

**SUBSTITUTE FOR
HOUSE BILL NO. 4991**

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending sections 30 and 508 (MCL 206.30 and 206.508), section
30 as amended by 2018 PA 38 and section 508 as amended by 2011 PA
177.

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

1 because of section 265(a)(1) of the internal revenue code.

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

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

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

16 (e) Deduct, to the extent included in adjusted gross income,
17 the following:

18 (i) Compensation, including retirement or pension benefits,
19 received for services in the Armed Forces of the United States.

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

22 (iii) Beginning January 1, 2012, retirement or pension
23 benefits received for services in the Michigan National Guard.

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

27 (i) Retirement or pension benefits received from a federal

1 public retirement system or from a public retirement system of or
2 created by this state or a political subdivision of this state.

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

10 (iii) Social Security benefits as defined in section 86 of the
11 internal revenue code.

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

1 (v) The amount determined to be the section 22 amount eligible
2 for the elderly and the permanently and totally disabled credit
3 provided in section 22 of the internal revenue code.

4 (g) Adjustments resulting from the application of section 271.

5 (h) Adjustments with respect to estate and trust income as
6 provided in section 36.

7 (i) Adjustments resulting from the allocation and
8 apportionment provisions of chapter 3.

9 (j) Deduct the following payments made by the taxpayer in the
10 tax year:

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

15 (ii) The amount of payment made under an advance tuition
16 payment contract as provided in the Michigan education trust act,
17 1986 PA 316, MCL 390.1421 to 390.1442.

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

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

25 (B) The contract applies only for a state institution of
26 higher education as defined in the Michigan education trust act,
27 1986 PA 316, MCL 390.1421 to 390.1442, or a community or junior

1 college in Michigan.

2 (C) The contract provides for enrollment by the contract's
3 qualified beneficiary in not less than 4 years after the date on
4 which the contract is entered into.

5 (D) The contract is entered into after either of the
6 following:

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

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

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

24 (l) Deduct from the taxable income of a purchaser the amount
25 included as income to the purchaser under the internal revenue code
26 after the advance tuition payment contract entered into under the
27 Michigan education trust act, 1986 PA 316, MCL 390.1421 to

1 390.1442, is terminated because the qualified beneficiary attends
2 an institution of postsecondary education other than either a state
3 institution of higher education or an institution of postsecondary
4 education located outside this state with which a state institution
5 of higher education has reciprocity.

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

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

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

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

subdivision shall be adjusted by the percentage increase in the United States Consumer Price Index for the immediately preceding calendar year. The department shall annualize the amounts provided in this subdivision as necessary. Beginning January 1, 2012, the deduction under this subdivision is not available to a senior citizen born after 1945. As used in this subdivision, "senior citizen" means that term as defined in section 514.

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

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

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

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

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

(s) Deduct, to the extent included in adjusted gross income, any amount, and any interest earned on that amount, received in the

1 tax year by a taxpayer who is a Holocaust victim as a result of a
2 settlement of claims against any entity or individual for any
3 recovered asset pursuant to the German act regulating unresolved
4 property claims, also known as Gesetz zur Regelung offener
5 Vermögensfragen, as a result of the settlement of the action
6 entitled *In re: Holocaust victim assets litigation*, CV-96-4849, CV-
7 96-5161, and CV-97-0461 (E.D. NY), or as a result of any similar
8 action if the income and interest are not commingled in any way
9 with and are kept separate from all other funds and assets of the
10 taxpayer. As used in this subdivision:

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

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

20 (t) Deduct all of the following:

21 (i) To the extent not deducted in determining adjusted gross
22 income, contributions made by the taxpayer in the tax year less
23 qualified withdrawals made in the tax year from education savings
24 accounts, calculated on a per education savings account basis,
25 pursuant to the Michigan education savings program act, 2000 PA
26 161, MCL 390.1471 to 390.1486, not to exceed a total deduction of
27 \$5,000.00 for a single return or \$10,000.00 for a joint return per

1 tax year. The amount calculated under this subparagraph for each
2 education savings account shall not be less than zero.

3 (ii) To the extent included in adjusted gross income, interest
4 earned in the tax year on the contributions to the taxpayer's
5 education savings accounts if the contributions were deductible
6 under subparagraph (i).

7 (iii) To the extent included in adjusted gross income,
8 distributions that are qualified withdrawals from an education
9 savings account to the designated beneficiary of that education
10 savings account.

11 (u) Add, to the extent not included in adjusted gross income,
12 the amount of money withdrawn by the taxpayer in the tax year from
13 education savings accounts, not to exceed the total amount deducted
14 under subdivision (t) in the tax year and all previous tax years,
15 if the withdrawal was not a qualified withdrawal as provided in the
16 Michigan education savings program act, 2000 PA 161, MCL 390.1471
17 to 390.1486. This subdivision does not apply to withdrawals that
18 are less than the sum of all contributions made to an education
19 savings account in all previous tax years for which no deduction
20 was claimed under subdivision (t), less any contributions for which
21 no deduction was claimed under subdivision (t) that were withdrawn
22 in all previous tax years.

23 (v) A taxpayer who is a resident tribal member may deduct, to
24 the extent included in adjusted gross income, all nonbusiness
25 income earned or received in the tax year and during the period in
26 which an agreement entered into between the taxpayer's tribe and
27 this state pursuant to section 30c of 1941 PA 122, MCL 205.30c, is

1 in full force and effect. As used in this subdivision:

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

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

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

9 (B) All interest and passive dividends.

10 (C) All rents and royalties derived from real property located
11 within the agreement area.

12 (D) All rents and royalties derived from tangible personal
13 property, to the extent the personal property is utilized within
14 the agreement area.

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

17 (F) Capital gains from the sale or exchange of tangible
18 personal property located within the agreement area at the time of
19 sale.

20 (G) Capital gains from the sale or exchange of intangible
21 personal property.

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

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

1 (J) All gaming winnings.

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

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

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

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

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

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

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

17 (x) For tax years that begin after December 31, 2015, deduct
18 all of the following:

19 (i) To the extent not deducted in determining adjusted gross
20 income, contributions made by the taxpayer in the tax year less
21 qualified withdrawals made in the tax year from an ABLE savings
22 account, pursuant to the Michigan ABLE program act, 2015 PA 160,
23 MCL 206.981 to 206.997, 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 an ABLE
26 savings account shall not be less than zero.

27 (ii) To the extent included in adjusted gross income, interest

1 earned in the tax year on the contributions to the taxpayer's ABLE
2 savings account if the contributions were deductible under
3 subparagraph (i) .

4 (iii) To the extent included in adjusted gross income,
5 distributions that are qualified withdrawals from an ABLE savings
6 account to the designated beneficiary of that ABLE savings account.

7 (y) Add, to the extent not included in adjusted gross income,
8 the amount of money withdrawn by the taxpayer in the tax year from
9 an ABLE savings account, not to exceed the total amount deducted
10 under subdivision (x) in the tax year and all previous tax years,
11 if the withdrawal was not a qualified withdrawal as provided in the
12 Michigan ABLE program act, 2015 PA 160, MCL 206.981 to 206.997.

13 This subdivision does not apply to withdrawals that are less than
14 the sum of all contributions made to an ABLE savings account in all
15 previous tax years for which no deduction was claimed under
16 subdivision (x), less any contributions for which no deduction was
17 claimed under subdivision (x) that were withdrawn in all previous
18 tax years.

19 **(Z) FOR TAX YEARS THAT BEGIN AFTER DECEMBER 31, 2017, DEDUCT,**
20 **TO THE EXTENT INCLUDED IN ADJUSTED GROSS INCOME, COMPENSATION**
21 **RECEIVED IN THE TAX YEAR PURSUANT TO THE WRONGFUL IMPRISONMENT**
22 **COMPENSATION ACT, 2016 PA 343, MCL 691.1751 TO 691.1757.**

23 (2) Except as otherwise provided in subsection (7) and section
24 30a, a personal exemption of \$3,700.00 multiplied by the number of
25 personal and dependency exemptions shall be subtracted in the
26 calculation that determines taxable income. The number of personal
27 and dependency exemptions allowed shall be determined as follows:

1 (a) Each taxpayer may claim 1 personal exemption. However, if
2 a joint return is not made by the taxpayer and his or her spouse,
3 the taxpayer may claim a personal exemption for the spouse if the
4 spouse, for the calendar year in which the taxable year of the
5 taxpayer begins, does not have any gross income and is not the
6 dependent of another taxpayer.

7 (b) A taxpayer may claim a dependency exemption for each
8 individual who is a dependent of the taxpayer for the tax year.

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

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

22 (b) For tax years beginning after 2007, \$250.00 for each
23 taxpayer and every dependent of the taxpayer who is a qualified
24 disabled veteran. When a dependent of a taxpayer files an annual
25 return under this part, the taxpayer or dependent of the taxpayer,
26 but not both, may claim the additional exemption allowed under this
27 subdivision. As used in this subdivision:

1 (i) "Qualified disabled veteran" means a veteran with a
2 service-connected disability.

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

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

10 (4) An individual with respect to whom a deduction under
11 subsection (2) is allowable to another taxpayer during the tax year
12 is not entitled to an exemption for purposes of subsection (2), but
13 may subtract \$1,500.00 in the calculation that determines taxable
14 income for a tax year.

15 (5) A nonresident or a part-year resident is allowed that
16 proportion of an exemption or deduction allowed under subsection
17 (2), (3), or (4) that the taxpayer's portion of adjusted gross
18 income from Michigan sources bears to the taxpayer's total adjusted
19 gross income.

20 (6) In calculating taxable income, a taxpayer shall not
21 subtract from adjusted gross income the amount of prizes won by the
22 taxpayer under the McCauley-Traxler-Law-Bowman-McNeely lottery act,
23 1972 PA 239, MCL 432.1 to 432.47.

24 (7) For each tax year beginning on and after January 1, 2013,
25 the personal exemption allowed under subsection (2) shall be
26 adjusted by multiplying the exemption for the tax year beginning in
27 2012 by a fraction, the numerator of which is the United States

1 Consumer Price Index for the state fiscal year ending in the tax
2 year prior to the tax year for which the adjustment is being made
3 and the denominator of which is the United States Consumer Price
4 Index for the 2010-2011 state fiscal year. For the 2022 tax year
5 and each tax year after 2022, the adjusted amount determined under
6 this subsection shall be increased by an additional \$600.00. The
7 resultant product shall be rounded to the nearest \$100.00
8 increment. ~~As used in this section, "United States Consumer Price~~
9 ~~Index" means the United States Consumer Price Index for all urban~~
10 ~~consumers as defined and reported by the United States Department~~
11 ~~of Labor, Bureau of Labor Statistics.~~ For each tax year, the
12 exemptions allowed under subsection (3) shall be adjusted by
13 multiplying the exemption amount under subsection (3) for the tax
14 year by a fraction, the numerator of which is the United States
15 Consumer Price Index for the state fiscal year ending the tax year
16 prior to the tax year for which the adjustment is being made and
17 the denominator of which is the United States Consumer Price Index
18 for the 1998-1999 state fiscal year. The resultant product shall be
19 rounded to the nearest \$100.00 increment.

20 (8) As used in this section, "retirement or pension benefits"
21 means distributions from all of the following:

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

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

27 (ii) Individual retirement accounts that qualify under section

1 408 of the internal revenue code if the distributions are not made
2 until the participant has reached 59-1/2 years of age, except in
3 the case of death, disability, or distributions described by
4 section 72(t)(2)(A)(iv) of the internal revenue code.

5 (iii) Employee annuities or tax-sheltered annuities purchased
6 under section 403(b) of the internal revenue code by organizations
7 exempt under section 501(c)(3) of the internal revenue code, or by
8 public school systems.

9 (iv) Distributions from a 401(k) plan attributable to employee
10 contributions mandated by the plan or attributable to employer
11 contributions.

12 (b) The following retirement and pension plans not qualified
13 under the internal revenue code:

14 (i) Plans of the United States, state governments other than
15 this state, and political subdivisions, agencies, or
16 instrumentalities of this state.

17 (ii) Plans maintained by a church or a convention or
18 association of churches.

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

22 (c) Retirement or pension benefits received by a surviving
23 spouse if those benefits qualified for a deduction prior to the
24 decedent's death. Benefits received by a surviving child are not
25 deductible.

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

27 (i) Amounts received from a plan that allows the employee to

1 set the amount of compensation to be deferred and does not
2 prescribe retirement age or years of service. These plans include,
3 but are not limited to, all of the following:

4 (A) Deferred compensation plans under section 457 of the
5 internal revenue code.

6 (B) Distributions from plans under section 401(k) of the
7 internal revenue code other than plans described in subdivision
8 (a) (iv) .

9 (C) Distributions from plans under section 403(b) of the
10 internal revenue code other than plans described in subdivision
11 (a) (iii) .

12 (ii) Premature distributions paid on separation, withdrawal,
13 or discontinuance of a plan prior to the earliest date the
14 recipient could have retired under the provisions of the plan.

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

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

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

21 (b) Except as otherwise provided in subdivision (c), for a
22 person born in 1946 through 1952, the sum of the deductions under
23 subsection (1) (f) (i) , (ii) , and (iv) is limited to \$20,000.00 for a
24 single return and \$40,000.00 for a joint return. After that person
25 reaches the age of 67, the deductions under subsection (1) (f) (i) ,
26 (ii) , and (iv) do not apply and that person is eligible for a
27 deduction of \$20,000.00 for a single return and \$40,000.00 for a

1 joint return, which deduction is available against all types of
2 income and is not restricted to income from retirement or pension
3 benefits. A person who takes the deduction under subsection (1)(e)
4 is not eligible for the unrestricted deduction of \$20,000.00 for a
5 single return and \$40,000.00 for a joint return under this
6 subdivision.

7 (c) Beginning January 1, 2013 for a person born in 1946
8 through 1952 and beginning January 1, 2018 for a person born after
9 1945 who has retired as of January 1, 2013, if that person receives
10 retirement or pension benefits from employment with a governmental
11 agency that was not covered by the federal social security act,
12 chapter 531, 49 Stat 620, the sum of the deductions under
13 subsection (1)(f)(i), (ii), and (iv) is limited to \$35,000.00 for a
14 single return and, except as otherwise provided under this
15 subdivision, \$55,000.00 for a joint return. If both spouses filing
16 a joint return receive retirement or pension benefits from
17 employment with a governmental agency that was not covered by the
18 federal social security act, chapter 531, 49 Stat 620, the sum of
19 the deductions under subsection (1)(f)(i), (ii), and (iv) is
20 limited to \$70,000.00 for a joint return. After that person reaches
21 the age of 67, the deductions under subsection (1)(f)(i), (ii), and
22 (iv) do not apply and that person is eligible for a deduction of
23 \$35,000.00 for a single return and \$55,000.00 for a joint return,
24 or \$70,000.00 for a joint return if applicable, which deduction is
25 available against all types of income and is not restricted to
26 income from retirement or pension benefits. A person who takes the
27 deduction under subsection (1)(e) is not eligible for the

1 unrestricted deduction of \$35,000.00 for a single return and
2 \$55,000.00 for a joint return, or \$70,000.00 for a joint return if
3 applicable, under this subdivision.

4 (d) Except as otherwise provided under subdivision (c) for a
5 person who was retired as of January 1, 2013, for a person born
6 after 1952 who has reached the age of 62 through 66 years of age
7 and who receives retirement or pension benefits from employment
8 with a governmental agency that was not covered by the federal
9 social security act, chapter 532, 49 Stat 620, the sum of the
10 deductions under subsection (1)(f)(i), (ii), and (iv) is limited to
11 \$15,000.00 for a single return and, except as otherwise provided
12 under this subdivision, \$15,000.00 for a joint return. If both
13 spouses filing a joint return receive retirement or pension
14 benefits from employment with a governmental agency that was not
15 covered by the federal social security act, chapter 532, 49 Stat
16 620, the sum of the deductions under subsection (1)(f)(i), (ii),
17 and (iv) is limited to \$30,000.00 for a joint return.

18 (e) Except as otherwise provided under subdivision (c) or (d),
19 for a person born after 1952, the deduction under subsection
20 (1)(f)(i), (ii), or (iv) does not apply. When that person reaches
21 the age of 67, that person is eligible for a deduction of
22 \$20,000.00 for a single return and \$40,000.00 for a joint return,
23 which deduction is available against all types of income and is not
24 restricted to income from retirement or pension benefits. If a
25 person takes the deduction of \$20,000.00 for a single return and
26 \$40,000.00 for a joint return, that person shall not take the
27 deduction under subsection (1)(f)(iii) and shall not take the

1 personal exemption under subsection (2). That person may elect not
 2 to take the deduction of \$20,000.00 for a single return and
 3 \$40,000.00 for a joint return and elect to take the deduction under
 4 subsection (1)(f)(iii) and the personal exemption under subsection
 5 (2) if that election would reduce that person's tax liability. A
 6 person who takes the deduction under subsection (1)(e) is not
 7 eligible for the unrestricted deduction of \$20,000.00 for a single
 8 return and \$40,000.00 for a joint return under this subdivision.

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

12 (10) As used in this section: ~~—"oil"~~

13 (A) "OIL and gas" means oil and gas subject to severance tax
 14 under 1929 PA 48, MCL 205.301 to 205.317.

15 (B) "UNITED STATES CONSUMER PRICE INDEX" MEANS THE UNITED
 16 STATES CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS AS DEFINED AND
 17 REPORTED BY THE UNITED STATES DEPARTMENT OF LABOR, BUREAU OF LABOR
 18 STATISTICS.

19 Sec. 508. (1) "Gross rent" means the total rent contracted to
 20 be paid by the renter or lessee of a homestead pursuant to dealing
 21 at arms' length with the landlord of the homestead. When the
 22 landlord and tenant have not dealt with each other at arms' length
 23 and the department believes that the gross rent charged is
 24 excessive, the department may adjust the gross rent to a reasonable
 25 amount for the purposes of this chapter.

26 (2) "Homestead" means a dwelling or unit in a multiple-unit
 27 dwelling that is subject to ad valorem taxes, or a service charge

1 in lieu of taxes as provided by section 15a of the state housing
2 development authority act of 1966, 1966 PA 346, MCL 125.1415a,
3 owned and occupied as a home by the owner of the dwelling or unit,
4 or occupied as the dwelling of the renter or lessee, including all
5 unoccupied real property not classified for ad valorem tax purposes
6 as commercial, industrial, residential, or timber-cut over, owned
7 by the owner of the homestead. Beginning in the 1990 tax year, a
8 homestead does not include unoccupied real property that is leased
9 or rented by the owner to another person and that is not adjacent
10 and contiguous to the home of the owner. Additionally, the
11 following apply:

12 (a) If a homestead is an integral part of a larger unit of
13 assessment such as commercial, industrial, residential, timber-cut
14 over, or a multipurpose or multidwelling building, the tax on the
15 homestead shall be the same proportion of the total property tax as
16 the proportion of the value of the homestead is to the total value
17 of the assessed property.

18 (b) If the gross receipts of the agricultural or horticultural
19 operations do not exceed the household income, or if there are no
20 gross receipts, the following apply:

21 (i) If the claimant has lived on the land 10 years or more,
22 all of the adjacent and contiguous agricultural or horticultural
23 lands shall be considered a homestead and the credit is allowed for
24 all the land.

25 (ii) If the claimant has lived on the land less than 10 years,
26 not more than 5 acres of adjacent and contiguous agricultural or
27 horticultural land shall be considered a part of the homestead and

1 the credit is allowed for that part of the land.

2 (c) A mobile home or trailer coach in a trailer coach park is
3 a homestead and the site rent for space is considered the rent of a
4 homestead. The specific tax levied by section 41 of 1959 PA 243,
5 MCL 125.1041, is considered a property tax.

6 (3) "Household" means a claimant and spouse.

7 (4) "Total household resources" means all income received by
8 all persons of a household in a tax year while members of a
9 household, **EXCLUDING FOR TAX YEARS BEGINNING AFTER DECEMBER 31,**

10 **2017 ANY COMPENSATION RECEIVED PURSUANT TO THE WRONGFUL**

11 **IMPRISONMENT COMPENSATION ACT, 2016 PA 343, MCL 691.1751 TO**

12 **691.1757, AND** increased by the following deductions from federal
13 gross income:

14 (a) Any net business loss after netting all business income
15 and loss.

16 (b) Any net rental or royalty loss.

17 (c) Any carryback or carryforward of a net operating loss as
18 defined in section 172(b)(2) of the internal revenue code.