

HOUSE BILL No. 4991

September 19, 2017, Introduced by Reps. Howrylak, Wittenberg, Chang, LaGrand, Gay-Dagnogo, Canfield, Lucido, Reilly, Hughes, Brann, Leutheuser, Robinson and Runestad 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 508 (MCL 206.30 and 206.508), section
30 as amended by 2015 PA 161 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~~ **ARMED FORCES** of the
20 United States.

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

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

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

1 (i) Retirement or pension benefits received from a federal
2 public retirement system or from a public retirement system of or
3 created by this state or a political subdivision of this state.

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

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

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

1 "senior citizen" means 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 (g) Adjustments resulting from the application of section 271.

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

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

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

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

16 (ii) The amount of payment made under an advance tuition
17 payment contract as provided in the Michigan education trust act,
18 1986 PA 316, MCL 390.1421 to 390.1442.

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

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

26 (B) The contract applies only for a state institution of
27 higher education as defined in the Michigan education trust act,

1 1986 PA 316, MCL 390.1421 to 390.1442, or a community or junior
2 college in Michigan.

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

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

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

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

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

25 (l) Deduct from the taxable income of a purchaser the amount
26 included as income to the purchaser under the internal revenue code
27 after the advance tuition payment contract entered into under the

1 Michigan education trust act, 1986 PA 316, MCL 390.1421 to
2 390.1442, is terminated because the qualified beneficiary attends
3 an institution of postsecondary education other than either a state
4 institution of higher education or an institution of postsecondary
5 education located outside this state with which a state institution
6 of higher education has reciprocity.

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

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

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

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

1 each tax year after 2008, the maximum amounts allowed under this
2 subdivision shall be adjusted by the percentage increase in the
3 United States consumer price index for the immediately preceding
4 calendar year. The department shall annualize the amounts provided
5 in this subdivision as necessary. Beginning January 1, 2012, the
6 deduction under this ~~subsection~~**SUBDIVISION** is not available to a
7 senior citizen born after 1945. As used in this subdivision,
8 "senior citizen" means that term as defined in section 514.

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

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

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

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

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

27 (s) Deduct, to the extent included in adjusted gross income,

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

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

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

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

23 (i) Contributions made by the taxpayer in the tax year less
24 qualified withdrawals made in the tax year from education savings
25 accounts, calculated on a per education savings account basis,
26 pursuant to the Michigan education savings program act, 2000 PA
27 161, MCL 390.1471 to 390.1486, not to exceed a total deduction of

1 \$5,000.00 for a single return or \$10,000.00 for a joint return per
2 tax year. The amount calculated under this subparagraph for each
3 education savings account shall not be less than zero.

4 (ii) The amount under section 30f.

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

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

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

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

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

3 (B) All interest and passive dividends.

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

6 (D) All rents and royalties derived from tangible personal
7 property, to the extent the personal property is utilized within
8 the agreement area.

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

11 (F) Capital gains from the sale or exchange of tangible
12 personal property located within the agreement area at the time of
13 sale.

14 (G) Capital gains from the sale or exchange of intangible
15 personal property.

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

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

22 (J) All gaming winnings.

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

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

26 (B) The individual's tribe has an agreement with this state
27 pursuant to section 30c of 1941 PA 122, MCL 205.30c, that is in

1 full force and effect.

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

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

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

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

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

14 (i) Contributions made by the taxpayer in the tax year less
15 qualified withdrawals made in the tax year from an ABLE savings
16 account, pursuant to the Michigan ABLE ~~savings~~ program act, **2015 PA**
17 **160, MCL 206.981 TO 206.997**, not to exceed a total deduction of
18 \$5,000.00 for a single return or \$10,000.00 for a joint return per
19 tax year. The amount calculated under this subparagraph for an ABLE
20 savings account shall not be less than zero.

21 ~~(ii) For tax years that begin after December 31, 2015, deduct,~~
22 ~~to the extent not deducted in determining adjusted gross income,~~
23 ~~interest~~ **INTEREST** earned in the tax year on the contributions to
24 the taxpayer's ABLE savings account if the contributions were
25 deductible under subparagraph (i).

26 ~~(iii) For tax years that begin after December 31, 2015,~~
27 ~~deduct, to the extent included in adjusted gross income,~~

1 ~~distributions~~**DISTRIBUTIONS** that are qualified withdrawals from an
2 ABLE savings account to the designated beneficiary of that ABLE
3 savings account.

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

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

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

25 (3) Except as otherwise provided in subsection (7), a single
26 additional exemption determined as follows shall be subtracted in
27 the calculation that determines taxable income in each of the

1 following circumstances:

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

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

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

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

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

27 (4) An individual with respect to whom a deduction under

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 a governmental agency that was not covered by the federal social
2 security act, chapter 532, 49 Stat 620, the sum of the deductions
3 under subsection (1)(f)(i), (ii), and (iv) is limited to \$30,000.00
4 for a joint return.

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

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

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

1 205.317.

2 Sec. 508. (1) "Gross rent" means the total rent contracted to
3 be paid by the renter or lessee of a homestead pursuant to dealing
4 at arms' length with the landlord of the homestead. When the
5 landlord and tenant have not dealt with each other at arms' length
6 and the department believes that the gross rent charged is
7 excessive, the department may adjust the gross rent to a reasonable
8 amount for the purposes of this chapter.

9 (2) "Homestead" means a dwelling or unit in a multiple-unit
10 dwelling that is subject to ad valorem taxes, or a service charge
11 in lieu of taxes as provided by section 15a of the state housing
12 development authority act of 1966, 1966 PA 346, MCL 125.1415a,
13 owned and occupied as a home by the owner of the dwelling or unit,
14 or occupied as the dwelling of the renter or lessee, including all
15 unoccupied real property not classified for ad valorem tax purposes
16 as commercial, industrial, residential, or timber-cut over, owned
17 by the owner of the homestead. Beginning in the 1990 tax year, a
18 homestead does not include unoccupied real property that is leased
19 or rented by the owner to another person and that is not adjacent
20 and contiguous to the home of the owner. Additionally, the
21 following apply:

22 (a) If a homestead is an integral part of a larger unit of
23 assessment such as commercial, industrial, residential, timber-cut
24 over, or a multipurpose or multidwelling building, the tax on the
25 homestead shall be the same proportion of the total property tax as
26 the proportion of the value of the homestead is to the total value
27 of the assessed property.

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

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

8 (ii) If the claimant has lived on the land less than 10 years,
9 not more than 5 acres of adjacent and contiguous agricultural or
10 horticultural land shall be considered a part of the homestead and
11 the credit is allowed for that part of the land.

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

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

17 (4) "Total household resources" means all income received by
18 all persons of a household in a tax year while members of a
19 household, **EXCLUDING ANY COMPENSATION RECEIVED PURSUANT TO THE**
20 **WRONGFUL IMPRISONMENT COMPENSATION ACT, 2016 PA 343, MCL 691.1751**
21 **TO 691.1757, AND** increased by the following deductions from federal
22 gross income:

23 (a) Any net business loss after netting all business income
24 and loss.

25 (b) Any net rental or royalty loss.

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