

SENATE BILL NO. 125

March 06, 2025, Introduced by Senators HOITENGA, HAUCK, VICTORY and MCBROOM and referred to Committee on Finance, Insurance, and Consumer Protection.

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending sections 30, 701, 703, and 711 (MCL 206.30, 206.701, 206.703, and 206.711), section 30 as amended by 2023 PA 4, section 701 as amended by 2024 PA 177, section 703 as amended by 2016 PA 158, and section 711 as amended by 2018 PA 118.

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 **The** 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

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3 subdivision (x) that were withdrawn in all previous tax years.

4 ~~(z) For tax years that begin after December 31, 2018, deduct,~~
5 **Deduct**, to the extent included in adjusted gross income,
6 compensation received in the tax year pursuant to the wrongful
7 imprisonment compensation act, 2016 PA 343, MCL 691.1751 to
8 691.1757.

9 ~~(aa) For the 2016, 2017, 2018, and 2019 tax years and for each~~
10 tax year that begins on and after January 1, 2025, a taxpayer who
11 is a disabled veteran may deduct, to the extent included in
12 adjusted gross income, income reported on a federal income tax form
13 1099-C that is attributable to the cancellation or discharge of a
14 student loan by the United States Department of Education pursuant
15 to the total and permanent disability discharge program, 34 CFR
16 685.213. As used in this subdivision, "disabled veteran" means an
17 individual who meets either of the following criteria:

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

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

24 (bb) For tax years that begin on and after January 1, 2021,
25 and subject to the limitation under this subdivision, deduct, to
26 the extent not deducted in determining adjusted gross income,
27 wagering losses deducted under section 165(d) of the internal
28 revenue code on the taxpayer's federal income tax return for the
29 same tax year. For a nonresident, only wagering losses that are

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

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

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

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

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

27 (dd) For tax years that begin on and after January 1, 2022,
28 add, to the extent not included in adjusted gross income, the
29 amount of money withdrawn by the taxpayer in the tax year from a

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

12 **(ee) For tax years beginning on and after January 1, 2026,**
13 **deduct, to the extent included in adjusted gross income, the amount**
14 **paid in overtime compensation to the taxpayer during the tax year**
15 **that was required to be paid by the taxpayer's employer under**
16 **section 4a of the improved workforce opportunity wage act, 2018 PA**
17 **337, MCL 408.934a.**

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

24 (a) Each taxpayer may claim 1 personal exemption. However, if
25 a joint return is not made by the taxpayer and the taxpayer's
26 spouse, the taxpayer may claim a personal exemption for the spouse
27 if the spouse, for the calendar year in which the taxable year of
28 the taxpayer begins, does not have any gross income and is not the
29 dependent of another taxpayer.

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

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

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

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

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

27 (i) "Qualified disabled veteran" means a veteran with a
28 service-connected disability.

29 (ii) "Service-connected disability" means a disability incurred

1 or aggravated in the line of duty in the active military, naval, or
2 air service as described in 38 USC 101(16).

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

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

12 (5) A nonresident or a part-year resident is allowed that
13 proportion of an exemption or deduction allowed under subsection
14 (2), (3), or (4) that the taxpayer's portion of adjusted gross
15 income from Michigan sources bears to the taxpayer's total adjusted
16 gross income.

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

21 (7) For each tax year beginning on and after January 1, 2013,
22 the personal exemption allowed under subsection (2) shall be
23 adjusted by multiplying the exemption for the tax year beginning in
24 2012 by a fraction, the numerator of which is the United States
25 Consumer Price Index for the state fiscal year ending in the tax
26 year prior to the tax year for which the adjustment is being made
27 and the denominator of which is the United States Consumer Price
28 Index for the 2010-2011 state fiscal year. For the 2022 tax year
29 and each tax year after 2022, the adjusted amount determined under

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

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

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

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

19 (ii) Individual retirement accounts that qualify under section
20 408 of the internal revenue code if the distributions are not made
21 until the participant has reached 59-1/2 years of age, except in
22 the case of death, disability, or distributions described by
23 section 72(t)(2)(A)(iv) of the internal revenue code.

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

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

1 contributions.

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

4 (i) Plans of the United States, state governments other than
5 this state, and political subdivisions, agencies, or
6 instrumentalities of this state.

7 (ii) Plans maintained by a church or a convention or
8 association of churches.

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

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

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

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

21 (A) Deferred compensation plans under section 457 of the
22 internal revenue code.

23 (B) Distributions from plans under section 401(k) of the
24 internal revenue code other than plans described in subdivision
25 (a) (iv) .

26 (C) Distributions from plans under section 403(b) of the
27 internal revenue code other than plans described in subdivision
28 (a) (iii) .

29 (ii) Premature distributions paid on separation, withdrawal, or

1 discontinuance of a plan prior to the earliest date the recipient
2 could have retired under the provisions of the plan.

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

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

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

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

23 (c) Beginning January 1, 2013 for a person born in 1946
24 through 1952 and beginning January 1, 2018 for a person born after
25 1945 who has retired as of January 1, 2013, if that person receives
26 retirement or pension benefits from employment with a governmental
27 agency that was not covered by the federal social security act,
28 ~~chapter 531, 49 Stat 620, 42 USC 301 to 1397mm,~~ the sum of the
29 deductions under subsection (1)(f)(i), (ii), and (iv) is limited to

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

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

1 was not covered by the federal social security act, ~~chapter 531, 49~~
2 ~~Stat 620, 42 USC 301 to 1397mm~~, the sum of the deductions under
3 subsection (1)(f)(i), (ii), and (iv) is limited to \$30,000.00 for a
4 joint return.

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

23 (f) For a joint return, the limitations and restrictions in
24 this subsection shall be applied based on the date of birth of the
25 older spouse filing the joint return. If a deduction under
26 subsection (1)(f) was claimed on a joint return for a tax year in
27 which a spouse died and the surviving spouse has not remarried
28 since the death of that spouse, the surviving spouse is entitled to
29 claim the deduction under subsection (1)(f) in subsequent tax years

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

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

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

24 (b) For the 2024 tax year, a taxpayer who was born after 1945
25 and before 1963 may deduct an amount of retirement or pension
26 benefits not to exceed 50% of the maximum amount of retirement or
27 pension benefits that the taxpayer would be allowed to deduct for
28 the tax year under subsection (1)(f)(iv) if the taxpayer's
29 retirement or pension benefits were subject to the limitations of

1 that subsection only.

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

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

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

25 (11) For tax years beginning on and after January 1, 2023, in
26 determining taxable income under this section, a taxpayer with
27 retirement or pension benefits received for services as a public
28 police or fire department employee subject to 1969 PA 312, MCL
29 423.231 to 423.247, a state police trooper or state police sergeant

1 subject to 1980 PA 17, MCL 423.271 to 423.287, or a corrections
2 officer employed by a county sheriff in a county jail, work camp,
3 or other facility maintained by a county that houses adult
4 prisoners may elect to deduct retirement or pension benefits as
5 provided under subsection (1)(f) without any additional limitations
6 or restrictions or elect to apply the limitations and restrictions
7 in subsection (9) or (10).

8 (12) As used in this section:

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

11 (b) "Senior citizen" means that term as defined in section
12 514.

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

17 Sec. 701. As used in this chapter:

18 (a) "Casino" means that term as defined in section 110.

19 (b) "Casino licensee" means a person licensed to operate a
20 casino under the Michigan Gaming Control and Revenue Act, 1996 IL
21 1, MCL 432.201 to 432.226.

22 (c) "Eligible production company" means that term as defined
23 under section 455 of the Michigan business tax act, 2007 PA 36, MCL
24 208.1455.

25 (d) "Flow-through entity" means an entity that for the
26 applicable tax year is treated as an S corporation under section
27 1362(a) of the internal revenue code, a general partnership, a
28 limited partnership, a limited liability partnership, or a limited
29 liability company, that for the applicable tax year is not taxed as

1 a corporation for federal income tax purposes. Flow-through entity
 2 does not include any entity disregarded or treated as a corporation
 3 under section 699.

4 (e) "Member" means a shareholder of an S corporation, a
 5 partner in a general partnership, a limited partnership, or a
 6 limited liability partnership, a member of a limited liability
 7 company, or a beneficiary of a trust, that is a flow-through
 8 entity.

9 (f) "Nonresident" means an individual who is not a resident of
 10 or domiciled in this state, a business entity that does not have
 11 its commercial domicile in this state, or a trust not organized in
 12 this state.

13 (g) **"Overtime compensation" means compensation required to be**
 14 **paid to the employee by the employer under section 4a of the**
 15 **improved workforce opportunity wage act, 2018 PA 337, MCL 408.934a.**

16 (h) ~~(g)~~—"Partnership" means a taxpayer that is required to or
 17 has elected to file as a partnership for federal income tax
 18 purposes.

19 (i) ~~(h)~~—"Publicly traded partnership" means that term as
 20 defined under section 7704 of the internal revenue code.

21 (j) ~~(i)~~—"Race meeting licensee" and "track licensee" mean a
 22 person to whom a race meeting license or track license is issued
 23 pursuant to section 8 of the horse racing law of 1995, 1995 PA 279,
 24 MCL 431.308.

25 (k) ~~(j)~~—"S corporation" means a corporation electing taxation
 26 under sections 1361 to 1379 of the internal revenue code.

27 Sec. 703. (1) A person who disburses pension or annuity
 28 payments, except as otherwise provided under this section, shall
 29 withhold a tax in an amount computed by applying the rate

1 prescribed in section 51 on the taxable part of payments from an
2 employer pension, annuity, profit-sharing, stock bonus, or other
3 deferred compensation plan as well as from an individual retirement
4 arrangement, an annuity, an endowment, or a life insurance contract
5 issued by a life insurance company. Withholding shall be calculated
6 on the taxable disbursement after deducting from the taxable
7 portion the same proportion of the total amount of personal and
8 dependency exemptions of the individual allowed under this act.
9 Withholding is not required on any part of a distribution that is
10 not expected to be includable in the recipient's gross income or
11 that is deductible from adjusted gross income under section
12 30(1)(e) or (f).

13 (2) Every employer in this state required under the provisions
14 of the internal revenue code to withhold a tax on the compensation
15 of an individual, except as otherwise provided, shall deduct and
16 withhold a tax in an amount computed by applying, except as
17 provided by subsection (14), the rate prescribed in section 51 to
18 the remainder of the compensation after deducting from compensation
19 the same proportion of the total amount of personal and dependency
20 exemptions of the individual allowed under this act that the period
21 of time covered by the compensation is of 1 year **and beginning on**
22 **and after January 1, 2026, after deducting from compensation any**
23 **overtime compensation.** The department may prescribe withholding
24 tables that may be used by employers to compute the amount of tax
25 required to be withheld.

26 (3) Except as otherwise provided under this section, for tax
27 years that begin before July 1, 2016, every flow-through entity in
28 this state shall withhold a tax in an amount computed by applying
29 the rate prescribed in section 51 to the distributive share of

1 taxable income reasonably expected to accrue after allocation and
2 apportionment under chapter 3 of each nonresident member who is an
3 individual after deducting from that distributive income the same
4 proportion of the total amount of personal and dependency
5 exemptions of the individual allowed under this act. All of the
6 taxes withheld under this section shall accrue to the state on
7 April 15, July 15, and October 15 of the flow-through entity's tax
8 year and January 15 of the following year, except a flow-through
9 entity that is not on a calendar year basis shall substitute the
10 appropriate due dates in the flow-through entity's fiscal year that
11 correspond to those in a calendar year. Withholding for each period
12 shall be equal to 1/4 of the total withholding calculated on the
13 distributive share that is reasonably expected to accrue during the
14 tax year of the flow-through entity.

15 (4) Except as otherwise provided under this section, for tax
16 years that begin before July 1, 2016, every flow-through entity
17 with business activity in this state that has more than \$200,000.00
18 of business income reasonably expected to accrue in the tax year
19 after allocation or apportionment shall withhold a tax in an amount
20 computed by applying the rate prescribed in section 623 to the
21 distributive share of the business income of each member that is a
22 corporation or that is a flow-through entity. For purposes of
23 calculating the \$200,000.00 withholding threshold, the business
24 income of a flow-through entity shall be apportioned to this state
25 by multiplying the business income by the sales factor of the flow-
26 through entity. The sales factor of the flow-through entity is a
27 fraction, the numerator of which is the total sales of the flow-
28 through entity in this state during the tax year and the
29 denominator of which is the total sales of the flow-through entity

1 everywhere during the tax year. As used in this subsection,
2 "business income" means that term as defined in section ~~603(2)~~.
3 **603.** For a partnership or S corporation, business income includes
4 payments and items of income and expense that are attributable to
5 business activity of the partnership or S corporation and
6 separately reported to the members. As used in this subsection,
7 "sales" means that term as defined in section 609 and sales in this
8 state is determined as provided in sections 665 and 669. All of the
9 taxes withheld under this section shall accrue to the state on
10 April 15, July 15, and October 15 of the flow-through entity's tax
11 year and January 15 of the following year, except a flow-through
12 entity that is not on a calendar year basis shall substitute the
13 appropriate due dates in the flow-through entity's fiscal year that
14 correspond to those in a calendar year. Withholding for each period
15 shall be equal to 1/4 of the total withholding calculated on the
16 distributive share of business income that is reasonably expected
17 to accrue during the tax year of the flow-through entity.

18 (5) For tax years that begin before July 1, 2016, if a flow-
19 through entity is subject to the withholding requirements of
20 subsection (4), then a member of that flow-through entity that is
21 itself a flow-through entity shall withhold a tax on the
22 distributive share of business income as described in subsection
23 (4) of each of its members. The department shall apply tax withheld
24 by a flow-through entity on the distributive share of business
25 income of a member flow-through entity to the withholding required
26 of that member flow-through entity. All of the taxes withheld under
27 this section shall accrue to the state on April 15, July 15, and
28 October 15 of the flow-through entity's tax year and January 15 of
29 the following year, except a flow-through entity that is not on a

1 calendar year basis shall substitute the appropriate due dates in
2 the flow-through entity's fiscal year that correspond to those in a
3 calendar year. Withholding for each period shall be equal to 1/4 of
4 the total withholding calculated on the distributive share of
5 business income that is reasonably expected to accrue during the
6 tax year of the flow-through entity.

7 (6) Every casino licensee shall withhold a tax in an amount
8 computed by applying the rate prescribed in section 51 to the
9 winnings of a nonresident reportable by the casino licensee under
10 the internal revenue code.

11 (7) Every race meeting licensee or track licensee shall
12 withhold a tax in an amount computed by applying the rate
13 prescribed in section 51 to a payoff price on a winning ticket of a
14 nonresident reportable by the race meeting licensee or track
15 licensee under the internal revenue code that is the result of
16 pari-mutuel wagering at a licensed race meeting.

17 (8) Every casino licensee or race meeting licensee or track
18 licensee shall report winnings of a resident reportable by the
19 casino licensee or race meeting licensee or track licensee under
20 the internal revenue code to the department in the same manner and
21 format as required under the internal revenue code.

22 (9) Every eligible production company shall, to the extent not
23 withheld by a professional services corporation or professional
24 employer organization, deduct and withhold a tax in an amount
25 computed by applying the rate prescribed in section 51 to the
26 remainder of the payments made to the professional services
27 corporation or professional employer organization for the services
28 of a performing artist or crew member after deducting from those
29 payments the same proportion of the total amount of personal and

1 dependency exemptions of the individuals allowed under this act.

2 (10) Every publicly traded partnership that has equity
3 securities registered with the securities and exchange commission
4 under section 12 of title I of the securities and exchange act of
5 1934, 15 USC 78l, shall not be subject to withholding.

6 (11) Except as otherwise provided under this subsection, all
7 of the taxes withheld under this section shall accrue to the state
8 on the last day of the month in which the taxes are withheld but
9 shall be returned and paid to the department by the employer,
10 eligible production company, casino licensee, or race meeting
11 licensee or track licensee within 15 days after the end of any
12 month or as provided in section 705. For an employer that has
13 entered into an agreement with a community college pursuant to
14 chapter 13 of the community college act of 1966, 1966 PA 331, MCL
15 389.161 to 389.166, a portion of the taxes withheld under this
16 section that are attributable to each employee in a new job created
17 pursuant to the agreement shall accrue to the community college on
18 the last day of the month in which the taxes are withheld but shall
19 be returned and paid to the community college by the employer
20 within 15 days after the end of any month or as provided in section
21 705 for as long as the agreement remains in effect. For purposes of
22 this act and 1941 PA 122, MCL 205.1 to 205.31, payments made by an
23 employer to a community college under this subsection shall be
24 considered income taxes paid to this state.

25 (12) A person required by this section to deduct and withhold
26 taxes on income under this section holds the amount of tax withheld
27 as a trustee for this state and is liable for the payment of the
28 tax to this state or, if applicable, to the community college and
29 is not liable to any individual for the amount of the payment.

1 (13) An employer in this state is not required to deduct and
2 withhold a tax on the compensation paid to a nonresident individual
3 employee, who, under section 256, may claim a tax credit equal to
4 or in excess of the tax estimated to be due for the tax year or is
5 exempted from liability for the tax imposed by this act. In each
6 tax year, the nonresident individual shall furnish to the employer,
7 on a form approved by the department, a verified statement of
8 nonresidence.

9 (14) A person required to withhold a tax under this act, by
10 the fifteenth day of the following month, shall provide the
11 department with a copy of any exemption certificate on which a
12 person with income subject to withholding under subsection (6) or
13 (7) claims more than 9 personal or dependency exemptions, claims a
14 status that exempts the person subject to withholding under
15 subsection (6) or (7) from withholding under this section.

16 (15) A person who disburses annuity payments pursuant to the
17 terms of a qualified charitable gift annuity is not required to
18 deduct and withhold a tax on those payments as prescribed under
19 subsection (1). As used in this subsection, "qualified charitable
20 gift annuity" means an annuity described under section 501(m)(5) of
21 the internal revenue code and issued by an organization exempt
22 under section 501(c)(3) of the internal revenue code.

23 (16) Notwithstanding the requirements of subsections (4) and
24 (5), if a flow-through entity receives an exemption certificate
25 from a member other than a nonresident individual, the flow-through
26 entity shall not withhold a tax on the distributive share of the
27 business income of that member if all of the following conditions
28 are met:

29 (a) The exemption certificate is completed by the member in

1 the form and manner prescribed by the department and certifies that
2 the member will do all of the following:

3 (i) File the returns required under this act.

4 (ii) Pay or withhold the tax required under this act on the
5 distributive share of the business income received from any flow-
6 through entity in which the member has an ownership or beneficial
7 interest, directly or indirectly through 1 or more other flow-
8 through entities.

9 (iii) Submit to the taxing jurisdiction of this state for
10 purposes of collection of the tax under this act together with
11 related interest and penalties under 1941 PA 122, MCL 205.1 to
12 205.31, imposed on the member with respect to the distributive
13 share of the business income of that member.

14 (b) The department may require the member to file the
15 exemption certificate with the department and provide a copy to the
16 flow-through entity.

17 (c) The department may require a flow-through entity that
18 receives an exemption certificate to attach a copy of the exemption
19 certificate to the annual reconciliation return as required by
20 section 711. A flow-through entity that is entirely exempt from the
21 withholding requirements of subsection (4) or (5) by this
22 subsection may be required to furnish a copy of the exemption
23 certificate in another manner prescribed by the department.

24 (d) A copy of the exemption certificate shall be retained by
25 the member and flow-through entity and made available to the
26 department upon request. Any copy of the exemption certificate
27 shall be maintained in a format and for the period required by 1941
28 PA 122, MCL 205.1 to 205.31.

29 (17) The department may revoke the election provided for in

1 subsection (16) if it determines that the member or a flow-through
2 entity is not abiding by the terms of the exemption certificate or
3 the requirements of subsection (16). If the department does revoke
4 the election option under subsection (16), the department shall
5 notify the affected flow-through entity that withholding is
6 required on the member under subsection (4) or (5), beginning 60
7 days after notice of revocation is received.

8 (18) Notwithstanding the requirements of subsections (4) and
9 (5), a flow-through entity is not required to withhold in
10 accordance with this section for a member that voluntarily elects
11 to file a return and pay the tax imposed by the Michigan business
12 tax act under section 680 or section 500 of the Michigan business
13 tax act, 2007 PA 36, MCL 208.1500.

14 (19) Notwithstanding the withholding requirements of
15 subsection (3), (4), or (5), a flow-through entity is not required
16 to comply with those withholding requirements to the extent that
17 the withholding would violate any of the following:

18 (a) Housing assistance payment programs distribution
19 restrictions under 24 CFR part 880, 881, 883, or 891.

20 (b) Rural housing service return on investment restrictions
21 under 7 CFR 3560.68 or 3560.305.

22 (c) Articles of incorporation or other document of
23 organization adopted pursuant to section 83 or 93 of the state
24 housing development authority act of 1966, 1966 PA 346, MCL
25 125.1483 and 125.1493.

26 Sec. 711. (1) Every person required by this part to deduct and
27 withhold taxes for a tax year on income other than distributive
28 share of income from a flow-through entity shall furnish to the
29 person who received the income a statement in duplicate on or

1 before January 31 of the succeeding year of the total income paid
2 during the tax year and the amount deducted or withheld. However,
3 if employment is terminated before the close of a calendar year by
4 a person that goes out of business or permanently ceases to exist,
5 then the statement required by this subsection shall be issued
6 within 30 days after the last compensation, winnings, or payoff of
7 a winning ticket is paid. **For tax years beginning on and after**
8 **January 1, 2026, the statement required under this subsection must**
9 **delineate the amount of overtime compensation that was paid during**
10 **the tax year.** A duplicate of a statement made pursuant to this
11 section and an annual reconciliation return, MI-W3, shall be filed
12 with the department by February 28 of the succeeding year for tax
13 years before the 2018 tax year and by January 31 of the succeeding
14 year for the 2018 tax year and each tax year after 2018 except that
15 a person that goes out of business or permanently ceases to exist
16 shall file the statement and the annual reconciliation return
17 within 30 days after going out of business or permanently ceasing
18 to exist. For tax years that begin before July 1, 2016, a flow-
19 through entity that was required to withhold taxes on distributive
20 shares of business income shall file an annual reconciliation
21 return with the department no later than the last day of the second
22 month following the end of the flow-through entity's federal tax
23 year. The department may require a flow-through entity to file an
24 annual business income information return with the department on
25 the due date, including extensions, of its annual federal
26 information return.

27 (2) Every person required by this part to deduct or withhold
28 taxes shall make a return or report in form and content and at
29 times as prescribed by the department. An employer that has more

1 than 250 employees shall file its annual return or report required
2 under this section in electronic form. An employer that has entered
3 into an agreement with a community college pursuant to chapter 13
4 of the community college act of 1966, 1966 PA 331, MCL 389.161 to
5 389.166, and is required to deduct or withhold taxes from
6 compensation and make payments to a community college pursuant to
7 the agreement for a portion of those taxes withheld shall, for as
8 long as the agreement remains in effect, delineate in the return or
9 report required under this subsection between the amount deducted
10 or withheld and paid to the state and that amount paid to a
11 community college. An employer that has entered into a written
12 agreement pursuant to the good jobs for Michigan program created
13 under section 90h of the Michigan strategic fund act, 1984 PA 270,
14 MCL 125.2090h, shall, for as long as the written agreement remains
15 in effect, delineate in the return or report required under this
16 subsection the portion of those taxes withheld and paid to the
17 state that are attributable to certified new jobs. **For tax years**
18 **that begin on and after January 1, 2026, an employer shall**
19 **delineate in the return or report required under this subsection**
20 **the aggregate amount of overtime compensation deducted and excluded**
21 **from withholding under section 703(2).**

22 (3) Every person who receives income subject to withholding
23 under this part shall furnish to the person required by this part
24 to deduct and withhold taxes information required to make an
25 accurate withholding. A person who receives income subject to
26 withholding under this part shall file with the person required by
27 this part to deduct and withhold taxes revised information within
28 10 days after a decrease in the number of exemptions or a change in
29 status from a nonresident to a resident. The person who receives

1 income subject to withholding under this part may file revised
2 information when the number of exemptions increases or when a
3 change in status occurs from that of a resident of this state to a
4 nonresident of this state. Revised information shall not be given
5 retroactive effect for withholding purposes. A person required by
6 this part to deduct and withhold taxes shall rely on this
7 information for withholding purposes unless directed by the
8 department to withhold on some other basis. If a person who
9 receives income subject to withholding under this part fails or
10 refuses to furnish information, the person required by this part to
11 deduct and withhold taxes shall withhold at the full rate of tax
12 from the person's income subject to withholding under this part.