



SENATE BILL No. 983

April 25, 1996, Introduced by Senator SHUGARS and referred to the Committee on Health Policy and Senior Citizens.

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. 230 of the Public Acts of 1995, being section 206.30 of the Michigan Compiled Laws; and to repeal acts and parts of acts.

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. 230 of the Public Acts of 1995, 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, to a maximum of ~~the amounts provided for in section~~
24 ~~30a~~ \$30,000.00 FOR A SINGLE RETURN AND \$60,000.00 FOR A JOINT
25 RETURN. The maximum amounts allowed under this subparagraph
26 shall be reduced by the amount of the deduction for retirement or
27 pension benefits claimed under subparagraph (i) or subdivision

1 (e) and for tax years after the 1996 tax year by the amount of a
2 deduction claimed under subdivision (r). For the 1995 tax year
3 and each tax year after 1995, the maximum amounts allowed under
4 this subparagraph shall be adjusted by the percentage increase in
5 the Detroit consumer price index for the immediately preceding
6 calendar year. The department shall annualize the amounts pro-
7 vided in this subparagraph and subparagraph (iv) as necessary for
8 tax years that end after September 30, 1994. As used in this
9 subparagraph, "senior citizen" means that term as defined in
10 section 514.

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

14 (g) Adjustments resulting from the application of section
15 271.

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

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

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

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

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

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

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

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

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

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

24 (D) The contract is entered into after either of the
25 following:

26 (I) The purchaser has had his or her offer to enter into an
27 advance tuition payment contract rejected by the board of

1 directors of the Michigan education trust, if the board
2 determines that the trust cannot accept an unlimited number of
3 enrollees upon an actuarially sound basis.

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

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

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

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

4 (p) Deduct a net operating loss deduction for the taxable
5 year as defined in 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 appor-
8 tionment provisions of chapter 3 of this act for the taxable year
9 in which the loss was incurred.

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

13 (r) After September 30, 1994 and before the 1997 tax year, a
14 taxpayer who is a senior citizen may deduct, to the extent
15 included in adjusted gross income, interest and dividends
16 received in the tax year not to exceed \$1,000.00 for a single
17 return or \$2,000.00 for a joint return. However, for tax years
18 before the 1997 tax year, the deduction under this subdivision
19 shall not be taken if the taxpayer takes a deduction for retire-
20 ment benefits under subdivision (e) or a deduction under
21 subdivision (f)(i), (ii), (iv), or (v). For tax years after the
22 1996 tax year, a taxpayer who is a senior citizen may deduct to
23 the extent included in adjusted gross income, interest, divi-
24 dends, and capital gains received in the tax year not to exceed
25 \$3,500.00 for a single return and \$7,000.00 for a joint return
26 for the 1997 tax year, and ~~the amounts determined under~~
27 ~~section 30c~~ \$7,500.00 FOR A SINGLE RETURN AND \$15,000.00 FOR A

1 JOINT RETURN for tax years after the 1997 tax year. For tax
 2 years after the 1996 tax year, the maximum amounts allowed under
 3 this subdivision shall be reduced by the amount of a deduction
 4 claimed for retirement benefits under subdivision (e) or a deduc-
 5 tion claimed under subdivision (f)(i), (ii), (iv), or (v). For
 6 the 1995 tax year, for the 1996 tax year, and for each tax year
 7 after the 1998 tax year, the maximum amounts allowed under this
 8 subdivision shall be adjusted by the percentage increase in the
 9 Detroit consumer price index for the immediately preceding calen-
 10 dar year. The department shall annualize the amounts provided in
 11 this subdivision as necessary for tax years that end after
 12 September 30, 1994. As used in this subdivision, "senior
 13 citizen" means that term as defined in section 514.

14 (S) DEDUCT, TO THE EXTENT INCLUDED IN ADJUSTED GROSS INCOME,
 15 PREMIUMS PAID IN THE TAX YEAR FOR LONG-TERM CARE INSURANCE. AS
 16 USED IN THIS SUBDIVISION, "LONG-TERM CARE INSURANCE" MEANS A
 17 LONG-TERM CARE INSURANCE POLICY, CERTIFICATE, OR RIDER AS PRO-
 18 VIDED FOR IN CHAPTER 39 OF THE INSURANCE CODE OF 1956, ACT
 19 NO. 218 OF THE PUBLIC ACTS OF 1956, BEING SECTIONS 500.3901 TO
 20 500.3955 OF THE MICHIGAN COMPILED LAWS.

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

- 25 (a) For a tax year beginning during 1987..... \$1,600.00.
 26 (b) For a tax year beginning during 1988..... \$1,800.00.

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

2 (d) For a tax year beginning after 1989 and before
3 1995..... \$2,100.00.

4 (e) For a tax year beginning during 1995 or 1996 \$2,400.00.

5 (f) Except as otherwise provided in ~~section 30b~~
6 SUBSECTION (7), for a tax year beginning after 1996... \$2,500.00.

7 (3) A single additional exemption of \$1,400.00 for a tax
8 year beginning during 1987, \$1,200.00 for a tax year beginning
9 during 1988, \$1,000.00 for a tax year beginning during 1989, and
10 \$900.00 for a tax year beginning after 1989 is allowed in each of
11 the following circumstances:

12 (a) The taxpayer is a paraplegic, a quadriplegic, a hemiple-
13 gic, a person who is blind as defined in section 504, or a
14 totally and permanently disabled person as defined in section
15 522.

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

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

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

23 (4) For a tax year beginning after 1987, an individual with
24 respect to whom a deduction under section 151 of the internal
25 revenue code is allowable to another federal taxpayer during the
26 tax year is not considered to have an allowable federal exemption
27 for purposes of subsection (2), but may deduct \$500.00 from

1 taxable income for a tax year beginning in 1988 and \$1,000.00 for
2 a tax year beginning after 1988.

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

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

14 (7) FOR EACH TAX YEAR AFTER THE 1997 TAX YEAR, THE PERSONAL
15 EXEMPTION ALLOWED UNDER SUBSECTION (2) SHALL BE ADJUSTED BY
16 MULTIPLYING THE EXEMPTION FOR THE TAX YEAR BEGINNING IN 1997 BY A
17 FRACTION, THE NUMERATOR OF WHICH IS THE UNITED STATES CONSUMER
18 PRICE INDEX FOR THE STATE FISCAL YEAR ENDING IN THE TAX YEAR FOR
19 WHICH THE ADJUSTMENT IS BEING MADE AND THE DENOMINATOR OF WHICH
20 IS THE UNITED STATES CONSUMER PRICE INDEX FOR THE 1996-97 STATE
21 FISCAL YEAR. THE RESULTANT PRODUCT SHALL BE ROUNDED TO THE NEAR-
22 EST \$100.00 INCREMENT WHICH SHALL BE THE PERSONAL EXEMPTION FOR
23 THE TAX YEAR. AS USED IN THIS SECTION, "UNITED STATES CONSUMER
24 PRICE INDEX" MEANS THE UNITED STATES CONSUMER PRICE INDEX FOR ALL
25 URBAN CONSUMERS AS DEFINED AND REPORTED BY THE UNITED STATES
26 DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS.

1 Section 2. Sections 30a, 30b, and 30c of Act No. 281 of the
2 Public Acts of 1967, being sections 206.30a, 206.30b, and 206.30c
3 of the Michigan Compiled Laws, are repealed effective January 1,
4 1996.

5 Section 3. This amendatory act is effective January 1,
6 1996.