

**SENATE SUBSTITUTE FOR
HOUSE BILL NO. 4991**

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending sections 30, 51, 51d, and 508 (MCL 206.30, 206.51,
206.51d, and 206.508), section 30 as amended by 2018 PA 38, section
51 as amended by 2016 PA 266, section 51d as added by 2015 PA 179,
and section 508 as amended by 2011 PA 177, and by adding section
51g.

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.

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

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

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

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

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

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

27 (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

1 calendar year. The department shall annualize the amounts provided
2 in this subparagraph as necessary. As used in this subparagraph,
3 "senior citizen" means that term as defined in section 514.

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

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

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

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

12 (j) Deduct the following payments made by the taxpayer in the
13 tax year:

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

18 (ii) The amount of payment made under an advance tuition
19 payment contract as provided in the Michigan education trust act,
20 1986 PA 316, MCL 390.1421 to 390.1442.

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

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

1 (B) The contract applies only for a state institution of
2 higher education as defined in the Michigan education trust act,
3 1986 PA 316, MCL 390.1421 to 390.1442, or a community or junior
4 college in Michigan.

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

8 (D) The contract is entered into after either of the
9 following:

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

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

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

27 (l) Deduct from the taxable income of a purchaser the amount

1 included as income to the purchaser under the internal revenue code
2 after the advance tuition payment contract entered into under the
3 Michigan education trust act, 1986 PA 316, MCL 390.1421 to
4 390.1442, is terminated because the qualified beneficiary attends
5 an institution of postsecondary education other than either a state
6 institution of higher education or an institution of postsecondary
7 education located outside this state with which a state institution
8 of higher education has reciprocity.

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

12 (n) Deduct a net operating loss deduction for the taxable year
13 as determined under section 172 of the internal revenue code
14 subject to the modifications under section 172(b)(2) of the
15 internal revenue code and subject to the allocation and
16 apportionment provisions of chapter 3 of this part for the taxable
17 year in which the loss was incurred.

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

21 (p) Beginning on and after January 1, 2007, subject to any
22 limitation provided in this subdivision, a taxpayer who is a senior
23 citizen may deduct to the extent included in adjusted gross income,
24 interest, dividends, and capital gains received in the tax year not
25 to exceed \$9,420.00 for a single return and \$18,840.00 for a joint
26 return. The maximum amounts allowed under this subdivision shall be
27 reduced by the amount of a deduction claimed for retirement or

1 pension benefits under subdivision (e) or a deduction claimed under
2 subdivision (f) (i), (ii), (iv), or (v). For the 2008 tax year and
3 each tax year after 2008, the maximum amounts allowed under this
4 subdivision shall be adjusted by the percentage increase in the
5 United States Consumer Price Index for the immediately preceding
6 calendar year. The department shall annualize the amounts provided
7 in this subdivision as necessary. Beginning January 1, 2012, the
8 deduction under this subdivision is not available to a senior
9 citizen born after 1945. As used in this subdivision, "senior
10 citizen" means that term as defined in section 514.

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

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

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

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

22 (r) Add the amount paid by the state on behalf of the taxpayer
23 in the tax year to repay the outstanding principal on a loan taken
24 on which the taxpayer defaulted that was to fund an advance tuition
25 payment contract entered into under the Michigan education trust
26 act, 1986 PA 316, MCL 390.1421 to 390.1442, if the cost of the
27 advance tuition payment contract was deducted under subdivision (j)

1 and was financed with a Michigan education trust secured loan.

2 (s) Deduct, to the extent included in adjusted gross income,
3 any amount, and any interest earned on that amount, received in the
4 tax year by a taxpayer who is a Holocaust victim as a result of a
5 settlement of claims against any entity or individual for any
6 recovered asset pursuant to the German act regulating unresolved
7 property claims, also known as Gesetz zur Regelung offener
8 Vermögensfragen, as a result of the settlement of the action
9 entitled *In re: Holocaust victim assets litigation*, CV-96-4849, CV-
10 96-5161, and CV-97-0461 (E.D. NY), or as a result of any similar
11 action if the income and interest are not commingled in any way
12 with and are kept separate from all other funds and assets of the
13 taxpayer. As used in this subdivision:

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

17 (ii) "Recovered asset" means any asset of any type and any
18 interest earned on that asset including, but not limited to, bank
19 deposits, insurance proceeds, or artwork owned by a Holocaust
20 victim during the period from 1920 to 1945, withheld from that
21 Holocaust victim from and after 1945, and not recovered, returned,
22 or otherwise compensated to the Holocaust victim until after 1993.

23 (t) Deduct all of the following:

24 (i) To the extent not deducted in determining adjusted gross
25 income, contributions made by the taxpayer in the tax year less
26 qualified withdrawals made in the tax year from education savings
27 accounts, calculated on a per education savings account basis,

1 pursuant to the Michigan education savings program act, 2000 PA
2 161, MCL 390.1471 to 390.1486, not to exceed a total deduction of
3 \$5,000.00 for a single return or \$10,000.00 for a joint return per
4 tax year. The amount calculated under this subparagraph for each
5 education savings account shall not be less than zero.

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

10 (iii) To the extent included in adjusted gross income,
11 distributions that are qualified withdrawals from an education
12 savings account to the designated beneficiary of that education
13 savings account.

14 (u) Add, to the extent not included in adjusted gross income,
15 the amount of money withdrawn by the taxpayer in the tax year from
16 education savings accounts, not to exceed the total amount deducted
17 under subdivision (t) in the tax year and all previous tax years,
18 if the withdrawal was not a qualified withdrawal as provided in the
19 Michigan education savings program act, 2000 PA 161, MCL 390.1471
20 to 390.1486. This subdivision does not apply to withdrawals that
21 are less than the sum of all contributions made to an education
22 savings account in all previous tax years for which no deduction
23 was claimed under subdivision (t), less any contributions for which
24 no deduction was claimed under subdivision (t) that were withdrawn
25 in all previous tax years.

26 (v) A taxpayer who is a resident tribal member may deduct, to
27 the extent included in adjusted gross income, all nonbusiness

1 income earned or received in the tax year and during the period in
2 which an agreement entered into between the taxpayer's tribe and
3 this state pursuant to section 30c of 1941 PA 122, MCL 205.30c, is
4 in full force and effect. As used in this subdivision:

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

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

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

12 (B) All interest and passive dividends.

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

15 (D) All rents and royalties derived from tangible personal
16 property, to the extent the personal property is utilized within
17 the agreement area.

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

20 (F) Capital gains from the sale or exchange of tangible
21 personal property located within the agreement area at the time of
22 sale.

23 (G) Capital gains from the sale or exchange of intangible
24 personal property.

25 (H) All pension income and benefits including, but not limited
26 to, distributions from a 401(k) plan, individual retirement
27 accounts under section 408 of the internal revenue code, or a

1 defined contribution plan, or payments from a defined benefit plan.

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

4 (J) All gaming winnings.

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

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

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

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

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

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

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

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

22 (i) To the extent not deducted in determining adjusted gross
23 income, contributions made by the taxpayer in the tax year less
24 qualified withdrawals made in the tax year from an ABLE savings
25 account, pursuant to the Michigan ABLE program act, 2015 PA 160,
26 MCL 206.981 to 206.997, not to exceed a total deduction of
27 \$5,000.00 for a single return or \$10,000.00 for a joint return per

1 tax year. The amount calculated under this subparagraph for an ABLE
2 savings account shall not be less than zero.

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

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

10 (y) Add, to the extent not included in adjusted gross income,
11 the amount of money withdrawn by the taxpayer in the tax year from
12 an ABLE savings account, not to exceed the total amount deducted
13 under subdivision (x) in the tax year and all previous tax years,
14 if the withdrawal was not a qualified withdrawal as provided in the
15 Michigan ABLE program act, 2015 PA 160, MCL 206.981 to 206.997.
16 This subdivision does not apply to withdrawals that are less than
17 the sum of all contributions made to an ABLE savings account in all
18 previous tax years for which no deduction was claimed under
19 subdivision (x), less any contributions for which no deduction was
20 claimed under subdivision (x) that were withdrawn in all previous
21 tax years.

22 **(Z) FOR TAX YEARS THAT BEGIN AFTER DECEMBER 31, 2018, DEDUCT,**
23 **TO THE EXTENT INCLUDED IN ADJUSTED GROSS INCOME, COMPENSATION**
24 **RECEIVED IN THE TAX YEAR PURSUANT TO THE WRONGFUL IMPRISONMENT**
25 **COMPENSATION ACT, 2016 PA 343, MCL 691.1751 TO 691.1757.**

26 (2) Except as otherwise provided in subsection (7) and section
27 30a, a personal exemption of \$3,700.00 multiplied by the number of

1 personal and dependency exemptions shall be subtracted in the
2 calculation that determines taxable income. The number of personal
3 and dependency exemptions allowed shall be determined as follows:

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

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

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

16 (a) \$1,800.00 for each taxpayer and every dependent of the
17 taxpayer who is a deaf person as defined in section 2 of the deaf
18 persons' interpreters act, 1982 PA 204, MCL 393.502; a paraplegic,
19 a quadriplegic, or a hemiplegic; a person who is blind as defined
20 in section 504; or a person who is totally and permanently disabled
21 as defined in section 522. When a dependent of a taxpayer files an
22 annual return under this part, the taxpayer or dependent of the
23 taxpayer, but not both, may claim the additional exemption allowed
24 under this subdivision.

25 (b) For tax years beginning after 2007, \$250.00 for each
26 taxpayer and every dependent of the taxpayer who is a qualified
27 disabled veteran. When a dependent of a taxpayer files an annual

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

4 (i) "Qualified disabled veteran" means a veteran with a
5 service-connected disability.

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

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

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

18 (5) A nonresident or a part-year resident is allowed that
19 proportion of an exemption or deduction allowed under subsection
20 (2), (3), or (4) that the taxpayer's portion of adjusted gross
21 income from Michigan sources bears to the taxpayer's total adjusted
22 gross income.

23 (6) In calculating taxable income, a taxpayer shall not
24 subtract from adjusted gross income the amount of prizes won by the
25 taxpayer under the McCauley-Traxler-Law-Bowman-McNeely lottery act,
26 1972 PA 239, MCL 432.1 to 432.47.

27 (7) For each tax year beginning on and after January 1, 2013,

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

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

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

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

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

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

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

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

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

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

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

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

1 deductible.

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

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

7 (A) Deferred compensation plans under section 457 of the
8 internal revenue code.

9 (B) Distributions from plans under section 401(k) of the
10 internal revenue code other than plans described in subdivision
11 (a) (iv) .

12 (C) Distributions from plans under section 403(b) of the
13 internal revenue code other than plans described in subdivision
14 (a) (iii) .

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

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

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

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

24 (b) Except as otherwise provided in subdivision (c), for a
25 person born in 1946 through 1952, the sum of the deductions under
26 subsection (1) (f) (i) , (ii) , and (iv) is limited to \$20,000.00 for a
27 single return and \$40,000.00 for a joint return. After that person

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

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

1 available against all types of income and is not restricted to
2 income from retirement or pension benefits. A person who takes the
3 deduction under subsection (1)(e) is not eligible for the
4 unrestricted deduction of \$35,000.00 for a single return and
5 \$55,000.00 for a joint return, or \$70,000.00 for a joint return if
6 applicable, under this subdivision.

7 (d) Except as otherwise provided under subdivision (c) for a
8 person who was retired as of January 1, 2013, for a person born
9 after 1952 who has reached the age of 62 through 66 years of age
10 and who receives retirement or pension benefits from employment
11 with a governmental agency that was not covered by the federal
12 social security act, chapter 532, 49 Stat 620, the sum of the
13 deductions under subsection (1)(f)(i), (ii), and (iv) is limited to
14 \$15,000.00 for a single return and, except as otherwise provided
15 under this subdivision, \$15,000.00 for a joint return. If both
16 spouses filing a joint return receive retirement or pension
17 benefits from employment with a governmental agency that was not
18 covered by the federal social security act, chapter 532, 49 Stat
19 620, the sum of the deductions under subsection (1)(f)(i), (ii),
20 and (iv) is limited to \$30,000.00 for a joint return.

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

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

12 (f) For a joint return, the limitations and restrictions in
 13 this subsection shall be applied based on the age of the older
 14 spouse filing the joint return.

15 (10) As used in this section: ~~—"oil"~~

16 (A) "OIL and gas" means oil and gas subject to severance tax
 17 under 1929 PA 48, MCL 205.301 to 205.317.

18 (B) "UNITED STATES CONSUMER PRICE INDEX" MEANS THE UNITED
 19 STATES CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS AS DEFINED AND
 20 REPORTED BY THE UNITED STATES DEPARTMENT OF LABOR, BUREAU OF LABOR
 21 STATISTICS.

22 Sec. 51. (1) For receiving, earning, or otherwise acquiring
 23 income from any source whatsoever, there is levied and imposed
 24 under this part upon the taxable income of every person other than
 25 a corporation a tax at the following rates in the following
 26 circumstances:

27 (a) On and after October 1, 2007 and before October 1, 2012,

1 4.35%.

2 (b) Except as otherwise provided under subdivision (c), on and
3 after October 1, 2012, 4.25%.

4 (c) For each tax year beginning on and after January 1, 2023,
5 if the percentage increase in the total general fund/general
6 purpose revenue from the immediately preceding fiscal year is
7 greater than the inflation rate for the same period and the
8 inflation rate is positive, then the current rate shall be reduced
9 by an amount determined by multiplying that rate by a fraction, the
10 numerator of which is the difference between the total general
11 fund/general purpose revenue from the immediately preceding state
12 fiscal year and the capped general fund/general purpose revenue and
13 the denominator of which is the total revenue collected from this
14 part in the immediately preceding state fiscal year. For purposes
15 of this subdivision only, the state treasurer, the director of the
16 senate fiscal agency, and the director of the house fiscal agency
17 shall determine whether the total revenue distributed to general
18 fund/general purpose revenue has increased as required under this
19 subdivision based on the comprehensive annual financial report
20 prepared and published by the department of technology, management,
21 and budget in accordance with section 23 of article IX of the state
22 constitution of 1963. The state treasurer, the director of the
23 senate fiscal agency, and the director of the house fiscal agency
24 shall make the determination under this subdivision no later than
25 the date of the January 2023 revenue estimating conference
26 conducted pursuant to sections 367a through 367f of the management
27 and budget act, 1984 PA 431, MCL 18.1367a to 18.1367f, and the date

House Bill No. 4991 as amended December 21, 2018

of each January revenue estimating conference conducted each year thereafter. As used in this subdivision:

(i) "Capped general fund/general purpose revenue" means the total general fund/general purpose revenue from the 2020-2021 state fiscal year multiplied by the sum of 1 plus the product of 1.425 times the difference between a fraction, the numerator of which is the consumer price index for the state fiscal year ending in the tax year prior to the tax year for which the adjustment is being

made and the denominator of which is the ~~consumer price index~~

CONSUMER PRICE INDEX for the 2020-2021 state fiscal year, and 1.

(ii) "Total general fund/general purpose revenue" means the total general fund/general purpose revenue and other financing sources as published in the comprehensive annual financial report schedule of revenue and other financing sources - general fund for that fiscal year plus any distribution made pursuant to section 51d.

(2) Beginning January 1, 2000 **AND THROUGH NOVEMBER 30, 2018,** that percentage of the gross collections before refunds from the tax levied under this section that is equal to 1.012% divided by the income tax rate levied under this section shall be deposited in the state school aid fund created in section 11 of article IX of

the state constitution of 1963. **[EXCEPT AS OTHERWISE PROVIDED UNDER THIS SUBSECTION, BEGINNING DECEMBER 1, 2018 AND EACH STATE FISCAL YEAR THEREAFTER]**,

THAT PERCENTAGE OF THE GROSS COLLECTIONS BEFORE REFUNDS FROM THE TAX LEVIED UNDER THIS SECTION THAT IS EQUAL TO 0.954% DIVIDED BY THE INCOME TAX RATE LEVIED UNDER THIS SECTION SHALL BE DEPOSITED IN THE STATE SCHOOL AID FUND CREATED IN SECTION 11 OF ARTICLE IX OF THE

STATE CONSTITUTION OF 1963. [HOWEVER, IF, IN ANY 1 OF THE 2018-2019 THROUGH THE 2021-2022 STATE FISCAL YEARS, THE MINIMUM FOUNDATION ALLOWANCE FALLS BELOW THE 2017-2018 MINIMUM FOUNDATION ALLOWANCE ESTABLISHED UNDER SECTION 20 OF THE STATE SCHOOL AID ACT OF 1979, 1979 PA 94, MCL 388.1620, THEN FOR THAT FISCAL YEAR THAT PERCENTAGE OF THE GROSS COLLECTIONS BEFORE REFUNDS FROM THE TAX LEVIED UNDER THIS SECTION THAT IS EQUAL TO 1.012% DIVIDED BY THE INCOME TAX RATE LEVIED UNDER THIS SECTION SHALL BE DEPOSITED IN THE STATE SCHOOL AID FUND CREATED IN SECTION 11 OF ARTICLE IX OF THE STATE CONSTITUTION OF 1963.]

House Bill No. 4991 as amended December 21, 2018

(3) In addition to the ~~distribution under subsection (2)~~

DISTRIBUTIONS UNDER SUBSECTIONS (2) AND (4) and ~~section~~ SECTIONS

51d, **51E, AND 51F**, beginning October 1, 2016, from the revenue collected under this section an amount equal to 3.5% of the average amount of farmland tax credits claimed under section 36109 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.36109, for the immediately preceding 3 state fiscal years shall be deposited into the agricultural preservation fund created in section 36202 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.36202.

(4) IN ADDITION TO THE DISTRIBUTIONS UNDER SUBSECTIONS (2) AND (3) AND SECTIONS 51D, 51E, AND 51F, [AND SUBJECT TO THE LIMITATION UNDER THIS SUBSECTION,] BEGINNING WITH THE 2018-2019 STATE FISCAL YEAR AND EACH FISCAL YEAR THEREAFTER, FROM THE REVENUE COLLECTED UNDER THIS SECTION \$69,000,000.00 SHALL BE DEPOSITED INTO THE RENEW MICHIGAN FUND CREATED IN SECTION 51G. [HOWEVER, IF, IN ANY 1 OF THE 2018-2019 THROUGH THE 2021-2022 STATE FISCAL YEARS, THE MINIMUM FOUNDATION ALLOWANCE FALLS BELOW THE 2017-2018 MINIMUM FOUNDATION ALLOWANCE AS PROVIDED IN SECTION 51(2) THEN NO MONEY SHALL BE DEPOSITED INTO THE RENEW MICHIGAN FUND PURSUANT TO THIS SUBSECTION FOR THAT FISCAL YEAR.]

(5) ~~(4)~~—The department shall annualize rates provided in subsection (1) as necessary. The applicable annualized rate shall be imposed upon the taxable income of every person other than a corporation for those tax years.

(6) ~~(5)~~—The taxable income of a nonresident shall be computed in the same manner that the taxable income of a resident is computed, subject to the allocation and apportionment provisions of this part.

(7) ~~(6)~~—A resident beneficiary of a trust whose taxable income includes all or part of an accumulation distribution by a trust, as defined in section 665 of the internal revenue code, shall be allowed a credit against the tax otherwise due under this part. The

credit shall be all or a proportionate part of any tax paid by the trust under this part for any preceding taxable year that would not have been payable if the trust had in fact made distribution to its beneficiaries at the times and in the amounts specified in section 666 of the internal revenue code. The credit shall not reduce the tax otherwise due from the beneficiary to an amount less than would have been due if the accumulation distribution were excluded from taxable income.

(8) ~~(7)~~—The taxable income of a resident who is required to include income from a trust in his or her federal income tax return under the provisions of 26 USC 671 to 679, shall include items of income and deductions from the trust in taxable income to the extent required by this part with respect to property owned outright.

(9) ~~(8)~~—It is the intention of this section that the income subject to tax of every person other than corporations shall be computed in like manner and be the same as provided in the internal revenue code subject to adjustments specifically provided for in this part.

(10) ~~(9)~~—As used in this section:

(a) "~~Consumer price index~~" **PRICE INDEX** means the United States ~~consumer price index~~ **CONSUMER PRICE INDEX** for all urban consumers as defined and reported by the United States Department of Labor, Bureau of Labor Statistics.

(b) "Inflation rate" means the annual percentage change in the ~~consumer price index~~, **CONSUMER PRICE INDEX**, as determined by the department, comparing the 2 most recent completed state fiscal

House Bill No. 4991 as amended December 21, 2018
 1 years.

2 (c) "Person other than a corporation" means a resident or
 3 nonresident individual or any of the following:

4 (i) A partner in a partnership as defined in the internal
 5 revenue code.

6 (ii) A beneficiary of an estate or a trust as defined in the
 7 internal revenue code.

8 (iii) An estate or trust as defined in the internal revenue
 9 code.

10 (d) "Taxable income" means taxable income as defined in this
 11 part subject to the applicable source and attribution rules
 12 contained in this part.

13 Sec. 51d. In addition to the ~~distribution under section 51(2),~~
 14 **DISTRIBUTIONS UNDER SECTIONS 51, 51E, AND 51F**, the following
 15 amounts of revenue collected from the tax levied under section 51
 16 shall be deposited into the state treasury to the credit of the
 17 Michigan transportation fund created in section 10 of 1951 PA 51,
 18 MCL 247.660, and disbursed as provided in section ~~10(1)(k)~~ **10(1)(l)**
 19 of 1951 PA 51, MCL 247.660:

20 (a) Beginning October 1, 2018 through September 30, 2019,
 21 ~~\$150,000,000.00-\$264,000,000.00~~ **[UNLESS THE MINIMUM FOUNDATION ALLOWANCE**
FALLS BELOW THE 2017-2018 MINIMUM FOUNDATION ALLOWANCE AS PROVIDED IN
SECTION 51(2) THEN \$150,000,000.00].

22 (b) Beginning October 1, 2019 through September 30, 2020,
 23 ~~\$325,000,000.00-\$468,000,000.00~~ **[UNLESS THE MINIMUM FOUNDATION ALLOWANCE**
FALLS BELOW THE 2017-2018 MINIMUM FOUNDATION ALLOWANCE AS PROVIDED IN
SECTION 51(2) THEN \$325,000,000.00].

24 (c) Beginning October 1, 2020 and each October 1 thereafter,
 25 \$600,000,000.00.

26 **SEC. 51G. (1) THE RENEW MICHIGAN FUND IS CREATED WITHIN THE**
 27 **STATE TREASURY. THE STATE TREASURER MAY RECEIVE MONEY OR OTHER**

1 ASSETS FROM ANY SOURCE FOR DEPOSIT INTO THE RENEW MICHIGAN FUND.
2 THE STATE TREASURER SHALL DIRECT THE INVESTMENT OF THE FUND. THE
3 STATE TREASURER SHALL CREDIT TO THE FUND INTEREST AND EARNINGS FROM
4 FUND INVESTMENTS.

5 (2) MONEY IN THE RENEW MICHIGAN FUND AT THE CLOSE OF THE
6 FISCAL YEAR SHALL REMAIN IN THE FUND AND SHALL NOT LAPSE TO THE
7 GENERAL FUND.

8 (3) THE DEPARTMENT OF ENVIRONMENTAL QUALITY SHALL BE THE
9 ADMINISTRATOR OF THE RENEW MICHIGAN FUND FOR AUDITING PURPOSES.

10 (4) BEGINNING WITH THE 2018-2019 STATE FISCAL YEAR AND EACH
11 FISCAL YEAR THEREAFTER, THE DEPARTMENT SHALL EXPEND MONEY FROM THE
12 RENEW MICHIGAN FUND, UPON APPROPRIATION, ONLY FOR THE FOLLOWING
13 PURPOSES:

14 (A) 65% OF THE REVENUE SHALL BE USED FOR ENVIRONMENTAL CLEANUP
15 AND REDEVELOPMENT, INCLUDING, BUT NOT LIMITED TO, ADDRESSING
16 CONTAMINATED SITES AND EMERGING ISSUES THAT HAVE KNOWN OR SUSPECTED
17 POTENTIAL TO CAUSE ADVERSE ENVIRONMENTAL OR HUMAN HEALTH EFFECTS.
18 CRITERIA TO DETERMINE WHICH SITES WILL BE ADDRESSED EACH YEAR MAY
19 INCLUDE, BUT ARE NOT LIMITED TO, THE FOLLOWING:

20 (i) POPULATION RISK, SUCH AS THE NUMBER OF PEOPLE EXPOSED,
21 WHETHER SENSITIVE POPULATIONS ARE EXPOSED, AND WHETHER THE EXPOSURE
22 OCCURS IN A RESIDENTIAL SETTING.

23 (ii) CHEMICAL RISK, INCLUDING THE TYPE AND CONCENTRATION OF
24 CHEMICALS AND THE PUBLIC HEALTH RISK ASSOCIATED WITH THE CHEMICALS.

25 (iii) ECONOMIC DEVELOPMENT POTENTIAL, INCLUDING THE NUMBER OF
26 JOBS, THE AMOUNT OF INVESTMENT, OR THE AMOUNT OF INCREASE IN THE
27 PROPERTY'S VALUE.

1 (B) 13% OF THE REVENUE SHALL BE USED FOR WASTE MANAGEMENT,
2 INCLUDING, BUT NOT LIMITED TO, OVERSIGHT OF ACTIVE LANDFILLS,
3 ASBESTOS LANDFILL GAS MONITORING, AND DEPARTMENT OF ENVIRONMENTAL
4 QUALITY EXPENDITURES FOR CLOSURE, POSTCLOSURE MONITORING OR
5 MAINTENANCE, OR CORRECTIVE ACTION FOR DISPOSAL AREAS THAT HAVE BEEN
6 LICENSED UNDER THIS PART.

7 (C) 22% OF THE REVENUE SHALL BE USED FOR RECYCLING, INCLUDING,
8 BUT NOT LIMITED TO, THE FOLLOWING:

9 (i) MATERIALS MANAGEMENT PLANNING, INCLUDING GRANTS TO
10 COUNTIES, REGIONAL PLANNING AGENCIES, MUNICIPALITIES, AND OTHER
11 ENTITIES RESPONSIBLE FOR PREPARING, IMPLEMENTING, AND MAINTAINING
12 MATERIALS MANAGEMENT PLANS.

13 (ii) LOCAL RECYCLING PROGRAMS, INCLUDING GRANTS TO LOCAL UNITS
14 OF GOVERNMENT AND NONPROFIT AND FOR-PROFIT ENTITIES FOR RECYCLING
15 INFRASTRUCTURE, LOCAL RECYCLING OUTREACH CAMPAIGNS, AND OTHER COSTS
16 NECESSARY TO SUPPORT INCREASED RECYCLING.

17 (iii) MARKET DEVELOPMENT, INCLUDING GRANTS TO LOCAL UNITS OF
18 GOVERNMENT AND NONPROFIT AND FOR-PROFIT ENTITIES FOR PURCHASING
19 EQUIPMENT, RESEARCH AND DEVELOPMENT, OR ASSOCIATED ACTIVITIES TO
20 PROVIDE NEW OR INCREASED USE OF RECYCLED MATERIALS TO SUPPORT THE
21 DEVELOPMENT OF RECYCLING MARKETS.

22 (5) BY DECEMBER 31 ANNUALLY, THE DEPARTMENT SHALL PREPARE AND
23 SUBMIT TO THE SENATE AND HOUSE APPROPRIATIONS COMMITTEES A REPORT
24 DETAILING THE AMOUNT OF REVENUE RECEIVED BY AND EXPENDITURES FROM
25 THE RENEW MICHIGAN FUND DURING THE PRIOR FISCAL YEAR AND THE FUND
26 BALANCE AT THE END OF THE PRIOR FISCAL YEAR.

27 Sec. 508. (1) "Gross rent" means the total rent contracted to

1 be paid by the renter or lessee of a homestead pursuant to dealing
2 at arms' length with the landlord of the homestead. When the
3 landlord and tenant have not dealt with each other at arms' length
4 and the department believes that the gross rent charged is
5 excessive, the department may adjust the gross rent to a reasonable
6 amount for the purposes of this chapter.

7 (2) "Homestead" means a dwelling or unit in a multiple-unit
8 dwelling that is subject to ad valorem taxes, or a service charge
9 in lieu of taxes as provided by section 15a of the state housing
10 development authority act of 1966, 1966 PA 346, MCL 125.1415a,
11 owned and occupied as a home by the owner of the dwelling or unit,
12 or occupied as the dwelling of the renter or lessee, including all
13 unoccupied real property not classified for ad valorem tax purposes
14 as commercial, industrial, residential, or timber-cut over, owned
15 by the owner of the homestead. Beginning in the 1990 tax year, a
16 homestead does not include unoccupied real property that is leased
17 or rented by the owner to another person and that is not adjacent
18 and contiguous to the home of the owner. Additionally, the
19 following apply:

20 (a) If a homestead is an integral part of a larger unit of
21 assessment such as commercial, industrial, residential, timber-cut
22 over, or a multipurpose or multidwelling building, the tax on the
23 homestead shall be the same proportion of the total property tax as
24 the proportion of the value of the homestead is to the total value
25 of the assessed property.

26 (b) If the gross receipts of the agricultural or horticultural
27 operations do not exceed the household income, or if there are no

1 gross receipts, the following apply:

2 (i) If the claimant has lived on the land 10 years or more,
3 all of the adjacent and contiguous agricultural or horticultural
4 lands shall be considered a homestead and the credit is allowed for
5 all the land.

6 (ii) If the claimant has lived on the land less than 10 years,
7 not more than 5 acres of adjacent and contiguous agricultural or
8 horticultural land shall be considered a part of the homestead and
9 the credit is allowed for that part of the land.

10 (c) A mobile home or trailer coach in a trailer coach park is
11 a homestead and the site rent for space is considered the rent of a
12 homestead. The specific tax levied by section 41 of 1959 PA 243,
13 MCL 125.1041, is considered a property tax.

14 (3) "Household" means a claimant and spouse.

15 (4) "Total household resources" means all income received by
16 all persons of a household in a tax year while members of a
17 household, **EXCLUDING FOR TAX YEARS BEGINNING AFTER DECEMBER 31,**
18 **2018 ANY COMPENSATION RECEIVED PURSUANT TO THE WRONGFUL**
19 **IMPRISONMENT COMPENSATION ACT, 2016 PA 343, MCL 691.1751 TO**
20 **691.1757, AND** increased by the following deductions from federal
21 gross income:

22 (a) Any net business loss after netting all business income
23 and loss.

24 (b) Any net rental or royalty loss.

25 (c) Any carryback or carryforward of a net operating loss as
26 defined in section 172(b)(2) of the internal revenue code.

27 Enacting section 1. Section 51 of the income tax act of 1967,

- 1 1967 PA 281, MCL 206.51, as amended by this amendatory act, is
- 2 retroactive and effective beginning December 1, 2018.