



HOUSE BILL No. 5689

June 22 1994 Introduced by Reps Dobb Munsell Bullard Kaza Dolan, Gubow and Brown and referred to the Committee on Taxation

A bill to amend section 30 of Act No 281 of the Public Acts of 1967, entitled

'Income tax act of 1967,'

as amended by Act No 328 of the Public Acts of 1993, being section 206 30 of the Michigan Compiled Laws

THE PEOPLE OF THE STATE OF MICHIGAN ENACT

1 Section 1 Section 30 of Act No 281 of the Public Acts of
2 1967, as amended by Act No 328 of the Public Acts of 1993, being
3 section 206 30 of the Michigan Compiled Laws is amended to read
4 as follows

5 Sec 30 (1) "Taxable income" means for a person other
6 than a corporation, estate, or trust, adjusted gross income as
7 defined in the internal revenue code subject to the following
8 adjustments

1 (a) Add gross interest income and dividends derived from
2 obligations or securities of states other than Michigan in the
3 same amount that has been excluded from adjusted gross income
4 less related expenses not deducted in computing adjusted gross
5 income because of section 265(a)(1) of the internal revenue
6 code

7 (b) Add taxes on or measured by income to the extent the
8 taxes have been deducted in arriving at adjusted gross income

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

13 (d) Deduct, to the extent included in adjusted gross income,
14 income derived from obligations, or the sale or exchange of obli-
15 gations, of the United States government that this state is pro-
16 hibited by law from subjecting to a net income tax, reduced by
17 any interest on indebtedness incurred in carrying the obligations
18 and by any expenses incurred in the production of that income to
19 the extent that the expenses, including amortizable bond premi-
20 ums, were deducted in arriving at adjusted gross income

21 (e) Deduct, to the extent included in adjusted gross income,
22 compensation, including retirement benefits, received for serv-
23 ices in the armed forces of the United States

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

1 (1) Retirement or pension benefits received from a FEDERAL
2 public retirement system OR FROM A PUBLIC RETIREMENT SYSTEM of or
3 created by this state or a political subdivision of this state

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

11 (111) Social security benefits as defined in section 86 of
12 the internal revenue code

13 (1v) ~~Retirement~~ BEFORE OCTOBER 1, 1994, RETIREMENT or pen-
14 sion benefits from any other retirement or pension system as
15 follows

16 (A) For a single return, the sum of not more than
17 \$7,500 00

18 (B) For a joint return, the sum of not more than
19 \$10,000 00

20 (v) AFTER SEPTEMBER 30, 1994, RETIREMENT OR PENSION BENEFITS
21 NOT DEDUCTIBLE UNDER SUBPARAGRAPH (1) OR SUBDIVISION (E) FROM ANY
22 OTHER RETIREMENT OR PENSION SYSTEM OR BENEFITS FROM A RETIREMENT
23 ANNUITY POLICY IN WHICH PAYMENTS ARE MADE FOR LIFE TO A SENIOR
24 CITIZEN OR A SURVIVING SPOUSE OF A SENIOR CITIZEN AS DEFINED IN
25 SECTION 514, TO A MAXIMUM OF THE AMOUNTS PROVIDED FOR IN SECTION
26 30A THE MAXIMUM AMOUNTS ALLOWED UNDER THIS SUBPARAGRAPH SHALL
27 BE REDUCED BY THE AMOUNT OF THE DEDUCTION FOR RETIREMENT OR

1 PENSION BENEFITS ALLOWED UNDER SUBPARAGRAPH (1) OR SUBDIVISION
2 (E) FOR THE 1995 TAX YEAR AND EACH TAX YEAR AFTER 1995, THE
3 MAXIMUM AMOUNTS ALLOWED UNDER THIS SUBPARAGRAPH SHALL BE ADJUSTED
4 BY THE PERCENTAGE INCREASE IN THE DETROIT CONSUMER PRICE INDEX
5 FOR THE IMMEDIATELY PRECEDING CALENDAR YEAR THE DEPARTMENT
6 SHALL ANNUALIZE THE AMOUNTS PROVIDED IN THIS SUBPARAGRAPH AND
7 SUBPARAGRAPH (1v) AS NECESSARY FOR TAX YEARS THAT END AFTER
8 SEPTEMBER 30, 1994

9 (v2) ~~(v)~~ The amount determined to be the section 22 amount
10 eligible for the elderly and permanently and totally disabled
11 credit provided in section 22 of the internal revenue code

12 (g) Adjustments resulting from the application of section
13 271

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

16 (i) Adjustments resulting from the allocation and apportion-
17 ment provisions of chapter 3

18 (j) Deduct political contributions as described in section 4
19 of the Michigan campaign finance act Act No 388 of the Public
20 Acts of 1976, being section 169 204 of the Michigan Compiled
21 Laws, or section 301 of title III of the federal election cam-
22 paign act of 1971, Public Law 92-225, 2 U S C 431, not in excess
23 of \$50 00 per annum, or \$100 00 per annum for a joint return

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

1 (1) Deduct the following payments made by the taxpayer in
2 the tax year

3 (1) The amount of payment made under an advance tuition pay-
4 ment contract as provided in the Michigan education trust act,
5 Act No 316 of the Public Acts of 1986, being sections 390 1421
6 to 390 1444 of the Michigan Compiled Laws

7 (11) The amount of payment made under a contract with a pri-
8 vate sector investment manager that meets all of the following
9 criteria

10 (A) The contract is certified and approved by the board of
11 directors of the Michigan education trust to provide equivalent
12 benefits and rights to purchasers and beneficiaries as an advance
13 tuition payment contract as described in subparagraph (1)

14 (B) The contract applies only for a state institution of
15 higher education as defined in the Michigan education trust act,
16 Act No 316 of the Public Acts of 1986 or a community or junior
17 college in Michigan

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

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

23 (I) The purchaser has had his or her offer to enter into an
24 advance tuition payment contract rejected by the board of direc-
25 tors of the Michigan education trust, if the board determines
26 that the trust cannot accept an unlimited number of enrollees
27 upon an actuarially sound basis

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

4 (m) If an advance tuition payment contract under the
5 Michigan education trust act, Act No 316 of the Public Acts of
6 1986, or another contract for which the payment was deductible
7 under subdivision (l) is terminated and the qualified beneficiary
8 under that contract does not attend a university, college, junior
9 or community college, or other institution of higher education,
10 add the amount of a refund received by the taxpayer as a result
11 of that termination or the amount of the deduction taken under
12 subdivision (l) for payment made under that contract, whichever
13 is less

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

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

26 (p) Deduct a net operating loss deduction for the taxable
27 year as defined in section 172 of the internal revenue code

1 subject to the modifications under section 172(b)(2) of the
2 internal revenue code and subject to the allocation and appor-
3 tionment provisions of chapter 3 of this act for the taxable year
4 in which the loss was incurred

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

8 (R) AFTER SEPTEMBER 30, 1994, A TAXPAYER WHO IS A SENIOR
9 CITIZEN AS DEFINED IN SECTION 514 MAY DEDUCT, TO THE EXTENT
10 INCLUDED IN ADJUSTED GROSS INCOME, INTEREST, DIVIDENDS, AND CAPI-
11 TAL GAINS RECEIVED IN THE TAX YEAR NOT TO EXCEED \$5,000 00 FOR A
12 SINGLE RETURN OR FOR A JOINT RETURN HOWEVER, THE DEDUCTION
13 UNDER THIS SUBDIVISION SHALL NOT BE TAKEN IF THE TAXPAYER TAKES A
14 DEDUCTION FOR RETIREMENT BENEFITS UNDER SUBDIVISION (E) OR A
15 DEDUCTION UNDER SUBDIVISION (F)(1), (11), (1v), OR (v) FOR THE
16 1995 TAX YEAR AND EACH TAX YEAR AFTER 1995, THE MAXIMUM AMOUNTS
17 ALLOWED UNDER THIS SUBDIVISION SHALL BE ADJUSTED BY THE PERCENT-
18 AGE INCREASE IN THE DETROIT CONSUMER PRICE INDEX FOR THE IMMEDI-
19 ATELY PRECEDING CALENDAR YEAR THE DEPARTMENT SHALL ANNUALIZE
20 THE AMOUNTS PROVIDED IN THIS SUBDIVISION AS NECESSARY FOR TAX
21 YEARS THAT END AFTER SEPTEMBER 30 1994

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

1 (a) For a tax year beginning during 1987 \$1 600 00
 2 (b) For a tax year beginning during 1988 \$1 800 00
 3 (c) For a tax year beginning during 1989 \$2,000 00
 4 (d) ~~Except as provided in subdivision (e), for~~
 5 FOR a tax year beginning after 1989 \$2 100 00
 6 ~~(e) For a tax year beginning after 1993, if the~~
 7 ~~sales tax is levied at a rate of 4% under the~~
 8 ~~general sales tax act, Act No 167 of the Public~~
 9 ~~Acts of 1933, being sections 205 51 to 205 78 of~~
 10 ~~the Michigan Compiled Laws~~ \$3,000 00
 11 ~~(3) The increase in the personal exemption under~~
 12 ~~subsection (2)(e) shall take effect May 1, 1994. The department~~
 13 ~~shall annualize the personal exemption amounts as necessary for a~~
 14 ~~tax year beginning during 1994.~~
 15 (3) ~~(4)~~ A single additional exemption of \$1,400 00 for a
 16 tax year beginning during 1987, \$1 200 00 for a tax year begin-
 17 ning during 1988 \$1,000 00 for a tax year beginning during 1989
 18 and \$900 00 for a tax year beginning after 1989 is allowed in
 19 each of the following circumstances
 20 (a) The taxpayer is a paraplegic, a quadriplegic, a hemiple-
 21 gic, a person who is blind as defined in section 504 or a
 22 totally and permanently disabled person as defined in section
 23 522
 24 (b) The taxpayer is a deaf person as defined in section 2 of
 25 the deaf persons interpreters act, Act No 204 of the Public
 26 Acts of 1982, being section 393 502 of the Michigan Compiled
 27 Laws

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

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

4 (4) ~~(5)~~ For a tax year beginning after 1987, an individual
5 with respect to whom a deduction under section 151 of the inter-
6 nal revenue code is allowable to another federal taxpayer during
7 the tax year is not considered to have an allowable federal
8 exemption for purposes of subsection (2), but may deduct \$500 00
9 from taxable income for a tax year beginning in 1988 and

10 \$1,000 00 for a tax year beginning after 1988

11 (5) ~~(6)~~ A nonresident or a part-year resident is allowed
12 that proportion of an exemption or deduction allowed under sub-
13 section (2), (3), OR (4) ~~, or (5)~~ that the taxpayer's portion
14 of adjusted gross income from Michigan sources bears to the
15 taxpayer's total adjusted gross income

16 (6) ~~(7)~~ For a tax year beginning after 1987, in calculat-
17 ing taxable income a taxpayer shall not subtract from adjusted
18 gross income the amount of prizes won by the taxpayer under the
19 McCauley-Traxler-Law-Bowman-McNeely lottery act, Act No 239 of
20 the Public Acts of 1972, being sections 432 1 to 432 47 of the
21 Michigan Compiled Laws