

# HOUSE BILL No. 4083

January 25, 2017, Introduced by Reps. Bellino, Hughes, Sheppard, Farrington and Barrett  
and referred to the Committee on Tax Policy.

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
by amending section 30 (MCL 206.30), as amended by 2015 PA 161.

**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 **THROUGH DECEMBER**  
13 **31, 2017**, retirement or pension benefits not deductible under  
14 subparagraph (i) or subdivision (e) from any other retirement or  
15 pension system or benefits from a retirement annuity policy in  
16 which payments are made for life to a senior citizen, to a maximum  
17 of \$42,240.00 for a single return and \$84,480.00 for a joint  
18 return. The maximum amounts allowed under this subparagraph shall  
19 be reduced by the amount of the deduction for retirement or pension  
20 benefits claimed under subparagraph (i) or subdivision (e) and by  
21 the amount of a deduction claimed under subdivision (p). For the  
22 2008 tax year and each tax year after 2008, the maximum amounts  
23 allowed under this subparagraph shall be adjusted by the percentage  
24 increase in the United States consumer price index for the  
25 immediately preceding calendar year. The department shall annualize  
26 the amounts provided in this subparagraph as necessary. As used in  
27 this subparagraph **AND SUBPARAGRAPH (vi)**, "senior citizen" means

1 that term as defined in section 514.

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

5 **(vi) BEGINNING ON AND AFTER JANUARY 1, 2018, FOR A PERSON WHO**  
6 **HAS REACHED THE AGE OF 64, RETIREMENT OR PENSION BENEFITS NOT**  
7 **DEDUCTIBLE UNDER SUBPARAGRAPH (i) OR SUBDIVISION (E) FROM ANY OTHER**  
8 **RETIREMENT OR PENSION SYSTEM OR BENEFITS FROM A RETIREMENT ANNUITY**  
9 **POLICY IN WHICH PAYMENTS ARE MADE FOR LIFE TO A SENIOR CITIZEN.**

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

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

13 (i) Adjustments resulting from the allocation and  
14 apportionment provisions of chapter 3.

15 (j) Deduct the following payments made by the taxpayer in the  
16 tax year:

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

21 (ii) The amount of payment made under an advance tuition  
22 payment contract as provided in the Michigan education trust act,  
23 1986 PA 316, MCL 390.1421 to 390.1442.

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

27 (A) The contract is certified and approved by the board of

1 directors of the Michigan education trust to provide equivalent  
2 benefits and rights to purchasers and beneficiaries as an advance  
3 tuition payment contract as described in subparagraph (ii).

4 (B) The contract applies only for a state institution of  
5 higher education as defined in the Michigan education trust act,  
6 1986 PA 316, MCL 390.1421 to 390.1442, or a community or junior  
7 college in Michigan.

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

11 (D) The contract is entered into after either of the  
12 following:

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

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

21 (k) If an advance tuition payment contract under the Michigan  
22 education trust act, 1986 PA 316, MCL 390.1421 to 390.1442, or  
23 another contract for which the payment was deductible under  
24 subdivision (j) is terminated and the qualified beneficiary under  
25 that contract does not attend a university, college, junior or  
26 community college, or other institution of higher education, add  
27 the amount of a refund received by the taxpayer as a result of that

1 termination or the amount of the deduction taken under subdivision  
2 (j) for payment made under that contract, whichever is less.

3 (l) Deduct from the taxable income of a purchaser the amount  
4 included as income to the purchaser under the internal revenue code  
5 after the advance tuition payment contract entered into under the  
6 Michigan education trust act, 1986 PA 316, MCL 390.1421 to  
7 390.1442, is terminated because the qualified beneficiary attends  
8 an institution of postsecondary education other than either a state  
9 institution of higher education or an institution of postsecondary  
10 education located outside this state with which a state institution  
11 of higher education has reciprocity.

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

15 (n) Deduct a net operating loss deduction for the taxable year  
16 as determined under section 172 of the internal revenue code  
17 subject to the modifications under section 172(b)(2) of the  
18 internal revenue code and subject to the allocation and  
19 apportionment provisions of chapter 3 of this part for the taxable  
20 year in which the loss was incurred.

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

24 (p) Beginning on and after January 1, 2007, subject to any  
25 limitation provided in this subdivision, a taxpayer who is a senior  
26 citizen may deduct to the extent included in adjusted gross income,  
27 interest, dividends, and capital gains received in the tax year not

1 to exceed \$9,420.00 for a single return and \$18,840.00 for a joint  
2 return. The maximum amounts allowed under this subdivision shall be  
3 reduced by the amount of a deduction claimed for retirement **OR**  
4 **PENSION** benefits under subdivision (e) or a deduction claimed under  
5 subdivision (f) (i), (ii), (iv), ~~or (v)~~, **OR (vi)**. For the 2008 tax  
6 year and each tax year after 2008, the maximum amounts allowed  
7 under this subdivision shall be adjusted by the percentage increase  
8 in the United States consumer price index for the immediately  
9 preceding calendar year. The department shall annualize the amounts  
10 provided in this subdivision as necessary. Beginning January 1,  
11 2012, the deduction under this subsection is not available to a  
12 senior citizen born after 1945. As used in this subdivision,  
13 "senior citizen" means that term as defined in section 514.

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

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

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

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

25 (r) Add the amount paid by the state on behalf of the taxpayer  
26 in the tax year to repay the outstanding principal on a loan taken  
27 on which the taxpayer defaulted that was to fund an advance tuition

1 payment contract entered into under the Michigan education trust  
2 act, 1986 PA 316, MCL 390.1421 to 390.1442, if the cost of the  
3 advance tuition payment contract was deducted under subdivision (j)  
4 and was financed with a Michigan education trust secured loan.

5 (s) Deduct, to the extent included in adjusted gross income,  
6 any amount, and any interest earned on that amount, received in the  
7 tax year by a taxpayer who is a Holocaust victim as a result of a  
8 settlement of claims against any entity or individual for any  
9 recovered asset pursuant to the German act regulating unresolved  
10 property claims, also known as Gesetz zur Regelung offener  
11 Vermögensfragen, as a result of the settlement of the action  
12 entitled In re: Holocaust victim assets litigation, CV-96-4849, CV-  
13 96-5161, and CV-97-0461 (E.D. NY), or as a result of any similar  
14 action if the income and interest are not commingled in any way  
15 with and are kept separate from all other funds and assets of the  
16 taxpayer. As used in this subdivision:

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

20 (ii) "Recovered asset" means any asset of any type and any  
21 interest earned on that asset including, but not limited to, bank  
22 deposits, insurance proceeds, or artwork owned by a Holocaust  
23 victim during the period from 1920 to 1945, withheld from that  
24 Holocaust victim from and after 1945, and not recovered, returned,  
25 or otherwise compensated to the Holocaust victim until after 1993.

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

1           (i) Contributions made by the taxpayer in the tax year less  
2 qualified withdrawals made in the tax year from education savings  
3 accounts, calculated on a per education savings account basis,  
4 pursuant to the Michigan education savings program act, 2000 PA  
5 161, MCL 390.1471 to 390.1486, not to exceed a total deduction of  
6 \$5,000.00 for a single return or \$10,000.00 for a joint return per  
7 tax year. The amount calculated under this subparagraph for each  
8 education savings account shall not be less than zero.

9           (ii) The amount under section 30f.

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

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

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

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

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

8 (B) All interest and passive dividends.

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

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

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

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

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

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

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

27 (J) All gaming winnings.

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

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

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

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

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

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

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

16           (x) For tax years that begin after December 31, 2015, deduct,  
17 to the extent not deducted in determining adjusted gross income,  
18 ~~both~~ **ALL** of the following:

19           (i) Contributions made by the taxpayer in the tax year less  
20 qualified withdrawals made in the tax year from an ABLE savings  
21 account, pursuant to the Michigan ABLE ~~savings~~ program act, **2015 PA**  
22 **160, MCL 206.981 TO 206.997**, not to exceed a total deduction of  
23 \$5,000.00 for a single return or \$10,000.00 for a joint return per  
24 tax year. The amount calculated under this subparagraph for an ABLE  
25 savings account shall not be less than zero.

26           (ii) ~~For tax years that begin after December 31, 2015, deduct,~~  
27 ~~to the extent not deducted in determining adjusted gross income,~~

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

4 ~~(iii) For tax years that begin after December 31, 2015,~~  
5 ~~deduct, to the extent included in adjusted gross income,~~  
6 ~~distributions~~ **DISTRIBUTIONS** that are qualified withdrawals from an  
7 ABLE savings account to the designated beneficiary of that ABLE  
8 savings account.

9 (y) Add, to the extent not included in adjusted gross income,  
10 the amount of money withdrawn by the taxpayer in the tax year from  
11 an ABLE savings account, not to exceed the total amount deducted  
12 under subdivision (x) in the tax year and all previous tax years,  
13 if the withdrawal was not a qualified withdrawal as provided in the  
14 Michigan ABLE ~~savings~~ program act, **2015 PA 160, MCL 206.981 TO**  
15 **206.997**. This subdivision does not apply to withdrawals that are  
16 less than the sum of all contributions made to an ABLE savings  
17 account in all previous tax years for which no deduction was  
18 claimed under subdivision (x), less any contributions for which no  
19 deduction was claimed under subdivision (x) that were withdrawn in  
20 all previous tax years.

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

26 (3) Except as otherwise provided in subsection (7), a single  
27 additional exemption determined as follows shall be subtracted in

1 the calculation that determines taxable income in each of the  
2 following circumstances:

3 (a) \$1,800.00 for each taxpayer and every dependent of the  
4 taxpayer who is a deaf person as defined in section 2 of the deaf  
5 persons' interpreters act, 1982 PA 204, MCL 393.502; a paraplegic,  
6 a quadriplegic, or a hemiplegic; a person who is blind as defined  
7 in section 504; or a person who is totally and permanently disabled  
8 as defined in section 522. When a dependent of a taxpayer files an  
9 annual return under this part, the taxpayer or dependent of the  
10 taxpayer, but not both, may claim the additional exemption allowed  
11 under this subdivision. As used in this subdivision, "dependent"  
12 means that term as defined in section 30e.

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

19 (i) "Qualified disabled veteran" means a veteran with a  
20 service-connected disability.

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

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

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

7           (5) A nonresident or a part-year resident is allowed that  
8 proportion of an exemption or deduction allowed under subsection  
9 (2), (3), or (4) that the taxpayer's portion of adjusted gross  
10 income from Michigan sources bears to the taxpayer's total adjusted  
11 gross income.

12           (6) In calculating taxable income, a taxpayer shall not  
13 subtract from adjusted gross income the amount of prizes won by the  
14 taxpayer under the McCauley-Traxler-Law-Bowman-McNeely lottery act,  
15 1972 PA 239, MCL 432.1 to 432.47.

16           (7) For each tax year beginning on and after January 1, 2013,  
17 the personal exemption allowed under subsection (2) shall be  
18 adjusted by multiplying the exemption for the tax year beginning in  
19 2012 by a fraction, the numerator of which is the United States  
20 consumer price index for the state fiscal year ending in the tax  
21 year prior to the tax year for which the adjustment is being made  
22 and the denominator of which is the United States consumer price  
23 index for the 2010-2011 state fiscal year. The resultant product  
24 shall be rounded to the nearest \$100.00 increment. As used in this  
25 section, "United States consumer price index" means the United  
26 States consumer price index for all urban consumers as defined and  
27 reported by the United States Department of Labor, Bureau of Labor

1 Statistics. For each tax year, the exemptions allowed under  
2 subsection (3) shall be adjusted by multiplying the exemption  
3 amount under subsection (3) for the tax year by a fraction, the  
4 numerator of which is the United States consumer price index for  
5 the state fiscal year ending the tax year prior to the tax year for  
6 which the adjustment is being made and the denominator of which is  
7 the United States consumer price index for the 1998-1999 state  
8 fiscal year. The resultant product shall be rounded to the nearest  
9 \$100.00 increment.

10 (8) As used in ~~subsection (1)(f)~~, **THIS SECTION**, "retirement or  
11 pension benefits" means distributions from all of the following:

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

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

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

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

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

1 contributions.

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

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

7 (ii) Plans maintained by a church or a convention or  
8 association of churches.

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

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

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

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

21 (A) Deferred compensation plans under section 457 of the  
22 internal revenue code.

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

26 (C) Distributions from plans under section 403(b) of the  
27 internal revenue code other than plans described in subdivision

1 (a) *(iii)* .

2 *(ii)* Premature distributions paid on separation, withdrawal,  
3 or discontinuance of a plan prior to the earliest date the  
4 recipient could have retired under the provisions of the plan.

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

7 (9) In determining taxable income under this section, the  
8 following limitations and restrictions apply **THROUGH DECEMBER 31,**  
9 **2017:**

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

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

25 (c) Beginning January 1, 2013, for a person born in 1946  
26 through 1952 who receives retirement or pension benefits from  
27 employment with a governmental agency that was not covered by the

1 federal social security act, chapter 531, 49 Stat 620, the sum of  
2 the deductions under subsection (1) (f) (i), (ii), and (iv) is  
3 limited to \$35,000.00 for a single return and, except as otherwise  
4 provided under this subdivision, \$55,000.00 for a joint return. If  
5 both ~~the husband and wife~~ **SPOUSES** filing a joint return receive  
6 retirement or pension benefits from employment with a governmental  
7 agency that was not covered by the federal social security act,  
8 chapter 531, 49 Stat 620, the sum of the deductions under  
9 subsection (1) (f) (i), (ii), and (iv) is limited to \$70,000.00 for a  
10 joint return. After that person reaches the age of 67, the  
11 deductions under subsection (1) (f) (i), (ii), and (iv) do not apply  
12 and that person is eligible for a deduction of \$35,000.00 for a  
13 single return and \$55,000.00 for a joint return, or \$70,000.00 for  
14 a joint return if applicable, which deduction is available against  
15 all types of income and is not restricted to income from retirement  
16 or pension benefits. A person who takes the deduction under  
17 subsection (1) (e) is not eligible for the unrestricted deduction of  
18 \$35,000.00 for a single return and \$55,000.00 for a joint return,  
19 or \$70,000.00 for a joint return if applicable, under this  
20 subdivision.

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

1 joint return. If both ~~the husband and wife~~ **SPOUSES** filing a joint  
2 return receive retirement or pension benefits from employment with  
3 a governmental agency that was not covered by the federal social  
4 security act, chapter 532, 49 Stat 620, the sum of the deductions  
5 under subsection (1)(f) (i), (ii), and (iv) is limited to \$30,000.00  
6 for a joint return.

7 (e) Except as otherwise provided under subdivision (d), for a  
8 person born after 1952, the deduction under subsection (1)(f) (i),  
9 (ii), or (iv) does not apply. When that person reaches the age of  
10 67, that person is eligible for a deduction of \$20,000.00 for a  
11 single return and \$40,000.00 for a joint return, which deduction is  
12 available against all types of income and is not restricted to  
13 income from retirement or pension benefits. If a person takes the  
14 deduction of \$20,000.00 for a single return and \$40,000.00 for a  
15 joint return, that person shall not take the deduction under  
16 subsection (1)(f) (iii) and shall not take the personal exemption  
17 under subsection (2). That person may elect not to take the  
18 deduction of \$20,000.00 for a single return and \$40,000.00 for a  
19 joint return and elect to take the deduction under subsection  
20 (1)(f) (iii) and the personal exemption under subsection (2) if that  
21 election would reduce that person's tax liability. A person who  
22 takes the deduction under subsection (1)(e) is not eligible for the  
23 unrestricted deduction of \$20,000.00 for a single return and  
24 \$40,000.00 for a joint return under this subdivision.

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

1           (10) As used in this section, "oil and gas" means oil and gas  
2 that is subject to severance tax under 1929 PA 48, MCL 205.301 to  
3 205.317.