

HOUSE BILL No. 4248

February 12, 1991, Introduced by Reps. Dalman, McBryde, Robertson, Oxender, Muxlow, Jaye, Dolan, O'Connor, Walberg, Dresch, McNutt, Brackenridge, Hoekman and Bodem and referred to the Committee on Taxation.

A bill to amend sections 30 and 508 of Act No. 281 of the Public Acts of 1967, entitled

"Income tax act of 1967,"

section 30 as amended by Act No. 516 of the Public Acts of 1988 and section 508 as amended by Act No. 283 of the Public Acts of 1990, being sections 206.30 and 206.508 of the Michigan Compiled Laws; and to add section 312.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 30 and 508 of Act No. 281 of the Public
2 Acts of 1967, section 30 as amended by Act No. 516 of the Public
3 Acts of 1988 and section 508 as amended by Act No. 283 of the
4 Public Acts of 1990, being sections 206.30 and 206.508 of the
5 Michigan Compiled Laws, are amended and section 312 is added to
6 read as follows:

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

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 ~~federal~~ adjusted gross
8 income less related expenses not deducted in computing ~~federal~~
9 adjusted gross income because of section 265(a)(1) of the inter-
10 nal revenue code.

11 (b) Add taxes on or measured by income to the extent the
12 taxes have been deducted in arriving at ~~federal~~ adjusted gross
13 income.

14 (c) Add losses on the sale or exchange of obligations of the
15 United States government, the income of which this state is pro-
16 hibited from subjecting to a net income tax, to the extent that
17 the loss has been deducted in arriving at ~~federal~~ adjusted
18 gross income.

19 (d) Deduct, to the extent included in ~~federal~~ adjusted
20 gross income, income derived from obligations, or the sale or
21 exchange of obligations, of the United States government that
22 this state is prohibited by law from subjecting to a net income
23 tax, reduced by any interest on indebtedness incurred in carrying
24 the obligations and by any expenses incurred in the production of
25 that income to the extent that the expenses, including amorti-
26 zable bond premiums, were deducted in arriving at ~~federal~~
27 adjusted gross income.

1 (e) Deduct, to the extent included in ~~federal~~ adjusted
2 gross income, compensation, including retirement benefits,
3 received for services in the armed forces of the United States.

4 (f) Deduct THE FOLLOWING to the extent included in adjusted
5 gross income:

6 (i) Retirement or pension benefits received from a public
7 retirement system of or created by this state or a political sub-
8 division of this state.

9 (ii) ~~Any retirement~~ RETIREMENT or pension benefits
10 received from a public retirement system of or created by another
11 state or any of its political subdivisions if the income tax laws
12 of the other state permit a similar deduction or exemption or a
13 reciprocal deduction or exemption of a retirement or pension ben-
14 efit received from a public retirement system of or created by
15 this state or any of the political subdivisions of this state.
16 (iii) Social security benefits as defined in section 86 of
17 the internal revenue code.

18 (iv) Retirement or pension benefits from any other retire-
19 ment or pension system as follows:

20 (A) For a single return, the sum of not more than
21 \$7,500.00.

22 (B) For a joint return, the sum of not more than
23 \$10,000.00.

24 (v) The amount determined to be the section 22 amount eligi-
25 ble for the elderly and permanently and totally disabled credit
26 provided in section 22 of the internal revenue code.

1 (g) Adjustments resulting from the application of section
2 271.

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

5 (i) Adjustments resulting from the allocation and apportion-
6 ment provisions of chapter 3.

7 (j) Deduct political contributions as ~~defined~~ DESCRIBED in
8 section 4 of THE MICHIGAN CAMPAIGN FINANCE ACT, Act No. 388 of
9 the Public Acts of 1976, being section 169.204 of the Michigan
10 Compiled Laws, or section 301 of title III of the federal elec-
11 tion campaign act of 1971, Public Law 92-225, 2 U.S.C. 431, not
12 in excess of \$50.00 per annum, or \$100.00 per annum for a joint
13 return.

14 (k) Deduct, to the extent included in adjusted gross income,
15 wages not deductible under section 280C of the internal revenue
16 code.

17 (l) Deduct the following payments made by the taxpayer in
18 the tax year:

19 (i) The amount of payment made under an advance tuition pay-
20 ment contract as provided in the Michigan education trust act,
21 Act No. 316 of the Public Acts of 1986, being sections 390.1421
22 to 390.1444 of the Michigan Compiled Laws.

23 (ii) The amount of payment made under a contract with a pri-
24 vate sector investment manager that meets all of the following
25 criteria:

26 (A) The contract is certified and approved by the board of
27 directors of the Michigan education trust to provide equivalent

1 benefits and rights to purchasers and beneficiaries as an advance
2 tuition payment contract as described in subparagraph (i).

3 (B) The contract applies only for a state institution of
4 higher education as defined in the Michigan education trust act,
5 Act No. 316 of the Public Acts of 1986, or a community or junior
6 college in Michigan.

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

10 (D) The contract is entered into AFTER either OF THE
11 FOLLOWING:

12 (I) ~~After the~~ THE purchaser has had his or her offer to
13 enter into an advance tuition payment contract rejected by the
14 board OF DIRECTORS OF THE MICHIGAN EDUCATION TRUST, if the board
15 determines that the trust cannot accept an unlimited number of
16 enrollees upon an actuarially sound basis.

17 (II) ~~After the~~ THE board OF DIRECTORS OF THE MICHIGAN EDU-
18 CATION TRUST determines that the trust can accept an unlimited
19 number of enrollees upon an actuarially sound basis.

20 (m) If an advance tuition payment contract under the
21 Michigan education trust act, Act No. 316 of the Public Acts of
22 1986, or another contract for which the payment was deductible
23 under subdivision (l) is terminated and the qualified beneficiary
24 under that contract does not attend a university, college, junior
25 or community college, or other institution of higher education,
26 add the amount of a refund received by the taxpayer as a result
27 of that termination ~~which amount shall be the lesser of the~~

1 ~~amount of the refund~~ or the amount of the deduction taken under
2 subdivision (l) for payment made under that contract, WHICHEVER
3 IS LESS.

4 (n) Deduct from the taxable income of a purchaser the amount
5 included as income to the purchaser under the internal revenue
6 code after the advance tuition payment contract entered into
7 under the Michigan education trust act, Act No. 316 of the Public
8 Acts of 1986, is terminated because the qualified beneficiary
9 attends an institution of postsecondary education other than
10 either a state institution of higher education or an institution
11 of postsecondary education located outside this state with which
12 a state institution of higher education has reciprocity.

13 (o) Add, to the extent deducted in determining ~~federal~~
14 adjusted gross income, the net operating loss deduction under
15 section 172 of the internal revenue code.

16 (p) Deduct a net operating loss deduction for the taxable
17 year as defined in section 172 of the internal revenue code
18 subject to the modifications under section 172(b)(2) of the
19 internal revenue code and subject to the allocation and appor-
20 tionment provisions of chapter 3 of this act for the taxable year
21 in which the loss was incurred.

22 (q) For a tax year beginning after 1986, deduct, to the
23 extent included in adjusted gross income, benefits from a dis-
24 criminatory self-insurance medical expense reimbursement plan.

25 (R) DEDUCT, TO THE EXTENT INCLUDED IN ADJUSTED GROSS INCOME,
26 COMPENSATION PAID TO A TAXPAYER CALLED INTO ACTIVE DUTY IN THE
27 ARMED FORCES RESERVES OF THE UNITED STATES AFTER AUGUST 2, 1990,

1 BY A TAXPAYER'S CIVILIAN EMPLOYER TO OFFSET A REDUCTION IN INCOME
 2 DUE TO A DIFFERENCE BETWEEN CIVILIAN INCOME BEFORE BEING CALLED
 3 INTO ACTIVE DUTY AND MILITARY COMPENSATION.

4 (2) ~~For a tax year beginning during 1987, a personal exemp-~~
 5 ~~tion of \$1,600.00; for a tax year beginning during 1988, a per-~~
 6 ~~sonal exemption of \$1,800.00; for a tax year beginning during~~
 7 ~~1989, a personal exemption of \$2,000.00; and for a tax year~~
 8 ~~beginning after 1989, a personal exemption of \$2,100.00 times~~
 9 THE FOLLOWING PERSONAL EXEMPTIONS MULTIPLIED BY the number of
 10 personal or dependency exemptions allowable on the taxpayer's
 11 federal income tax return pursuant to the internal revenue code
 12 shall be subtracted from taxable income:

13 (A) FOR A TAX YEAR BEGINNING DURING 1987..... \$1,600.00.
 14 (B) FOR A TAX YEAR BEGINNING DURING 1988..... \$1,800.00.
 15 (C) FOR A TAX YEAR BEGINNING DURING 1989..... \$2,000.00.
 16 (D) FOR A TAX YEAR BEGINNING AFTER 1989..... \$2,100.00.

17 (3) A single additional exemption of \$1,400.00 for a tax
 18 year beginning during 1987, \$1,200.00 for a tax year beginning
 19 during 1988, \$1,000.00 for a tax year beginning during 1989, and
 20 \$900.00 for a tax year beginning after 1989 is allowed ~~for~~ IN
 21 each of the following CIRCUMSTANCES:

22 (a) The taxpayer is a paraplegic, a quadriplegic, a hemiple-
 23 gic, a person who is blind as defined in section 504, or a
 24 totally and permanently disabled person as defined in section
 25 522.

1 (b) The taxpayer is a deaf person as defined in section 2 of
2 the deaf persons' interpreters act, Act No. 204 of the Public
3 Acts of 1982, being section 393.502 of the Michigan Compiled
4 Laws.

5 (c) The taxpayer is ~~a person who is~~ 65 years of age or
6 older.

7 (d) The return includes unemployment compensation that
8 amounts to 50% or more of adjusted gross income.

9 (4) For a tax year beginning after 1987, an individual with
10 respect to whom a deduction under section 151 of the internal
11 revenue code is allowable to another federal taxpayer during the
12 tax year is not considered to have an allowable federal exemption
13 for purposes of subsection (2), but may deduct \$500.00 from tax-
14 able income for a tax year beginning in 1988 and \$1,000.00 for a
15 tax year beginning after 1988.

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

20 (6) For a tax year beginning after 1987, in calculating tax-
21 able income, a taxpayer shall not subtract from adjusted gross
22 income the amount of prizes won by the taxpayer under the
23 McCauley-Traxler-Law-Bowman-McNeely lottery act, Act No. 239 of
24 the Public Acts of 1972, being sections 432.1 to 432.47 of the
25 Michigan Compiled Laws.

26 (7) A SINGLE ADDITIONAL PERSONAL EXEMPTION OF \$875.00 FOR A
27 TAX YEAR BEGINNING DURING 1990 AND \$2,100.00 FOR A TAX YEAR

1 BEGINNING DURING 1991 IS ALLOWED FOR A TAXPAYER WHO IS A MEMBER
2 OF THE ARMED FORCES RESERVES OF THE UNITED STATES CALLED INTO
3 ACTIVE DUTY AFTER AUGUST 2, 1990.

4 SEC. 312. (1) NOTWITHSTANDING ANY OTHER PROVISION OF THIS
5 ACT, A TAXPAYER CALLED INTO ACTIVE DUTY IN THE ARMED FORCES
6 RESERVES OF THE UNITED STATES AFTER AUGUST 2, 1990 IS GRANTED AN
7 EXTENSION OF 6 MONTHS FOR FILING AN ANNUAL OR FINAL RETURN OR A
8 RETURN OF ESTIMATED TAX REQUIRED BY THIS ACT.

9 (2) IF A TAXPAYER IS GRANTED AN EXTENSION UNDER THIS SECTION
10 NO PENALTY OR INTEREST SHALL BE ADDED TO THE UNPAID TAX FOR THE
11 DURATION OF THE EXTENSION.

12 (3) A TAXPAYER IS NOT REQUIRED TO FILE THE ESTIMATED TAX DUE
13 TO QUALIFY FOR THE EXTENSION UNDER THIS SECTION.

14 Sec. 508. (1) "Gross rent" means the total rent contracted
15 to be paid by the renter or lessee of a homestead pursuant to
16 dealing at arms' length with the landlord of the homestead.
17 ~~When~~ IF the landlord and tenant have not dealt with each other
18 at arms' length and the department believes that the gross rent
19 charged is excessive, the department may adjust the gross rent to
20 a reasonable amount for the purposes of this chapter.

21 (2) "Homestead" means a dwelling or unit in a multiple-unit
22 dwelling that is subject to ad valorem taxes, or a service charge
23 in lieu of taxes as provided by section 15a of THE STATE HOUSING
24 DEVELOPMENT AUTHORITY ACT OF 1966, Act No. 346 of the Public
25 Acts of 1966, as amended, being section 125.1415a of the Michigan
26 Compiled Laws, owned and occupied as a home by the owner of the
27 dwelling or unit, or occupied as the dwelling of the renter or

1 lessee, including all unoccupied real property not classified for
2 ad valorem tax purposes as commercial, industrial, residential,
3 or timber-cut over, owned by the owner of the homestead.

4 Beginning in the 1990 tax year, a homestead does not include
5 unoccupied real property that is leased or rented by the owner to
6 another person and that is not adjacent and contiguous to the
7 home of the owner. Additionally, the following apply:

8 (a) If a homestead is an integral part of a larger unit of
9 assessment such as commercial, industrial, residential,
10 timber-cut over, or a multipurpose or multidwelling building, the
11 tax on the homestead shall be the same proportion of the total
12 property tax as the proportion of the value of the homestead is
13 to the total value of the assessed property.

14 (b) If the gross receipts of the agricultural or horticult-
15 tural operations do not exceed the household income, or if there
16 are no gross receipts, the following apply:

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

21 (ii) If the claimant has lived on the land less than 10
22 years, not more than 5 acres of adjacent and contiguous agricul-
23 tural or horticultural land shall be considered a part of the
24 homestead and the credit is allowed for that part of the land.

25 (c) A mobile home or trailer coach in a trailer coach park
26 is a homestead and the site rent for space is considered the rent
27 of a homestead. The specific tax levied by section 41 of Act

1 No. 243 of the Public Acts of 1959, being section 125.1041 of
2 the Michigan Compiled Laws, is considered a property tax.

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

4 (4) "Household income" means all income received by all per-
5 sons of a household in a tax year while members of a household.

6 HOUSEHOLD INCOME DOES NOT INCLUDE MILITARY INCOME RECEIVED AFTER
7 AUGUST 2, 1990 BY A TAXPAYER CALLED INTO ACTIVE DUTY IN THE ARMED
8 FORCES RESERVES OF THE UNITED STATES AFTER AUGUST 2, 1990.