

# SENATE BILL NO. 1226

November 29, 2022, Introduced by Senators ANANICH, GEISS and CHANG and referred to the Committee on Appropriations.

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
by amending section 30 (MCL 206.30), as amended by 2022 PA 5.

**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

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

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

9 (c) Add losses on the sale or exchange of obligations of the  
10 United States government, the income of which this state is  
11 prohibited 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  
15 obligations, of the United States government that this state is  
16 prohibited 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 premiums,  
20 were deducted in arriving at adjusted gross income.

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

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

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

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

29 (f) Deduct the following to the extent included in adjusted

1 gross income subject to the limitations and restrictions set forth  
2 in subsection (9):

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

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

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

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

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) The amount of a charitable contribution made to the advance  
12 tuition payment fund created under section 9 of the Michigan  
13 education trust act, 1986 PA 316, MCL 390.1429.

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

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

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

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

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

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

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

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

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

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

29 (m) Add, to the extent deducted in determining adjusted gross

1 income, the net operating loss deduction under section 172 of the  
2 internal revenue code.

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

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

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

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

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

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

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

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

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

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

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

10           (t) Deduct all of the following:

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

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

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

28           (u) Add, to the extent not included in adjusted gross income,  
29 the amount of money withdrawn by the taxpayer in the tax year from



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

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

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

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

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

24 (B) All interest and passive dividends.

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

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

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

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

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

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

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

14 (J) All gaming winnings.

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

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

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

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

24 (w) Eliminate all of the following:

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

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

29 (x) Deduct all of the following:

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

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

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

17           (y) Add, to the extent not included in adjusted gross income,  
18 the amount of money withdrawn by the taxpayer in the tax year from  
19 an ABLE savings account, not to exceed the total amount deducted  
20 under subdivision (x) in the tax year and all previous tax years,  
21 if the 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 (cc) Except as otherwise provided under subparagraph (i), for  
3 tax years that begin on and after January 1, 2022, deduct all of  
4 the following:

5 (i) To the extent not deducted in determining adjusted gross  
6 income, contributions made by the taxpayer in the tax year less  
7 qualified withdrawals made in the tax year from a first-time home  
8 buyer savings account, pursuant to the Michigan first-time home  
9 buyer savings program act, **2022 PA 6, MCL 565.1001 to 565.1013**, not  
10 to exceed a total deduction of \$5,000.00 for a single return or  
11 \$10,000.00 for a joint return per tax year. The amount calculated  
12 under this subparagraph for a first-time home buyer savings account  
13 shall not be less than zero. The deduction under this subparagraph  
14 does not apply for tax years that begin after December 31, 2026.

15 (ii) To the extent not deducted in determining adjusted gross  
16 income, interest earned in the tax year on the contributions to the  
17 taxpayer's first-time home buyer savings account.

18 (iii) To the extent included in adjusted gross income,  
19 distributions that are qualified withdrawals from a first-time home  
20 buyer savings account to the qualified beneficiary of that savings  
21 account.

22 (dd) For tax years that begin on and after January 1, 2022,  
23 add, to the extent not included in adjusted gross income, the  
24 amount of money withdrawn by the taxpayer in the tax year from a  
25 first-time home buyer savings account, not to exceed the total  
26 amount deducted under subdivision (cc) in the tax year and all  
27 previous tax years, if the withdrawal was not a qualified  
28 withdrawal as provided in the Michigan first-time home buyer  
29 savings program act, **2022 PA 6, MCL 565.1001 to 565.1013**. This

1 subdivision does not apply to withdrawals that are less than the  
2 sum of all contributions made to a first-time home buyer savings  
3 account in all previous tax years for which no deduction was  
4 claimed under subdivision (cc), less any contributions for which no  
5 deduction was claimed under subdivision (cc) that were withdrawn in  
6 all previous tax years.

7 **(ee) For tax years beginning on and after January 1, 2023,**  
8 **deduct, to the extent included in adjusted gross income, funds**  
9 **deposited and investment returns accrued in a KIDS Account**  
10 **established under the Michigan kids investment and development**  
11 **savings (KIDS) program act and claimed by the taxpayer during the**  
12 **tax year.**

13 (2) Except as otherwise provided in subsection (7) and section  
14 30a, a personal exemption of \$3,700.00 multiplied by the number of  
15 personal and dependency exemptions shall be subtracted in the  
16 calculation that determines taxable income. The number of personal  
17 and dependency exemptions allowed shall be determined as follows:

18 (a) Each taxpayer may claim 1 personal exemption. However, if  
19 a joint return is not made by the taxpayer and his or her spouse,  
20 the taxpayer may claim a personal exemption for the spouse if the  
21 spouse, for the calendar year in which the taxable year of the  
22 taxpayer begins, does not have any gross income and is not the  
23 dependent of another taxpayer.

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

26 (c) For tax years beginning on and after January 1, 2019, a  
27 taxpayer may claim an additional exemption under this subsection in  
28 the tax year for which the taxpayer has a certificate of stillbirth  
29 from the department of health and human services as provided under

1 section 2834 of the public health code, 1978 PA 368, MCL 333.2834.

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

6 (a) \$1,800.00 for each taxpayer and every dependent of the  
7 taxpayer who is a deaf person as defined in section 2 of the deaf  
8 persons' interpreters act, 1982 PA 204, MCL 393.502; a paraplegic,  
9 a quadriplegic, or a hemiplegic; a person who is blind as defined  
10 in section 504; or a person who is totally and permanently disabled  
11 as defined in section 522. When a dependent of a taxpayer files an  
12 annual return under this part, the taxpayer or dependent of the  
13 taxpayer, but not both, may claim the additional exemption allowed  
14 under this subdivision.

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

21 (i) "Qualified disabled veteran" means a veteran with a  
22 service-connected disability.

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

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

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

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

11           (6) In calculating taxable income, a taxpayer shall not  
12 subtract from adjusted gross income the amount of prizes won by the  
13 taxpayer under the McCauley-Traxler-Law-Bowman-McNeely lottery act,  
14 1972 PA 239, MCL 432.1 to 432.47.

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



1 the state fiscal year ending the tax year prior to the tax year for  
2 which the adjustment is being made and the denominator of which is  
3 the United States Consumer Price Index for the 1998-1999 state  
4 fiscal year. The resultant product shall be rounded to the nearest  
5 \$100.00 increment.

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

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

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

13 (ii) Individual retirement accounts that qualify under section  
14 408 of the internal revenue code if the distributions are not made  
15 until the participant has reached 59-1/2 years of age, except in  
16 the case of death, disability, or distributions described by  
17 section 72(t)(2)(A)(iv) of the internal revenue code.

18 (iii) Employee annuities or tax-sheltered annuities purchased  
19 under section 403(b) of the internal revenue code by organizations  
20 exempt under section 501(c)(3) of the internal revenue code, or by  
21 public school systems.

22 (iv) Distributions from a 401(k) plan attributable to employee  
23 contributions mandated by the plan or attributable to employer  
24 contributions.

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

27 (i) Plans of the United States, state governments other than  
28 this state, and political subdivisions, agencies, or  
29 instrumentalities of this state.

1           (ii) Plans maintained by a church or a convention or  
2 association of churches.

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

6           (c) Retirement or pension benefits received by a surviving  
7 spouse if those benefits qualified for a deduction prior to the  
8 decedent's death. Benefits received by a surviving child are not  
9 deductible.

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

11           (i) Amounts received from a plan that allows the employee to  
12 set the amount of compensation to be deferred and does not  
13 prescribe retirement age or years of service. These plans include,  
14 but are not limited to, all of the following:

15           (A) Deferred compensation plans under section 457 of the  
16 internal revenue code.

17           (B) Distributions from plans under section 401(k) of the  
18 internal revenue code other than plans described in subdivision  
19 (a) (iv) .

20           (C) Distributions from plans under section 403(b) of the  
21 internal revenue code other than plans described in subdivision  
22 (a) (iii) .

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

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

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

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

3 (b) Except as otherwise provided in subdivision (c), for a  
4 person born in 1946 through 1952, the sum of the deductions under  
5 subsection (1)(f) (i), (ii), and (iv) is limited to \$20,000.00 for a  
6 single return and \$40,000.00 for a joint return. After that person  
7 reaches the age of 67, the deductions under subsection (1)(f) (i),  
8 (ii), and (iv) do not apply and that person is eligible for a  
9 deduction of \$20,000.00 for a single return and \$40,000.00 for a  
10 joint return, which deduction is available against all types of  
11 income and is not restricted to income from retirement or pension  
12 benefits. A person who takes the deduction under subsection (1)(e)  
13 is not eligible for the unrestricted deduction of \$20,000.00 for a  
14 single return and \$40,000.00 for a joint return under this  
15 subdivision.

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

1 of 67, the deductions under subsection (1) (f) (i), (ii), and (iv) do  
2 not apply and that person is eligible for a deduction of \$35,000.00  
3 for a single return and \$55,000.00 for a joint return, or  
4 \$70,000.00 for a joint return if applicable, which deduction is  
5 available against all types of income and is not restricted to  
6 income from retirement or pension benefits. A person who takes the  
7 deduction under subsection (1) (e) is not eligible for the  
8 unrestricted deduction of \$35,000.00 for a single return and  
9 \$55,000.00 for a joint return, or \$70,000.00 for a joint return if  
10 applicable, under this subdivision.

11 (d) Except as otherwise provided under subdivision (c) for a  
12 person who was retired as of January 1, 2013, for a person born  
13 after 1952 who has reached the age of 62 through 66 years of age  
14 and who receives retirement or pension benefits from employment  
15 with a governmental agency that was not covered by the federal  
16 social security act, chapter 531, 49 Stat 620, the sum of the  
17 deductions under subsection (1) (f) (i), (ii), and (iv) is limited to  
18 \$15,000.00 for a single return and, except as otherwise provided  
19 under this subdivision, \$15,000.00 for a joint return. If both  
20 spouses filing a joint return receive retirement or pension  
21 benefits from employment with a governmental agency that was not  
22 covered by the federal social security act, chapter 531, 49 Stat  
23 620, the sum of the deductions under subsection (1) (f) (i), (ii), and  
24 (iv) is limited to \$30,000.00 for a joint return.

25 (e) Except as otherwise provided under subdivision (c) or (d),  
26 for a person born after 1952, the deduction under subsection  
27 (1) (f) (i), (ii), or (iv) does not apply. When that person reaches the  
28 age of 67, that person is eligible for a deduction of \$20,000.00  
29 for a single return and \$40,000.00 for a joint return, which

1 deduction is available against all types of income and is not  
2 restricted to income from retirement or pension benefits. If a  
3 person takes the deduction of \$20,000.00 for a single return and  
4 \$40,000.00 for a joint return, that person shall not take the  
5 deduction under subsection (1)(f)(iii) and shall not take the  
6 personal exemption under subsection (2). That person may elect not  
7 to take the deduction of \$20,000.00 for a single return and  
8 \$40,000.00 for a joint return and elect to take the deduction under  
9 subsection (1)(f)(iii) and the personal exemption under subsection  
10 (2) if that election would reduce that person's tax liability. A  
11 person who takes the deduction under subsection (1)(e) is not  
12 eligible for the unrestricted deduction of \$20,000.00 for a single  
13 return and \$40,000.00 for a joint return under this subdivision.

14 (f) For a joint return, the limitations and restrictions in  
15 this subsection shall be applied based on the date of birth of the  
16 older spouse filing the joint return. If a deduction under  
17 subsection (1)(f) was claimed on a joint return for a tax year in  
18 which a spouse died and the surviving spouse has not remarried  
19 since the death of that spouse, the surviving spouse is entitled to  
20 claim the deduction under subsection (1)(f) in subsequent tax years  
21 subject to the same restrictions and limitations, for a single  
22 return, that would have applied based on the date of birth of the  
23 older of the 2 spouses. For tax years beginning after December 31,  
24 2019, a surviving spouse born after 1945 who has reached the age of  
25 67 and has not remarried since the death of that spouse may elect  
26 to take the deduction that is available against all types of income  
27 subject to the same limitations and restrictions as provided under  
28 this subsection based on the surviving spouse's date of birth  
29 instead of taking the deduction allowed under subsection (1)(f),

1 for a single return, based on the date of birth of the older  
2 spouse.

3 (10) As used in this section:

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

6 (b) "Senior citizen" means that term as defined in section  
7 514.

8 (c) "United States Consumer Price Index" means the United  
9 States Consumer Price Index for all urban consumers as defined and  
10 reported by the United States Department of Labor, Bureau of Labor  
11 Statistics.

12 Enacting section 1. This amendatory act does not take effect  
13 unless Senate Bill No. 1229 of the 101st Legislature is enacted  
14 into law.