

# SENATE BILL NO. 1

January 12, 2023, Introduced by Senators HERTEL, WOJNO, BAYER, GEISS, MOSS, POLEHANKI, CHERRY, MCDONALD RIVET, MCMORROW, CAVANAGH, CHANG, MCCANN, SANTANA, KLINEFELT, CAMILLERI, SINGH, SHINK, BRINKS, IRWIN and ANTHONY and referred to the Committee on Finance, Insurance, and Consumer Protection.

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

1 under this section:

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

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

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

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

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

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

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

29 (iii) Beginning January 1, 2012, retirement or pension benefits

1 received for services in the Michigan National Guard.

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

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

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

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

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

1 calendar year. The department shall annualize the amounts provided  
2 in this subparagraph as necessary.

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

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

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

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

11 (j) Deduct the following payments made by the taxpayer in the  
12 tax year:

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

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

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

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

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

29 (C) The contract provides for enrollment by the contract's

1 qualified beneficiary in not less than 4 years after the date on  
2 which the contract is entered into.

3 (D) The contract is entered into after either of the  
4 following:

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

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

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

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

1 of higher education has reciprocity.

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

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

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

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

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

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

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

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

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

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

1 with and are kept separate from all other funds and assets of the  
2 taxpayer. As used in this subdivision:

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

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

12 (t) Deduct all of the following:

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

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

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



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

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

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

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

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

26           (B) All interest and passive dividends.

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

29           (D) All rents and royalties derived from tangible personal

1 property, to the extent the personal property is utilized within  
2 the agreement area.

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

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

8 (G) Capital gains from the sale or exchange of intangible  
9 personal property.

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

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

16 (J) All gaming winnings.

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

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

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

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

26 (w) Eliminate all of the following:

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

29 (ii) Expenses of producing oil and gas to the extent deducted

1 in arriving at adjusted gross income.

2 (x) Deduct all of the following:

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

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

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

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

1 subdivision (x) that were withdrawn in all previous tax years.

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

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

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

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

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

1 this state under section 110(2)(d). As used in this subdivision,  
2 "casino" and "licensed race meeting" mean those terms as defined in  
3 section 110.

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

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

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

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

24 (dd) For tax years that begin on and after January 1, 2022,  
25 add, to the extent not included in adjusted gross income, the  
26 amount of money withdrawn by the taxpayer in the tax year from a  
27 first-time home buyer savings account, not to exceed the total  
28 amount deducted under subdivision (cc) in the tax year and all  
29 previous tax years, if the withdrawal was not a qualified

1 withdrawal as provided in the Michigan first-time home buyer  
2 savings program act. This subdivision does not apply to withdrawals  
3 that are less than the sum of all contributions made to a first-  
4 time home buyer savings account in all previous tax years for which  
5 no deduction was claimed under subdivision (cc), less any  
6 contributions for which no deduction was claimed under subdivision  
7 (cc) that were withdrawn in all previous tax years.

8 (2) Except as otherwise provided in subsection (7) and section  
9 30a, a personal exemption of \$3,700.00 multiplied by the number of  
10 personal and dependency exemptions shall be subtracted in the  
11 calculation that determines taxable income. The number of personal  
12 and dependency exemptions allowed shall be determined as follows:

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

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

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

26 (3) Except as otherwise provided in subsection (7), a single  
27 additional exemption determined as follows shall be subtracted in  
28 the calculation that determines taxable income in each of the  
29 following circumstances:

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

12 (B) Distributions from plans under section 401(k) of the  
13 internal revenue code other than plans described in subdivision

14 (a) (iv) .

15 (C) Distributions from plans under section 403(b) of the  
16 internal revenue code other than plans described in subdivision

17 (a) (iii) .

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

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

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

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

28 (b) Except as otherwise provided in subdivision (c), for a  
29 person born in 1946 through 1952, the sum of the deductions under

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

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

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

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

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

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

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

28 **(10) In determining taxable income under this section, a**  
29 **taxpayer may elect to apply the following limitations and**

1 restrictions to the amount deductible under subsection (1) (f)  
2 rather than the limitations and restrictions in subsection (9):

3 (a) For the 2023 tax year, a taxpayer who was born after 1945  
4 and before 1959 may deduct an amount of retirement or pension  
5 benefits not to exceed 25% of the maximum amount of retirement or  
6 pension benefits that the taxpayer would be allowed to deduct for  
7 the tax year under subsection (1) (f) (iv) if the taxpayer's  
8 retirement or pension benefits were subject to the limitations of  
9 that subsection only.

10 (b) For the 2024 tax year, a taxpayer who was born after 1945  
11 and before 1963 may deduct an amount of retirement or pension  
12 benefits not to exceed 50% of the maximum amount of retirement or  
13 pension benefits that the taxpayer would be allowed to deduct for  
14 the tax year under subsection (1) (f) (iv) if the taxpayer's  
15 retirement or pension benefits were subject to the limitations of  
16 that subsection only.

17 (c) For the 2025 tax year, a taxpayer who was born after 1945  
18 and before 1967 may deduct an amount of retirement or pension  
19 benefits not to exceed 75% 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 (d) For the 2026 tax year and each tax year after 2025, a  
25 taxpayer may deduct retirement or pension benefits as provided  
26 under subsection (1) (f) without any additional limitations or  
27 restrictions.

28 (e) For a joint return, the limitations and restrictions in  
29 this subsection shall be applied based on the date of birth of the

1 older spouse filing the joint return. If a deduction under  
2 subsection (1)(f) was claimed on a joint return for a tax year in  
3 which a spouse died and the surviving spouse has not remarried  
4 since the death of that spouse, the surviving spouse is entitled to  
5 claim the deduction under subsection (1)(f) in subsequent tax years  
6 subject to the same restrictions and limitations under this  
7 subsection that would have applied based on the date of birth of  
8 the older of the 2 spouses.

9 (11) ~~(10)~~—As used in this section:

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

12 (b) "Senior citizen" means that term as defined in section  
13 514.

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

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

23 (a) On and after October 1, 2007 and before October 1, 2012,  
24 4.35%.

25 (b) Except as otherwise provided under subdivision (c), on and  
26 after October 1, 2012, 4.25%.

27 (c) For each tax year beginning on and after January 1, 2023,  
28 if the percentage increase in the total general fund/general  
29 purpose revenue from the immediately preceding fiscal year is

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

24 (i) "Capped general fund/general purpose revenue" means the  
25 total general fund/general purpose revenue from the 2020-2021 state  
26 fiscal year multiplied by the sum of 1 plus the product of 1.425  
27 times the difference between a fraction, the numerator of which is  
28 the Consumer Price Index for the state fiscal year ending in the  
29 tax year prior to the tax year for which the adjustment is being



1 made and the denominator of which is the Consumer Price Index for  
2 the 2020-2021 state fiscal year, and 1.

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

9 (2) Except as otherwise provided for December 1, 2018 through  
10 September 30, 2019, beginning January 1, 2000 **through September 30,**  
11 **2023,** that percentage of the gross collections before refunds from  
12 the tax levied under this section that is equal to 1.012% divided  
13 by the income tax rate levied under this section shall be deposited  
14 in the state school aid fund created in section 11 of article IX of  
15 the state constitution of 1963. For December 1, 2018 through  
16 September 30, 2019 only, that percentage of the gross collections  
17 before refunds from the tax levied under this section that is equal  
18 to 0.954% divided by the income tax rate levied under this section  
19 shall be deposited in the state school aid fund created in section  
20 11 of article IX of the state constitution of 1963. **For October 1,**  
21 **2023 through September 30, 2024 only, that percentage of the gross**  
22 **collections before refunds from the tax levied under this section**  
23 **that is equal to 1.019% divided by the income tax rate levied under**  
24 **this section shall be deposited in the state school aid fund**  
25 **created in section 11 of article IX of the state constitution of**  
26 **1963. For October 1, 2024 through September 30, 2025 only, that**  
27 **percentage of the gross collections before refunds from the tax**  
28 **levied under this section that is equal to 1.031% divided by the**  
29 **income tax rate levied under this section shall be deposited in the**

1 state school aid fund created in section 11 of article IX of the  
2 state constitution of 1963. Beginning October 1, 2025, that  
3 percentage of the gross collections before refunds from the tax  
4 levied under this section that is equal to 1.045% divided by the  
5 income tax rate levied under this section shall be deposited in the  
6 state school aid fund created in section 11 of article IX of the  
7 state constitution of 1963.

8 (3) In addition to the distributions under subsections (2) and  
9 (4) and sections 51d, 51e, and 51f, beginning October 1, 2016, from  
10 the revenue collected under this section an amount equal to 3.5% of  
11 the average amount of farmland tax credits claimed under section  
12 36109 of the natural resources and environmental protection act,  
13 1994 PA 451, MCL 324.36109, for the immediately preceding 3 state  
14 fiscal years shall be deposited into the agricultural preservation  
15 fund created in section 36202 of the natural resources and  
16 environmental protection act, 1994 PA 451, MCL 324.36202.

17 (4) In addition to the distributions under subsections (2) and  
18 (3) and sections 51d, 51e, and 51f, and subject to the limitation  
19 under this subsection, beginning with the 2018-2019 state fiscal  
20 year and each fiscal year thereafter, from the revenue collected  
21 under this section \$69,000,000.00 shall be deposited into the renew  
22 Michigan fund created in section 51g. However, if, in any 1 of the  
23 2018-2019 through the 2021-2022 state fiscal years, the minimum  
24 foundation allowance falls below the 2017-2018 minimum foundation  
25 allowance established under section 20 of the state school aid act  
26 of 1979, 1979 PA 94, MCL 388.1620, as amended by 2017 PA 108, then  
27 no money shall be deposited into the renew Michigan fund pursuant  
28 to this subsection for that fiscal year.

29 (5) The department shall annualize rates provided in

1 subsection (1) as necessary. The applicable annualized rate shall  
2 be imposed upon the taxable income of every person other than a  
3 corporation for those tax years.

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

8 (7) A resident beneficiary of a trust whose taxable income  
9 includes all or part of an accumulation distribution by a trust, as  
10 defined in section 665 of the internal revenue code, shall be  
11 allowed a credit against the tax otherwise due under this part. The  
12 credit shall be all or a proportionate part of any tax paid by the  
13 trust under this part for any preceding taxable year that would not  
14 have been payable if the trust had in fact made distribution to its  
15 beneficiaries at the times and in the amounts specified in section  
16 666 of the internal revenue code. The credit shall not reduce the  
17 tax otherwise due from the beneficiary to an amount less than would  
18 have been due if the accumulation distribution were excluded from  
19 taxable income.

20 (8) The taxable income of a resident who is required to  
21 include income from a trust in his or her federal income tax return  
22 under the provisions of 26 USC 671 to 679, shall include items of  
23 income and deductions from the trust in taxable income to the  
24 extent required by this part with respect to property owned  
25 outright.

26 (9) It is the intention of this section that the income  
27 subject to tax of every person other than corporations shall be  
28 computed in like manner and be the same as provided in the internal  
29 revenue code subject to adjustments specifically provided for in

1 this part.

2 (10) As used in this section:

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

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

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

11 (i) A partner in a partnership as defined in the internal  
12 revenue code.

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

15 (iii) An estate or trust as defined in the internal revenue  
16 code.

17 (d) "Taxable income" means taxable income as defined in this  
18 part subject to the applicable source and attribution rules  
19 contained in this part.