Act No. 268
Public Acts of 1994
Approved by the Governor
July 06, 1994
Filed with the Secretary of State
July 06, 1994

STATE OF MICHIGAN
87TH LEGISLATURE
REGULAR SESSION OF 1994

Introduced by Reps Martın and Bullard
Reps Alley Anthony Baade Bandstra Bankes Bender Bennane Berman Bobıer Bodem Byrum Clack Cropsey Curtıs Dalman DeLange DeMars Dobb Dobronskı Dolan Fıtzgerald Freeman Gaglıardı Gnodtke Goschka Grıffin Gubow Gustafson Hammerstrom Harder Hıll, Horton Jaye Jersevıc Kaza Kılpatrıck Kukuk Leland LeTarte Llewellyn London Lowe Mathıeu McBryde McManus McNutt Mıddaugh Mıddleton Nye Olshove Owen Oxender Palamara Parks Pıtonıak Poınts Porreca Prıce Profit Randall Rhead Rocca Shugars Sıkkema Stallworth Stılle Tesanovıch, Varga Voorhees Vorva Walberg Wallace Weeks, Wetters Whyman Wıllard and Yokıch named co sponsors

ENROLLED HOUSE BILL No. 5278

AN ACT to amend sectıons 30 and 481 of Act No 281 of the Publıc Acts of 1967 entıtled An act to meet deficıencıes ın state funds by provıdıng for the ımposıtıon levy computatıon collectıon assessment and enforcement by lıen and otherwıse of taxes on or measured by net ıncome to prescrıbe the manner and tıme of makıng reports and payıng the taxes and the functıons of publıc officers and others as to the taxes to permıt the ınspectıon of the records of taxpayers to provıde for ınterest and penaltıes on unpaıd taxes to provıde exemptıons credıts and refunds of the taxes to prescrıbe penaltıes for the vıolatıon of thıs act to provıde an appropriatıon and to repeal certaın acts and parts of acts as amended by Act No 328 of the Publıc Acts of 1993 beıng sectıons 206 30 and 206 481 of the Mıchıgan Compıled Laws

The People of the State of Mıchıgan enact

Sectıon 1 Sectıons 30 and 481 of Act No 281 of the Publıc Acts of 1967 as amended by Act No 328 of the Publıc Acts of 1993 beıng sectıons 206 30 and 206 481 of the Mıchıgan Compıled Laws are amended to read as follows

Sec 30 (1) Taxable ıncome means for a person other than a corporatıon estate or trust adjusted gross ıncome as defined ın the ınternal revenue code subject to the followıng adjustments

(a) Add gross ınterest ıncome and dıvıdends derıved from oblıgatıons or securıtıes of states other than Mıchıgan ın the same amount that has been excluded from adjusted gross ıncome less related expenses not deducted ın computıng adjusted gross ıncome because of sectıon 265(a)(1) of the ınternal revenue code

(b) Add taxes on or measured by ıncome to the extent the taxes have been deducted ın arrıvıng at adjusted gross ıncome

(c) Add losses on the sale or exchange of oblıgatıons of the Unıted States government the ıncome of whıch thıs state ıs prohıbıted from subjectıng to a net ıncome tax to the extent that the loss has been deducted ın arrıvıng at adjusted gross ıncome

(d) Deduct to the extent ıncluded ın adjusted gross ıncome ıncome derıved from oblıgatıons or the sale or exchange of oblıgatıons of the Unıted States government that thıs state ıs prohıbıted by law from subjectıng to a net ıncome tax reduced by any ınterest on ındebtedness ıncurred ın carryıng the oblıgatıons and by any expenses ıncurred ın 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 compensation including retirement benefits received for services in the armed forces of the United States

(f) Deduct the following to the extent included in adjusted gross income

(*i*) Retirement or pension benefits received from a federal public retirement system or from a public retirement system of or created by this state or a political subdivision of this state

(*ii*) Retirement or pension benefits received from a public retirement system of or created by another state or any of its political subdivisions if the income tax laws of the other state permit a similar deduction or exemption or a reciprocal deduction or exemption of a retirement or pension benefit received from a public retirement system of or created by this state or any of the political subdivisions of this state

(*iii*) Social security benefits as defined in section 86 of the internal revenue code

(*iv*) Before October 1 1994 retirement or pension benefits from any other retirement or pension system as follows

(A) For a single return the sum of not more than $7 500 00

(B) For a joint return the sum of not more than $10 000 00

(*v*) After September 30 1994 retirement or pension benefits not deductible under subparagraph (*i*) or subdivision (e) from any other retirement or pension system or benefits from a retirement annuity policy in which payments are made for life to a senior citizen or a surviving spouse of a senior citizen as defined in section 514 to a maximum of the amounts provided for in section 30a The maximum amounts allowed under this subparagraph shall be reduced by the amount of the deduction for retirement or pension benefits allowed under subparagraph (*i*) or subdivision (e) For the 1995 tax year and each tax year after 1995 the maximum amounts allowed under this subparagraph shall be adjusted by the percentage increase in the Detroit consumer price index for the immediately preceding calendar year The department shall annualize the amounts provided in this subparagraph and subparagraph (*iv*) as necessary for tax years that end after September 30 1994

(*vi*) The amount determined to be the section 22 amount eligible for the elderly and permanently and totally disabled credit 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 political contributions as described in section 4 of the Michigan campaign finance act Act No 388 of the Public Acts of 1976 being section 169 204 of the Michigan Compiled Laws or section 301 of title III of the federal election campaign act of 1971 Public Law 92 225 2 U S C 431 not in excess of $50 00 per annum or $100 00 per annum for a joint return

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

(*l*) Deduct the following payments made by the taxpayer in the tax year

(*i*) The amount of payment made under an advance tuition payment contract as provided in the Michigan education trust act Act No 316 of the Public Acts of 1986 being sections 390 1421 to 390 1444 of the Michigan Compiled Laws

(*ii*) 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 (*i*)

(B) The contract applies only for a state institution of higher education as defined in the Michigan education trust act Act No 316 of the Public Acts of 1986 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 his or her offer to enter into an advance tuition payment contract rejected by the board of directors of the Michigan education trust if the board determines that the trust cannot accept an unlimited number of enrollees upon an actuarially sound basis

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

(m) If an advance tuition payment contract under the Michigan education trust act Act No 316 of the Public Acts of 1986 or another contract for which the payment was deductible under subdivision (*l*) is terminated and the qualified beneficiary under that contract does not attend a university college junior or community college or other institution of higher education add the amount of a refund received by the taxpayer as a result of that termination or the amount of the deduction taken under subdivision (*l*) for payment made under that contract whichever is less

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

(o) Add to the extent deducted in determining adjusted gross income the net operating loss deduction under section 172 of the internal revenue code

(p) Deduct a net operating loss deduction for the taxable year as defined in section 172 of the internal revenue code subject to the modifications under section 172(b)(2) of the internal revenue code and subject to the allocation and apportionment provisions of chapter 3 of this act for the taxable year in which the loss was incurred

(q) For a tax year beginning after 1986 deduct to the extent included in adjusted gross income benefits from a discriminatory self insurance medical expense reimbursement plan

(r) After September 30 1994 a taxpayer who is a senior citizen as defined in section 514 may deduct to the extent included in adjusted gross income interest and dividends received in the tax year not to exceed $1 000 00 for a single return or $2 000 00 for a joint return However the deduction under this subdivision shall not be taken if the taxpayer takes a deduction for retirement benefits under subdivision (e) or a deduction under subdivision (f)(*i*) (*ii*) (*iv*) or (*v*) For the 1995 tax year and each tax year after 1995 the maximum amounts allowed under this subdivision shall be adjusted by the percentage increase in the Detroit consumer price index for the immediately preceding calendar year The department shall annualize the amounts provided in this subdivision as necessary for tax years that end after September 30 1994

(2) The following personal exemptions multiplied by the number of personal or dependency exemptions allowable on the taxpayer s federal income tax return pursuant to the internal revenue code shall be subtracted from taxable income

(a) For a tax year beginning during 1987	$1 600 00
(b) For a tax year beginning during 1988	$1 800 00
(c) For a tax year beginning during 1989	$2 000 00
(d) For a tax year beginning after 1989	$2 100 00

(3) A single additional exemption of $1 400 00 for a tax year beginning during 1987 $1 200 00 for a tax year beginning during 1988 $1 000 00 for a tax year beginning during 1989 and $900 00 for a tax year beginning after 1989 is allowed in each of the following circumstances

(a) The taxpayer is a paraplegic a quadriplegic a hemiplegic a person who is blind as defined in section 504 or a totally and permanently disabled person as defined in section 522

(b) The taxpayer is a deaf person as defined in section 2 of the deaf persons interpreters act Act No 204 of the Public Acts of 1982 being section 393 502 of the Michigan Compiled Laws

(c) The taxpayer is 65 years of age or older

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

(4) For a tax year beginning after 1987 an individual with respect to whom a deduction under section 151 of the internal revenue code is allowable to another federal taxpayer during the tax year is not considered to have an allowable federal exemption for purposes of subsection (2) but may deduct $500 00 from taxable income for a tax year beginning in 1988 and $1 000 00 for a tax year beginning after 1988

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

(6) For a tax year beginning after 1987 in calculating taxable income a taxpayer shall not subtract from adjusted gross income the amount of prizes won by the taxpayer under the McCauley Traxler Law Bowman McNeely lottery act Act No 239 of the Public Acts of 1972 being sections 432 1 to 432 47 of the Michigan Compiled Laws

Sec 481 (1) The state disbursing authority shall remit to cities villages townships and counties in accordance with the state revenue sharing act of 1971 Act No 140 of the Public Acts of 1971 as amended being sections 141 901 to 141 921 of the Michigan Compiled Laws a portion of an amount measured by 6 91% of the gross collections before refunds for collections for periods before May 1 1994 7 21% of gross collections before refunds for collections for periods after April 30 1994 and before October 1 1994 or 7 30% of gross collections before refunds for collections for periods after September 30 1994 An appropriation for each distribution is hereby made from like taxes collected during the quarter in which the distribution is required to be made However for the 1991 1992 state fiscal year the amount of collections available for distribution to cities villages and townships under section 13(1)(a) of Act No 140 of the Public Acts of 1971 being section 141 913 of the Michigan Compiled Laws in August 1992 after the application of subsection (7) shall not be distributed but shall lapse to the general fund at the close of the fiscal year ending September 30 1992

(2) Beginning July 1 1987

(a) Thirty four point sixty five percent of the amount determined by subsection (1) shall be distributed to counties in accordance with Act No 140 of the Public Acts of 1971 For the 1992 1993 state fiscal year the amount available for distribution under this subdivision shall be reduced by $6 725 000 00 before a distribution under this subdivision is made For the 1993 1994 state fiscal year the amount available for distribution under this subdivision shall be reduced by $9 857 000 00 before a distribution under this subdivision is made

(b) Sixty five point thirty five percent of the amount determined by subsection (1) shall be distributed to cities villages and townships in accordance with Act No 140 of the Public Acts of 1971 For the 1992 1993 state fiscal year the amount available for distribution under this subdivision shall be reduced by $17 500 000 00 before a distribution under this subdivision is made For the 1993 1994 state fiscal year the amount available for distribution under this subdivision shall be reduced by $38 280 000 00 before a distribution under this subdivision is made

(3) If it is determined that the federal government shall pay any of the costs for public welfare grants in respect to general relief that are appropriated by the legislature under section 18 of the social welfare act Act No 280 of the Public Acts of 1939 as amended being section 400 18 of the Michigan Compiled Laws the percentage of the amount determined by subsection (1) to be distributed to counties in any year pursuant to subsection (2)(a) shall be computed as follows commencing with July 1 after the date federal assumption of costs takes place

(a) Subtract the percentage designated for counties in that year from 50%

(b) Multiply the difference obtained in subdivision (a) by the percentage obtained by dividing the amount of federal payments by the state appropriation for that year for general relief

(c) Add the product obtained in subdivision (b) to the percentage designated for distribution to counties in that year

(d) The difference between the amount that would be distributed using the percentage obtained in subdivision (c) and the amount to be distributed to counties from the income tax in any year shall be appropriated from the general fund and paid to counties with the August payment of the following year as provided under section 11 of Act No 140 of the Public Acts of 1971 being section 141 911 of the Michigan Compiled Laws

(4) Any overpayments underpayments or errors may be adjusted on the subsequent payment date

(5) The balance in the general fund shall be disbursed only on appropriation of the legislature

(6) As used in this section average income tax collection rate means a rate that shall be certified by the state treasurer for each quarter immediately preceding the quarter in which collections under this act are to be remitted under Act No 140 of the Public Acts of 1971 as the average rate upon which the gross collections before refunds for the respective quarter are based This certification shall account for any differences between gross collections before refunds based upon the income tax rate levied in section 51 in effect during a quarter and gross collections before refunds based upon both the rate upon which withholdings and estimated tax payments are made during that quarter under sections 301 and 351 and the rate upon which annual returns are submitted during that quarter

(7) From the amount determined by subsection (1) to be distributed to cities villages and townships $27 400 000 00 from the amount that would have been the payment based on the quarter of collections ending June 30 1992 shall be distributed in June 1992 in accordance with the tax effort formula as defined in Act No 140 of the Public Acts of 1971

(8) A city village township or county is not eligible for a payment under subsection (1) unless that local unit of government requires sealed competitive bidding for any contract of $20 000 00 or more except a contract for professional services or emergency repairs or services exempted pursuant to a written policy adopted or approved by the governing body of the local unit of government This section shall not apply to transactions between governmental units

Section 2 This amendatory act shall not take effect unless all of the following bills of the 87th Legislature are enacted into law

(a) Senate Bill No 145

(b) Senate Bill No 1145

(c) House Bill No 4801

(d) House Bill No 4958

(e) House Bill No 5090

(f) House Bill No 5614

This act is ordered to take immediate effect

Co Clerk of the House of Representatives

Secretary of the Senate

Approved

Governor