



SENATE BILL No. 883

October 13, 1993, Introduced by Senator MC MANUS and
referred to the Committee on School Finance Reform.

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. 516 of the Public Acts of 1988, being sec-
tion 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. 516 of the Public Acts of 1988, 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, ~~means~~ adjusted gross
7 income as defined in the internal revenue code subject to the
8 following 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 ~~federal~~ adjusted gross
4 income less related expenses not deducted in computing ~~federal~~
5 adjusted gross income because of section 265(a)(1) of the inter-
6 nal revenue code.

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

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

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

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

1 (f) Deduct THE FOLLOWING to the extent included in adjusted
2 gross income:

3 (i) Retirement or pension benefits received BY A PERSON WHO
4 RETIRES BEFORE OCTOBER 5, 1994 from a FEDERAL GOVERNMENT RETIRE-
5 MENT SYSTEM OR A public retirement system of or created by this
6 state or a political subdivision of this state.

7 (ii) ~~Any retirement~~ RETIREMENT or pension benefits
8 received from a public retirement system of or created by another
9 state or any of its political subdivisions BY A PERSON WHO
10 RETIRES FROM THAT SYSTEM BEFORE OCTOBER 5, 1994 if the income tax
11 laws of the other state permit a similar deduction or exemption
12 or a reciprocal deduction or exemption of a retirement or pension
13 benefit received from a public retirement system of or created by
14 this state or any of the political subdivisions of this state.

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

17 (iv) Retirement or pension benefits RECEIVED from A RETIRE-
18 MENT OR PENSION SYSTEM DESCRIBED IN SUBPARAGRAPHS (i) AND (ii) BY
19 A PERSON WHO RETIRES FROM THAT SYSTEM AFTER OCTOBER 4, 1994 OR
20 RECEIVED FROM any other retirement or pension system as follows:

21 (A) For a single return, the sum of not more than
22 \$7,500.00.

23 (B) For a joint return, the sum of not more than
24 ~~\$10,000.00~~ \$15,000.00.

25 (v) The amount determined to be the section 22 amount eligi-
26 ble for the elderly and permanently and totally disabled credit
27 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 (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 THE FOLLOWING PERSONAL EXEMPTIONS MULTIPLIED BY the number of
 4 personal or dependency exemptions allowable on the taxpayer's
 5 federal income tax return pursuant to the internal revenue code
 6 shall be subtracted from taxable income:

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

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

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

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

24 (c) The taxpayer is ~~a person who is~~ 65 years of age or
 25 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 PORTION OF ADJUSTED GROSS
13 income from Michigan sources bears to the TAXPAYER'S total
14 ADJUSTED GROSS income. ~~from all sources.~~

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

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

24 (a) House Bill No. 4885.

25 (b) House Bill No. 4886.

26 (c) House Bill No. 4887.

27 (d) House Bill No. 4888.