

HOUSE BILL No. 4341

March 12, 2015, Introduced by Reps. Townsend, Irwin, Zemke, Plawecki, LaVoy, Hovey-Wright, Sarah Roberts, Faris, Moss, Schor, Liberati, Hoadley, Wittenberg, Neeley, Gay-Dagnogo, Chang, Darany, Robinson, Byrd, Cochran, Greig, Pagan, Brunner, Smiley, Talabi, Phelps, Chirkun, Garrett, Geiss, Love, Banks, Guerra, Durhal, Rutledge, Kosowski and Derek Miller and referred to the Committee on Tax Policy.

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending sections 30 and 51 (MCL 206.30 and 206.51), section 30
as amended by 2012 PA 597 and section 51 as amended by 2012 PA 223.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 30. (1) "Taxable income" means, for a person other than a
2 corporation, estate, or trust, adjusted gross income as defined in
3 the internal revenue code subject to the following adjustments
4 under this section:

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

10 (b) Add taxes on or measured by income to the extent the taxes

1 have been deducted in arriving at adjusted gross income.

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

6 (d) Deduct, to the extent included in adjusted gross income,
7 income derived from obligations, or the sale or exchange of
8 obligations, of the United States government that this state is
9 prohibited by law from subjecting to a net income tax, reduced by
10 any interest on indebtedness incurred in carrying the obligations
11 and by any expenses incurred in the production of that income to
12 the extent that the expenses, including amortizable bond premiums,
13 were deducted in arriving at adjusted gross income.

14 (e) Deduct, to the extent included in adjusted gross income,
15 the following:

16 (i) Compensation, including retirement benefits, received for
17 services in the armed forces of the United States.

18 (ii) Retirement or pension benefits under the railroad
19 retirement act of 1974, 45 USC 231 to 231v.

20 (iii) ~~beginning~~ **BEGINNING** January 1, 2012, retirement or pension
21 benefits received for services in the Michigan national guard.

22 (f) Deduct the following to the extent included in adjusted
23 gross income subject to the limitations and restrictions set forth
24 in subsection (9):

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

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

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

10 (iv) Beginning on and after January 1, 2007, retirement or
11 pension benefits not deductible under subparagraph (i) or
12 subdivision (e) from any other retirement or pension system or
13 benefits from a retirement annuity policy in which payments are
14 made for life to a senior citizen, to a maximum of \$42,240.00 for a
15 single return and \$84,480.00 for a joint return. The maximum
16 amounts allowed under this subparagraph shall be reduced by the
17 amount of the deduction for retirement or pension benefits claimed
18 under subparagraph (i) or subdivision (e) and by the amount of a
19 deduction claimed under subdivision (p). For the 2008 tax year and
20 each tax year after 2008, the maximum amounts allowed under this
21 subparagraph shall be adjusted by the percentage increase in the
22 United States consumer price index for the immediately preceding
23 calendar year. The department shall annualize the amounts provided
24 in this subparagraph as necessary. As used in this subparagraph,
25 "senior citizen" means that term as defined in section 514.

26 (v) The amount determined to be the section 22 amount eligible
27 for the elderly and the permanently and totally disabled credit

1 provided in section 22 of the internal revenue code.

2 (g) Adjustments resulting from the application of section 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
6 apportionment provisions of chapter 3.

7 (j) Deduct the following payments made by the taxpayer in the
8 tax year:

9 (i) For the 2010 tax year and each tax year after 2010, the
10 amount of a charitable contribution made to the advance tuition
11 payment fund created under section 9 of the Michigan education
12 trust act, 1986 PA 316, MCL 390.1429.

13 (ii) The amount of payment made under an advance tuition
14 payment contract as provided in the Michigan education trust act,
15 1986 PA 316, MCL 390.1421 to 390.1442.

16 (iii) The amount of payment made under a contract with a private
17 sector investment manager that meets all of the following criteria:

18 (A) The contract is certified and approved by the board of
19 directors of the Michigan education trust to provide equivalent
20 benefits and rights to purchasers and beneficiaries as an advance
21 tuition payment contract as described in subparagraph (ii).

22 (B) The contract applies only for a state institution of
23 higher education as defined in the Michigan education trust act,
24 1986 PA 316, MCL 390.1421 to 390.1442, or a community or junior
25 college in Michigan.

26 (C) The contract provides for enrollment by the contract's
27 qualified beneficiary in not less than 4 years after the date on

1 which the contract is entered into.

2 (D) The contract is entered into after either of the
3 following:

4 (I) The purchaser has had his or her offer to enter into an
5 advance tuition payment contract rejected by the board of directors
6 of the Michigan education trust, if the board determines that the
7 trust cannot accept an unlimited number of enrollees upon an
8 actuarially sound basis.

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

12 (k) If an advance tuition payment contract under the Michigan
13 education trust act, 1986 PA 316, MCL 390.1421 to 390.1442, or
14 another contract for which the payment was deductible under
15 subdivision (j) is terminated and the qualified beneficiary under
16 that contract does not attend a university, college, junior or
17 community college, or other institution of higher education, add
18 the amount of a refund received by the taxpayer as a result of that
19 termination or the amount of the deduction taken under subdivision
20 (j) for payment made under that contract, whichever is less.

21 (l) Deduct from the taxable income of a purchaser the amount
22 included as income to the purchaser under the internal revenue code
23 after the advance tuition payment contract entered into under the
24 Michigan education trust act, 1986 PA 316, MCL 390.1421 to
25 390.1442, is terminated because the qualified beneficiary attends
26 an institution of postsecondary education other than either a state
27 institution of higher education or an institution of postsecondary

1 education located outside this state with which a state institution
2 of higher education has reciprocity.

3 (m) Add, to the extent deducted in determining adjusted gross
4 income, the net operating loss deduction under section 172 of the
5 internal revenue code.

6 (n) Deduct a net operating loss deduction for the taxable year
7 as determined under section 172 of the internal revenue code
8 subject to the modifications under section 172(b)(2) of the
9 internal revenue code and subject to the allocation and
10 apportionment provisions of chapter 3 of this part for the taxable
11 year in which the loss was incurred.

12 (o) Deduct, to the extent included in adjusted gross income,
13 benefits from a discriminatory self-insurance medical expense
14 reimbursement plan.

15 (p) Beginning on and after January 1, 2007, subject to any
16 limitation provided in this subdivision, a taxpayer who is a senior
17 citizen may deduct to the extent included in adjusted gross income,
18 interest, dividends, and capital gains received in the tax year not
19 to exceed \$9,420.00 for a single return and \$18,840.00 for a joint
20 return. The maximum amounts allowed under this subdivision shall be
21 reduced by the amount of a deduction claimed for retirement
22 benefits under subdivision (e) or a deduction claimed under
23 subdivision (f)(i), (ii), (iv), or (v). For the 2008 tax year and each
24 tax year after 2008, the maximum amounts allowed under this
25 subdivision shall be adjusted by the percentage increase in the
26 United States consumer price index for the immediately preceding
27 calendar year. The department shall annualize the amounts provided

1 in this subdivision as necessary. Beginning January 1, 2012, the
2 deduction under this subsection is not available to a senior
3 citizen born after 1945. As used in this subdivision, "senior
4 citizen" means that term as defined in section 514.

5 (q) Deduct, to the extent included in adjusted gross income,
6 all of the following:

7 (i) The amount of a refund received in the tax year based on
8 taxes paid under this part.

9 (ii) The amount of a refund received in the tax year based on
10 taxes paid under the city income tax act, 1964 PA 284, MCL 141.501
11 to 141.787.

12 (iii) The amount of a credit received in the tax year based on a
13 claim filed under sections 520 and 522 to the extent that the taxes
14 used to calculate the credit were not used to reduce adjusted gross
15 income for a prior year.

16 (r) Add the amount paid by the state on behalf of the taxpayer
17 in the tax year to repay the outstanding principal on a loan taken
18 on which the taxpayer defaulted that was to fund an advance tuition
19 payment contract entered into under the Michigan education trust
20 act, 1986 PA 316, MCL 390.1421 to 390.1442, if the cost of the
21 advance tuition payment contract was deducted under subdivision (j)
22 and was financed with a Michigan education trust secured loan.

23 (s) Deduct, to the extent included in adjusted gross income,
24 any amount, and any interest earned on that amount, received in the
25 tax year by a taxpayer who is a Holocaust victim as a result of a
26 settlement of claims against any entity or individual for any
27 recovered asset pursuant to the German act regulating unresolved

1 property claims, also known as Gesetz zur Regelung offener
2 Vermögensfragen, as a result of the settlement of the action
3 entitled In re: Holocaust victim assets litigation, CV-96-4849, CV-
4 96-5161, and CV-97-0461 (E.D. NY), or as a result of any similar
5 action if the income and interest are not commingled in any way
6 with and are kept separate from all other funds and assets of the
7 taxpayer. As used in this subdivision:

8 (i) "Holocaust victim" means a person, or the heir or
9 beneficiary of that person, who was persecuted by Nazi Germany or
10 any Axis regime during any period from 1933 to 1945.

11 (ii) "Recovered asset" means any asset of any type and any
12 interest earned on that asset including, but not limited to, bank
13 deposits, insurance proceeds, or artwork owned by a Holocaust
14 victim during the period from 1920 to 1945, withheld from that
15 Holocaust victim from and after 1945, and not recovered, returned,
16 or otherwise compensated to the Holocaust victim until after 1993.

17 (t) Deduct, to the extent not deducted in determining adjusted
18 gross income, both of the following:

19 (i) Contributions made by the taxpayer in the tax year less
20 qualified withdrawals made in the tax year from education savings
21 accounts, calculated on a per education savings account basis,
22 pursuant to the Michigan education savings program act, 2000 PA
23 161, MCL 390.1471 to 390.1486, not to exceed a total deduction of
24 \$5,000.00 for a single return or \$10,000.00 for a joint return per
25 tax year. The amount calculated under this subparagraph for each
26 education savings account shall not be less than zero.

27 (ii) The amount under section 30f.

1 (u) Add, to the extent not included in adjusted gross income,
2 the amount of money withdrawn by the taxpayer in the tax year from
3 education savings accounts, not to exceed the total amount deducted
4 under subdivision (t) in the tax year and all previous tax years,
5 if the withdrawal was not a qualified withdrawal as provided in the
6 Michigan education savings program act, 2000 PA 161, MCL 390.1471
7 to 390.1486. This subdivision does not apply to withdrawals that
8 are less than the sum of all contributions made to an education
9 savings account in all previous tax years for which no deduction
10 was claimed under subdivision (t), less any contributions for which
11 no deduction was claimed under subdivision (t) that were withdrawn
12 in all previous tax years.

13 (v) A taxpayer who is a resident tribal member may deduct, to
14 the extent included in adjusted gross income, all nonbusiness
15 income earned or received in the tax year and during the period in
16 which an agreement entered into between the taxpayer's tribe and
17 this state pursuant to section 30c of 1941 PA 122, MCL 205.30c, is
18 in full force and effect. As used in this subdivision:

19 (i) "Business income" means business income as defined in
20 section 4 and apportioned under chapter 3.

21 (ii) "Nonbusiness income" means nonbusiness income as defined
22 in section 14 and, to the extent not included in business income,
23 all of the following:

24 (A) All income derived from wages whether the wages are earned
25 within the agreement area or outside of the agreement area.

26 (B) All interest and passive dividends.

27 (C) All rents and royalties derived from real property located

1 within the agreement area.

2 (D) All rents and royalties derived from tangible personal
3 property, to the extent the personal property is utilized within
4 the agreement area.

5 (E) Capital gains from the sale or exchange of real property
6 located within the agreement area.

7 (F) Capital gains from the sale or exchange of tangible
8 personal property located within the agreement area at the time of
9 sale.

10 (G) Capital gains from the sale or exchange of intangible
11 personal property.

12 (H) All pension income and benefits including, but not limited
13 to, distributions from a 401(k) plan, individual retirement
14 accounts under section 408 of the internal revenue code, or a
15 defined contribution plan, or payments from a defined benefit plan.

16 (I) All per capita payments by the tribe to resident tribal
17 members, without regard to the source of payment.

18 (J) All gaming winnings.

19 (iii) "Resident tribal member" means an individual who meets all
20 of the following criteria:

21 (A) Is an enrolled member of a federally recognized tribe.

22 (B) The individual's tribe has an agreement with this state
23 pursuant to section 30c of 1941 PA 122, MCL 205.30c, that is in
24 full force and effect.

25 (C) The individual's principal place of residence is located
26 within the agreement area as designated in the agreement under sub-
27 subparagraph (B).

1 (w) For tax years beginning after December 31, 2011, eliminate
2 all of the following:

3 (i) Income from producing oil and gas to the extent included in
4 adjusted gross income.

5 (ii) Expenses of producing oil and gas to the extent deducted
6 in arriving at adjusted gross income.

7 (2) Except as otherwise provided in subsection (7), a personal
8 exemption of \$3,700.00 multiplied by the number of personal or
9 dependency exemptions allowable on the taxpayer's federal income
10 tax return pursuant to the internal revenue code shall be
11 subtracted in the calculation that determines taxable income.

12 (3) Except as otherwise provided in subsection (7), a single
13 additional exemption determined as follows shall be subtracted in
14 the calculation that determines taxable income in each of the
15 following circumstances:

16 (a) \$1,800.00 for each taxpayer and every dependent of the
17 taxpayer who is a deaf person as defined in section 2 of the deaf
18 persons' interpreters act, 1982 PA 204, MCL 393.502; a paraplegic,
19 a quadriplegic, or a hemiplegic; a person who is blind as defined
20 in section 504; or a person who is totally and permanently disabled
21 as defined in section 522. When a dependent of a taxpayer files an
22 annual return under this part, the taxpayer or dependent of the
23 taxpayer, but not both, may claim the additional exemption allowed
24 under this subdivision. As used in this subdivision, "dependent"
25 means that term as defined in section 30e.

26 (b) For tax years beginning after 2007, \$250.00 for each
27 taxpayer and every dependent of the taxpayer who is a qualified

1 disabled veteran. When a dependent of a taxpayer files an annual
2 return under this part, the taxpayer or dependent of the taxpayer,
3 but not both, may claim the additional exemption allowed under this
4 subdivision. As used in this subdivision:

5 (i) "Qualified disabled veteran" means a veteran with a
6 service-connected disability.

7 (ii) "Service-connected disability" means a disability incurred
8 or aggravated in the line of duty in the active military, naval, or
9 air service as described in 38 USC 101(16).

10 (iii) "Veteran" means a person who served in the active
11 military, naval, marine, coast guard, or air service and who was
12 discharged or released from his or her service with an honorable or
13 general discharge.

14 (4) An individual with respect to whom a deduction under
15 section 151 of the internal revenue code is allowable to another
16 federal taxpayer during the tax year is not considered to have an
17 allowable federal exemption for purposes of subsection (2), but may
18 subtract \$1,500.00 in the calculation that determines taxable
19 income for a tax year.

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

25 (6) In calculating taxable income, a taxpayer shall not
26 subtract from adjusted gross income the amount of prizes won by the
27 taxpayer under the McCauley-Traxler-Law-Bowman-McNeely lottery act,

1 1972 PA 239, MCL 432.1 to 432.47.

2 (7) For each tax year beginning on and after January 1, 2013,
3 the personal exemption allowed under subsection (2) shall be
4 adjusted by multiplying the exemption for the tax year beginning in
5 2012 by a fraction, the numerator of which is the United States
6 consumer price index for the state fiscal year ending in the tax
7 year prior to the tax year for which the adjustment is being made
8 and the denominator of which is the United States consumer price
9 index for the 2010-2011 state fiscal year. The resultant product
10 shall be rounded to the nearest \$100.00 increment. As used in this
11 section, "United States consumer price index" means the United
12 States consumer price index for all urban consumers as defined and
13 reported by the United States department of labor, bureau of labor
14 statistics. For each tax year, the exemptions allowed under
15 subsection (3) shall be adjusted by multiplying the exemption
16 amount under subsection (3) for the tax year by a fraction, the
17 numerator of which is the United States consumer price index for
18 the state fiscal year ending the tax year prior to the tax year for
19 which the adjustment is being made and the denominator of which is
20 the United States consumer price index for the 1998-1999 state
21 fiscal year. The resultant product shall be rounded to the nearest
22 \$100.00 increment. **BEGINNING ON AND AFTER JANUARY 1, 2016, FOR A**
23 **TAXPAYER WHOSE TAXABLE INCOME IS \$80,000.00 OR MORE FOR A SINGLE**
24 **RETURN OR \$160,000.00 OR MORE FOR A JOINT RETURN, THE PERSONAL**
25 **EXEMPTION ALLOWED UNDER SUBSECTION (2) SHALL BE ADJUSTED BY**
26 **MULTIPLYING THE EXEMPTION FOR THE TAX YEAR FOR A SINGLE RETURN BY A**
27 **FRACTION, THE NUMERATOR OF WHICH IS \$100,000.00 MINUS THE**

1 TAXPAYER'S TAXABLE INCOME, AND THE DENOMINATOR OF WHICH IS
2 \$20,000.00, AND FOR A JOINT RETURN BY A FRACTION, THE NUMERATOR OF
3 WHICH IS \$200,000.00 MINUS THE TAXPAYER'S TAXABLE INCOME, AND THE
4 DENOMINATOR OF WHICH IS \$40,000.00. THE PERSONAL EXEMPTION ALLOWED
5 UNDER SUBSECTION (2) SHALL NOT BE ALLOWED FOR A SINGLE TAXPAYER
6 WHOSE TOTAL HOUSEHOLD RESOURCES EXCEED \$80,000.00 OR FOR JOINT
7 FILERS WHOSE TOTAL HOUSEHOLD RESOURCES EXCEED \$160,000.00.

8 (8) As used in subsection (1)(f), "retirement or pension
9 benefits" means distributions from all of the following:

10 (a) Except as provided in subdivision (d), qualified pension
11 trusts and annuity plans that qualify under section 401(a) of the
12 internal revenue code, including all of the following:

13 (i) Plans for self-employed persons, commonly known as Keogh or
14 HR10 plans.

15 (ii) Individual retirement accounts that qualify under section
16 408 of the internal revenue code if the distributions are not made
17 until the participant has reached 59-1/2 years of age, except in
18 the case of death, disability, or distributions described by
19 section 72(t)(2)(A)(iv) of the internal revenue code.

20 (iii) Employee annuities or tax-sheltered annuities purchased
21 under section 403(b) of the internal revenue code by organizations
22 exempt under section 501(c)(3) of the internal revenue code, or by
23 public school systems.

24 (iv) Distributions from a 401(k) plan attributable to employee
25 contributions mandated by the plan or attributable to employer
26 contributions.

27 (b) The following retirement and pension plans not qualified

1 under the internal revenue code:

2 (i) Plans of the United States, state governments other than
3 this state, and political subdivisions, agencies, or
4 instrumentalities of this state.

5 (ii) Plans maintained by a church or a convention or
6 association of churches.

7 (iii) All other unqualified pension plans that prescribe
8 eligibility for retirement and predetermine contributions and
9 benefits if the distributions are made from a pension trust.

10 (c) Retirement or pension benefits received by a surviving
11 spouse if those benefits qualified for a deduction prior to the
12 decedent's death. Benefits received by a surviving child are not
13 deductible.

14 (d) Retirement and pension benefits do not include:

15 (i) Amounts received from a plan that allows the employee to
16 set the amount of compensation to be deferred and does not
17 prescribe retirement age or years of service. These plans include,
18 but are not limited to, all of the following:

19 (A) Deferred compensation plans under section 457 of the
20 internal revenue code.

21 (B) Distributions from plans under section 401(k) of the
22 internal revenue code other than plans described in subdivision
23 (a) (iv) .

24 (C) Distributions from plans under section 403(b) of the
25 internal revenue code other than plans described in subdivision
26 (a) (iii) .

27 (ii) Premature distributions paid on separation, withdrawal, or

1 discontinuance of a plan prior to the earliest date the recipient
2 could have retired under the provisions of the plan.

3 (iii) Payments received as an incentive to retire early unless
4 the distributions are from a pension trust.

5 (9) In determining taxable income under this section, the
6 following limitations and restrictions apply:

7 (a) For a person born before 1946, this subsection provides no
8 additional restrictions or limitations under subsection (1)(f).

9 (b) Except as otherwise provided in subdivision (c), for a
10 person born in 1946 through 1952, the sum of the deductions under
11 subsection (1)(f)(i), (ii), and (iv) is limited to \$20,000.00 for a
12 single return and \$40,000.00 for a joint return. After that person
13 reaches the age of 67, the deductions under subsection (1)(f)(i),
14 (ii), and (iv) do not apply and that person is eligible for a
15 deduction of \$20,000.00 for a single return and \$40,000.00 for a
16 joint return, which deduction is available against all types of
17 income and is not restricted to income from retirement or pension
18 benefits. A person ~~that~~ WHO takes the deduction under subsection
19 (1)(e) is not eligible for the unrestricted deduction of \$20,000.00
20 for a single return and \$40,000.00 for a joint return under this
21 subdivision.

22 (c) Beginning January 1, 2013, for a person born in 1946
23 through 1952 who receives retirement or pension benefits from
24 employment with a governmental agency that was not covered by the
25 federal social security act, chapter 531, 49 Stat. 620, the sum of
26 the deductions under subsection (1)(f)(i), (ii), and (iv) is limited
27 to \$35,000.00 for a single return and, except as otherwise provided

1 under this subdivision, \$55,000.00 for a joint return. If both the
2 husband and wife filing a joint return receive retirement or
3 pension benefits from employment with a governmental agency that
4 was not covered by the federal social security act, chapter 531, 49
5 Stat. 620, the sum of the deductions under subsection (1)(f)(i),
6 (ii), and (iv) is limited to \$70,000.00 for a joint return. After
7 that person reaches the age of 67, the deductions under subsection
8 (1)(f)(i), (ii), and (iv) do not apply and that person is eligible for
9 a deduction of \$35,000.00 for a single return and \$55,000.00 for a
10 joint return, or \$70,000.00 for a joint return if applicable, which
11 deduction is available against all types of income and is not
12 restricted to income from retirement or pension benefits. A person
13 who takes the deduction under subsection (1)(e) is not eligible for
14 the unrestricted deduction of \$35,000.00 for a single return and
15 \$55,000.00 for a joint return, or \$70,000.00 for a joint return if
16 applicable, under this subdivision.

17 (d) For a person born after 1952 who has reached the age of 62
18 through 66 years of age and who receives retirement or pension
19 benefits from employment with a governmental agency that was not
20 covered by the federal social security act, chapter 532, 49 Stat.
21 620, the sum of the deductions under subsection (1)(f)(i), (ii), and
22 (iv) is limited to \$15,000.00 for a single return and, except as
23 otherwise provided under this subdivision, \$15,000.00 for a joint
24 return. If both the husband and ~~the~~ wife filing a joint return
25 receive retirement or pension benefits from employment with a
26 governmental agency that was not covered by the federal social
27 security act, chapter 532, 49 Stat. 620, the sum of the deductions

1 under subsection (1)(f)(i), (ii), and (iv) is limited to \$30,000.00
2 for a joint return.

3 (e) Except as otherwise provided under subdivision (d), for a
4 person born after 1952, the deduction under subsection (1)(f)(i),
5 (ii), or (iv) does not apply. When that person reaches the age of 67,
6 that person is eligible for a deduction of \$20,000.00 for a single
7 return and \$40,000.00 for a joint return, which deduction is
8 available against all types of income and is not restricted to
9 income from retirement or pension benefits. If a person takes the
10 deduction of \$20,000.00 for a single return and \$40,000.00 for a
11 joint return, that person shall not take the deduction under
12 subsection (1)(f)(iii) and shall not take the personal exemption
13 under subsection (2). That person may elect not to take the
14 deduction of \$20,000.00 for a single return and \$40,000.00 for a
15 joint return and elect to take the deduction under subsection
16 (1)(f)(iii) and the personal exemption under subsection (2) if that
17 election would reduce that person's tax liability. A person ~~that~~
18 **WHO** takes the deduction under subsection (1)(e) is not eligible for
19 the unrestricted deduction of \$20,000.00 for a single return and
20 \$40,000.00 for a joint return under this subdivision.

21 (f) For a joint return, the limitations and restrictions in
22 this subsection shall be applied based on the age of the older
23 spouse filing the joint return.

24 (10) As used in this section, "oil and gas" means oil and gas
25 that is subject to severance tax under 1929 PA 48, MCL 205.301 to
26 205.317.

27 Sec. 51. (1) For receiving, earning, or otherwise acquiring

1 income from any source whatsoever, there is levied and imposed
2 under this part upon the taxable income of every person other than
3 a corporation a tax at the following rates in the following
4 circumstances:

5 (a) Before May 1, 1994, 4.6%.

6 (b) After April 30, 1994 and before January 1, 2000, 4.4%.

7 (c) For tax years that begin on and after January 1, 2000 and
8 before January 1, 2002, 4.2%.

9 (d) For tax years that begin on and after January 1, 2002 and
10 before January 1, 2003, 4.1%.

11 (e) On and after January 1, 2003 and before July 1, 2004,
12 4.0%.

13 (f) On and after July 1, 2004 and before October 1, 2007,
14 3.9%.

15 (g) On and after October 1, 2007 and before October 1, 2012,
16 4.35%.

17 (h) Beginning on and after October 1, 2012 **AND BEFORE JANUARY**
18 **1, 2016**, 4.25%.

19 **(I) BEGINNING ON AND AFTER JANUARY 1, 2016, FOR A SINGLE**
20 **RETURN AS FOLLOWS:**

21 **(i) ON THE FIRST \$20,000.00, 3.0%.**

22 **(ii) ON ALL OVER \$20,000.00 BUT LESS THAN OR EQUAL TO**
23 **\$40,000.00, 4.0%.**

24 **(iii) ON ALL OVER \$40,000.00 BUT LESS THAN OR EQUAL TO**
25 **\$80,000.00, 5.0%.**

26 **(iv) ON ALL OVER \$80,000.00 BUT LESS THAN OR EQUAL TO**
27 **\$125,000.00, 6.0%.**

1 (v) ON ALL OVER \$125,000.00 BUT LESS THAN OR EQUAL TO
2 \$200,000.00, 7.0%.

3 (vi) ON ALL OVER \$200,000.00 BUT LESS THAN OR EQUAL TO
4 \$500,000.00, 8.0%.

5 (vii) ON ALL OVER \$500,000.00 BUT LESS THAN OR EQUAL TO
6 \$1,000,000.00, 9.0%.

7 (viii) ON ALL OVER \$1,000,000.00, 10.0%.

8 (J) BEGINNING ON AND AFTER JANUARY 1, 2016, FOR A JOINT RETURN
9 AS FOLLOWS:

10 (i) ON THE FIRST \$40,000.00, 3.0%.

11 (ii) ON ALL OVER \$40,000.00 BUT LESS THAN OR EQUAL TO
12 \$80,000.00, 4.0%.

13 (iii) ON ALL OVER \$80,000.00 BUT LESS THAN OR EQUAL TO
14 \$160,000.00, 5.0%.

15 (iv) ON ALL OVER \$160,000.00 BUT LESS THAN OR EQUAL TO
16 \$200,000.00, 6.0%.

17 (v) ON ALL OVER \$200,000.00 BUT LESS THAN OR EQUAL TO
18 \$250,000.00, 7.0%.

19 (vi) ON ALL OVER \$250,000.00 BUT LESS THAN OR EQUAL TO
20 \$500,000.00, 8.0%.

21 (vii) ON ALL OVER \$500,000.00 BUT LESS THAN OR EQUAL TO
22 \$1,000,000.00, 9.0%.

23 (viii) ON ALL OVER \$1,000,000.00, 10.0%.

24 (2) The following percentages of the net revenues collected
25 under this section shall be deposited in the state school aid fund
26 created in section 11 of article IX of the state constitution of
27 1963:

1 (a) Beginning October 1, 1994 and before October 1, 1996,
2 14.4% of the gross collections before refunds from the tax levied
3 under this section.

4 (b) After September 30, 1996 and before January 1, 2000, 23.0%
5 of the gross collections before refunds from the tax levied under
6 this section.

7 (c) Beginning January 1, 2000, that percentage of the gross
8 collections before refunds from the tax levied under this section
9 that is equal to 1.012% divided by the income tax rate levied under
10 this section.

11 (3) The department shall annualize rates provided in
12 subsection (1) as necessary for tax years that end after April 30,
13 1994. The applicable annualized rate shall be imposed upon the
14 taxable income of every person other than a corporation for those
15 tax years.

16 (4) The taxable income of a nonresident shall be computed in
17 the same manner that the taxable income of a resident is computed,
18 subject to the allocation and apportionment provisions of this
19 part.

20 (5) A resident beneficiary of a trust whose taxable income
21 includes all or part of an accumulation distribution by a trust, as
22 defined in section 665 of the internal revenue code, shall be
23 allowed a credit against the tax otherwise due under this part. The
24 credit shall be all or a proportionate part of any tax paid by the
25 trust under this part for any preceding taxable year that would not
26 have been payable if the trust had in fact made distribution to its
27 beneficiaries at the times and in the amounts specified in section

1 666 of the internal revenue code. The credit shall not reduce the
2 tax otherwise due from the beneficiary to an amount less than would
3 have been due if the accumulation distribution were excluded from
4 taxable income.

5 (6) The taxable income of a resident who is required to
6 include income from a trust in his or her federal income tax return
7 under the provisions of 26 USC 671 to 679, shall include items of
8 income and deductions from the trust in taxable income to the
9 extent required by this part with respect to property owned
10 outright.

11 (7) It is the intention of this section that the income
12 subject to tax of every person other than corporations shall be
13 computed in like manner and be the same as provided in the internal
14 revenue code subject to adjustments specifically provided for in
15 this part.

16 (8) As used in this section:

17 (a) "Person other than a corporation" means a resident or
18 nonresident individual or any of the following:

19 (i) A partner in a partnership as defined in the internal
20 revenue code.

21 (ii) A beneficiary of an estate or a trust as defined in the
22 internal revenue code.

23 (iii) An estate or trust as defined in the internal revenue
24 code.

25 (b) "Taxable income" means taxable income as defined in this
26 part subject to the applicable source and attribution rules
27 contained in this part.

1 Enacting section 1. This amendatory act does not take effect
2 unless Senate Joint Resolution ____ or House Joint Resolution K
3 (request no. 00816'15) of the 98th Legislature becomes a part of
4 the state constitution of 1963 as provided in section 1 of article
5 XII of the state constitution of 1963.