.00 for a joint return, or \$70,000.00 for a joint return if  
28 applicable, under this subdivision.

29 (d) Except as otherwise provided under subdivision (c) for a

1 person who was retired as of January 1, 2013, for a person born  
2 after 1952 who has reached the age of 62 through 66 years of age  
3 and who receives retirement or pension benefits from employment  
4 with a governmental agency that was not covered by the federal  
5 social security act, chapter 531, 49 Stat 620, the sum of the  
6 deductions under subsection (1)(f)(i), (ii), and (iv) is limited to  
7 \$15,000.00 for a single return and, except as otherwise provided  
8 under this subdivision, \$15,000.00 for a joint return. If both  
9 spouses filing a joint return receive retirement or pension  
10 benefits from employment with a governmental agency that was not  
11 covered by the federal social security act, chapter 531, 49 Stat  
12 620, the sum of the deductions under subsection (1)(f)(i), (ii), and  
13 (iv) is limited to \$30,000.00 for a joint return.

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

1 eligible for the unrestricted deduction of \$20,000.00 for a single  
2 return and \$40,000.00 for a joint return under this subdivision.

3 (f) For a joint return, the limitations and restrictions in  
4 this subsection shall be applied based on the date of birth of the  
5 older spouse filing the joint return. If a deduction under  
6 subsection (1)(f) was claimed on a joint return for a tax year in  
7 which a spouse died and the surviving spouse has not remarried  
8 since the death of that spouse, the surviving spouse is entitled to  
9 claim the deduction under subsection (1)(f) in subsequent tax years  
10 subject to the same restrictions and limitations, for a single  
11 return, that would have applied based on the date of birth of the  
12 older of the 2 spouses. For tax years beginning after December 31,  
13 2019, a surviving spouse born after 1945 who has reached the age of  
14 67 and has not remarried since the death of that spouse may elect  
15 to take the deduction that is available against all types of income  
16 subject to the same limitations and restrictions as provided under  
17 this subsection based on the surviving spouse's date of birth  
18 instead of taking the deduction allowed under subsection (1)(f),  
19 for a single return, based on the date of birth of the older  
20 spouse.

21 (10) As used in this section:

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

24 (b) "Senior citizen" means that term as defined in section  
25 514.

26 (c) "United States Consumer Price Index" means the United  
27 States Consumer Price Index for all urban consumers as defined and  
28 reported by the United States Department of Labor, Bureau of Labor  
29 Statistics.

1           Enacting section 1. This amendatory act is intended to be  
2 retroactive and applies to tax years beginning on and after January  
3 1, 2021.