

# SENATE BILL No. 232

March 21, 1991, Introduced by Senators SCHWARZ, DE GROW  
and EHLERS and referred to the Committee on Education.

A bill to amend sections 30 and 52 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 52 as added by Act No. 1 of the Public Acts of 1988,  
being sections 206.30 and 206.52 of the Michigan Compiled Laws;  
and to add section 31.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Section 1. Sections 30 and 52 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 52 as added by Act No. 1 of the Public  
4 Acts of 1988, being sections 206.30 and 206.52 of the Michigan  
5 Compiled Laws, are amended and section 31 is added to read as  
6 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 Act No. 388 of the Public Acts of 1976, being sec-  
9 tion 169.204 of the Michigan Compiled Laws, or section 301 of  
10 title III of the federal election campaign act of 1971, Public  
11 Law 92-225, 2 U.S.C. 431, not in excess of \$50.00 per annum, or  
12 \$100.00 per annum for a joint return.

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

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

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

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

25 (A) The contract is certified and approved by the board of  
26 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 (1) 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 (2) ~~For a tax year beginning during 1987, a personal exemp-~~  
26 ~~tion of \$1,600.00; for a tax year beginning during 1988, a~~  
27 ~~personal exemption of \$1,800.00; for a tax year beginning during~~

~~1 1989, a personal exemption of \$2,000.00, and for a tax year~~  
~~2 beginning after 1989, a personal exemption of \$2,100.00 times~~  
 3 EXCEPT AS PROVIDED IN SECTION 31, THE FOLLOWING PERSONAL EXEMP-  
 4 TIONS MULTIPLIED BY the number of personal or dependency exemp-  
 5 tions allowable on the taxpayer's federal income tax return pur-  
 6 suant to the internal revenue code shall be subtracted from tax-  
 7 able income:

- 8 (A) FOR A TAX YEAR BEGINNING DURING 1987..... \$1,600.00.
- 9 (B) FOR A TAX YEAR BEGINNING DURING 1988..... \$1,800.00.
- 10 (C) FOR A TAX YEAR BEGINNING DURING 1989..... \$2,000.00.
- 11 (D) FOR A TAX YEAR BEGINNING AFTER 1989..... \$2,100.00.

12 (3) A single additional exemption of \$1,400.00 for a tax  
 13 year beginning during 1987, \$1,200.00 for a tax year beginning  
 14 during 1988, \$1,000.00 for a tax year beginning during 1989, and  
 15 \$900.00 for a tax year beginning after 1989 is allowed for each  
 16 of the following:

17 (a) The taxpayer is a paraplegic, a quadriplegic, a hemiple-  
 18 gic, a person who is blind as defined in section 504, or a  
 19 totally and permanently disabled person as defined in section  
 20 522.

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

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

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

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

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

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

20 SEC. 31. (1) A TAXPAYER SHALL NOT CLAIM A PERSONAL EXEMP-  
21 TION THAT IS ATTRIBUTABLE TO A DEPENDENT WHO DOES NOT FULFILL THE  
22 MINIMUM SCHOOL ATTENDANCE REQUIREMENTS THAT ARE SET FORTH IN SEC-  
23 TIONS 57 TO 57E OF THE SOCIAL WELFARE ACT, ACT NO. 280 OF THE  
24 PUBLIC ACTS OF 1939, BEING SECTIONS 400.57 TO 400.57E OF THE  
25 MICHIGAN COMPILED LAWS.

26 (2) IF A TAXPAYER DOES NOT FULFILL THE MINIMUM SCHOOL  
27 ATTENDANCE REQUIREMENTS THAT ARE SET FORTH IN SECTIONS 57 TO 57E



1 OF ACT NO. 280 OF THE PUBLIC ACTS OF 1939, THE TAXPAYER SHALL NOT  
2 CLAIM THE DEDUCTION UNDER SECTION 30(4) OR THE EXEMPTION UNDER  
3 SECTION 52 TO WHICH THE TAXPAYER IS OTHERWISE ENTITLED.

4 (3) A TAXPAYER'S SIGNATURE ON A RETURN CLAIMING AN EXEMPTION  
5 OR DEDUCTION TO WHICH THIS SECTION APPLIES SHALL BE CONSIDERED  
6 WRITTEN CONSENT FOR RELEASE TO THE DEPARTMENT OF THE SCHOOL  
7 ATTENDANCE RECORDS OF THE TAXPAYER'S DEPENDENT OR THE TAXPAYER,  
8 AS APPLICABLE. SUBJECT TO THE REQUIREMENTS OF THE FAMILY EDUCA-  
9 TIONAL RIGHTS AND PRIVACY ACT OF 1974, SECTION 438 OF SUBPART 2  
10 OF PART C OF THE GENERAL EDUCATION PROVISIONS ACT, TITLE IV OF  
11 PUBLIC LAW 90-247, 20 U.S.C. 1232g, AND UPON REASONABLE WRITTEN  
12 REQUEST BY THE DEPARTMENT, A SCHOOL ATTENDANCE OFFICER SHALL PRO-  
13 VIDE INFORMATION TO THE DEPARTMENT ABOUT THE ATTENDANCE OF THE  
14 TAXPAYER'S DEPENDENT OR THE TAXPAYER.

15 Sec. 52. ~~For tax years beginning after 1986~~ EXCEPT AS  
16 PROVIDED IN SECTION 31, a person with respect to whom a deduction  
17 under section 151 of the internal revenue code is allowable to  
18 another federal taxpayer during the tax year is not considered to  
19 have an allowable federal exemption for purposes of section 30(2)  
20 and, notwithstanding sections 51 and 315, if that person has an  
21 adjusted gross income for that tax year of \$1,500.00 or less, is  
22 exempt from the tax levied and imposed in section 51 and is not  
23 required to file a return under this act.

24 Section 2. This amendatory act shall not take effect unless  
25 all of the following bills of the 86th Legislature are enacted  
26 into law:

**1** (a) Senate Bill No. 230.

**2**

**3** (b) Senate Bill No. 231.

**4**