



HOUSE BILL No. 4480

February 28, 1995, Introduced by Reps. Voorhees, Horton, Kukuk, Bodem, Bush, Goschka, Whyman, Law, Gnodtke, Llewellyn, McBryde, Jaye and Cropsey and referred to the Committee on Tax Policy.

A bill to amend section 30 of Act No. 281 of the Public Acts of 1967, entitled

"Income tax act of 1967,"

as amended by Act No. 268 of the Public Acts of 1994, being section 206.30 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 30 of Act No. 281 of the Public Acts of
2 1967, as amended by Act No. 268 of the Public Acts of 1994, being
3 section 206.30 of the Michigan Compiled Laws, is amended to read
4 as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

19 (v) After September 30, 1994, retirement or pension benefits
20 not deductible under subparagraph (i) or subdivision (e) from any
21 other retirement or pension system or benefits from a retirement
22 annuity policy in which payments are made for life to a senior
23 citizen, ~~or a surviving spouse of a senior citizen as defined in~~
24 ~~section 514,~~ to a maximum of the amounts provided for in section
25 30a. The maximum amounts allowed under this subparagraph shall
26 be reduced by the amount of the deduction for retirement or
27 pension benefits allowed under subparagraph (i) or subdivision

1 (e). For the 1995 tax year and each tax year after 1995, the
2 maximum amounts allowed under this subparagraph shall be adjusted
3 by the percentage increase in the Detroit consumer price index
4 for the immediately preceding calendar year. The department
5 shall annualize the amounts provided in this subparagraph and
6 subparagraph (iv) as necessary for tax years that end after
7 September 30, 1994. AS USED IN THIS SUBPARAGRAPH, "SENIOR
8 CITIZEN" MEANS THAT TERM AS DEFINED IN SECTION 514.

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

12 (g) Adjustments resulting from the application of section
13 271.

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

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

18 (j) Deduct political contributions as described in section 4
19 of the Michigan campaign finance act, Act No. 388 of the Public
20 Acts of 1976, being section 169.204 of the Michigan Compiled
21 Laws, or section 301 of title III of the federal election cam-
22 paign act of 1971, Public Law 92-225, 2 U.S.C. 431, not in excess
23 of \$50.00 per annum, or \$100.00 per annum for a joint return.

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

1 (4) Deduct the following payments made by the taxpayer in
2 the tax year:

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

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

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

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

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

21 (D) The contract is entered into after either of the
22 following:

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

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

4 (m) If an advance tuition payment contract under the
5 Michigan education trust act, Act No. 316 of the Public Acts of
6 1986, or another contract for which the payment was deductible
7 under subdivision (l) is terminated and the qualified beneficiary
8 under that contract does not attend a university, college, junior
9 or community college, or other institution of higher education,
10 add the amount of a refund received by the taxpayer as a result
11 of that termination or the amount of the deduction taken under
12 subdivision (l) for payment made under that contract, whichever
13 is less.

14 (n) Deduct from the taxable income of a purchaser the amount
15 included as income to the purchaser under the internal revenue
16 code after the advance tuition payment contract entered into
17 under the Michigan education trust act, Act No. 316 of the Public
18 Acts of 1986, is terminated because the qualified beneficiary
19 attends an institution of postsecondary education other than
20 either a state institution of higher education or an institution
21 of postsecondary education located outside this state with which
22 a state institution of higher education has reciprocity.

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

26 (p) Deduct a net operating loss deduction for the taxable
27 year as defined in section 172 of the internal revenue code

1 subject to the modifications under section 172(b)(2) of the
2 internal revenue code and subject to the allocation and appor-
3 tionment provisions of chapter 3 of this act for the taxable year
4 in which the loss was incurred.

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

8 (r) After September 30, 1994, a taxpayer who is a senior
9 citizen as defined in section 514 may deduct, to the extent
10 included in adjusted gross income, interest and dividends
11 received in the tax year not to exceed \$1,000.00 for a single
12 return or \$2,000.00 for a joint return. However, the deduction
13 under this subdivision shall not be taken if the taxpayer takes a
14 deduction for retirement benefits under subdivision (e) or a
15 deduction under subdivision (f)(i), (ii), (iv), or (v). For the
16 1995 tax year and each tax year after 1995, the maximum amounts
17 allowed under this subdivision shall be adjusted by the percen-
18 tage increase in the Detroit consumer price index for the immedi-
19 ately preceding calendar year. The department shall annualize
20 the amounts provided in this subdivision as necessary for tax
21 years that end after September 30, 1994.

22 (S) FOR THE 1995 TAX YEAR AND EACH TAX YEAR AFTER 1995,
23 DEDUCT, TO THE EXTENT INCLUDED IN ADJUSTED GROSS INCOME, AN
24 AMOUNT NOT TO EXCEED \$1,600.00 PER STUDENT PAID FOR THE NONPUBLIC
25 K-12 EDUCATIONAL EXPENSES OF THAT STUDENT. IF A DEDUCTION IS
26 TAKEN UNDER THIS SUBDIVISION, THE TAXPAYER SHALL ATTACH TO HIS OR
27 HER RETURN A RECEIPT FOR THE AMOUNT CLAIMED SIGNED BY THE PERSON

1 OR A REPRESENTATIVE OF THE PERSON THAT WAS PAID. AS USED IN THIS
2 SUBDIVISION, "PERSON" MEANS AN INDIVIDUAL, PARTNERSHIP, CORPORA-
3 TION, ASSOCIATION, GOVERNMENTAL ENTITY, OR OTHER LEGAL ENTITY.

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

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

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

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

11 (d) For a tax year beginning after 1989..... \$2,100.00.

12 (3) A single additional exemption of \$1,400.00 for a tax
13 year beginning during 1987, \$1,200.00 for a tax year beginning
14 during 1988, \$1,000.00 for a tax year beginning during 1989, and
15 \$900.00 for a tax year beginning after 1989 is allowed in each of
16 the following circumstances:

17 (a) The taxpayer is a paraplegic, a quadriplegic, a hemiple-
18 gic, a person who is blind as defined in section 504, or a
19 totally and permanently disabled person as defined in section
20 522.

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

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

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

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

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

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

21 Section 2. This amendatory act shall not take effect unless
22 Senate Joint Resolution _____ or House Joint Resolution K
23 (request no. 02028'95 a) of the 88th Legislature becomes a part
24 of the state constitution of 1963 as provided in section 1 of
25 article XII of the state constitution of 1963.