

**SUBSTITUTE FOR
HOUSE BILL NO. 4201**

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending section 30 (MCL 206.30), as amended by 2023 PA 4.

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.



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

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

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

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

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

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

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

(f) Deduct the following to the extent included in adjusted gross income subject to the limitations and restrictions set forth in subsection (9), (10), or (11), as applicable:

(i) Retirement or pension benefits received from a federal



1 public retirement system or from a public retirement system of or
2 created by this state or a political subdivision of this state.

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

(I) The purchaser has had the purchaser's offer to enter into



1 an advance tuition payment contract rejected by the board of
2 directors of the Michigan education trust, if the board determines
3 that the trust cannot accept an unlimited number of enrollees upon
4 an actuarially sound basis.

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

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

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

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

29 (n) Deduct a net operating loss deduction for the taxable year



1 as determined under section 172 of the internal revenue code
2 subject to the modifications under section 172(b)(2) of the
3 internal revenue code and subject to the allocation and
4 apportionment provisions of chapter 3 for the taxable year in which
5 the loss was incurred.

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

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

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

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



(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) and was financed with a Michigan education trust secured loan.

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

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



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

7 (t) Deduct all of the following:

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

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

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

25 (u) Add, to the extent not included in adjusted gross income,
26 the amount of money withdrawn by the taxpayer in the tax year from
27 education savings accounts, not to exceed the total amount deducted
28 under subdivision (t) in the tax year and all previous tax years,
29 if the withdrawal was not a qualified withdrawal as provided in the



1 Michigan education savings program act, 2000 PA 161, MCL 390.1471
2 to 390.1486. This subdivision does not apply to withdrawals that
3 are less than the sum of all contributions made to an education
4 savings account in all previous tax years for which no deduction
5 was claimed under subdivision (t), less any contributions for which
6 no deduction was claimed under subdivision (t) that were withdrawn
7 in all previous tax years.

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

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

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

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

21 (B) All interest and passive dividends.

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

24 (D) All rents and royalties derived from tangible personal
25 property, to the extent the personal property is utilized within
26 the agreement area.

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

29 (F) Capital gains from the sale or exchange of tangible



1 personal property located within the agreement area at the time of
2 sale.

3 (G) Capital gains from the sale or exchange of intangible
4 personal property.

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

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

11 (J) All gaming winnings.

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

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

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

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

21 (w) Eliminate all of the following:

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

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

26 (x) Deduct all of the following:

27 (i) To the extent not deducted in determining adjusted gross
28 income, contributions made by the taxpayer in the tax year less
29 qualified withdrawals made in the tax year from an ABLE savings



1 account, pursuant to the Michigan achieving a better life
 2 experience (ABLE) program act, 2015 PA 160, MCL 206.981 to 206.997,
 3 not to exceed a total deduction of \$5,000.00 for a single return or
 4 \$10,000.00 for a joint return per tax year. The amount calculated
 5 under this subparagraph for an ABLE savings account shall not be
 6 less than zero.

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

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

14 (y) 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 an ABLE savings account, not to exceed the total amount deducted
 17 under subdivision (x) in the tax year and all previous tax years,
 18 if the withdrawal was not a qualified withdrawal as provided in the
 19 Michigan achieving a better life experience (ABLE) program act,
 20 2015 PA 160, MCL 206.981 to 206.997. This subdivision does not
 21 apply to withdrawals that are less than the sum of all
 22 contributions made to an ABLE savings account in all previous tax
 23 years for which no deduction was claimed under subdivision (x),
 24 less any contributions for which no deduction was claimed under
 25 subdivision (x) that were withdrawn in all previous tax years.

26 (z) ~~For tax years that begin after December 31, 2018, deduct,~~
 27 **Deduct,** to the extent included in adjusted gross income,
 28 compensation received in the tax year pursuant to the wrongful
 29 imprisonment compensation act, 2016 PA 343, MCL 691.1751 to



1 691.1757.

2 (aa) For ~~the 2016, 2017, 2018, and 2019 tax years and for each~~
3 ~~tax year that begins~~ **tax years that begin** on and after January 1,
4 2025, a taxpayer who is a disabled veteran may deduct, to the
5 extent included in adjusted gross income, income reported on a
6 federal income tax form 1099-C that is attributable to the
7 cancellation or discharge of a student loan by the United States
8 Department of Education pursuant to the total and permanent
9 disability discharge program, 34 CFR 685.213. As used in this
10 subdivision, "disabled veteran" means an individual who meets
11 either of the following criteria:

12 (i) Has been determined by the United States Department of
13 Veterans Affairs to be permanently and totally disabled as a result
14 of military service and entitled to veterans' benefits at the 100%
15 rate.

16 (ii) Has been rated by the United States Department of Veterans
17 Affairs as individually unemployable.

18 (bb) For tax years that begin on and after January 1, 2021,
19 and subject to the limitation under this subdivision, deduct, to
20 the extent not deducted in determining adjusted gross income,
21 wagering losses deducted under section 165(d) of the internal
22 revenue code on the taxpayer's federal income tax return for the
23 same tax year. For a nonresident, only wagering losses that are
24 attributable to wagering transactions placed at or through a casino
25 or licensed race meeting located in this state may be deducted and
26 must not exceed the gains on wagering transactions allocated to
27 this state under section 110(2)(d). As used in this subdivision,
28 "casino" and "licensed race meeting" mean those terms as defined in
29 section 110.



1 (cc) Except as otherwise provided under subparagraph (i), for
2 tax years that begin on and after January 1, 2022, deduct all of
3 the following:

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

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

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

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



1 sum of all contributions made to a first-time home buyer savings
2 account in all previous tax years for which no deduction was
3 claimed under subdivision (cc), less any contributions for which no
4 deduction was claimed under subdivision (cc) that were withdrawn in
5 all previous tax years.

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

12 (a) Each taxpayer may claim 1 personal exemption. However, if
13 a joint return is not made by the taxpayer and the taxpayer's
14 spouse, the taxpayer may claim a personal exemption for the spouse
15 if the spouse, for the calendar year in which the taxable year of
16 the taxpayer begins, does not have any gross income and is not the
17 dependent of another taxpayer.

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

20 (c) ~~For tax years beginning on and after January 1, 2019, a~~ **A**
21 taxpayer may claim an additional exemption under this subsection in
22 the tax year for which the taxpayer has a certificate of stillbirth
23 from the department of health and human services as provided under
24 section 2834 of the public health code, 1978 PA 368, MCL 333.2834.

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

29 (a) \$1,800.00 for each taxpayer and every dependent of the



1 taxpayer who is a deaf person as defined in section 2 of the deaf
2 persons' interpreters act, 1982 PA 204, MCL 393.502; a paraplegic,
3 a quadriplegic, or a hemiplegic; a person who is blind as defined
4 in section 504; or a person who is totally and permanently disabled
5 as defined in section 522. When a dependent of a taxpayer files an
6 annual return under this part, the taxpayer or dependent of the
7 taxpayer, but not both, may claim the additional exemption allowed
8 under this subdivision.

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

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

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

20 (iii) "Veteran" means an individual who served in the active
21 military, naval, marine, coast guard, or air service and who was
22 discharged or released from the individual's service with an
23 honorable or general discharge.

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

29 (5) A nonresident or a part-year resident is allowed that



1 proportion of an exemption or deduction allowed under subsection
2 (2), (3), or (4) that the taxpayer's portion of adjusted gross
3 income from Michigan sources bears to the taxpayer's total adjusted
4 gross income.

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

9 (7) For each tax year beginning on and after January 1, 2013,
10 the personal exemption allowed under subsection (2) shall be
11 adjusted by multiplying the exemption for the tax year beginning in
12 2012 by a fraction, the numerator of which is the United States
13 Consumer Price Index for the state fiscal year ending in the tax
14 year prior to the tax year for which the adjustment is being made
15 and the denominator of which is the United States Consumer Price
16 Index for the 2010-2011 state fiscal year. For the 2022 tax year
17 and each tax year after 2022, the adjusted amount determined under
18 this subsection shall be increased by an additional \$600.00. The
19 resultant product shall be rounded to the nearest \$100.00
20 increment. For each tax year, the exemptions allowed under
21 subsection (3) shall be adjusted by multiplying the exemption
22 amount under subsection (3) for the tax year by a fraction, the
23 numerator of which is the United States Consumer Price Index for
24 the state fiscal year ending the tax year prior to the tax year for
25 which the adjustment is being made and the denominator of which is
26 the United States Consumer Price Index for the 1998-1999 state
27 fiscal year. The resultant product shall be rounded to the nearest
28 \$100.00 increment.

29 (8) As used in this section, "retirement or pension benefits"



1 means distributions from all of the following:

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

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

7 (ii) Individual retirement accounts that qualify under section
8 408 of the internal revenue code if the distributions are not made
9 until the participant has reached 59-1/2 years of age, except in
10 the case of death, disability, or distributions described by
11 section 72(t)(2)(A)(iv) of the internal revenue code.

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

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

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

21 (i) Plans of the United States, state governments other than
22 this state, and political subdivisions, agencies, or
23 instrumentalities of this state.

24 (ii) Plans maintained by a church or a convention or
25 association of churches.

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

29 (c) Retirement or pension benefits received by a surviving



1 spouse if those benefits qualified for a deduction prior to the
2 decedent's death. Benefits received by a surviving child are not
3 deductible.

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

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

9 (A) Deferred compensation plans under section 457 of the
10 internal revenue code.

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

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

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

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

22 (9) Except as otherwise provided in subsection (10) or (11),
23 in determining taxable income under this section, the following
24 limitations and restrictions apply:

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

27 (b) Except as otherwise provided in subdivision (c), for a
28 person born in 1946 through 1952, the sum of the deductions under
29 subsection (1) (f) (i) , (ii) , and (iv) is limited to \$20,000.00 for a



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

(c) Beginning January 1, 2013 for a person born in 1946 through 1952 and beginning January 1, 2018 for a person born after 1945 who has retired as of January 1, 2013, if that person receives retirement or pension benefits from employment with a governmental agency that was not covered by the federal social security act, ~~chapter 531, 49 Stat 620, 42 USC 301 to 1397mm~~, the sum of the deductions under subsection (1)(f)(i), (ii), and (iv) is limited to \$35,000.00 for a single return and, except as otherwise provided under this subdivision, \$55,000.00 for a joint return. If both spouses filing a joint return receive retirement or pension benefits from employment with a governmental agency that was not covered by the federal social security act, ~~chapter 531, 49 Stat 620, 42 USC 301 to 1397mm~~, the sum of the deductions under subsection (1)(f)(i), (ii), and (iv) is limited to \$70,000.00 for a joint return. After that person reaches the age of 67, the deductions under subsection (1)(f)(i), (ii), and (iv) do not apply and that person is eligible for a deduction of \$35,000.00 for a single return and \$55,000.00 for a joint return, or \$70,000.00 for a joint return if applicable, which deduction is available against all



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

(d) Except as otherwise provided under subdivision (c) for a person who was retired as of January 1, 2013, for a person born after 1952 who has reached the age of 62 through 66 years of age and who receives retirement or pension benefits from employment with a governmental agency that was not covered by the federal social security act, ~~chapter 531, 49 Stat 620,~~ **42 USC 301 to 1397mm**, the sum of the deductions under subsection (1)(f)(i), (ii), and (iv) is limited to \$15,000.00 for a single return and, except as otherwise provided under this subdivision, \$15,000.00 for a joint return. If both spouses filing a joint return receive retirement or pension benefits from employment with a governmental agency that was not covered by the federal social security act, ~~chapter 531, 49 Stat 620,~~ **42 USC 301 to 1397mm**, the sum of the deductions under subsection (1)(f)(i), (ii), and (iv) is limited to \$30,000.00 for a joint return.

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



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

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

29 (10) In determining taxable income under this section, a



1 taxpayer may elect to deduct retirement or pension benefits as
2 provided under subsection (1)(f) with the following limitations and
3 restrictions or elect to apply the limitations and restrictions in
4 subsection (9), or subsection (11) if applicable:

5 (a) For the 2023 tax year, a taxpayer who was born after 1945
6 and before 1959 may deduct an amount of retirement or pension
7 benefits not to exceed 25% of the maximum amount of retirement or
8 pension benefits that the taxpayer would be allowed to deduct for
9 the tax year under subsection (1)(f)(iv) if the taxpayer's
10 retirement or pension benefits were subject to the limitations of
11 that subsection only.

12 (b) For the 2024 tax year, a taxpayer who was born after 1945
13 and before 1963 may deduct an amount of retirement or pension
14 benefits not to exceed 50% of the maximum amount of retirement or
15 pension benefits that the taxpayer would be allowed to deduct for
16 the tax year under subsection (1)(f)(iv) if the taxpayer's
17 retirement or pension benefits were subject to the limitations of
18 that subsection only.

19 (c) For the 2025 tax year, a taxpayer who was born after 1945
20 and before 1967 may deduct an amount of retirement or pension
21 benefits not to exceed 75% of the maximum amount of retirement or
22 pension benefits that the taxpayer would be allowed to deduct for
23 the tax year under subsection (1)(f)(iv) if the taxpayer's
24 retirement or pension benefits were subject to the limitations of
25 that subsection only.

26 (d) For the 2026 tax year and each tax year after 2026, a
27 taxpayer may deduct retirement or pension benefits as provided
28 under subsection (1)(f), except that the amounts deductible under
29 subsection (1)(f)(i) and (ii) combined are subject to the same



1 maximum amounts allowed under subsection (1)(f)(iv) for a single
2 return and a joint return for that same tax year.

3 (e) For a joint return, the limitations and restrictions in
4 this subsection shall be applied based on the date of birth of the
5 older spouse filing the joint return. If a deduction under
6 subsection (1)(f) was claimed on a joint return for a tax year in
7 which a spouse died and the surviving spouse has not remarried
8 since the death of that spouse, the surviving spouse is entitled to
9 claim the deduction under subsection (1)(f) in subsequent tax years
10 subject to the same restrictions and limitations under this
11 subsection, for a single return, that would have applied based on
12 the date of birth of the older of the 2 spouses.

13 (11) For tax years beginning on and after January 1, 2023, in
14 determining taxable income under this section, a taxpayer with
15 retirement or pension benefits received for services as a public
16 police or fire department employee subject to 1969 PA 312, MCL
17 423.231 to 423.247, a state police trooper or state police sergeant
18 subject to 1980 PA 17, MCL 423.271 to 423.287, or a corrections
19 officer employed by **this state or by** a county sheriff **in this state**
20 in a county jail, work camp, or other facility maintained by a
21 county that houses adult prisoners may elect to deduct retirement
22 or pension benefits as provided under subsection (1)(f) without any
23 additional limitations or restrictions or elect to apply the
24 limitations and restrictions in subsection (9) or (10).

25 (12) As used in this section:

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

28 (b) "Senior citizen" means that term as defined in section
29 514.



1 (c) "United States Consumer Price Index" means the United
2 States Consumer Price Index for all urban consumers as defined and
3 reported by the United States Department of Labor, Bureau of Labor
4 Statistics.

5 Enacting section 1. This amendatory act is intended to be
6 retroactive and applies retroactively effective for tax years
7 beginning on and after January 1, 2023.