

**SUBSTITUTE FOR  
HOUSE BILL NO. 4991**

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
by amending sections 30 and 508 (MCL 206.30 and 206.508), section  
30 as amended by 2017 PA 149 and section 508 as amended by 2011 PA  
177.

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

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

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

1 because of section 265(a)(1) of the internal revenue code.

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

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

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

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

18 (i) Compensation, including retirement or pension benefits,  
19 received for services in the ~~armed forces~~ **ARMED FORCES** of the  
20 United States.

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

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

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

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 the  
10 political subdivisions of this state.

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

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

1 this subparagraph, "senior citizen" means that term as defined in  
2 section 514.

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

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

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

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

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

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

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

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

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

27 (B) The contract applies only for a state institution of

1 higher education as defined in the Michigan education trust act,  
2 1986 PA 316, MCL 390.1421 to 390.1442, or a community or junior  
3 college in Michigan.

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

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

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

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

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

26 (l) Deduct from the taxable income of a purchaser the amount  
27 included as income to the purchaser under the internal revenue code

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

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

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

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

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

subdivision (f) (i), (ii), (iv), or (v). For the 2008 tax year and each tax year after 2008, the maximum amounts allowed under this subdivision shall be adjusted by the percentage increase in the United States ~~consumer price index~~ **CONSUMER PRICE INDEX** for the immediately preceding calendar year. The department shall annualize the amounts provided in this subdivision as necessary. Beginning January 1, 2012, the deduction under this subdivision is not available to a senior citizen born after 1945. As used in this subdivision, "senior citizen" means that term as defined in section 514.

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

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

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

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

(r) Add the amount paid by the state on behalf of the taxpayer in the tax year to repay the outstanding principal on a loan taken on which the taxpayer defaulted that was to fund an advance tuition payment contract entered into under the Michigan education trust act, 1986 PA 316, MCL 390.1421 to 390.1442, if the cost of the 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, to the extent not deducted in determining adjusted  
24 gross income, both of the following:

25 (i) 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) The amount under section 30f.

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

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

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

27 (ii) "Nonbusiness income" means nonbusiness income as defined

1 in section 14 and, to the extent not included in business income,  
2 all of the following:

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

5 (B) All interest and passive dividends.

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

8 (D) All rents and royalties derived from tangible personal  
9 property, to the extent the personal property is utilized within  
10 the agreement area.

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

13 (F) Capital gains from the sale or exchange of tangible  
14 personal property located within the agreement area at the time of  
15 sale.

16 (G) Capital gains from the sale or exchange of intangible  
17 personal property.

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

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

24 (J) All gaming winnings.

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

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

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

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

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

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

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

13 (x) For tax years that begin after December 31, 2015, deduct ~~7~~  
14 ~~to the extent not deducted in determining adjusted gross income,~~  
15 all of the following:

16 (i) ~~Contributions~~ **TO THE EXTENT NOT DEDUCTED IN DETERMINING**  
17 **ADJUSTED GROSS INCOME, CONTRIBUTIONS** made by the taxpayer in the  
18 tax year less qualified withdrawals made in the tax year from an  
19 ABLE savings account, pursuant to the Michigan ABLE program act,  
20 2015 PA 160, MCL 206.981 to 206.997, not to exceed a total  
21 deduction of \$5,000.00 for a single return or \$10,000.00 for a  
22 joint return per tax year. The amount calculated under this  
23 subparagraph for an ABLE savings account shall not be less than  
24 zero.

25 (ii) ~~Interest~~ **TO THE EXTENT NOT DEDUCTED IN DETERMINING**  
26 **ADJUSTED GROSS INCOME, INTEREST** earned in the tax year on the  
27 contributions to the taxpayer's ABLE savings account if the

1 contributions were deductible under subparagraph (i) .

2 (iii) ~~Distributions~~ **TO THE EXTENT INCLUDED IN ADJUSTED GROSS**  
3 **INCOME, DISTRIBUTIONS** that are qualified withdrawals from an ABLE  
4 savings account to the designated beneficiary of that ABLE savings  
5 account.

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

18 **(Z) FOR TAX YEARS THAT BEGIN AFTER DECEMBER 31, 2017, DEDUCT,**  
19 **TO THE EXTENT INCLUDED IN ADJUSTED GROSS INCOME, COMPENSATION**  
20 **RECEIVED IN THE TAX YEAR PURSUANT TO THE WRONGFUL IMPRISONMENT**  
21 **COMPENSATION ACT, 2016 PA 343, MCL 691.1751 TO 691.1757.**

22 (2) Except as otherwise provided in subsection (7), a personal  
23 exemption of \$3,700.00 multiplied by the number of personal or  
24 dependency exemptions allowable on the taxpayer's federal income  
25 tax return pursuant to the internal revenue code shall be  
26 subtracted in the calculation that determines taxable income.

27 (3) Except as otherwise provided in subsection (7), a single

1 additional exemption determined as follows shall be subtracted in  
2 the calculation that determines taxable income in each of the  
3 following circumstances:

4 (a) \$1,800.00 for each taxpayer and every dependent of the  
5 taxpayer who is a deaf person as defined in section 2 of the deaf  
6 persons' interpreters act, 1982 PA 204, MCL 393.502; a paraplegic,  
7 a quadriplegic, or a hemiplegic; a person who is blind as defined  
8 in section 504; or a person who is totally and permanently disabled  
9 as defined in section 522. When a dependent of a taxpayer files an  
10 annual return under this part, the taxpayer or dependent of the  
11 taxpayer, but not both, may claim the additional exemption allowed  
12 under this subdivision. As used in this subdivision, "dependent"  
13 means that term as defined in section 30e.

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

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

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

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

1 general discharge.

2 (4) An individual with respect to whom a deduction under  
3 section 151 of the internal revenue code is allowable to another  
4 federal taxpayer during the tax year is not considered to have an  
5 allowable federal exemption for purposes of subsection (2), but may  
6 subtract \$1,500.00 in the calculation that determines taxable  
7 income for a tax year.

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

13 (6) In calculating taxable income, a taxpayer shall not  
14 subtract from adjusted gross income the amount of prizes won by the  
15 taxpayer under the McCauley-Traxler-Law-Bowman-McNeely lottery act,  
16 1972 PA 239, MCL 432.1 to 432.47.

17 (7) For each tax year beginning on and after January 1, 2013,  
18 the personal exemption allowed under subsection (2) shall be  
19 adjusted by multiplying the exemption for the tax year beginning in  
20 2012 by a fraction, the numerator of which is the United States  
21 ~~consumer price index~~ **CONSUMER PRICE INDEX** for the state fiscal year  
22 ending in the tax year prior to the tax year for which the  
23 adjustment is being made and the denominator of which is the United  
24 States ~~consumer price index~~ **CONSUMER PRICE INDEX** for the 2010-2011  
25 state fiscal year. The resultant product shall be rounded to the  
26 nearest \$100.00 increment. As used in this section, "United States  
27 ~~consumer price index~~" **CONSUMER PRICE INDEX** means the United States

1 ~~consumer price index~~ **CONSUMER PRICE INDEX** for all urban consumers  
 2 as defined and reported by the United States Department of Labor,  
 3 Bureau of Labor Statistics. For each tax year, the exemptions  
 4 allowed under subsection (3) shall be adjusted by multiplying the  
 5 exemption amount under subsection (3) for the tax year by a  
 6 fraction, the numerator of which is the United States ~~consumer~~  
 7 ~~price index~~ **CONSUMER PRICE INDEX** for the state fiscal year ending  
 8 the tax year prior to the tax year for which the adjustment is  
 9 being made and the denominator of which is the United States  
 10 ~~consumer price index~~ **CONSUMER PRICE INDEX** for the 1998-1999 state  
 11 fiscal year. The resultant product shall be rounded to the nearest  
 12 \$100.00 increment.

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

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

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

20 (ii) Individual retirement accounts that qualify under section  
 21 408 of the internal revenue code if the distributions are not made  
 22 until the participant has reached 59-1/2 years of age, except in  
 23 the case of death, disability, or distributions described by  
 24 section 72(t)(2)(A)(iv) of the internal revenue code.

25 (iii) Employee annuities or tax-sheltered annuities purchased  
 26 under section 403(b) of the internal revenue code by organizations  
 27 exempt under section 501(c)(3) of the internal revenue code, or by

1 public school systems.

2 (iv) Distributions from a 401(k) plan attributable to employee  
3 contributions mandated by the plan or attributable to employer  
4 contributions.

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

7 (i) Plans of the United States, state governments other than  
8 this state, and political subdivisions, agencies, or  
9 instrumentalities of this state.

10 (ii) Plans maintained by a church or a convention or  
11 association of churches.

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

15 (c) Retirement or pension benefits received by a surviving  
16 spouse if those benefits qualified for a deduction prior to the  
17 decedent's death. Benefits received by a surviving child are not  
18 deductible.

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

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

24 (A) Deferred compensation plans under section 457 of the  
25 internal revenue code.

26 (B) Distributions from plans under section 401(k) of the  
27 internal revenue code other than plans described in subdivision



1 (a) (iv) .

2 (C) Distributions from plans under section 403(b) of the  
3 internal revenue code other than plans described in subdivision  
4 (a) (iii) .

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

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

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

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

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

27 (c) Beginning January 1, 2013 for a person born in 1946

1 through 1952 and beginning January 1, 2018 for a person born after  
2 1945 who has retired as of January 1, 2013, if that person receives  
3 retirement or pension benefits from employment with a governmental  
4 agency that was not covered by the federal social security act,  
5 chapter 531, 49 Stat 620, the sum of the deductions under  
6 subsection (1)(f)(i), (ii), and (iv) is limited to \$35,000.00 for a  
7 single return and, except as otherwise provided under this  
8 subdivision, \$55,000.00 for a joint return. If both spouses filing  
9 a joint return receive retirement or pension benefits from  
10 employment with a governmental agency that was not covered by the  
11 federal social security act, chapter 531, 49 Stat 620, the sum of  
12 the deductions under subsection (1)(f)(i), (ii), and (iv) is  
13 limited to \$70,000.00 for a joint return. After that person reaches  
14 the age of 67, the deductions under subsection (1)(f)(i), (ii), and  
15 (iv) do not apply and that person is eligible for a deduction of  
16 \$35,000.00 for a single return and \$55,000.00 for a joint return,  
17 or \$70,000.00 for a joint return if applicable, which deduction is  
18 available against all types of income and is not restricted to  
19 income from retirement or pension benefits. A person who takes the  
20 deduction under subsection (1)(e) is not eligible for the  
21 unrestricted deduction of \$35,000.00 for a single return and  
22 \$55,000.00 for a joint return, or \$70,000.00 for a joint return if  
23 applicable, under this subdivision.

24 (d) Except as otherwise provided under subdivision (c) for a  
25 person who was retired as of January 1, 2013, for a person born  
26 after 1952 who has reached the age of 62 through 66 years of age  
27 and who receives retirement or pension benefits from employment

1 with a governmental agency that was not covered by the federal  
2 social security act, chapter 532, 49 Stat 620, the sum of the  
3 deductions under subsection (1)(f)(i), (ii), and (iv) is limited to  
4 \$15,000.00 for a single return and, except as otherwise provided  
5 under this subdivision, \$15,000.00 for a joint return. If both  
6 spouses filing a joint return receive retirement or pension  
7 benefits from employment with a governmental agency that was not  
8 covered by the federal social security act, chapter 532, 49 Stat  
9 620, the sum of the deductions under subsection (1)(f)(i), (ii),  
10 and (iv) is limited to \$30,000.00 for a joint return.

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

1 return and \$40,000.00 for a joint return under this subdivision.

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

5 (10) As used in this section, "oil and gas" means oil and gas  
6 subject to severance tax under 1929 PA 48, MCL 205.301 to 205.317.

7 Sec. 508. (1) "Gross rent" means the total rent contracted to  
8 be paid by the renter or lessee of a homestead pursuant to dealing  
9 at arms' length with the landlord of the homestead. When the  
10 landlord and tenant have not dealt with each other at arms' length  
11 and the department believes that the gross rent charged is  
12 excessive, the department may adjust the gross rent to a reasonable  
13 amount for the purposes of this chapter.

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

27 (a) If a homestead is an integral part of a larger unit of

1 assessment such as commercial, industrial, residential, timber-cut  
2 over, or a multipurpose or multidwelling building, the tax on the  
3 homestead shall be the same proportion of the total property tax as  
4 the proportion of the value of the homestead is to the total value  
5 of the assessed property.

6 (b) If the gross receipts of the agricultural or horticultural  
7 operations do not exceed the household income, or if there are no  
8 gross receipts, the following apply:

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

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

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

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

22 (4) "Total household resources" means all income received by  
23 all persons of a household in a tax year while members of a  
24 household, **EXCLUDING ANY COMPENSATION RECEIVED PURSUANT TO THE**  
25 **WRONGFUL IMPRISONMENT COMPENSATION ACT, 2016 PA 343, MCL 691.1751**  
26 **TO 691.1757, AND** increased by the following deductions from federal  
27 gross income:

1           (a) Any net business loss after netting all business income  
2 and loss.

3           (b) Any net rental or royalty loss.

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