

**SUBSTITUTE FOR
SENATE BILL NO. 1**

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

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

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



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

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

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

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

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

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

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

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

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

29 (i) Retirement or pension benefits received from a federal



1 public retirement system or from a public retirement system of or
2 created by this state or a political subdivision of this state.

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

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

12 (iv) Beginning on and after January 1, ~~2007~~, **2022**, retirement
13 or pension benefits not deductible under subparagraph (i) or
14 subdivision (e) from any other retirement or pension system or
15 benefits from a retirement annuity policy in which payments are
16 made for life to a senior citizen, to a maximum of ~~\$42,240.00~~
17 **\$56,961.00** for a single return and ~~\$84,480.00~~ **\$113,922.00** for a
18 joint return. The maximum amounts allowed under this subparagraph
19 shall be reduced by the amount of the deduction for retirement or
20 pension benefits claimed under subparagraph (i) or subdivision (e)
21 and by the amount of a deduction claimed under subdivision (p). For
22 the ~~2008~~ **2023** tax year and each tax year after ~~2008~~, **2023**, the
23 maximum amounts allowed under this subparagraph shall be adjusted
24 by the percentage increase in the United States Consumer Price
25 Index. ~~for the immediately preceding calendar year.~~ The department
26 shall annualize the amounts provided in this subparagraph as
27 necessary.

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



1 provided in section 22 of the internal revenue code.

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

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

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

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

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

12 (ii) The amount of payment made under an advance tuition
13 payment contract as provided in the Michigan education trust act,
14 1986 PA 316, MCL 390.1421 to 390.1442.

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

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

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

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

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



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

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

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

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

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



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

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

10 (p) Beginning on and after January 1, ~~2007~~, **2022**, subject to
11 any limitation provided in this subdivision, a taxpayer who is a
12 senior citizen may deduct to the extent included in adjusted gross
13 income, interest, dividends, and capital gains received in the tax
14 year not to exceed ~~\$9,420.00~~ **\$12,697.00** for a single return and
15 ~~\$18,840.00~~ **\$25,394.00** for a joint return. The maximum amounts
16 allowed under this subdivision shall be reduced by the amount of a
17 deduction claimed for retirement or pension benefits under
18 subdivision (e) or a deduction claimed under subdivision (f) (i),
19 (ii), (iv), or (v). For the ~~2008~~ **2023** tax year and each tax year
20 after ~~2008~~, **2023**, the maximum amounts allowed under this
21 subdivision shall be adjusted by the percentage increase in the
22 United States Consumer Price Index. ~~for the immediately preceding~~
23 ~~calendar year.~~ The department shall annualize the amounts provided
24 in this subdivision as necessary. Beginning January 1, 2012, the
25 deduction under this subdivision is not available to a senior
26 citizen born after 1945.

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

29 (i) The amount of a refund received in the tax year based on



1 taxes paid under this part and any direct or indirect allocated
2 share of a refund received by a flow-through entity under part 4.

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

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

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

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

29 (i) "Holocaust victim" means a person, or the heir or



1 beneficiary of that person, who was persecuted by Nazi Germany or
2 any Axis regime during any period from 1933 to 1945.

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

9 (t) Deduct all of 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 education savings
13 accounts, calculated on a per education savings account basis,
14 pursuant to the Michigan education savings program act, 2000 PA
15 161, MCL 390.1471 to 390.1486, not to exceed a total deduction of
16 \$5,000.00 for a single return or \$10,000.00 for a joint return per
17 tax year. The amount calculated under this subparagraph for each
18 education savings account shall not be less than zero.

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

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

27 (u) Add, to the extent not included in adjusted gross income,
28 the amount of money withdrawn by the taxpayer in the tax year from
29 education savings accounts, not to exceed the total amount deducted



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

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

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

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

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

23 (B) All interest and passive dividends.

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

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

29 (E) Capital gains from the sale or exchange of real property



1 located within the agreement area.

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

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

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

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

13 (J) All gaming winnings.

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

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

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

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

23 (w) Eliminate all of the following:

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

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

28 (x) Deduct all of the following:

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



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

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

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

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

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



1 received in the tax year pursuant to the wrongful imprisonment
2 compensation act, 2016 PA 343, MCL 691.1751 to 691.1757.

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

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

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

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



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

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

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

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

21 (dd) For tax years that begin on and after January 1, 2022,
22 add, to the extent not included in adjusted gross income, the
23 amount of money withdrawn by the taxpayer in the tax year from a
24 first-time home buyer savings account, not to exceed the total
25 amount deducted under subdivision (cc) in the tax year and all
26 previous tax years, if the withdrawal was not a qualified
27 withdrawal as provided in the Michigan first-time home buyer
28 savings program act, **2022 PA 6, MCL 565.1001 to 565.1013**. This
29 subdivision does not apply to withdrawals that are less than the



1 sum of all contributions made to a first-time home buyer savings
 2 account in all previous tax years for which no deduction was
 3 claimed under subdivision (cc), less any contributions for which no
 4 deduction was claimed under subdivision (cc) that were withdrawn in
 5 all previous tax years.

6 (2) Except as otherwise provided in subsection (7), ~~and~~
 7 ~~section 30a, beginning on and after January 1, 2022,~~ a personal
 8 exemption of ~~\$3,700.00~~ **\$5,000.00** multiplied by the number of
 9 personal and dependency exemptions shall be subtracted in the
 10 calculation that determines taxable income. The number of personal
 11 and dependency exemptions allowed shall be determined as follows:

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

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

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

25 (3) Except as otherwise provided in subsection (7), **beginning**
 26 **on and after January 1, 2022,** a single additional exemption
 27 determined as follows shall be subtracted in the calculation that
 28 determines taxable income in each of the following circumstances:

29 (a) ~~\$1,800.00~~ **\$2,900.00** for each taxpayer and every dependent



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

9 (b) ~~For tax years beginning after 2007, \$250.00~~ **\$400.00** for
 10 each taxpayer and every dependent of the taxpayer who is a
 11 qualified disabled veteran. When a dependent of a taxpayer files an
 12 annual return under this part, the taxpayer or dependent of the
 13 taxpayer, but not both, may claim the additional exemption allowed
 14 under this subdivision. As used in this subdivision:

15 (i) "Qualified disabled veteran" means a veteran with a
 16 service-connected disability.

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

20 (iii) "Veteran" means ~~a person~~ **an individual** who served in the
 21 active military, naval, marine, coast guard, or air service and who
 22 was discharged or released from ~~his or her~~ **the individual's** service
 23 with an honorable or general discharge.

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

29 (5) A nonresident or a part-year resident is allowed that



1 proportion of an exemption or deduction allowed under subsection
 2 (2), (3), or (4) that the taxpayer's portion of adjusted gross
 3 income from Michigan sources bears to the taxpayer's total adjusted
 4 gross income.

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

9 (7) For each tax year beginning on and after January 1, ~~2013,~~
 10 ~~the personal exemption allowed under subsection (2) shall be~~
 11 ~~adjusted by multiplying the exemption for the tax year beginning in~~
 12 ~~2012 by a fraction, the numerator of which is the United States~~
 13 ~~Consumer Price Index for the state fiscal year ending in the tax~~
 14 ~~year prior to the tax year for which the adjustment is being made~~
 15 ~~and the denominator of which is the United States Consumer Price~~
 16 ~~Index for the 2010-2011 state fiscal year. For the 2022 tax year~~
 17 ~~and each tax year after 2022, the adjusted amount determined under~~
 18 ~~this subsection shall be increased by an additional \$600.00. The~~
 19 ~~resultant product shall be rounded to the nearest \$100.00~~
 20 ~~increment. For each tax year, **2023,** the exemptions allowed under~~
 21 ~~subsection **subsections (2) and** (3) shall be adjusted by multiplying~~
 22 ~~the exemption amount under subsection (3) for the tax year by a~~
 23 ~~fraction, the numerator of which is the United States Consumer~~
 24 ~~Price Index for the state fiscal year ending the tax year prior to~~
 25 ~~the tax year for which the adjustment is being made and the~~
 26 ~~denominator of which is the United States Consumer Price Index for~~
 27 ~~the 1998-1999 state fiscal year. **the percentage increase in the**~~
 28 ~~**United States Consumer Price Index. The department shall annualize**~~
 29 ~~**the amounts provided in this subsection as necessary.** The resultant~~



1 product shall be rounded to the nearest \$100.00 increment.

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

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

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

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

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

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

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

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

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

28 (iii) All other unqualified pension plans that prescribe
29 eligibility for retirement and predetermine contributions and



1 benefits if the distributions are made from a pension trust.

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

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

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

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

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

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

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

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

24 (9) ~~In~~ **Except as otherwise elected in subsection (10), in**
25 determining taxable income under this section, the following
26 limitations and restrictions apply:

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

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



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

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



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

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

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



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

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

29 **(10) For tax years beginning on and after January 1, 2023, in**



1 determining taxable income under this section, a taxpayer may elect
 2 to deduct retirement or pension benefits as provided under
 3 subsection (1) (f) without any additional limitations or
 4 restrictions or elect to apply the limitations and restrictions in
 5 subsection (9).

6 (11) ~~(10)~~—As used in this section:

7 (a) "Adjusted by the percentage increase in the United States
 8 Consumer Price Index" means adjusted by multiplying the amount
 9 allowed for the 2022 tax year by a fraction, the numerator of which
 10 is the United States Consumer Price Index for the state fiscal year
 11 ending in the tax year prior to the tax year for which the
 12 adjustment is being made and the denominator of which is the United
 13 States Consumer Price Index for the 2020-2021 state fiscal year.

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

16 (c) ~~(b)~~—"Senior citizen" means that term as defined in section
 17 514.

18 (d) ~~(e)~~—"United States Consumer Price Index" means the United
 19 States Consumer Price Index for all urban consumers as defined and
 20 reported by the United States Department of Labor, Bureau of Labor
 21 Statistics.

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

27 (a) On and after October 1, 2007 and before October 1, 2012,
 28 4.35%.

29 (b) Except as otherwise provided under subdivision (c), on and



1 after October 1, 2012, 4.25%.

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

28 (i) "Capped general fund/general purpose revenue" means the
 29 total general fund/general purpose revenue from the 2020-2021 state



1 fiscal year multiplied by the sum of 1 plus the product of 1.425
 2 times the difference between a fraction, the numerator of which is
 3 the Consumer Price Index for the state fiscal year ending in the
 4 tax year prior to the tax year for which the adjustment is being
 5 made and the denominator of which is the Consumer Price Index for
 6 the 2020-2021 state fiscal year, and 1.

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

13 (2) Except as otherwise provided for December 1, 2018 through
 14 September 30, 2019, beginning January 1, 2000 **through September 30,**
 15 **2023,** that percentage of the gross collections before refunds from
 16 the tax levied under this section that is equal to 1.012% divided
 17 by the income tax rate levied under this section shall be deposited
 18 in the state school aid fund created in section 11 of article IX of
 19 the state constitution of 1963. For December 1, 2018 through
 20 September 30, 2019 only, that percentage of the gross collections
 21 before refunds from the tax levied under this section that is equal
 22 to 0.954% divided by the income tax rate levied under this section
 23 shall be deposited in the state school aid fund created in section
 24 11 of article IX of the state constitution of 1963. **Beginning**
 25 **October 1, 2023, that percentage of the gross collections before**
 26 **refunds from the tax levied under this section that is equal to**
 27 **1.045% divided by the income tax rate levied under this section**
 28 **shall be deposited in the state school aid fund created in section**
 29 **11 of article IX of the state constitution of 1963.**



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

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

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

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



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

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

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

24 (10) As used in this section:

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

28 (b) "Inflation rate" means the annual percentage change in the
29 Consumer Price Index, as determined by the department, comparing



1 the 2 most recent completed state fiscal years.

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

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

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

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

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

