

HOUSE BILL NO. 4513

May 21, 2025, Introduced by Reps. McFall, Posthumus, Farhat, Kunse, T. Carter, Woolford and Bruck and referred to Committee on Communications and Technology.

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending sections 30, 623, and 815 (MCL 206.30, 206.623, and 206.815), section 30 as amended by 2023 PA 4 and section 623 as amended and section 815 as added by 2021 PA 135.

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

1 the internal revenue code subject to the following adjustments
2 under this section:

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

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

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

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

24 (e) Deduct, to the extent included in adjusted gross income,
25 the following:

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

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

1 ~~(iii) Beginning January 1, 2012, retirement~~ **Retirement** or
2 pension benefits received for services in the Michigan National
3 Guard.

4 (f) Deduct the following to the extent included in adjusted
5 gross income subject to the limitations and restrictions set forth
6 in subsection (9), (10), or (11), as applicable:

7 (i) Retirement or pension benefits received from a federal
8 public retirement system or from a public retirement system of or
9 created by this state or a political subdivision of this state.

10 (ii) Retirement or pension benefits received from a public
11 retirement system of or created by another state or any of its
12 political subdivisions if the income tax laws of the other state
13 permit a similar deduction or exemption or a reciprocal deduction
14 or exemption of a retirement or pension benefit received from a
15 public retirement system of or created by this state or any of the
16 political subdivisions of this state.

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

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

1 subparagraph shall be adjusted by the percentage increase in the
2 United States Consumer Price Index for the immediately preceding
3 calendar year. The department shall annualize the amounts provided
4 in this subparagraph as necessary.

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

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

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

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

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

15 (i) The amount of a charitable contribution made to the advance
16 tuition payment fund created under section 9 of the Michigan
17 education trust act, 1986 PA 316, MCL 390.1429.

18 (ii) The amount of payment made under an advance tuition
19 payment contract as provided in the Michigan education trust act,
20 1986 PA 316, MCL 390.1421 to 390.1442.

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

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

27 (B) The contract applies only for a state institution of
28 higher education as defined in the Michigan education trust act,
29 1986 PA 316, MCL 390.1421 to 390.1442, or a community or junior

1 college in Michigan.

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

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

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

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

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

24 (l) Deduct from the taxable income of a purchaser the amount
25 included as income to the purchaser under the internal revenue code
26 after the advance tuition payment contract entered into under the
27 Michigan education trust act, 1986 PA 316, MCL 390.1421 to
28 390.1442, is terminated because the qualified beneficiary attends
29 an institution of postsecondary education other than either a state

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

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

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

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

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

1 deduction under this subdivision is not available to a senior
2 citizen born after 1945.

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

5 (i) The amount of a refund received in the tax year based on
6 taxes paid under this part and any direct or indirect allocated
7 share of a refund received by a flow-through entity under part 4.

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

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

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

22 (s) Deduct, to the extent included in adjusted gross income,
23 any amount, and any interest earned on that amount, received in the
24 tax year by a taxpayer who is a Holocaust victim as a result of a
25 settlement of claims against any entity or individual for any
26 recovered asset pursuant to the German act regulating unresolved
27 property claims, also known as Gesetz zur Regelung offener
28 Vermögensfragen, as a result of the settlement of the action
29 entitled *In re: Holocaust victim assets litigation*, CV-96-4849, CV-

1 96-5161, and CV-97-0461 (E.D. NY), or as a result of any similar
2 action if the income and interest are not commingled in any way
3 with and are kept separate from all other funds and assets of the
4 taxpayer. As used in this subdivision:

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

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

14 (t) Deduct all of the following:

15 (i) To the extent not deducted in determining adjusted gross
16 income, contributions made by the taxpayer in the tax year less
17 qualified withdrawals made in the tax year from education savings
18 accounts, calculated on a per education savings account basis,
19 pursuant to the Michigan education savings program act, 2000 PA
20 161, MCL 390.1471 to 390.1486, not to exceed a total deduction of
21 \$5,000.00 for a single return or \$10,000.00 for a joint return per
22 tax year. The amount calculated under this subparagraph for each
23 education savings account shall not be less than zero.

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

28 (iii) To the extent included in adjusted gross income,
29 distributions that are qualified withdrawals from an education

1 savings account to the designated beneficiary of that education
2 savings account.

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

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

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

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

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

28 (B) All interest and passive dividends.

29 (C) All rents and royalties derived from real property located

1 within the agreement area.

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

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

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

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

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

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

18 (J) All gaming winnings.

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

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

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

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

28 (w) Eliminate all of the following:

29 (i) Income from producing oil and gas to the extent included in

1 adjusted gross income.

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

4 (x) Deduct all of the following:

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

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

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

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

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

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

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

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

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

(bb) For tax years that begin on and after January 1, 2021, and subject to the limitation under this subdivision, deduct, to the extent not deducted in determining adjusted gross income, wagering losses deducted under section 165(d) of the internal revenue code on the taxpayer's federal income tax return for the

1 same tax year. For a nonresident, only wagering losses that are
2 attributable to wagering transactions placed at or through a casino
3 or licensed race meeting located in this state may be deducted and
4 must not exceed the gains on wagering transactions allocated to
5 this state under section 110(2)(d). As used in this subdivision,
6 "casino" and "licensed race meeting" mean those terms as defined in
7 section 110.

8 (cc) Except as otherwise provided under subparagraph (i), for
9 tax years that begin on and after January 1, 2022, deduct all of
10 the following:

11 (i) To the extent not deducted in determining adjusted gross
12 income, contributions made by the taxpayer in the tax year less
13 qualified withdrawals made in the tax year from a first-time home
14 buyer savings account, pursuant to the Michigan first-time home
15 buyer savings program act, 2022 PA 6, MCL 565.1001 to 565.1013, not
16 to exceed a total deduction of \$5,000.00 for a single return or
17 \$10,000.00 for a joint return per tax year. The amount calculated
18 under this subparagraph for a first-time home buyer savings account
19 shall not be less than zero. The deduction under this subparagraph
20 does not apply for tax years that begin after December 31, 2026.

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

24 (iii) To the extent included in adjusted gross income,
25 distributions that are qualified withdrawals from a first-time home
26 buyer savings account to the qualified beneficiary of that savings
27 account.

28 (dd) For tax years that begin on and after January 1, 2022,
29 add, to the extent not included in adjusted gross income, the

1 amount of money withdrawn by the taxpayer in the tax year from a
2 first-time home buyer savings account, not to exceed the total
3 amount deducted under subdivision (cc) in the tax year and all
4 previous tax years, if the withdrawal was not a qualified
5 withdrawal as provided in the Michigan first-time home buyer
6 savings program act, 2022 PA 6, MCL 565.1001 to 565.1013. This
7 subdivision does not apply to withdrawals that are less than the
8 sum of all contributions made to a first-time home buyer savings
9 account in all previous tax years for which no deduction was
10 claimed under subdivision (cc), less any contributions for which no
11 deduction was claimed under subdivision (cc) that were withdrawn in
12 all previous tax years.

13 **(ee) Deduct, to the extent included in adjusted gross income,**
14 **any income attributable to bitcoin mining at an abandoned oil or**
15 **gas well in this state during the tax year by a taxpayer who is a**
16 **program participant of the bitcoin program. As used in this**
17 **subdivision, "abandoned oil or gas well", "bitcoin mining", and**
18 **"bitcoin program" mean those terms as defined in section 61601 of**
19 **the natural resources and environmental protection act, 1994 PA**
20 **451, MCL 324.61601.**

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

27 (a) Each taxpayer may claim 1 personal exemption. However, if
28 a joint return is not made by the taxpayer and the taxpayer's
29 spouse, the taxpayer may claim a personal exemption for the spouse

1 if the spouse, for the calendar year in which the taxable year of
2 the taxpayer begins, does not have any gross income and is not the
3 dependent of another taxpayer.

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

6 (c) ~~For tax years beginning on and after January 1, 2019, a~~ **A**
7 taxpayer may claim an additional exemption under this subsection in
8 the tax year for which the taxpayer has a certificate of stillbirth
9 from the department of health and human services as provided under
10 section 2834 of the public health code, 1978 PA 368, MCL 333.2834.

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

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

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

1 (i) "Qualified disabled veteran" means a veteran with a
2 service-connected disability.

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

6 (iii) "Veteran" means an individual who served in the active
7 military, naval, marine, coast guard, or air service and who was
8 discharged or released from the individual's service with an
9 honorable or general discharge.

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

15 (5) A nonresident or a part-year resident is allowed that
16 proportion of an exemption or deduction allowed under subsection
17 (2), (3), or (4) that the taxpayer's portion of adjusted gross
18 income from Michigan sources bears to the taxpayer's total adjusted
19 gross income.

20 (6) In calculating taxable income, a taxpayer shall not
21 subtract from adjusted gross income the amount of prizes won by the
22 taxpayer under the McCauley-Traxler-Law-Bowman-McNeely lottery act,
23 1972 PA 239, MCL 432.1 to 432.47.

24 (7) For each tax year beginning on and after January 1, 2013,
25 the personal exemption allowed under subsection (2) shall be
26 adjusted by multiplying the exemption for the tax year beginning in
27 2012 by a fraction, the numerator of which is the United States
28 Consumer Price Index for the state fiscal year ending in the tax
29 year prior to the tax year for which the adjustment is being made

1 and the denominator of which is the United States Consumer Price
 2 Index for the 2010-2011 state fiscal year. For the 2022 tax year
 3 and each tax year after 2022, the adjusted amount determined under
 4 this subsection shall be increased by an additional \$600.00. The
 5 resultant product shall be rounded to the nearest \$100.00
 6 increment. For each tax year, the exemptions allowed under
 7 subsection (3) shall be adjusted by multiplying the exemption
 8 amount under subsection (3) for the tax year by a fraction, the
 9 numerator of which is the United States Consumer Price Index for
 10 the state fiscal year ending the tax year prior to the tax year for
 11 which the adjustment is being made and the denominator of which is
 12 the United States Consumer Price Index for the 1998-1999 state
 13 fiscal year. The resultant product shall be rounded to the nearest
 14 \$100.00 increment.

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

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

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

22 (ii) Individual retirement accounts that qualify under section
 23 408 of the internal revenue code if the distributions are not made
 24 until the participant has reached 59-1/2 years of age, except in
 25 the case of death, disability, or distributions described by
 26 section 72(t)(2)(A)(iv) of the internal revenue code.

27 (iii) Employee annuities or tax-sheltered annuities purchased
 28 under section 403(b) of the internal revenue code by organizations
 29 exempt under section 501(c)(3) of the internal revenue code, or by

1 public school systems.

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

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

7 (i) Plans of the United States, state governments other than
8 this state, and political subdivisions, agencies, or
9 instrumentalities of this state.

10 (ii) Plans maintained by a church or a convention or
11 association of churches.

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

15 (c) Retirement or pension benefits received by a surviving
16 spouse if those benefits qualified for a deduction prior to the
17 decedent's death. Benefits received by a surviving child are not
18 deductible.

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

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

24 (A) Deferred compensation plans under section 457 of the
25 internal revenue code.

26 (B) Distributions from plans under section 401(k) of the
27 internal revenue code other than plans described in subdivision
28 (a) (iv) .

29 (C) Distributions from plans under section 403(b) of the

1 internal revenue code other than plans described in subdivision
2 (a) (iii) .

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

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

8 (9) Except as otherwise provided in subsection (10) or (11),
9 in determining taxable income under this section, the following
10 limitations and restrictions apply:

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

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

26 (c) Beginning January 1, 2013 for a person born in 1946
27 through 1952 and beginning January 1, 2018 for a person born after
28 1945 who has retired as of January 1, 2013, if that person receives
29 retirement or pension benefits from employment with a governmental

1 agency that was not covered by the federal social security act,
 2 ~~chapter 531, 49 Stat 620, 42 USC 301 to 1397mm~~, the sum of the
 3 deductions under subsection (1)(f)(i), (ii), and (iv) is limited to
 4 \$35,000.00 for a single return and, except as otherwise provided
 5 under this subdivision, \$55,000.00 for a joint return. If both
 6 spouses filing a joint return receive retirement or pension
 7 benefits from employment with a governmental agency that was not
 8 covered by the federal social security act, ~~chapter 531, 49 Stat~~
 9 ~~620, 42 USC 301 to 1397mm~~, the sum of the deductions under
 10 subsection (1)(f)(i), (ii), and (iv) is limited to \$70,000.00 for a
 11 joint return. After that person reaches the age of 67, the
 12 deductions under subsection (1)(f)(i), (ii), and (iv) do not apply and
 13 that person is eligible for a deduction of \$35,000.00 for a single
 14 return and \$55,000.00 for a joint return, or \$70,000.00 for a joint
 15 return if applicable, which deduction is available against all
 16 types of income and is not restricted to income from retirement or
 17 pension benefits. A person who takes the deduction under subsection
 18 (1)(e) is not eligible for the unrestricted deduction of \$35,000.00
 19 for a single return and \$55,000.00 for a joint return, or
 20 \$70,000.00 for a joint return if applicable, under this
 21 subdivision.

22 (d) Except as otherwise provided under subdivision (c) for a
 23 person who was retired as of January 1, 2013, for a person born
 24 after 1952 who has reached the age of 62 through 66 years of age
 25 and who receives retirement or pension benefits from employment
 26 with a governmental agency that was not covered by the federal
 27 social security act, ~~chapter 531, 49 Stat 620, 42 USC 301 to~~
 28 ~~1397mm~~, the sum of the deductions under subsection (1)(f)(i), (ii),
 29 and (iv) is limited to \$15,000.00 for a single return and, except as

1 otherwise provided under this subdivision, \$15,000.00 for a joint
 2 return. If both spouses filing a joint return receive retirement or
 3 pension benefits from employment with a governmental agency that
 4 was not covered by the federal social security act, ~~chapter 531, 49~~
 5 ~~Stat 620, 42 USC 301 to 1397mm~~, the sum of the deductions under
 6 subsection (1)(f)(i), (ii), and (iv) is limited to \$30,000.00 for a
 7 joint return.

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

26 (f) For a joint return, the limitations and restrictions in
 27 this subsection shall be applied based on the date of birth of the
 28 older spouse filing the joint return. If a deduction under
 29 subsection (1)(f) was claimed on a joint return for a tax year in

1 which a spouse died and the surviving spouse has not remarried
2 since the death of that spouse, the surviving spouse is entitled to
3 claim the deduction under subsection (1)(f) in subsequent tax years
4 subject to the same restrictions and limitations, for a single
5 return, that would have applied based on the date of birth of the
6 older of the 2 spouses. For tax years beginning after December 31,
7 2019, a surviving spouse born after 1945 who has reached the age of
8 67 and has not remarried since the death of that spouse may elect
9 to take the deduction that is available against all types of income
10 subject to the same limitations and restrictions as provided under
11 this subsection based on the surviving spouse's date of birth
12 instead of taking the deduction allowed under subsection (1)(f),
13 for a single return, based on the date of birth of the older
14 spouse.

15 (10) In determining taxable income under this section, a
16 taxpayer may elect to deduct retirement or pension benefits as
17 provided under subsection (1)(f) with the following limitations and
18 restrictions or elect to apply the limitations and restrictions in
19 subsection (9), or subsection (11) if applicable:

20 (a) For the 2023 tax year, a taxpayer who was born after 1945
21 and before 1959 may deduct an amount of retirement or pension
22 benefits not to exceed 25% of the maximum amount of retirement or
23 pension benefits that the taxpayer would be allowed to deduct for
24 the tax year under subsection (1)(f)(iv) if the taxpayer's
25 retirement or pension benefits were subject to the limitations of
26 that subsection only.

27 (b) For the 2024 tax year, a taxpayer who was born after 1945
28 and before 1963 may deduct an amount of retirement or pension
29 benefits not to exceed 50% of the maximum amount of retirement or

1 pension benefits that the taxpayer would be allowed to deduct for
2 the tax year under subsection (1)(f)(iv) if the taxpayer's
3 retirement or pension benefits were subject to the limitations of
4 that subsection only.

5 (c) For the 2025 tax year, a taxpayer who was born after 1945
6 and before 1967 may deduct an amount of retirement or pension
7 benefits not to exceed 75% of the maximum amount of retirement or
8 pension benefits that the taxpayer would be allowed to deduct for
9 the tax year under subsection (1)(f)(iv) if the taxpayer's
10 retirement or pension benefits were subject to the limitations of
11 that subsection only.

12 (d) For the 2026 tax year and each tax year after 2026, a
13 taxpayer may deduct retirement or pension benefits as provided
14 under subsection (1)(f), except that the amounts deductible under
15 subsection (1)(f)(i) and (ii) combined are subject to the same
16 maximum amounts allowed under subsection (1)(f)(iv) for a single
17 return and a joint return for that same tax year.

18 (e) For a joint return, the limitations and restrictions in
19 this subsection shall be applied based on the date of birth of the
20 older spouse filing the joint return. If a deduction under
21 subsection (1)(f) was claimed on a joint return for a tax year in
22 which a spouse died and the surviving spouse has not remarried
23 since the death of that spouse, the surviving spouse is entitled to
24 claim the deduction under subsection (1)(f) in subsequent tax years
25 subject to the same restrictions and limitations under this
26 subsection, for a single return, that would have applied based on
27 the date of birth of the older of the 2 spouses.

28 (11) For tax years beginning on and after January 1, 2023, in
29 determining taxable income under this section, a taxpayer with

1 retirement or pension benefits received for services as a public
2 police or fire department employee subject to 1969 PA 312, MCL
3 423.231 to 423.247, a state police trooper or state police sergeant
4 subject to 1980 PA 17, MCL 423.271 to 423.287, or a corrections
5 officer employed by a county sheriff in a county jail, work camp,
6 or other facility maintained by a county that houses adult
7 prisoners may elect to deduct retirement or pension benefits as
8 provided under subsection (1)(f) without any additional limitations
9 or restrictions or elect to apply the limitations and restrictions
10 in subsection (9) or (10).

11 (12) As used in this section:

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

14 (b) "Senior citizen" means that term as defined in section
15 514.

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

20 Sec. 623. (1) Except as otherwise provided in this part, there
21 is levied and imposed a corporate income tax on every taxpayer with
22 business activity within this state or ownership interest or
23 beneficial interest in a flow-through entity that has business
24 activity in this state unless prohibited by 15 USC 381 to 384. The
25 corporate income tax is imposed on the corporate income tax base,
26 after allocation or apportionment to this state, at the rate of
27 6.0%.

28 (2) The corporate income tax base means a taxpayer's business
29 income subject to the following adjustments, before allocation or

1 apportionment, and the adjustment in subsection (4) after
2 allocation or apportionment:

3 (a) Add interest income and dividends derived from obligations
4 or securities of states other than this state, in the same amount
5 that was excluded from federal taxable income, less the related
6 portion of expenses not deducted in computing federal taxable
7 income because of sections 265 and 291 of the internal revenue
8 code.

9 (b) Add all taxes on or measured by net income including the
10 tax imposed under this part to the extent that the taxes were
11 deducted in arriving at federal taxable income including any direct
12 or indirect allocated share of taxes paid by a flow-through entity
13 under part 4.

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

16 (d) To the extent included in federal taxable income, deduct
17 dividends and royalties received from persons other than United
18 States persons and foreign operating entities, including, but not
19 limited to, amounts determined under section 78 of the internal
20 revenue code or sections 951 to 965 of the internal revenue code.

21 (e) Except as otherwise provided under this subdivision, to
22 the extent deducted in arriving at federal taxable income, add any
23 royalty, interest, or other expense paid to a person related to the
24 taxpayer by ownership or control for the use of an intangible asset
25 if the person is not included in the taxpayer's unitary business
26 group. The addition of any royalty, interest, or other expense
27 described under this subdivision is not required to be added if the
28 taxpayer can demonstrate that the transaction has a nontax business
29 purpose, is conducted with arm's-length pricing and rates and terms

1 as applied in accordance with sections 482 and 1274(d) of the
2 internal revenue code, and 1 of the following is true:

3 (i) The transaction is a pass through of another transaction
4 between a third party and the related person with comparable rates
5 and terms.

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

9 (iii) An addition would be unreasonable as determined by the
10 state treasurer.

11 (iv) The related person recipient of the transaction is
12 organized under the laws of a foreign nation ~~which~~**that** has in
13 force a comprehensive income tax treaty with the United States.

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

16 (g) Eliminate all of the following:

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

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

21 (h) For a qualified taxpayer, eliminate all of the following:

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

24 (ii) Expenses related to the income deductible under
25 subparagraph (i) to the extent deducted in arriving at federal
26 taxable income.

27 **(i) Deduct, to the extent included in federal taxable income,**
28 **any income attributable to bitcoin mining at an abandoned oil or**
29 **gas well in this state during the tax year by a taxpayer who is a**

1 program participant under the bitcoin program. As used in this
 2 subdivision, "abandoned oil or gas well", "bitcoin mining", and
 3 "bitcoin program" mean those terms as defined under section 61601
 4 of the natural resources and environmental protection act, 1994 PA
 5 451, MCL 324.61601.

6 (3) For purposes of subsection (2), the business income of a
 7 unitary business group is the sum of the business income of each
 8 person included in the unitary business group less any items of
 9 income and related deductions arising from transactions including
 10 dividends between persons included in the unitary business group.

11 (4) Deduct any available business loss incurred after December
 12 31, 2011. As used in this subsection, "business loss" means a
 13 negative business income taxable amount after allocation or
 14 apportionment. For purposes of this subsection, a taxpayer that
 15 acquires the assets of another corporation in a transaction
 16 described under section 381(a)(1) or (2) of the internal revenue
 17 code may deduct any business loss attributable to that distributor
 18 or transferor corporation. The business loss ~~shall~~**must** be carried
 19 forward to the year immediately succeeding the loss year as an
 20 offset to the allocated or apportioned corporate income tax base,
 21 then successively to the next 9 taxable years following the loss
 22 year or until the loss is used up, whichever occurs first.

23 (5) As used in this section, "oil and gas" means oil and gas
 24 that is subject to severance tax under 1929 PA 48, MCL 205.301 to
 25 205.317.

26 Sec. 815. (1) Subject to section 847, beginning January 1,
 27 2021 and each tax year after 2021, there is levied and imposed a
 28 flow-through entity tax on every taxpayer with business activity in
 29 this state unless prohibited by 15 USC 381 to 384. Except as

1 otherwise provided under subsection (5), the flow-through entity
2 tax is imposed on the positive business income tax base, after
3 allocation or apportionment to this state, at the same rate levied
4 and imposed under section 51 for that same tax year. A negative
5 business income tax base of a flow-through entity, after allocation
6 or apportionment to this state, is includible in the business
7 income tax base of each member of the flow-through entity and is
8 not available as an offset to the allocated or apportioned business
9 income tax base of the flow-through entity in any other tax year
10 for which an election is made under section 813.

11 (2) The business income tax base means a taxpayer's business
12 income subject to the following adjustments, before allocation or
13 apportionment, and the adjustment in subsection (4) after
14 allocation or apportionment:

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

21 (b) Add losses on the sale or exchange of obligations of the
22 United States government, the income of which this state is
23 prohibited from subjecting to a net income tax, to the extent that
24 the loss has been deducted in arriving at federal taxable income.

25 (c) Deduct, to the extent included in federal taxable income,
26 income derived from obligations, or the sale or exchange of
27 obligations, of the United States government that this state is
28 prohibited by law from subjecting to a net income tax, reduced by
29 any interest on indebtedness incurred in carrying the obligations

1 and by any expenses incurred in the production of that income to
 2 the extent that the expenses, including amortizable bond premiums,
 3 were deducted in arriving at federal taxable income.

4 (d) Add charitable contributions to the extent deducted in
 5 arriving at federal taxable income.

6 (e) Add all taxes on or measured by net income including the
 7 tax imposed under this part to the extent that the taxes were
 8 deducted in arriving at federal taxable income.

9 (f) Deduct guaranteed payments for services rendered by a
 10 member who is an individual to the extent that those guaranteed
 11 payments were included in federal taxable income.

12 (g) Deduct, to the extent included in federal taxable income,
 13 all of the following:

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

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

19 (h) Deduct business income received as a member of another
 20 flow-through entity to the extent that the business income
 21 increased federal taxable income.

22 (i) Eliminate all of the following:

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

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

27 (iii) Income derived from a mineral to the extent included in
 28 federal taxable income of a qualified taxpayer.

29 (iv) Expenses related to the income deductible under

1 subparagraph (iii) to the extent deducted in arriving at federal
2 taxable income.

3 (j) Deduct, to the extent included in federal taxable income,
4 any income attributable to bitcoin mining at an abandoned oil or
5 gas well in this state during the tax year by a taxpayer who is a
6 program participant of the bitcoin program. As used in this
7 subdivision, "abandoned oil or gas well", "bitcoin mining", and
8 "bitcoin program" mean those terms as defined in section 61601 of
9 the natural resources and environmental protection act, 1994 PA
10 451, MCL 324.61601.

11 (3) For a taxpayer that has a direct, or indirect through 1 or
12 more other flow-through entities, ownership or beneficial interest
13 in a flow-through entity for which an election was made under
14 section 813 and that reported positive business income in a tax
15 year ending on or within the taxpayer's tax year, the adjustments
16 in subsection (2) ~~shall~~**must** not include the taxpayer's share of
17 the electing flow-through entities adjustments under subsection
18 (2).

19 (4) For a taxpayer that has a direct, or indirect through 1 or
20 more other flow-through entities, ownership or beneficial interest
21 in a flow-through entity for which an election was not made under
22 section 813, add the taxpayer's share of the non-electing flow-
23 through entity's positive business income as determined under
24 section 817(2).

25 (5) In computing the tax due under this part, the taxpayer
26 shall pay the tax due only on the business income tax base
27 allocable to those members who are individuals, flow-through
28 entities, estates, or trusts and exclude the business income tax
29 base allocable to those members that are corporations, insurance

1 companies, or financial institutions. The department may require
2 the taxpayer to disclose identifying information for all members of
3 the taxpayer and the allocable share of business income for each
4 member.

5 (6) As used in this section:

6 (a) "Mineral" means that term as defined in section 2 of the
7 nonferrous metallic minerals extraction severance tax act, 2012 PA
8 410, MCL 211.782.

9 (b) "Oil and gas" means oil and gas that is subject to
10 severance tax under 1929 PA 48, MCL 205.301 to 205.317.

11 (c) "Qualified taxpayer" means a taxpayer subject to the
12 minerals severance tax levied under the nonferrous metallic
13 minerals extraction severance tax act, 2012 PA 410, MCL 211.781 to
14 211.791.

15 Enacting section 1. This amendatory act does not take effect
16 unless House Bill No. 4512 (request no. H00833'25) of the 103rd
17 Legislature is enacted into law.