

**SUBSTITUTE FOR
HOUSE BILL NO. 5034**

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

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

10 (b) Add taxes on or measured by income to the extent the taxes

1 have been deducted in arriving at adjusted gross income.

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

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

14 (e) Deduct, to the extent included in adjusted gross income,
15 the following:

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

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

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

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

26 (i) Retirement or pension benefits received from a federal
27 public retirement system or from a public retirement system of or

1 created by this state or a political subdivision of this state.

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

9 (iii) Social ~~security~~**SECURITY** benefits as defined in section
10 86 of the internal revenue code.

11 (iv) Beginning on and after January 1, 2007, retirement or
12 pension benefits not deductible under subparagraph (i) or
13 subdivision (e) from any other retirement or pension system or
14 benefits from a retirement annuity policy in which payments are
15 made for life to a senior citizen, to a maximum of \$42,240.00 for a
16 single return and \$84,480.00 for a joint return. The maximum
17 amounts allowed under this subparagraph shall be reduced by the
18 amount of the deduction for retirement or pension benefits claimed
19 under subparagraph (i) or subdivision (e) and by the amount of a
20 deduction claimed under subdivision (p). For the 2008 tax year and
21 each tax year after 2008, the maximum amounts allowed under this
22 subparagraph shall be adjusted by the percentage increase in the
23 United States ~~consumer price index~~**CONSUMER PRICE INDEX** for the
24 immediately preceding calendar year. The department shall annualize
25 the amounts provided in this subparagraph as necessary. As used in
26 this subparagraph, "senior citizen" means that term as defined in
27 section 514.

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

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

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

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

25 (B) The contract applies only for a state institution of
26 higher education as defined in the Michigan education trust act,
27 1986 PA 316, MCL 390.1421 to 390.1442, or a community or junior

1 college in Michigan.

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

5 (D) The contract is entered into after either of the
6 following:

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

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

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

24 (l) Deduct from the taxable income of a purchaser the amount
25 included as income to the purchaser under the internal revenue code
26 after the advance tuition payment contract entered into under the
27 Michigan education trust act, 1986 PA 316, MCL 390.1421 to

1 390.1442, is terminated because the qualified beneficiary attends
2 an institution of postsecondary education other than either a state
3 institution of higher education or an institution of postsecondary
4 education located outside this state with which a state institution
5 of higher education has reciprocity.

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

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

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

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

1 subdivision shall be adjusted by the percentage increase in the
2 United States ~~consumer price index~~ **CONSUMER PRICE INDEX** for the
3 immediately preceding calendar year. The department shall annualize
4 the amounts provided in this subdivision as necessary. Beginning
5 January 1, 2012, the deduction under this subdivision is not
6 available to a senior citizen born after 1945. As used in this
7 subdivision, "senior citizen" means that term as defined in section
8 514.

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

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

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

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

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

27 (s) Deduct, to the extent included in adjusted gross income,

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

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

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

21 (t) Deduct, to the extent not deducted in determining adjusted
22 gross income, both of the following:

23 (i) Contributions made by the taxpayer in the tax year less
24 qualified withdrawals made in the tax year from education savings
25 accounts, calculated on a per education savings account basis,
26 pursuant to the Michigan education savings program act, 2000 PA
27 161, MCL 390.1471 to 390.1486, not to exceed a total deduction of

1 \$5,000.00 for a single return or \$10,000.00 for a joint return per
2 tax year. The amount calculated under this subparagraph for each
3 education savings account shall not be less than zero.

4 (ii) The amount under section 30f.

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

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

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

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

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

3 (B) All interest and passive dividends.

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

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

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

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

14 (G) Capital gains from the sale or exchange of intangible
15 personal property.

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

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

22 (J) All gaming winnings.

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

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

26 (B) The individual's tribe has an agreement with this state
27 pursuant to section 30c of 1941 PA 122, MCL 205.30c, that is in

1 full force and effect.

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

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

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

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

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

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

23 (ii) ~~Interest~~ **TO THE EXTENT NOT DEDUCTED IN DETERMINING**
24 **ADJUSTED GROSS INCOME, INTEREST** earned in the tax year on the
25 contributions to the taxpayer's ABLE savings account if the
26 contributions were deductible under subparagraph (i).

27 (iii) ~~Distributions~~ **TO THE EXTENT INCLUDED IN ADJUSTED GROSS**

1 **INCOME, DISTRIBUTIONS** that are qualified withdrawals from an ABLE
2 savings account to the designated beneficiary of that ABLE savings
3 account.

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

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

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

25 (a) \$1,800.00 for each taxpayer and every dependent of the
26 taxpayer who is a deaf person as defined in section 2 of the deaf
27 persons' interpreters act, 1982 PA 204, MCL 393.502; a paraplegic,

1 a quadriplegic, or a hemiplegic; a person who is blind as defined
2 in section 504; or a person who is totally and permanently disabled
3 as defined in section 522. When a dependent of a taxpayer files an
4 annual return under this part, the taxpayer or dependent of the
5 taxpayer, but not both, may claim the additional exemption allowed
6 under this subdivision. As used in this subdivision, "dependent"
7 means that term as defined in section 30e.

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

14 (i) "Qualified disabled veteran" means a veteran with a
15 service-connected disability.

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

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

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

1 income for a tax year.

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

7 (6) In calculating taxable income, a taxpayer shall not
8 subtract from adjusted gross income the amount of prizes won by the
9 taxpayer under the McCauley-Traxler-Law-Bowman-McNeely lottery act,
10 1972 PA 239, MCL 432.1 to 432.47.

11 (7) For each tax year beginning on and after January 1, 2013,
12 the personal exemption allowed under subsection (2) shall be
13 adjusted by multiplying the exemption for the tax year beginning in
14 2012 by a fraction, the numerator of which is the United States
15 ~~consumer price index~~ **CONSUMER PRICE INDEX** for the state fiscal year
16 ending in the tax year prior to the tax year for which the
17 adjustment is being made and the denominator of which is the United
18 States ~~consumer price index~~ **CONSUMER PRICE INDEX** for the 2010-2011
19 state fiscal year. The resultant product shall be rounded to the
20 nearest \$100.00 increment. As used in this section, "United States
21 ~~consumer price index~~" **CONSUMER PRICE INDEX** means the United States
22 ~~consumer price index~~ **CONSUMER PRICE INDEX** for all urban consumers
23 as defined and reported by the United States Department of Labor,
24 Bureau of Labor Statistics. For each tax year, the exemptions
25 allowed under subsection (3) shall be adjusted by multiplying the
26 exemption amount under subsection (3) for the tax year by a
27 fraction, the numerator of which is the United States ~~consumer~~

~~price index~~ **CONSUMER PRICE INDEX** for the state fiscal year ending the tax year prior to the tax year for which the adjustment is being made and the denominator of which is the United States ~~consumer price index~~ **CONSUMER PRICE INDEX** for the 1998-1999 state fiscal year. The resultant product shall be rounded to the nearest \$100.00 increment.

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

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

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

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

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

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

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

1 (i) Plans of the United States, state governments other than
2 this state, and political subdivisions, agencies, or
3 instrumentalities of this state.

4 (ii) Plans maintained by a church or a convention or
5 association of churches.

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

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

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

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

18 (A) Deferred compensation plans under section 457 of the
19 internal revenue code.

20 (B) Distributions from plans under section 401(k) of the
21 internal revenue code other than plans described in subdivision
22 (a) (iv) .

23 (C) Distributions from plans under section 403(b) of the
24 internal revenue code other than plans described in subdivision
25 (a) (iii) .

26 (ii) Premature distributions paid on separation, withdrawal,
27 or discontinuance of a plan prior to the earliest date the

1 recipient could have retired under the provisions of the plan.

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

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

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

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

21 (c) Beginning January 1, 2013 for a person born in 1946
22 through 1952 and beginning January 1, 2018 for a person born after
23 1945 who has retired as of January 1, 2013, if that person receives
24 retirement or pension benefits from employment with a governmental
25 agency that was not covered by the federal social security act,
26 chapter 531, 49 Stat 620, the sum of the deductions under
27 subsection (1)(f)(i), (ii), and (iv) is limited to \$35,000.00 for a

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

18 (d) Except as otherwise provided under subdivision (c) for a
19 person who was retired as of January 1, 2013, for a person born
20 after 1952 who has reached the age of 62 through 66 years of age
21 and who receives retirement or pension benefits from employment
22 with a governmental agency that was not covered by the federal
23 social security act, chapter 532, 49 Stat 620, the sum of the
24 deductions under subsection (1)(f)(i), (ii), and (iv) is limited to
25 \$15,000.00 for a single return and, except as otherwise provided
26 under this subdivision, \$15,000.00 for a joint return. If both
27 spouses filing a joint return receive retirement or pension

1 benefits from employment with a governmental agency that was not
2 covered by the federal social security act, chapter 532, 49 Stat
3 620, the sum of the deductions under subsection (1) (f) (i), (ii),
4 and (iv) is limited to \$30,000.00 for a joint return.

5 (e) Except as otherwise provided under subdivision (c) or (d),
6 for a person born after 1952, the deduction under subsection
7 (1) (f) (i), (ii), or (iv) does not apply. When that person reaches
8 the age of 67, that person is eligible for a deduction of
9 \$20,000.00 for a single return and \$40,000.00 for a joint return,
10 which deduction is available against all types of income and is not
11 restricted to income from retirement or pension benefits. If a
12 person takes the deduction of \$20,000.00 for a single return and
13 \$40,000.00 for a joint return, that person shall not take the
14 deduction under subsection (1) (f) (iii) and shall not take the
15 personal exemption under subsection (2). That person may elect not
16 to take the deduction of \$20,000.00 for a single return and
17 \$40,000.00 for a joint return and elect to take the deduction under
18 subsection (1) (f) (iii) and the personal exemption under subsection
19 (2) if that election would reduce that person's tax liability. A
20 person who takes the deduction under subsection (1) (e) is not
21 eligible for the unrestricted deduction of \$20,000.00 for a single
22 return and \$40,000.00 for a joint return under this subdivision.

23 (f) For a joint return, the limitations and restrictions in
24 this subsection shall be applied based on the ~~age~~**DATE OF BIRTH** of
25 the older spouse filing the joint return. **FOR TAX YEARS BEGINNING**
26 **AFTER DECEMBER 31, 2017, IF A DEDUCTION UNDER SUBSECTION (1) (F) WAS**
27 **CLAIMED ON A JOINT RETURN FOR AT LEAST 2 TAX YEARS PRIOR TO THE**

1 DEATH OF A SPOUSE AND THE SURVIVING SPOUSE HAS NOT REMARRIED SINCE
2 THE DEATH OF THAT SPOUSE, THE SURVIVING SPOUSE IS ENTITLED TO CLAIM
3 THE DEDUCTION UNDER SUBSECTION (1) (F) IN SUBSEQUENT TAX YEARS
4 SUBJECT TO THE SAME RESTRICTIONS AND LIMITATIONS, FOR A SINGLE
5 RETURN, THAT WOULD HAVE APPLIED BASED ON THE DATE OF BIRTH OF THE
6 OLDER OF THE 2 SPOUSES. HOWEVER, A SURVIVING SPOUSE BORN AFTER 1945
7 WHO HAS REACHED THE AGE OF 67 AND HAS NOT REMARRIED SINCE THE DEATH
8 OF THAT SPOUSE MAY ELECT TO TAKE THE DEDUCTION THAT IS AVAILABLE
9 AGAINST ALL TYPES OF INCOME SUBJECT TO THE SAME LIMITATIONS AND
10 RESTRICTIONS AS PROVIDED UNDER THIS SUBSECTION BASED ON THE
11 SURVIVING SPOUSE'S DATE OF BIRTH INSTEAD OF TAKING THE DEDUCTION
12 ALLOWED UNDER SUBSECTION (1) (F) , FOR A SINGLE RETURN, BASED ON THE
13 DATE OF BIRTH OF THE OLDER SPOUSE.

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