HOUSE BILL No. 4777

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May 3, 1995, Introduced by Reps. Walberg, Horton, Whyman, Kaza, Nye, Munsell, Lowe, Cropsey, Jersevic and Jaye and referred to the Committee on Higher Education.

A bill to repeal Act No. 174 of the Public Acts of 1976, entitled as amended

"An act to provide free tuition for state resident North American Indians in Michigan public community colleges, public universities, and certain federal tribally controlled community colleges; and to prescribe certain powers and duties of certain state departments, commissions, and agencies,"

being sections 390.1251 to 390.1253 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

Section 1. Act No. 174 of the Public Acts of 1976, being sections 390.1251 to 390.1253 of the Michigan Compiled Laws, is repealed effective October 1, 1995.

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

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

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

(d) Deduct, to the extent included in adjusted gross income, income derived from obligations, or the sale or exchange of obligations, of the United States government that this state is prohibited by law from subjecting to a net income tax, reduced by any interest on indebtedness incurred in carrying the obligations and by any expenses incurred in 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, 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. As used in this subparagraph, "senior citizen" means that term as defined in section 514.

(*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.

(*ll*) 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.

(S) FOR THE 1995 TAX YEAR AND EACH TAX YEAR AFTER THE 1995 TAX YEAR, DEDUCT PREMIUMS PAID BY THE TAXPAYER TO OBTAIN HEALTH CARE BENEFITS. AS USED IN THIS SUBDIVISION, "HEALTH CARE BENEFITS" MEANS ANY OF THE FOLLOWING:

(*i*) COVERAGE UNDER A DENTAL, HOSPITAL, SURGICAL, OR MEDICAL EXPENSE-INCURRED POLICY OR CERTIFICATE ISSUED BY AN INSURER

PURSUANT TO THE INSURANCE CODE OF 1956, ACT NO. 218 OF THE PUBLIC ACTS OF 1956, BEING SECTIONS 500.100 TO 500.8302 OF THE MICHIGAN COMPILED LAWS.

(*ii*) DENTAL, HOSPITAL, SURGICAL, OR MEDICAL BENEFITS UNDER A CERTIFICATE ISSUED BY A HEALTH CARE CORPORATION PURSUANT TO THE NONPROFIT HEALTH CARE CORPORATION REFORM ACT, ACT NO. 350 OF THE PUBLIC ACTS OF 1980, BEING SECTIONS 550.1101 TO 550.1704 OF THE MICHIGAN COMPILED LAWS.

(*iii*) HEALTH MAINTENANCE SERVICES UNDER A HEALTH MAINTENANCE CONTRACT WITH A HEALTH MAINTENANCE ORGANIZATION PURSUANT TO PART 210 OF THE PUBLIC HEALTH CODE, ACT NO. 368 OF THE PUBLIC ACTS OF 1978, BEING SECTIONS 333.21001 TO 333.21098 OF THE MICHIGAN COMPILED LAWS.

(*iv*) DENTAL BENEFITS PROVIDED UNDER A CONTRACT ISSUED BY A NONPROFIT DENTAL CARE CORPORATION PURSUANT TO ACT NO. 125 OF THE PUBLIC ACTS OF 1963, BEING SECTIONS 550.351 TO 550.373 OF THE MICHIGAN COMPILED LAWS.

(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 and before 1995.. $2,100.00.

(e) Except as otherwise provided in subsection (3), for a tax year beginning during 1995 or 1996.......... $2,400.00.

(f) Except as otherwise provided in subsection (3) and section 30b, for a tax year beginning after 1996 $2,500.00.

(3) If the revenue estimating conference required by section 367b of the management and budget act, Act No. 431 of the Public Acts of 1984, being section 18.1367b of the Michigan Compiled Laws, forecasts in May 1995 that state revenue estimates will exceed state revenue estimates from the January 1995 conference by $16,000,000.00 or more, the personal exemption under subsection (2) shall be increased by $50.00 for each $16,000,000.00 increment by which the baseline GF/GP consensus revenue estimate for the 1994-1995 state fiscal year from the May 1995 revenue estimating conference exceeds the baseline GF/GP consensus revenue estimate for the 1994-1995 state fiscal year from the January 1995 revenue estimating conference. For the 1995, 1996, and 1997 tax years, the amount determined under this subsection shall be added to the personal exemption amount under subsection (2). However, the amount added to the personal exemption pursuant to this subsection shall not exceed $250.00.

(4) 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.

(5) 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.

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

(7) 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.