

**SUBSTITUTE FOR  
HOUSE BILL NO. 5405**

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
by amending section 30 (MCL 206.30), as amended by 2020 PA 65, and  
by adding sections 279 and 679.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 30. (1) "Taxable income" means, for a person other than a  
2 corporation, estate, or trust, adjusted gross income as defined in  
3 the internal revenue code subject to the following adjustments  
4 under this section:

5       (a) Add gross interest income and dividends derived from  
6 obligations or securities of states other than Michigan, in the  
7 same amount that has been excluded from adjusted gross income less  
8 related expenses not deducted in computing adjusted gross income

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

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

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

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

16 (e) Deduct, to the extent included in adjusted gross income,  
17 the following:

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

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

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

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

27 (i) Retirement or pension benefits received from a federal  
28 public retirement system or from a public retirement system of or  
29 created by this state or a political subdivision of this state.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

29 (I) The purchaser has had his or her offer to enter into an

1 advance tuition payment contract rejected by the board of directors  
2 of the Michigan education trust, if the board determines that the  
3 trust cannot accept an unlimited number of enrollees upon an  
4 actuarially sound basis.

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

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

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

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

29 (n) Deduct a net operating loss deduction for the taxable year

1 as determined under section 172 of the internal revenue code  
2 subject to the modifications under section 172(b)(2) of the  
3 internal revenue code and subject to the allocation and  
4 apportionment provisions of chapter 3 for the taxable year in which  
5 the loss was incurred.

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

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

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

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

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

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

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

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

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

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

7           (t) Deduct all of the following:

8           (i) To the extent not deducted in determining adjusted gross  
9 income, contributions made by the taxpayer in the tax year less  
10 qualified withdrawals made in the tax year from education savings  
11 accounts, calculated on a per education savings account basis,  
12 pursuant to the Michigan education savings program act, 2000 PA  
13 161, MCL 390.1471 to 390.1486, not to exceed a total deduction of  
14 \$5,000.00 for a single return or \$10,000.00 for a joint return per  
15 tax year. The amount calculated under this subparagraph for each  
16 education savings account shall not be less than zero.

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

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

25           (u) Add, to the extent not included in adjusted gross income,  
26 the amount of money withdrawn by the taxpayer in the tax year from  
27 education savings accounts, not to exceed the total amount deducted  
28 under subdivision (t) in the tax year and all previous tax years,  
29 if the withdrawal was not a qualified withdrawal as provided in the



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

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

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

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

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

21 (B) All interest and passive dividends.

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

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

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

29 (F) Capital gains from the sale or exchange of tangible

1 personal property located within the agreement area at the time of  
2 sale.

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

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

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

11 (J) All gaming winnings.

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

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

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

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

21 (w) For tax years beginning after December 31, 2011, eliminate  
22 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) For tax years that begin after December 31, 2015, deduct  
28 all of the following:

29 (i) To the extent not deducted in determining adjusted gross

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

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

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

16 (y) For tax years that begin after December 31, 2015, add, to  
17 the extent not included in adjusted gross income, the amount of  
18 money withdrawn by the taxpayer in the tax year from an ABLE  
19 savings account, not to exceed the total amount deducted under  
20 subdivision (x) in the tax year and all previous tax years, if the  
21 withdrawal was not a qualified withdrawal as provided in the  
22 Michigan achieving a better life experience (ABLE) program act,  
23 2015 PA 160, MCL 206.981 to 206.997. This subdivision does not  
24 apply to withdrawals that are less than the sum of all  
25 contributions made to an ABLE savings account in all previous tax  
26 years for which no deduction was claimed under subdivision (x),  
27 less any contributions for which no deduction was claimed under  
28 subdivision (x) that were withdrawn in all previous tax years.

29 (z) For tax years that begin after December 31, 2018, deduct,

1 to the extent included in adjusted gross income, compensation  
 2 received in the tax year pursuant to the wrongful imprisonment  
 3 compensation act, 2016 PA 343, MCL 691.1751 to 691.1757.

4 **(aa) Deduct, to the extent included in adjusted gross income,**  
 5 **funds allocated during the tax year to an SOS account pursuant to**  
 6 **the student opportunity scholarship program created under the**  
 7 **student opportunity scholarship act and used for qualifying**  
 8 **education expenses of an SOS student as provided in the student**  
 9 **opportunity scholarship act.**

10 (2) Except as otherwise provided in subsection (7) and section  
 11 30a, a personal exemption of \$3,700.00 multiplied by the number of  
 12 personal and dependency exemptions shall be subtracted in the  
 13 calculation that determines taxable income. The number of personal  
 14 and dependency exemptions allowed shall be determined as follows:

15 (a) Each taxpayer may claim 1 personal exemption. However, if  
 16 a joint return is not made by the taxpayer and his or her spouse,  
 17 the taxpayer may claim a personal exemption for the spouse if the  
 18 spouse, for the calendar year in which the taxable year of the  
 19 taxpayer begins, does not have any gross income and is not the  
 20 dependent of another taxpayer.

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

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

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

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

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

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

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

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

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

27 (4) An individual with respect to whom a deduction under  
28 subsection (2) is allowable to another taxpayer during the tax year  
29 is not entitled to an exemption for purposes of subsection (2), but

1 may subtract \$1,500.00 in the calculation that determines taxable  
2 income for a tax year.

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

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

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

1 fiscal year. The resultant product shall be rounded to the nearest  
2 \$100.00 increment.

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

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

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

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

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

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

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

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

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

29 (iii) All other unqualified pension plans that prescribe

1 eligibility for retirement and predetermine contributions and  
2 benefits if the distributions are made from a pension trust.

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

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

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

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

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

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

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

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

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

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

29 (b) Except as otherwise provided in subdivision (c), for a



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

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

1 \$70,000.00 for a joint return if applicable, which deduction is  
2 available against all types of income and is not restricted to  
3 income from retirement or pension benefits. A person who takes the  
4 deduction under subsection (1)(e) is not eligible for the  
5 unrestricted deduction of \$35,000.00 for a single return and  
6 \$55,000.00 for a joint return, or \$70,000.00 for a joint return if  
7 applicable, under this subdivision.

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

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

1 \$40,000.00 for a joint return, that person shall not take the  
2 deduction under subsection (1)(f)(iii) and shall not take the  
3 personal exemption under subsection (2). That person may elect not  
4 to take the deduction of \$20,000.00 for a single return and  
5 \$40,000.00 for a joint return and elect to take the deduction under  
6 subsection (1)(f)(iii) and the personal exemption under subsection  
7 (2) if that election would reduce that person's tax liability. A  
8 person who takes the deduction under subsection (1)(e) is not  
9 eligible for the unrestricted deduction of \$20,000.00 for a single  
10 return and \$40,000.00 for a joint return under this subdivision.

11 (f) For a joint return, the limitations and restrictions in  
12 this subsection shall be applied based on the date of birth of the  
13 older spouse filing the joint return. If a deduction under  
14 subsection (1)(f) was claimed on a joint return for a tax year in  
15 which a spouse died and the surviving spouse has not remarried  
16 since the death of that spouse, the surviving spouse is entitled to  
17 claim the deduction under subsection (1)(f) in subsequent tax years  
18 subject to the same restrictions and limitations, for a single  
19 return, that would have applied based on the date of birth of the  
20 older of the 2 spouses. For tax years beginning after December 31,  
21 2019, a surviving spouse born after 1945 who has reached the age of  
22 67 and has not remarried since the death of that spouse may elect  
23 to take the deduction that is available against all types of income  
24 subject to the same limitations and restrictions as provided under  
25 this subsection based on the surviving spouse's date of birth  
26 instead of taking the deduction allowed under subsection (1)(f),  
27 for a single return, based on the date of birth of the older  
28 spouse.

29 (10) As used in this section:

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

3 (b) "Senior citizen" means that term as defined in section  
4 514.

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

9 Sec. 279. (1) Subject to the limitations under this section,  
10 for tax years beginning on or after January 1, 2022, a taxpayer may  
11 claim a credit against the tax imposed by this part for the tax  
12 year in an amount up to 100% of the total amount of contributions  
13 made by the taxpayer during the tax year to 1 or more scholarship-  
14 granting organizations certified by the department and  
15 participating in the student opportunity scholarship program. For a  
16 taxpayer who is a member of a flow-through entity that qualifies  
17 for the credit under this section, that taxpayer may claim the  
18 credit against the member's tax liability under this part based on  
19 the member's distributive share of business income reported from  
20 that flow-through entity or an alternative method approved by the  
21 department. To be eligible for the credit under this section, if  
22 the taxpayer claims a deduction for the same contributions for  
23 which a credit is sought under this section under section 170 of  
24 the internal revenue code on his or her federal tax return for the  
25 same tax year, the deduction must not exceed an amount equal to the  
26 total contributions made during the tax year less the amount of the  
27 credit certified and allowed to be claimed under this section for  
28 that same tax year.

29 (2) To be eligible for a credit under this section, before

1 making a contribution to an SGO, a person or an SGO acting on  
2 behalf of that person shall, in a form and manner as prescribed by  
3 the department, submit an application and a contribution plan for  
4 preapproval of the credit under this section. The application and  
5 contribution plan shall include the total amount of the proposed  
6 contributions, the tax year or tax years in which the contributions  
7 will be made, whether the proposed contributions will be in the  
8 form of cash or marketable securities, and the name of the SGO to  
9 which the contributions will be made. Completed applications must  
10 be considered in the order in which the department received the  
11 completed applications and approved or denied within 10 business  
12 days of receipt of the completed applications. If the department  
13 determines that the application is complete and the contribution  
14 plan and the SGO meet the requirements established under the SOS  
15 act, the department shall issue a preapproval letter to the  
16 applicant that states that the contribution plan qualifies for the  
17 credit under this section and the maximum total amount of the  
18 credit reserved for which a credit may be claimed for the tax year  
19 in which the contribution is made and a certificate of the  
20 contribution is issued by the SGO in accordance with section 11 of  
21 the SOS act. If an application is denied under this subsection, the  
22 applicant may file an appeal in a form and manner as prescribed by  
23 the department or subsequently reapply for the same contribution  
24 plan or for another contribution plan, or both.

25 (3) Except as otherwise provided under this subsection, the  
26 total of all credits reserved under preapproval letters for  
27 contribution plans approved under this section and section 679  
28 shall not exceed \$500,000,000.00 for any state fiscal year.  
29 However, if in any state fiscal year in which the total aggregate

1 amount of tax credits approved for the prior state fiscal year is  
2 equal to or greater than 90% of the total aggregate amount of all  
3 tax credits available under this section and section 679 for the  
4 prior state fiscal year, then the total aggregate amount of all tax  
5 credits available for the current state fiscal year shall increase  
6 by 20%. The department shall publish on its publicly accessible  
7 website the total aggregate amount of all tax credits available  
8 when the amount is increased under this subsection.

9 (4) A taxpayer may agree to a multiyear contribution plan, not  
10 to exceed a total of 4 tax years.

11 (5) If the credit allowed under this section for the tax year  
12 and any unused carryforward of the credit allowed by this section  
13 exceed the taxpayer's tax liability for the tax year, that portion  
14 that exceeds the tax liability for the tax year shall not be  
15 refunded but may be carried forward to offset tax liability in  
16 subsequent tax years for 5 years or until used up, whichever occurs  
17 first.

18 (6) A taxpayer with a preapproval letter issued pursuant to  
19 this section shall make the preapproved contribution to the SGO no  
20 later than the earlier of 15 business days following the date of  
21 the department's preapproval letter or June 30 of the fiscal year  
22 of the preapproval letter. If the preapproved contribution is in  
23 the form of marketable securities, the SGO shall monetize the  
24 securities within 5 business days of receipt and notify the  
25 department within 10 business days of the monetization of the  
26 securities. If the monetized value of the marketable securities is  
27 less than the amount of the proposed contribution reflected on the  
28 preapproval letter, the taxpayer shall supplement the contribution  
29 with additional cash to equal the amount of contribution reflected

1 on the preapproval letter. The taxpayer shall not claim a credit in  
2 excess of the amount of proposed contribution reflected on the  
3 preapproval letter. In accordance with section 11 of the SOS act,  
4 within 10 business days after receipt of a contribution for which a  
5 preapproval letter was issued, the SGO shall notify the department  
6 and issue a certificate of contribution to the taxpayer that  
7 includes the name of the taxpayer, the amount of the contribution  
8 made, and the date on which the contribution was made.

9 (7) The taxpayer shall attach a copy of the certificate of  
10 contribution to the taxpayer's annual return under this part for  
11 which a credit is claimed under this section.

12 (8) For this section and section 679, the department shall  
13 include on its publicly accessible website the current amount of  
14 the total credit applications pending verification, the amount of  
15 the total credits allocated to date, and the remaining credit  
16 available to taxpayers making contributions to SGOs. Upon  
17 notification that a contribution has been made and certificate of  
18 contribution has been issued, the department shall update the  
19 website to modify the amount of credit pending certification, the  
20 amount of credit allocated to taxpayers, and the remaining credit  
21 available for allocation, as applicable.

22 (9) By November 1, 2023 and each November 1 after 2023, the  
23 department shall submit a report concerning the administration,  
24 operation, and financial impact of the student opportunity  
25 scholarships program and the corresponding credits under this  
26 section and section 679 to the legislature annually for the  
27 immediately preceding state fiscal year that includes all of the  
28 following:

29 (a) The number of applications received and the total amount

1 of contributions proposed for which a credit is sought.

2 (b) The number of preapproval letters issued and the total  
3 amount of credits authorized in the preapproval letters.

4 (c) The number of certificate of contributions issued and the  
5 total amount of credits claimed.

6 (d) The amount of credits authorized in a preapproval letter  
7 that were not claimed or that were claimed but carried forward.

8 (e) The number of SOS accounts opened and the total amount  
9 awarded by SGOs to SOS students reported by household income range  
10 intervals of \$5,000.00.

11 (f) The number of SOS accounts opened and total amount awarded  
12 by SGOs to SOS students reported as follows:

13 (i) SOS students who meet the definition of a child with a  
14 disability as defined under the individuals with disabilities  
15 education act, Public Law 108-446.

16 (ii) SOS students who are currently in foster care as defined  
17 in section 2 of the foster care and adoption services act, 1994 PA  
18 203, MCL 722.952.

19 (iii) SOS students who are members of a household in which a  
20 student has previously received an SOS under the SOS act.

21 (g) Any other information that may be necessary to assist the  
22 legislature in determining that the purposes of the SOS program and  
23 the corresponding tax credits are being fulfilled.

24 (10) As used in this section and section 679:

25 (a) "Contribution" means a donation in the form of cash or  
26 marketable securities.

27 (b) "Contribution plan" means a plan to make contributions to  
28 an SGO for SOS accounts in accordance with the requirements and  
29 guidelines established under the SOS program.



1 (c) "Scholarship-granting organization", "SGO", "SOS", "SOS  
2 account", and "SOS student" mean those terms as defined in section  
3 3 of the student opportunity scholarship act.

4 Sec. 679. (1) Subject to the limitations under this section,  
5 for tax years beginning on or after January 1, 2022, a taxpayer may  
6 claim a credit against the tax imposed by this part for the tax  
7 year in an amount up to 100% of the total amount of contributions  
8 made by the taxpayer during the tax year to 1 or more scholarship-  
9 granting organizations certified by the department and  
10 participating in the student opportunity scholarship program. To be  
11 eligible for the credit under this section, if the taxpayer claims  
12 a deduction for the same contributions for which a credit is sought  
13 under this section under section 170 of the internal revenue code  
14 on his or her federal tax return for the same tax year, the  
15 deduction must not exceed an amount equal to the total  
16 contributions made during the tax year less the amount of the  
17 credit certified and allowed to be claimed under this section for  
18 that same tax year.

19 (2) To be eligible for a credit under this section, before  
20 making a contribution to an SGO, a person or an SGO acting on  
21 behalf of that person shall, in a form and manner as prescribed by  
22 the department, submit an application and a contribution plan for  
23 preapproval of the credit under this section. The application and  
24 contribution plan shall include the total amount of the proposed  
25 contributions, the tax year or tax years in which the contributions  
26 will be made, whether the proposed contributions will be in the  
27 form of cash or marketable securities, and the name of the SGO to  
28 which the contributions will be made. Completed applications must  
29 be considered in the order in which the department received the

1 completed applications and approved or denied within 10 business  
2 days of receipt of the completed applications. If the department  
3 determines that the application is complete and the contribution  
4 plan and the SGO meet the requirements established under the SOS  
5 act, the department shall issue a preapproval letter to the  
6 applicant that states that the contribution plan qualifies for the  
7 credit under this section and the maximum total amount of the  
8 credit reserved for which a credit may be claimed for the tax year  
9 in which the contribution is made and a certificate of the  
10 contribution is issued by the SGO in accordance with section 11 of  
11 the SOS act. If an application is denied under this subsection, the  
12 applicant may file an appeal in a form and manner as prescribed by  
13 the department or subsequently reapply for the same contribution  
14 plan or for another contribution plan, or both.

15 (3) Except as otherwise provided under this subsection, the  
16 total of all credits reserved under preapproval letters for  
17 contribution plans approved under this section and section 279  
18 shall not exceed \$500,000,000.00 for any state fiscal year.  
19 However, if in any state fiscal year in which the total aggregate  
20 amount of tax credits approved for the prior state fiscal year is  
21 equal to or greater than 90% of the total aggregate amount of all  
22 tax credits available under this section and section 279 for the  
23 prior state fiscal year, then the total aggregate amount of all tax  
24 credits available for the current state fiscal year shall increase  
25 by 20%. The department shall publish on its publicly accessible  
26 website the total aggregate amount of all tax credits available  
27 when the amount is increased under this subsection.

28 (4) A taxpayer may agree to a multiyear contribution plan, not  
29 to exceed a total of 4 tax years.

1           (5) If the credit allowed under this section for the tax year  
2 and any unused carryforward of the credit allowed by this section  
3 exceed the taxpayer's tax liability for the tax year, that portion  
4 that exceeds the tax liability for the tax year shall not be  
5 refunded but may be carried forward to offset tax liability in  
6 subsequent tax years for 5 years or until used up, whichever occurs  
7 first.

8           (6) A taxpayer with a preapproval letter issued pursuant to  
9 this section, shall make the preapproved contribution to the SGO no  
10 later than the earlier of 15 business days following the date of  
11 the department's preapproval letter or June 30 of the fiscal year  
12 of the preapproval letter. If the preapproved contribution is in  
13 the form of marketable securities, the SGO shall monetize the  
14 securities within 5 business days of receipt and notify the  
15 department within 10 business days of the monetization of the  
16 securities. If the monetized value of the marketable securities is  
17 less than the amount of the proposed contribution reflected on the  
18 preapproval letter, the taxpayer shall supplement the contribution  
19 with additional cash to equal the amount of contribution reflected  
20 on the preapproval letter. The taxpayer shall not claim a credit in  
21 excess of the amount of proposed contribution reflected on the  
22 preapproval letter. In accordance with section 11 of the SOS act,  
23 within 10 business days after receipt of a contribution for which a  
24 preapproval letter was issued, the SGO shall notify the department  
25 and issue a certificate of contribution to the taxpayer that  
26 includes the name of the taxpayer, the amount of the contribution  
27 made, and the date on which the contribution was made.

28           (7) The taxpayer shall attach a copy of the certificate of  
29 contribution to the taxpayer's annual return under this part for

1    which a credit is claimed under this section.