



# SENATE BILL No. 237

February 2, 1995, Introduced by Senators BENNETT, STEIL, ROGERS, HOFFMAN, SCHUETTE, DUNASKISS, GAST, GEAKE, DE GROW, CISKY, GOUGEON, STILLE, NORTH, SHUGARS, HONIGMAN, BOUCHARD and SCHWARZ and referred to the Committee on Finance.

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. 268 of the Public Acts of 1994, 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. 268 of the Public Acts of 1994, 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 (i) 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 (ii) 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 (iii) Social security benefits as defined in section 86 of  
12 the internal revenue code.

13 (iv) Before October 1, 1994, retirement or pension benefits  
14 from any other retirement or pension system as follows:

15 (A) For a single return, the sum of not more than  
16 \$7,500.00.

17 (B) For a joint return, the sum of not more than  
18 \$10,000.00.

19 (v) After September 30, 1994, retirement or pension benefits  
20 not deductible under subparagraph (i) or subdivision (e) from any  
21 other retirement or pension system or benefits from a retirement  
22 annuity policy in which payments are made for life to a senior  
23 citizen, ~~or a surviving spouse of a senior citizen as defined in~~  
24 ~~section 514,~~ to a maximum of the amounts provided for in section  
25 30a. The maximum amounts allowed under this subparagraph shall  
26 be reduced by the amount of the deduction for retirement or  
27 pension benefits allowed under subparagraph (i) or subdivision

1 (e). For the 1995 tax year and each tax year after 1995, the  
2 maximum amounts allowed under this subparagraph shall be adjusted  
3 by the percentage increase in the Detroit consumer price index  
4 for the immediately preceding calendar year. The department  
5 shall annualize the amounts provided in this subparagraph and  
6 subparagraph (iv) as necessary for tax years that end after  
7 September 30, 1994. AS USED IN THIS SUBPARAGRAPH, "SENIOR  
8 CITIZEN" MEANS THAT TERM AS DEFINED IN SECTION 514.

9 (vi) The amount determined to be the section 22 amount eli-  
10 gible for the elderly and permanently and totally disabled credit  
11 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 (l) Deduct the following payments made by the taxpayer in  
2 the tax year:

3 (i) 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 (ii) 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 (i).

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 and dividends  
11 received in the tax year not to exceed \$1,000.00 for a single  
12 return or \$2,000.00 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)(i), (ii), (iv), 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 percen-  
18 tage 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 (S) FOR THE 1995 TAX YEAR AND EACH TAX YEAR AFTER 1995,  
23 DEDUCT, TO THE EXTENT INCLUDED IN ADJUSTED GROSS INCOME, AN  
24 AMOUNT EQUAL TO THE TUITION PAID IN THE TAX YEAR BY THE TAXPAYER  
25 ON BEHALF OF A DEPENDENT OF THE TAXPAYER TO A QUALIFIED INSTITU-  
26 TION OF HIGHER LEARNING FOR UNDERGRADUATE CREDITS NOT TO EXCEED  
27 \$5,000.00 FOR EACH DEPENDENT STUDENT. A TAXPAYER SHALL NOT CLAIM

1 THE DEDUCTION UNDER THIS SUBDIVISION FOR MORE THAN 4 TAX YEARS  
 2 FOR EACH DEPENDENT STUDENT. FOR THE 1995 TAX YEAR ONLY,  
 3 "QUALIFIED INSTITUTION OF HIGHER LEARNING" MEANS THAT TERM AS  
 4 DEFINED IN SECTION 260. FOR TAX YEARS AFTER THE 1995 TAX YEAR,  
 5 "QUALIFIED INSTITUTION OF HIGHER LEARNING" MEANS AN INSTITUTION  
 6 THAT MEETS THE CRITERIA IN SECTION 260 AND HAS NOT INCREASED  
 7 TUITION AND FEES DURING THE TAX YEAR BY MORE THAN THE ANNUAL  
 8 AVERAGE PERCENTAGE INCREASE IN THE UNITED STATES CONSUMER PRICE  
 9 INDEX IN THE IMMEDIATELY PRECEDING TAX YEAR. AS USED IN THIS  
 10 SUBDIVISION, "UNITED STATES CONSUMER PRICE INDEX" MEANS THE  
 11 UNITED STATES CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS AS  
 12 DEFINED AND REPORTED BY THE UNITED STATES DEPARTMENT OF LABOR,  
 13 BUREAU OF LABOR STATISTICS.

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

- 18 (a) For a tax year beginning during 1987..... \$1,600.00.  
 19 (b) For a tax year beginning during 1988..... \$1,800.00.  
 20 (c) For a tax year beginning during 1989..... \$2,000.00.  
 21 (d) For a tax year beginning after 1989..... \$2,100.00.

22 (3) A single additional exemption of \$1,400.00 for a tax  
 23 year beginning during 1987, \$1,200.00 for a tax year beginning  
 24 during 1988, \$1,000.00 for a tax year beginning during 1989, and  
 25 \$900.00 for a tax year beginning after 1989 is allowed in each of  
 26 the following circumstances:

1 (a) The taxpayer is a paraplegic, a quadriplegic, a  
2 hemiplegic, a person who is blind as defined in section 504, or a  
3 totally and permanently disabled person as defined in section  
4 522.

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

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

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

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

19 (5) A nonresident or a part-year resident is allowed that  
20 proportion of an exemption or deduction allowed under subsection  
21 (2), (3), or (4) that the taxpayer's portion of adjusted gross  
22 income from Michigan sources bears to the taxpayer's total  
23 adjusted gross income.

24 (6) For a tax year beginning after 1987, in calculating tax-  
25 able income, a taxpayer shall not subtract from adjusted gross  
26 income the amount of prizes won by the taxpayer under the  
27 McCauley-Traxler-Law-Bowman-McNeely lottery act, Act No. 239 of

1 the Public Acts of 1972, being sections 432.1 to 432.47 of the  
2 Michigan Compiled Laws.

3 Section 2. This amendatory act shall not take effect unless  
4 all of the following bills of the 88th Legislature are enacted  
5 into law:

6 (a) Senate Bill No. 233.

7

8 (b) Senate Bill No. 232.

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