

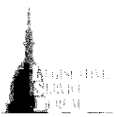
HOUSE BILL NO. 5202

November 06, 2019, Introduced by Reps. Tate, Hammoud, Ellison, Lasinski, Hood, Sowerby, Shannon, Clemente, Manoogian, Sabo, Cherry, Brixie, Pagan, Haadsma, Wittenberg, Guerra and Bolden 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 623 (MCL 206.30 and 206.623), section
30 as amended by 2018 PA 589 and section 623 as amended by 2014 PA
13.

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:



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

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

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

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

20 (e) Deduct, to the extent included in adjusted gross income,
21 the following:

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

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

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

28 (f) Deduct the following to the extent included in adjusted
29 gross income subject to the limitations and restrictions set forth



1 in subsection (9):

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

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

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

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



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

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

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

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

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

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

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

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

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

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

(C) The contract provides for enrollment by the contract's 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
28 education located outside this state with which a state institution
29 of higher education has reciprocity.



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

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

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

13 (p) Beginning on and after January 1, 2007, subject to any
14 limitation provided in this subdivision, a taxpayer who is a senior
15 citizen may deduct to the extent included in adjusted gross income,
16 interest, dividends, and capital gains received in the tax year not
17 to exceed \$9,420.00 for a single return and \$18,840.00 for a joint
18 return. The maximum amounts allowed under this subdivision shall be
19 reduced by the amount of a deduction claimed for retirement or
20 pension benefits under subdivision (e) or a deduction claimed under
21 subdivision (f) (i), (ii), (iv), or (v). For the 2008 tax year and each
22 tax year after 2008, the maximum amounts allowed under this
23 subdivision shall be adjusted by the percentage increase in the
24 United States Consumer Price Index for the immediately preceding
25 calendar year. The department shall annualize the amounts provided
26 in this subdivision as necessary. Beginning January 1, 2012, the
27 deduction under this subdivision is not available to a senior
28 citizen born after 1945. As used in this subdivision, "senior
29 citizen" means that term as defined in section 514.

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

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

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

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

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

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



1 taxpayer. As used in this subdivision:

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

5 (ii) "Recovered asset" means any asset of any type and any
6 interest earned on that asset including, but not limited to, bank
7 deposits, insurance proceeds, or artwork owned by a Holocaust
8 victim during the period from 1920 to 1945, withheld from that
9 Holocaust victim from and after 1945, and not recovered, returned,
10 or otherwise compensated to the Holocaust victim until after 1993.

11 (t) Deduct all of the following:

12 (i) To the extent not deducted in determining adjusted gross
13 income, contributions made by the taxpayer in the tax year less
14 qualified withdrawals made in the tax year from education savings
15 accounts, calculated on a per education savings account basis,
16 pursuant to the Michigan education savings program act, 2000 PA
17 161, MCL 390.1471 to 390.1486, 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 each
20 education savings account shall not be less than zero.

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

25 (iii) To the extent included in adjusted gross income,
26 distributions that are qualified withdrawals from an education
27 savings account to the designated beneficiary of that education
28 savings account.

29 (u) Add, to the extent not included in adjusted gross income,



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

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

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

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

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

25 (B) All interest and passive dividends.

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

28 (D) All rents and royalties derived from tangible personal
29 property, to the extent the personal property is utilized within



1 the agreement area.

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

4 (F) Capital gains from the sale or exchange of tangible
5 personal property located within the agreement area at the time of
6 sale.

7 (G) Capital gains from the sale or exchange of intangible
8 personal property.

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

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

15 (J) All gaming winnings.

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

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

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

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

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

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

29 (ii) Expenses of producing oil and gas to the extent deducted



1 in arriving at adjusted gross income.

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

4 (i) To the extent not deducted in determining adjusted gross
5 income, contributions made by the taxpayer in the tax year less
6 qualified withdrawals made in the tax year from an ABLE savings
7 account, pursuant to the Michigan ~~ABLE~~**-achieving a better life**
8 **experience (ABLE)** program act, 2015 PA 160, MCL 206.981 to 206.997,
9 not to exceed a total deduction of \$5,000.00 for a single return or
10 \$10,000.00 for a joint return per tax year. The amount calculated
11 under this subparagraph for an ABLE savings account shall not be
12 less than zero.

13 (ii) To the extent included in adjusted gross income, interest
14 earned in the tax year on the contributions to the taxpayer's ABLE
15 savings account if the contributions were deductible under
16 subparagraph (i).

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

20 (y) ~~Add,~~**For tax years that begin after December 31, 2015,**
21 **add,** to the extent not included in adjusted gross income, the
22 amount of money withdrawn by the taxpayer in the tax year from an
23 ABLE savings account, not to exceed the total amount deducted under
24 subdivision (x) in the tax year and all previous tax years, if the
25 withdrawal was not a qualified withdrawal as provided in the
26 Michigan ~~ABLE~~**-achieving a better life experience (ABLE)** program
27 act, 2015 PA 160, MCL 206.981 to 206.997. This subdivision does not
28 apply to withdrawals that are less than the sum of all
29 contributions made to an ABLE savings account in all previous tax



1 years for which no deduction was claimed under subdivision (x),
2 less any contributions for which no deduction was claimed under
3 subdivision (x) that were withdrawn in all previous tax years.

4 (z) For tax years that begin after December 31, 2018, deduct,
5 to the extent included in adjusted gross income, compensation
6 received in the tax year pursuant to the wrongful imprisonment
7 compensation act, 2016 PA 343, MCL 691.1751 to 691.1757.

8 (aa) For tax years beginning on and after January 1, 2020,
9 deduct, to the extent included in adjusted gross income, 50% of the
10 amount of recognized gain from the sale or transfer of a business
11 to an employee or employees of that business or from the conversion
12 of a business to an employee-owned business. As used in this
13 subdivision, "employee-owned business" means an employee-owned
14 corporation as that term is defined in section 2 of the employee-
15 owned corporation act, 1985 PA 152, MCL 450.732.

16 (2) Except as otherwise provided in subsection (7) and section
17 30a, a personal exemption of \$3,700.00 multiplied by the number of
18 personal and dependency exemptions shall be subtracted in the
19 calculation that determines taxable income. The number of personal
20 and dependency exemptions allowed shall be determined as follows:

21 (a) Each taxpayer may claim 1 personal exemption. However, if
22 a joint return is not made by the taxpayer and his or her spouse,
23 the taxpayer may claim a personal exemption for the spouse if the
24 spouse, for the calendar year in which the taxable year of the
25 taxpayer begins, does not have any gross income and is not the
26 dependent of another taxpayer.

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

29 (c) For tax years beginning on and after January 1, 2019, a



1 taxpayer may claim an additional exemption under this subsection in
2 the tax year for which the taxpayer has a certificate of stillbirth
3 from the department of health and human services as provided under
4 section 2834 of the public health code, 1978 PA 368, MCL 333.2834.

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

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

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

24 (i) "Qualified disabled veteran" means a veteran with a
25 service-connected disability.

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

29 (iii) "Veteran" means a person who served in the active



1 military, naval, marine, coast guard, or air service and who was
2 discharged or released from his or her service with an honorable or
3 general discharge.

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

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

14 (6) In calculating taxable income, a taxpayer shall not
15 subtract from adjusted gross income the amount of prizes won by the
16 taxpayer under the McCauley-Traxler-Law-Bowman-McNeely lottery act,
17 1972 PA 239, MCL 432.1 to 432.47.

18 (7) For each tax year beginning on and after January 1, 2013,
19 the personal exemption allowed under subsection (2) shall be
20 adjusted by multiplying the exemption for the tax year beginning in
21 2012 by a fraction, the numerator of which is the United States
22 Consumer Price Index for the state fiscal year ending in the tax
23 year prior to the tax year for which the adjustment is being made
24 and the denominator of which is the United States Consumer Price
25 Index for the 2010-2011 state fiscal year. For the 2022 tax year
26 and each tax year after 2022, the adjusted amount determined under
27 this subsection shall be increased by an additional \$600.00. The
28 resultant product shall be rounded to the nearest \$100.00
29 increment. For each tax year, the exemptions allowed under



subsection (3) shall be adjusted by multiplying the exemption amount under subsection (3) for the tax year by a fraction, the numerator of which is the United States Consumer Price Index for the state fiscal year ending the tax year prior to the tax year for which the adjustment is being made and the denominator of which is the United States Consumer Price Index for the 1998-1999 state fiscal year. The resultant product shall be rounded to the nearest \$100.00 increment.

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

29 (iii) Payments received as an incentive to retire early unless



1 the distributions are from a pension trust.

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

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

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

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

14 (d) Except as otherwise provided under subdivision (c) for a
15 person who was retired as of January 1, 2013, for a person born
16 after 1952 who has reached the age of 62 through 66 years of age
17 and who receives retirement or pension benefits from employment
18 with a governmental agency that was not covered by the federal
19 social security act, chapter ~~532~~, **531**, 49 Stat 620, the sum of the
20 deductions under subsection (1)(f)(i), (ii), and (iv) is limited to
21 \$15,000.00 for a single return and, except as otherwise provided
22 under this subdivision, \$15,000.00 for a joint return. If both
23 spouses filing a joint return receive retirement or pension
24 benefits from employment with a governmental agency that was not
25 covered by the federal social security act, chapter ~~532~~, **531**, 49
26 Stat 620, the sum of the deductions under subsection (1)(f)(i), (ii),
27 and (iv) is limited to \$30,000.00 for a joint return.

28 (e) Except as otherwise provided under subdivision (c) or (d),
29 for a 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:

(a) "Oil and gas" means oil and gas subject to severance tax under 1929 PA 48, MCL 205.301 to 205.317.

(b) "United States Consumer Price Index" means the United States Consumer Price Index for all urban consumers as defined and reported by the United States Department of Labor, Bureau of Labor Statistics.

Sec. 623. (1) Except as otherwise provided in this part, there is levied and imposed a corporate income tax on every taxpayer with business activity within this state or ownership interest or



1 beneficial interest in a flow-through entity that has business
2 activity in this state unless prohibited by 15 USC 381 to 384. The
3 corporate income tax is imposed on the corporate income tax base,
4 after allocation or apportionment to this state, at the rate of
5 6.0%.

6 (2) The corporate income tax base means a taxpayer's business
7 income subject to the following adjustments, before allocation or
8 apportionment, and the adjustment in subsection (4) after
9 allocation or apportionment:

10 (a) Add interest income and dividends derived from obligations
11 or securities of states other than this state, in the same amount
12 that was excluded from federal taxable income, less the related
13 portion of expenses not deducted in computing federal taxable
14 income because of sections 265 and 291 of the internal revenue
15 code.

16 (b) Add all taxes on or measured by net income including the
17 tax imposed under this part to the extent that the taxes were
18 deducted in arriving at federal taxable income.

19 (c) Add any carryback or carryover of a net operating loss to
20 the extent deducted in arriving at federal taxable income.

21 (d) To the extent included in federal taxable income, deduct
22 dividends and royalties received from persons other than United
23 States persons and foreign operating entities, including, but not
24 limited to, amounts determined under section 78 of the internal
25 revenue code or sections 951 to ~~964~~**965** of the internal revenue
26 code.

27 (e) Except as otherwise provided under this subdivision, to
28 the extent deducted in arriving at federal taxable income, add any
29 royalty, interest, or other expense paid to a person related to the



1 taxpayer by ownership or control for the use of an intangible asset
2 if the person is not included in the taxpayer's unitary business
3 group. The addition of any royalty, interest, or other expense
4 described under this subdivision is not required to be added if the
5 taxpayer can demonstrate that the transaction has a nontax business
6 purpose, is conducted with arm's-length pricing and rates and terms
7 as applied in accordance with sections 482 and 1274(d) of the
8 internal revenue code, and 1 of the following is true:

9 (i) The transaction is a pass through of another transaction
10 between a third party and the related person with comparable rates
11 and terms.

12 (ii) An addition would result in double taxation. For purposes
13 of this subparagraph, double taxation exists if the transaction is
14 subject to tax in another jurisdiction.

15 (iii) An addition would be unreasonable as determined by the
16 state treasurer.

17 (iv) The related person recipient of the transaction is
18 organized under the laws of a foreign nation which has in force a
19 comprehensive income tax treaty with the United States.

20 (f) To the extent included in federal taxable income, deduct
21 interest income derived from United States obligations.

22 (g) For tax years beginning after December 31, 2011, eliminate
23 all of the following:

24 (i) Income from producing oil and gas to the extent included in
25 federal taxable income.

26 (ii) Expenses of producing oil and gas to the extent deducted
27 in arriving at federal taxable income.

28 (h) For tax years beginning after December 31, 2012, for a
29 qualified taxpayer, eliminate all of the following:



1 (i) Income derived from a mineral to the extent included in
2 federal taxable income.

3 (ii) Expenses related to the income deductible under
4 subparagraph (i) to the extent deducted in arriving at federal
5 taxable income.

6 (i) For tax years beginning on and after January 1, 2020,
7 deduct, to the extent included in adjusted gross income, 50% of the
8 amount of recognized gain from the sale or transfer of a business
9 to an employee or employees of that business or from the conversion
10 of a business to an employee-owned business. As used in this
11 subdivision, "employee-owned business" means an employee-owned
12 corporation as that term is defined in section 2 of the employee-
13 owned corporation act, 1985 PA 152, MCL 450.732.

14 (3) For purposes of subsection (2), the business income of a
15 unitary business group is the sum of the business income of each
16 person included in the unitary business group less any items of
17 income and related deductions arising from transactions including
18 dividends between persons included in the unitary business group.

19 (4) Deduct any available business loss incurred after December
20 31, 2011. As used in this subsection, "business loss" means a
21 negative business income taxable amount after allocation or
22 apportionment. For purposes of this subsection, a taxpayer that
23 acquires the assets of another corporation in a transaction
24 described under section 381(a)(1) or (2) of the internal revenue
25 code may deduct any business loss attributable to that distributor
26 or transferor corporation. The business loss shall be carried
27 forward to the year immediately succeeding the loss year as an
28 offset to the allocated or apportioned corporate income tax base,
29 then successively to the next 9 taxable years following the loss



1 year or until the loss is used up, whichever occurs first.

2 (5) As used in this section, "oil and gas" means oil and gas
3 that is subject to severance tax under 1929 PA 48, MCL 205.301 to
4 205.317.

