

**HOUSE SUBSTITUTE FOR
SENATE BILL NO. 768**

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending sections 30 and 51 (MCL 206.30 and 206.51), section 30
as amended by 2022 PA 5 and section 51 as amended by 2020 PA 75,
and by adding section 277.

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

1 related expenses not deducted in computing adjusted gross income
2 because of section 265(a)(1) of the internal revenue code.

3 (b) Add taxes on or measured by income to the extent the taxes
4 have been deducted in arriving at adjusted gross income including
5 any direct or indirect allocated share of taxes paid by a flow-
6 through entity under part 4.

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

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

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

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

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

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

27 (f) Deduct the following to the extent included in adjusted
28 gross income subject to the limitations and restrictions set forth
29 in ~~subsection~~ **subsections (9) and (10), as applicable:**

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.

28 (v) The amount determined to be the section 22 amount eligible
29 for the elderly and the permanently and totally disabled credit

1 provided in section 22 of the internal revenue code.

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

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

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

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

9 (i) The amount of a charitable contribution made to the advance
10 tuition payment fund created under section 9 of the Michigan
11 education 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 private
16 sector investment manager that meets all of the following criteria:

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

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

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

28 (D) The contract is entered into after either of the
29 following:

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

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

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

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

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

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

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

(p) Beginning on and after January 1, 2007, subject to any limitation provided in this subdivision, a taxpayer who is a senior citizen may deduct to the extent included in adjusted gross income, interest, dividends, and capital gains received in the tax year not to exceed \$9,420.00 for a single return and \$18,840.00 for a joint return. The maximum amounts allowed under this subdivision shall be reduced by the amount of a deduction claimed for retirement or pension benefits under subdivision (e) or a deduction claimed under subdivision (f) (i), (ii), (iv), or (v). For the 2008 tax year and each tax year after 2008, the maximum amounts allowed under this subdivision shall be adjusted by the percentage increase in the United States Consumer Price Index for the immediately preceding calendar year. The department shall annualize the amounts provided in this subdivision as necessary. Beginning January 1, 2012, the deduction under this subdivision is not available to a senior citizen born after 1945.

(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 and any direct or indirect allocated

1 share of a refund received by a flow-through entity under part 4.

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

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

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

16 (s) Deduct, to the extent included in adjusted gross income,
17 any amount, and any interest earned on that amount, received in the
18 tax year by a taxpayer who is a Holocaust victim as a result of a
19 settlement of claims against any entity or individual for any
20 recovered asset pursuant to the German act regulating unresolved
21 property claims, also known as Gesetz zur Regelung offener
22 Vermögensfragen, as a result of the settlement of the action
23 entitled *In re: Holocaust victim assets litigation*, CV-96-4849, CV-
24 96-5161, and CV-97-0461 (E.D. NY), or as a result of any similar
25 action if the income and interest are not commingled in any way
26 with and are kept separate from all other funds and assets of the
27 taxpayer. As used in this subdivision:

28 (i) "Holocaust victim" means a person, or the heir or
29 beneficiary of that person, who was persecuted by Nazi Germany or

any Axis regime during any period from 1933 to 1945.

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

(t) Deduct all of the following:

(i) To the extent not deducted in determining adjusted gross income, contributions made by the taxpayer in the tax year less qualified withdrawals made in the tax year from education savings accounts, calculated on a per education savings account basis, pursuant to the Michigan education savings program act, 2000 PA 161, MCL 390.1471 to 390.1486, not to exceed a total deduction of \$5,000.00 for a single return or \$10,000.00 for a joint return per tax year. The amount calculated under this subparagraph for each education savings account shall not be less than zero.

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

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

(u) Add, to the extent not included in adjusted gross income, the amount of money withdrawn by the taxpayer in the tax year from education savings accounts, not to exceed the total amount deducted under subdivision (t) in the tax year and all previous tax years,

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

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

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

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

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

22 (B) All interest and passive dividends.

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

25 (D) All rents and royalties derived from tangible personal
26 property, to the extent the personal property is utilized within
27 the agreement area.

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

1 (F) Capital gains from the sale or exchange of tangible
2 personal property located within the agreement area at the time of
3 sale.

4 (G) Capital gains from the sale or exchange of intangible
5 personal property.

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

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

12 (J) All gaming winnings.

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

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

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

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

22 (w) Eliminate all of the following:

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

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

27 (x) Deduct all of the following:

28 (i) To the extent not deducted in determining adjusted gross
29 income, contributions made by the taxpayer in the tax year less

1 qualified withdrawals made in the tax year from an ABLE savings
2 account, pursuant to the Michigan achieving a better life
3 experience (ABLE) program act, 2015 PA 160, MCL 206.981 to 206.997,
4 not to exceed a total deduction of \$5,000.00 for a single return or
5 \$10,000.00 for a joint return per tax year. The amount calculated
6 under this subparagraph for an ABLE savings account shall not be
7 less than zero.

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

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

15 (y) Add, to the extent not included in adjusted gross income,
16 the amount of money withdrawn by the taxpayer in the tax year from
17 an ABLE savings account, not to exceed the total amount deducted
18 under subdivision (x) in the tax year and all previous tax years,
19 if the withdrawal was not a qualified withdrawal as provided in the
20 Michigan achieving a better life experience (ABLE) program act,
21 2015 PA 160, MCL 206.981 to 206.997. This subdivision does not
22 apply to withdrawals that are less than the sum of all
23 contributions made to an ABLE savings account in all previous tax
24 years for which no deduction was claimed under subdivision (x),
25 less any contributions for which no deduction was claimed under
26 subdivision (x) that were withdrawn in all previous tax years.

27 (z) For tax years that begin after December 31, 2018, deduct,
28 to the extent included in adjusted gross income, compensation
29 received in the tax year pursuant to the wrongful imprisonment

1 compensation act, 2016 PA 343, MCL 691.1751 to 691.1757.

2 (aa) For the 2016, 2017, 2018, and 2019 tax years and for each
3 tax year that begins on and after January 1, 2025, a taxpayer who
4 is a disabled veteran may deduct, to the extent included in
5 adjusted gross income, income reported on a federal income tax form
6 1099-C that is attributable to the cancellation or discharge of a
7 student loan by the United States Department of Education pursuant
8 to the total and permanent disability discharge program, 34 CFR
9 685.213. As used in this subdivision, "disabled veteran" means an
10 individual who meets either of the following criteria:

11 (i) Has been determined by the United States Department of
12 Veterans Affairs to be permanently and totally disabled as a result
13 of military service and entitled to veterans' benefits at the 100%
14 rate.

15 (ii) Has been rated by the United States Department of Veterans
16 Affairs as individually unemployable.

17 (bb) For tax years that begin on and after January 1, 2021,
18 and subject to the limitation under this subdivision, deduct, to
19 the extent not deducted in determining adjusted gross income,
20 wagering losses deducted under section 165(d) of the internal
21 revenue code on the taxpayer's federal income tax return for the
22 same tax year. For a nonresident, only wagering losses that are
23 attributable to wagering transactions placed at or through a casino
24 or licensed race meeting located in this state may be deducted and
25 must not exceed the gains on wagering transactions allocated to
26 this state under section 110(2)(d). As used in this subdivision,
27 "casino" and "licensed race meeting" mean those terms as defined in
28 section 110.

29 (cc) Except as otherwise provided under subparagraph (i), for

1 tax years that begin on and after January 1, 2022, deduct all of
2 the following:

3 (i) To the extent not deducted in determining adjusted gross
4 income, contributions made by the taxpayer in the tax year less
5 qualified withdrawals made in the tax year from a first-time home
6 buyer savings account, pursuant to the Michigan first-time home
7 buyer savings program act, not to exceed a total deduction of
8 \$5,000.00 for a single return or \$10,000.00 for a joint return per
9 tax year. The amount calculated under this subparagraph for a
10 first-time home buyer savings account shall not be less than zero.
11 The deduction under this subparagraph does not apply for tax years
12 that begin after December 31, 2026.

13 (ii) To the extent not deducted in determining adjusted gross
14 income, interest earned in the tax year on the contributions to the
15 taxpayer's first-time home buyer savings account.

16 (iii) To the extent included in adjusted gross income,
17 distributions that are qualified withdrawals from a first-time home
18 buyer savings account to the qualified beneficiary of that savings
19 account.

20 (dd) For tax years that begin on and after January 1, 2022,
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 a
23 first-time home buyer savings account, not to exceed the total
24 amount deducted under subdivision (cc) in the tax year and all
25 previous tax years, if the withdrawal was not a qualified
26 withdrawal as provided in the Michigan first-time home buyer
27 savings program act. This subdivision does not apply to withdrawals
28 that are less than the sum of all contributions made to a first-
29 time home buyer savings account in all previous tax years for which

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

4 (2) Except as otherwise provided in subsection (7) and section
5 30a, a personal exemption of \$3,700.00 multiplied by the number of
6 personal and dependency exemptions shall be subtracted in the
7 calculation that determines taxable income. The number of personal
8 and dependency exemptions allowed shall be determined as follows:

9 (a) Each taxpayer may claim 1 personal exemption. However, if
10 a joint return is not made by the taxpayer and his or her spouse,
11 the taxpayer may claim a personal exemption for the spouse if the
12 spouse, for the calendar year in which the taxable year of the
13 taxpayer begins, does not have any gross income and is not the
14 dependent of another taxpayer.

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

17 (c) For tax years beginning on and after January 1, 2019, a
18 taxpayer may claim an additional exemption under this subsection in
19 the tax year for which the taxpayer has a certificate of stillbirth
20 from the department of health and human services as provided under
21 section 2834 of the public health code, 1978 PA 368, MCL 333.2834.

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

26 (a) \$1,800.00 for each taxpayer and every dependent of the
27 taxpayer who is a deaf person as defined in section 2 of the deaf
28 persons' interpreters act, 1982 PA 204, MCL 393.502; a paraplegic,
29 a quadriplegic, or a hemiplegic; a person who is blind as defined

1 in section 504; or a person who is totally and permanently disabled
2 as defined in section 522. When a dependent of a taxpayer files an
3 annual return under this part, the taxpayer or dependent of the
4 taxpayer, but not both, may claim the additional exemption allowed
5 under this subdivision.

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

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

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

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

21 (4) An individual with respect to whom a deduction under
22 subsection (2) is allowable to another taxpayer during the tax year
23 is not entitled to an exemption for purposes of subsection (2), but
24 may 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
28 (2), (3), or (4) that the taxpayer's portion of adjusted gross
29 income from Michigan sources bears to the taxpayer's total adjusted

1 gross income.

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

6 (7) For each tax year beginning on and after January 1, 2013,
7 the personal exemption allowed under subsection (2) shall be
8 adjusted by multiplying the exemption for the tax year beginning in
9 2012 by a fraction, the numerator of which is the United States
10 Consumer Price Index for the state fiscal year ending in the tax
11 year prior to the tax year for which the adjustment is being made
12 and the denominator of which is the United States Consumer Price
13 Index for the 2010-2011 state fiscal year. For the 2022 tax year
14 and each tax year after 2022, the adjusted amount determined under
15 this subsection shall be increased by an additional \$600.00. The
16 resultant product shall be rounded to the nearest \$100.00
17 increment. For each tax year, the exemptions allowed under
18 subsection (3) shall be adjusted by multiplying the exemption
19 amount under subsection (3) for the tax year by a fraction, the
20 numerator of which is the United States Consumer Price Index for
21 the state fiscal year ending the tax year prior to the tax year for
22 which the adjustment is being made and the denominator of which is
23 the United States Consumer Price Index for the 1998-1999 state
24 fiscal year. The resultant product shall be rounded to the nearest
25 \$100.00 increment.

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

28 (a) Except as provided in subdivision (d), qualified pension
29 trusts and annuity plans that qualify under section 401(a) of the

1 internal revenue code, including all of the following:

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

4 (ii) Individual retirement accounts that qualify under section
5 408 of the internal revenue code if the distributions are not made
6 until the participant has reached 59-1/2 years of age, except in
7 the case of death, disability, or distributions described by
8 section 72(t) (2) (A) (iv) of the internal revenue code.

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

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

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

18 (i) Plans of the United States, state governments other than
19 this state, and political subdivisions, agencies, or
20 instrumentalities of this state.

21 (ii) Plans maintained by a church or a convention or
22 association of churches.

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

26 (c) Retirement or pension benefits received by a surviving
27 spouse if those benefits qualified for a deduction prior to the
28 decedent's death. Benefits received by a surviving child are not
29 deductible.

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

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

6 (A) Deferred compensation plans under section 457 of the
7 internal revenue code.

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

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

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

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

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

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

23 (b) ~~Except as otherwise provided in subdivision (c), for a~~
24 ~~person born in 1946 through 1952, the sum of the deductions under~~
25 ~~subsection (1) (f) (i), (ii), and (iv) is limited to \$20,000.00 for a~~
26 ~~single return and \$40,000.00 for a joint return. After that person~~
27 ~~reaches the age of 67, **Except as otherwise provided in subdivision**~~
28 **(c) or (d), for a person born after 1945,** the deductions under
29 subsection (1) (f) (i), (ii), and (iv) do not apply. ~~and Through~~

1 December 31, 2021, when that person reaches the age of 67, and
2 beginning on and after January 1, 2022, when that person reaches
3 the age of 62, that person is eligible for a deduction of
4 \$20,000.00 for a single return and \$40,000.00 for a joint return,
5 which deduction is available against all types of income and is not
6 restricted to income from retirement or pension benefits. A person
7 who takes the deduction under subsection (1)(e) is not eligible for
8 the unrestricted deduction of \$20,000.00 for a single return and
9 \$40,000.00 for a joint return under this subdivision.

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

1 deduction under subsection (1)(e) is not eligible for the
2 unrestricted deduction of \$35,000.00 for a single return and
3 \$55,000.00 for a joint return, or \$70,000.00 for a joint return if
4 applicable, under this subdivision.

5 (d) Except as otherwise provided under subdivision (c) for a
6 person who was retired as of January 1, 2013, for a person born
7 after 1952 who has reached the age of 62 through 66 years of age
8 and who receives retirement or pension benefits from employment
9 with a governmental agency that was not covered by the federal
10 social security act, chapter 531, 49 Stat 620, the sum of the
11 deductions under subsection (1)(f)(i), (ii), and (iv) is limited to
12 \$15,000.00 for a single return and, except as otherwise provided
13 under this subdivision, \$15,000.00 for a joint return. If both
14 spouses filing a joint return receive retirement or pension
15 benefits from employment with a governmental agency that was not
16 covered by the federal social security act, chapter 531, 49 Stat
17 620, the sum of the deductions under subsection (1)(f)(i), (ii), and
18 (iv) is limited to \$30,000.00 for a joint return.

19 ~~(e) Except as otherwise provided under subdivision (c) or (d),~~
20 ~~for a person born after 1952, the deduction under subsection~~
21 ~~(1)(f)(i), (ii), or (iv) does not apply. When that person reaches the~~
22 ~~age of 67, that person is eligible for a deduction of \$20,000.00~~
23 ~~for a single return and \$40,000.00 for a joint return, which~~
24 ~~deduction is available against all types of income and is not~~
25 ~~restricted to income from retirement or pension benefits. If a~~
26 ~~person takes the deduction of \$20,000.00 for a single return and~~
27 ~~\$40,000.00 for a joint return, that person shall not take the~~
28 ~~deduction under subsection (1)(f)(iii) and shall not take the~~
29 ~~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.~~

(e) (f) For a joint return, the limitations and restrictions in this subsection shall be applied based on the date of birth of the older spouse filing the joint return. If a deduction under subsection (1) (f) was claimed on a joint return for a tax year in which a spouse died and the surviving spouse has not remarried since the death of that spouse, the surviving spouse is entitled to claim the deduction under subsection (1) (f) in subsequent tax years subject to the same restrictions and limitations, for a single return, that would have applied based on the date of birth of the older of the 2 spouses. For tax years beginning after December 31, 2019 **and before January 1, 2022**, a surviving spouse born after 1945 who has reached the age of 67 and has not remarried since the death of that spouse may elect to take the deduction that is available against all types of income subject to the same limitations and restrictions as provided under this subsection based on the surviving spouse's date of birth instead of taking the deduction allowed under subsection (1) (f), for a single return, based on the date of birth of the older spouse. **For tax years beginning after December 31, 2021**, a surviving spouse born after 1945 who has reached the age of 62 and has not remarried since the death of that spouse may elect to take the deduction that is available against all types of income subject to the same limitations and

1 restrictions as provided under this subsection based on the
 2 surviving spouse's date of birth instead of taking the deduction
 3 allowed under subsection (1) (f), for a single return, based on the
 4 date of birth of the older spouse.

5 (10) In determining taxable income under this section, a
 6 person who elects to take the unrestricted deduction allowed under
 7 subsection (9) and after that unrestricted deduction still has
 8 income from retirement or pension benefits that the taxpayer would
 9 be allowed to deduct for the tax year under subsection (1) (f) (i) ,
 10 (ii) , or (iv) if the taxpayer's retirement or pension benefits were
 11 not subject to the limitations and restrictions of subsection (9) ,
 12 that taxpayer may take an additional restricted deduction of those
 13 retirement or pension benefits to a maximum of \$20,000.00 for a
 14 single return and \$40,000.00 for a joint return.

15 (11) ~~(10)~~ As used in this section:

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

18 (b) "Senior citizen" means that term as defined in section
 19 514.

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

24 Sec. 51. (1) For receiving, earning, or otherwise acquiring
 25 income from any source whatsoever, there is levied and imposed
 26 under this part upon the taxable income of every person other than
 27 a corporation a tax at the following rates in the following
 28 circumstances:

29 (a) On and after October 1, 2007 and before October 1, 2012,

1 4.35%.

2 (b) ~~Except as otherwise provided under subdivision (c), on~~ On
3 and after October 1, 2012 **through December 31, 2021,** 4.25%.

4 (c) **Except as otherwise provided under subdivision (d), on and**
5 **after January 1, 2022, 3.9%.**

6 (d) ~~(c)~~ For each tax year beginning on and after January 1,
7 2023, if the percentage increase in the total general fund/general
8 purpose revenue from the immediately preceding fiscal year is
9 greater than the inflation rate for the same period and the
10 inflation rate is positive, then the current rate shall be reduced
11 by an amount determined by multiplying that rate by a fraction, the
12 numerator of which is the difference between the total general
13 fund/general purpose revenue from the immediately preceding state
14 fiscal year and the capped general fund/general purpose revenue and
15 the denominator of which is the total revenue collected from this
16 part in the immediately preceding state fiscal year. For purposes
17 of this subdivision only, the state treasurer, the director of the
18 senate fiscal agency, and the director of the house fiscal agency
19 shall determine whether the total revenue distributed to general
20 fund/general purpose revenue has increased as required under this
21 subdivision based on the comprehensive annual financial report
22 prepared and published by the department of technology, management,
23 and budget in accordance with section 23 of article IX of the state
24 constitution of 1963. The state treasurer, the director of the
25 senate fiscal agency, and the director of the house fiscal agency
26 shall make the determination under this subdivision no later than
27 the date of the January 2023 revenue estimating conference
28 conducted pursuant to sections 367a through 367f of the management
29 and budget act, 1984 PA 431, MCL 18.1367a to 18.1367f, and the date

1 of each January revenue estimating conference conducted each year
2 thereafter. As used in this subdivision:

3 (i) "Capped general fund/general purpose revenue" means the
4 total general fund/general purpose revenue from the 2020-2021 state
5 fiscal year multiplied by the sum of 1 plus the product of 1.425
6 times the difference between a fraction, the numerator of which is
7 the Consumer Price Index for the state fiscal year ending in the
8 tax year prior to the tax year for which the adjustment is being
9 made and the denominator of which is the Consumer Price Index for
10 the 2020-2021 state fiscal year, and 1.

11 (ii) "Total general fund/general purpose revenue" means the
12 total general fund/general purpose revenue and other financing
13 sources as published in the comprehensive annual financial report
14 schedule of revenue and other financing sources - general fund for
15 that fiscal year plus any distribution made pursuant to section
16 51d.

17 (2) Except as otherwise provided for December 1, 2018 through
18 September 30, 2019, beginning January 1, 2000, that percentage of
19 the gross collections before refunds from the tax levied under this
20 section that is equal to 1.012% divided by the income tax rate
21 levied under this section shall be deposited in the state school
22 aid fund created in section 11 of article IX of the state
23 constitution of 1963. For December 1, 2018 through September 30,
24 2019 only, that percentage of the gross collections before refunds
25 from the tax levied under this section that is equal to 0.954%
26 divided by the income tax rate levied under this section shall be
27 deposited in the state school aid fund created in section 11 of
28 article IX of the state constitution of 1963.

29 (3) In addition to the distributions under subsections (2) and

1 (4) and sections 51d, 51e, and 51f, beginning October 1, 2016, from
2 the revenue collected under this section an amount equal to 3.5% of
3 the average amount of farmland tax credits claimed under section
4 36109 of the natural resources and environmental protection act,
5 1994 PA 451, MCL 324.36109, for the immediately preceding 3 state
6 fiscal years shall be deposited into the agricultural preservation
7 fund created in section 36202 of the natural resources and
8 environmental protection act, 1994 PA 451, MCL 324.36202.

9 (4) In addition to the distributions under subsections (2) and
10 (3) and sections 51d, 51e, and 51f, and subject to the limitation
11 under this subsection, beginning with the 2018-2019 state fiscal
12 year and each fiscal year thereafter, from the revenue collected
13 under this section \$69,000,000.00 shall be deposited into the renew
14 Michigan fund created in section 51g. However, if, in any 1 of the
15 2018-2019 through the 2021-2022 state fiscal years, the minimum
16 foundation allowance falls below the 2017-2018 minimum foundation
17 allowance established under section 20 of the state school aid act
18 of 1979, 1979 PA 94, MCL 388.1620, as amended by 2017 PA 108, then
19 no money shall be deposited into the renew Michigan fund pursuant
20 to this subsection for that fiscal year.

21 (5) The department shall annualize rates provided in
22 subsection (1) as necessary. The applicable annualized rate shall
23 be imposed upon the taxable income of every person other than a
24 corporation for those tax years.

25 (6) The taxable income of a nonresident shall be computed in
26 the same manner that the taxable income of a resident is computed,
27 subject to the allocation and apportionment provisions of this
28 part.

29 (7) A resident beneficiary of a trust whose taxable income

1 includes all or part of an accumulation distribution by a trust, as
2 defined in section 665 of the internal revenue code, shall be
3 allowed a credit against the tax otherwise due under this part. The
4 credit shall be all or a proportionate part of any tax paid by the
5 trust under this part for any preceding taxable year that would not
6 have been payable if the trust had in fact made distribution to its
7 beneficiaries at the times and in the amounts specified in section
8 666 of the internal revenue code. The credit shall not reduce the
9 tax otherwise due from the beneficiary to an amount less than would
10 have been due if the accumulation distribution were excluded from
11 taxable income.

12 (8) The taxable income of a resident who is required to
13 include income from a trust in his or her federal income tax return
14 under the provisions of 26 USC 671 to 679, shall include items of
15 income and deductions from the trust in taxable income to the
16 extent required by this part with respect to property owned
17 outright.

18 (9) It is the intention of this section that the income
19 subject to tax of every person other than corporations shall be
20 computed in like manner and be the same as provided in the internal
21 revenue code subject to adjustments specifically provided for in
22 this part.

23 (10) As used in this section:

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

27 (b) "Inflation rate" means the annual percentage change in the
28 Consumer Price Index, as determined by the department, comparing
29 the 2 most recent completed state fiscal years.

1 (c) "Person other than a corporation" means a resident or
2 nonresident individual or any of the following:

3 (i) A partner in a partnership as defined in the internal
4 revenue code.

5 (ii) A beneficiary of an estate or a trust as defined in the
6 internal revenue code.

7 (iii) An estate or trust as defined in the internal revenue
8 code.

9 (d) "Taxable income" means taxable income as defined in this
10 part subject to the applicable source and attribution rules
11 contained in this part.

12 **Sec. 277. (1) For tax years that begin on and after January 1,**
13 **2022, a taxpayer may claim a credit against the tax imposed by this**
14 **part equal to \$500.00 for each qualified dependent of the taxpayer**
15 **for which an exemption was claimed under section 30(2)(b) for that**
16 **same tax year. If the credit allowed under this section exceeds the**
17 **tax liability of the taxpayer for the tax year, that portion of the**
18 **credit that exceeds the tax liability shall not be refunded.**

19 (2) As used in this section, "qualified dependent" means a
20 dependent who is less than 19 years of age on the last day of the
21 tax year for which the credit is claimed.