

SENATE BILL No. 753

January 18, 2018, Introduced by Senator KNEZEK and referred to the Committee on Finance.

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

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

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

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

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

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

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

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

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

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

27 (ii) Retirement or pension benefits received from a public

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

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

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

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

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

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

4 (i) Adjustments resulting from the allocation and
5 apportionment provisions of chapter 3.

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

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

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

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

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

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

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

1 which the contract is entered into.

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

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

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

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

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

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

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

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

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

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

1 in this subdivision as necessary. Beginning January 1, 2012 **THROUGH**
2 **DECEMBER 31, 2016**, the deduction under this ~~subsection~~ **SUBDIVISION**
3 is not available to a senior citizen born after 1945. As used in
4 this subdivision, "senior citizen" means that term as defined in
5 section 514.

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

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

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

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

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

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

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

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

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

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

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

1 (ii) The amount under section 30f.

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

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

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

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

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

27 (B) All interest and passive dividends.

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

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

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

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

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

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

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

19 (J) All gaming winnings.

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

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

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

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

1 subparagraph (B).

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

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

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

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

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

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

23 ~~(iii) For tax years that begin after December 31, 2015,~~
24 ~~deduct, to the extent included in adjusted gross income,~~
25 ~~distributions~~ **DISTRIBUTIONS** that are qualified withdrawals from an
26 ABLE savings account to the designated beneficiary of that ABLE
27 savings account.

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

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

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

(a) \$1,800.00 for each taxpayer and every dependent of the taxpayer who is a deaf person as defined in section 2 of the deaf persons' interpreters act, 1982 PA 204, MCL 393.502; a paraplegic, a quadriplegic, or a hemiplegic; a person who is blind as defined in section 504; or a person who is totally and permanently disabled as defined in section 522. When a dependent of a taxpayer files an

1 annual return under this part, the taxpayer or dependent of the
2 taxpayer, but not both, may claim the additional exemption allowed
3 under this subdivision. As used in this subdivision, "dependent"
4 means that term as defined in section 30e.

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

11 (i) "Qualified disabled veteran" means a veteran with a
12 service-connected disability.

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

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

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

26 (5) A nonresident or a part-year resident is allowed that
27 proportion of an exemption or deduction allowed under subsection

1 (2), (3), or (4) that the taxpayer's portion of adjusted gross
2 income from Michigan sources bears to the taxpayer's total adjusted
3 gross income.

4 (6) In calculating taxable income, a taxpayer shall not
5 subtract from adjusted gross income the amount of prizes won by the
6 taxpayer under the McCauley-Traxler-Law-Bowman-McNeely lottery act,
7 1972 PA 239, MCL 432.1 to 432.47.

8 (7) For each tax year beginning on and after January 1, 2013,
9 the personal exemption allowed under subsection (2) shall be
10 adjusted by multiplying the exemption for the tax year beginning in
11 2012 by a fraction, the numerator of which is the United States
12 consumer price index for the state fiscal year ending in the tax
13 year prior to the tax year for which the adjustment is being made
14 and the denominator of which is the United States consumer price
15 index for the 2010-2011 state fiscal year. The resultant product
16 shall be rounded to the nearest \$100.00 increment. As used in this
17 section, "United States consumer price index" means the United
18 States consumer price index for all urban consumers as defined and
19 reported by the United States Department of Labor, Bureau of Labor
20 Statistics. For each tax year, the exemptions allowed under
21 subsection (3) shall be adjusted by multiplying the exemption
22 amount under subsection (3) for the tax year by a fraction, the
23 numerator of which is the United States consumer price index for
24 the state fiscal year ending the tax year prior to the tax year for
25 which the adjustment is being made and the denominator of which is
26 the United States consumer price index for the 1998-1999 state
27 fiscal year. The resultant product shall be rounded to the nearest

1 \$100.00 increment.

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

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

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

9 (ii) Individual retirement accounts that qualify under section
10 408 of the internal revenue code if the distributions are not made
11 until the participant has reached 59-1/2 years of age, except in
12 the case of death, disability, or distributions described by
13 section 72(t)(2)(A)(iv) of the internal revenue code.

14 (iii) Employee annuities or tax-sheltered annuities purchased
15 under section 403(b) of the internal revenue code by organizations
16 exempt under section 501(c)(3) of the internal revenue code, or by
17 public school systems.

18 (iv) Distributions from a 401(k) plan attributable to employee
19 contributions mandated by the plan or attributable to employer
20 contributions.

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

23 (i) Plans of the United States, state governments other than
24 this state, and political subdivisions, agencies, or
25 instrumentalities of this state.

26 (ii) Plans maintained by a church or a convention or
27 association of churches.

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

4 (c) Retirement or pension benefits received by a surviving
5 spouse if those benefits qualified for a deduction prior to the
6 decedent's death. Benefits received by a surviving child are not
7 deductible.

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

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

13 (A) Deferred compensation plans under section 457 of the
14 internal revenue code.

15 (B) Distributions from plans under section 401(k) of the
16 internal revenue code other than plans described in subdivision
17 (a) (iv) .

18 (C) Distributions from plans under section 403(b) of the
19 internal revenue code other than plans described in subdivision
20 (a) (iii) .

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

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

26 (9) In determining taxable income under this section, the
27 following limitations and restrictions apply **THROUGH DECEMBER 31,**

1 2016:

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

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

17 (c) Beginning January 1, 2013, for a person born in 1946
18 through 1952 who receives retirement or pension benefits from
19 employment with a governmental agency that was not covered by the
20 federal social security act, chapter 531, 49 Stat 620, the sum of
21 the deductions under subsection (1)(f)(i), (ii), and (iv) is
22 limited to \$35,000.00 for a single return and, except as otherwise
23 provided under this subdivision, \$55,000.00 for a joint return. If
24 ~~both the husband and wife~~ **SPOUSES** filing a joint return receive
25 retirement or pension benefits from employment with a governmental
26 agency that was not covered by the federal social security act,
27 chapter 531, 49 Stat 620, the sum of the deductions under

1 subsection (1)(f)(i), (ii), and (iv) is limited to \$70,000.00 for a
2 joint return. After that person reaches the age of 67, the
3 deductions under subsection (1)(f)(i), (ii), and (iv) do not apply
4 and that person is eligible for a deduction of \$35,000.00 for a
5 single return and \$55,000.00 for a joint return, or \$70,000.00 for
6 a joint return if applicable, which deduction is available against
7 all types of income and is not restricted to income from retirement
8 or pension benefits. A person who takes the deduction under
9 subsection (1)(e) is not eligible for the unrestricted deduction of
10 \$35,000.00 for a single return and \$55,000.00 for a joint return,
11 or \$70,000.00 for a joint return if applicable, under this
12 subdivision.

13 (d) For a person born after 1952 who has reached the age of 62
14 through 66 years of age and who receives retirement or pension
15 benefits from employment with a governmental agency that was not
16 covered by the federal social security act, chapter 532, 49 Stat
17 620, the sum of the deductions under subsection (1)(f)(i), (ii),
18 and (iv) is limited to \$15,000.00 for a single return and, except
19 as otherwise provided under this subdivision, \$15,000.00 for a
20 joint return. If both ~~the husband and wife~~ **SPOUSES** filing a joint
21 return receive retirement or pension benefits from employment with
22 a governmental agency that was not covered by the federal social
23 security act, chapter 532, 49 Stat 620, the sum of the deductions
24 under subsection (1)(f)(i), (ii), and (iv) is limited to \$30,000.00
25 for a joint return.

26 (e) Except as otherwise provided under subdivision (d), for a
27 person born after 1952, the deduction under subsection (1)(f)(i),

(ii), or (iv) does not apply. When that person reaches the age of 67, that person is eligible for a deduction of \$20,000.00 for a single return and \$40,000.00 for a joint return, which deduction is available against all types of income and is not restricted to income from retirement or pension benefits. If a person takes the deduction of \$20,000.00 for a single return and \$40,000.00 for a joint return, that person shall not take the deduction under subsection (1)(f)(iii) and shall not take the personal exemption under subsection (2). That person may elect not to take the deduction of \$20,000.00 for a single return and \$40,000.00 for a joint return and elect to take the deduction under subsection (1)(f)(iii) and the personal exemption under subsection (2) if that election would reduce that person's tax liability. A person who takes the deduction under subsection (1)(e) is not eligible for the unrestricted deduction of \$20,000.00 for a single return and \$40,000.00 for a joint return under this subdivision.

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

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