

**SUBSTITUTE FOR
HOUSE BILL NO. 4747**

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending section 30 (MCL 206.30), as amended by 2025 PA 24.

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



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

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

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

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

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

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

23 (iii) Retirement or pension benefits received for services in
24 the Michigan National Guard.

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

28 (i) Retirement or pension benefits received from a federal
29 public retirement system or from a public retirement system of or



1 created by this state or a political subdivision of this state.

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

28 (I) The purchaser has had the purchaser's offer to enter into
29 an advance tuition payment contract rejected by the board of



1 directors of the Michigan education trust, if the board determines
2 that the trust cannot accept an unlimited number of enrollees upon
3 an actuarially sound basis.

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

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

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

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

28 (n) Deduct a net operating loss deduction for the taxable year
29 as determined under section 172 of the internal revenue code



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

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

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

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

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

28 (ii) The amount of a refund received in the tax year based on
29 taxes paid under the city income tax act, 1964 PA 284, MCL 141.501



1 to 141.787.

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

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

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

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

28 (ii) "Recovered asset" means any asset of any type and any
29 interest earned on that asset, including, but not limited to, bank



1 deposits, insurance proceeds, or artwork owned by a Holocaust
2 victim during the period from 1920 to 1945, withheld from that
3 Holocaust victim from and after 1945, and not recovered, returned,
4 or otherwise compensated to the Holocaust victim until after 1993.

5 (t) Deduct all of the following:

6 (i) To the extent not deducted in determining adjusted gross
7 income, contributions made by the taxpayer in the tax year less
8 qualified withdrawals made in the tax year from education savings
9 accounts, calculated on a per education savings account basis,
10 pursuant to the Michigan education savings program act, 2000 PA
11 161, MCL 390.1471 to 390.1486, **and beginning on and after January**
12 **1, 2026, contributions made by the taxpayer in the tax year to,**
13 **less any distributions that are not subject to a penalty or an**
14 **excise tax in the tax year from, any qualified tuition program**
15 **established and maintained by another state or agency or an**
16 **instrumentality of that state or agency pursuant to section 529 of**
17 **the internal revenue code,** not to exceed a total deduction of
18 \$5,000.00 for a single return or \$10,000.00 for a joint return per
19 tax year. The amount calculated under this subparagraph for each
20 education savings account shall not be less than zero.

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

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

29 (u) Add, to the extent not included in adjusted gross income,



1 the amount of money withdrawn by the taxpayer in the tax year from
 2 education savings accounts, not to exceed the total amount deducted
 3 under subdivision (t) in the tax year and all previous tax years,
 4 if the withdrawal was not a qualified withdrawal as provided in the
 5 Michigan education savings program act, 2000 PA 161, MCL 390.1471
 6 to 390.1486, **or was subject to a penalty or an excise tax under any**
 7 **qualified tuition program established and maintained by another**
 8 **state or agency or an instrumentality of that state or agency**
 9 **pursuant to section 529 of the internal revenue code.** This
 10 subdivision does not apply to withdrawals that are less than the
 11 sum of all contributions made to an education savings account in
 12 all previous tax years for which no deduction was claimed under
 13 subdivision (t), less any contributions for which no deduction was
 14 claimed under subdivision (t) that were withdrawn in all previous
 15 tax years.

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

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

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

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

29 (B) All interest and passive dividends.



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

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

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

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

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

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

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

19 (J) All gaming winnings.

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

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

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

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

29 (w) Eliminate all of the following:



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

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

5 (x) Deduct all of the following:

6 (i) To the extent not deducted in determining adjusted gross
7 income, contributions made by the taxpayer in the tax year less
8 qualified withdrawals made in the tax year from an ABLE savings
9 account, pursuant to the Michigan achieving a better life
10 experience (ABLE) program act, 2015 PA 160, MCL 206.981 to 206.997,
11 **and beginning on and after January 1, 2026, contributions made by**
12 **the taxpayer in the tax year to, less any distributions that are**
13 **not subject to a penalty or an excise tax in the tax year from, any**
14 **qualified ABLE program established and maintained by another state**
15 **or agency or an instrumentality of that state or agency pursuant to**
16 **section 529a of the internal revenue code,** not to exceed a total
17 deduction of \$5,000.00 for a single return or \$10,000.00 for a
18 joint return per tax year. The amount calculated under this
19 subparagraph for an ABLE savings account shall not be less than
20 zero.

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

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

28 (y) Add, to the extent not included in adjusted gross income,
29 the amount of money withdrawn by the taxpayer in the tax year from



1 an ABLE savings account, not to exceed the total amount deducted
2 under subdivision (x) in the tax year and all previous tax years,
3 if the withdrawal was not a qualified withdrawal as provided in the
4 Michigan achieving a better life experience (ABLE) program act,
5 2015 PA 160, MCL 206.981 to 206.997, **or was subject to a penalty or**
6 **an excise tax under any qualified ABLE program established and**
7 **maintained by another state or agency or an instrumentality of that**
8 **state or agency pursuant to section 529a of the internal revenue**
9 **code.** This subdivision does not apply to withdrawals that are less
10 than the sum of all contributions made to an ABLE savings account
11 in all previous tax years for which no deduction was claimed under
12 subdivision (x), less any contributions for which no deduction was
13 claimed under subdivision (x) that were withdrawn in all previous
14 tax years.

15 (z) Deduct, to the extent included in adjusted gross income,
16 compensation received in the tax year pursuant to the wrongful
17 imprisonment compensation act, 2016 PA 343, MCL 691.1751 to
18 691.1757.

19 (aa) For tax years that begin on and after January 1, 2025, a
20 taxpayer who is a disabled veteran may deduct, to the extent
21 included in adjusted gross income, income reported on a federal
22 income tax form 1099-C that is attributable to the cancellation or
23 discharge of a student loan by the United States Department of
24 Education pursuant to the total and permanent disability discharge
25 program, 34 CFR 685.213. As used in this subdivision, "disabled
26 veteran" means an individual who meets either of the following
27 criteria:

28 (i) Has been determined by the United States Department of
29 Veterans Affairs to be permanently and totally disabled as a result



1 of military service and entitled to veterans' benefits at the 100%
2 rate.

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

5 (bb) For tax years that begin on and after January 1, 2021,
6 and subject to the limitation under this subdivision, deduct, to
7 the extent not deducted in determining adjusted gross income,
8 wagering losses deducted under section 165(d) of the internal
9 revenue code on the taxpayer's federal income tax return for the
10 same tax year. For a nonresident, only wagering losses that are
11 attributable to wagering transactions placed at or through a casino
12 or licensed race meeting located in this state may be deducted and
13 must not exceed the gains on wagering transactions allocated to
14 this state under section 110(2)(d). As used in this subdivision,
15 "casino" and "licensed race meeting" mean those terms as defined in
16 section 110.

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

20 (i) To the extent not deducted in determining adjusted gross
21 income, contributions made by the taxpayer in the tax year less
22 qualified withdrawals made in the tax year from a first-time home
23 buyer savings account, pursuant to the Michigan first-time home
24 buyer savings program act, 2022 PA 6, MCL 565.1001 to 565.1013, not
25 to exceed a total deduction of \$5,000.00 for a single return or
26 \$10,000.00 for a joint return per tax year. The amount calculated
27 under this subparagraph for a first-time home buyer savings account
28 shall not be less than zero. The deduction under this subparagraph
29 does not apply for tax years that begin after December 31, 2026.



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

4 (iii) To the extent included in adjusted gross income,
5 distributions that are qualified withdrawals from a first-time home
6 buyer savings account to the qualified beneficiary of that savings
7 account.

8 (dd) For tax years that begin on and after January 1, 2022,
9 add, to the extent not included in adjusted gross income, the
10 amount of money withdrawn by the taxpayer in the tax year from a
11 first-time home buyer savings account, not to exceed the total
12 amount deducted under subdivision (cc) in the tax year and all
13 previous tax years, if the withdrawal was not a qualified
14 withdrawal as provided in the Michigan first-time home buyer
15 savings program act, 2022 PA 6, MCL 565.1001 to 565.1013. This
16 subdivision does not apply to withdrawals that are less than the
17 sum of all contributions made to a first-time home buyer savings
18 account in all previous tax years for which no deduction was
19 claimed under subdivision (cc), less any contributions for which no
20 deduction was claimed under subdivision (cc) that were withdrawn in
21 all previous tax years.

22 (ee) Subject to the limitations under this subdivision, for
23 tax years beginning after December 31, 2025 and before January 1,
24 2029, deduct, to the extent not deducted in determining adjusted
25 gross income, an amount equal to the sum of the following
26 deductions allowed to be claimed on the taxpayer's federal income
27 tax return for the same tax year:

28 (i) Qualified tips under section 224 of the internal revenue
29 code. For a nonresident, only qualified tips that are attributable



1 to services performed in this state may be deducted.

2 (ii) Qualified overtime compensation under section 225 of the
3 internal revenue code. For a nonresident, only qualified overtime
4 compensation that is attributable to services performed in this
5 state may be deducted.

6 (ff) For tax years beginning after December 31, 2024, adjusted
7 gross income must be calculated as if both of the following
8 conditions applied, subject to any necessary adjustments under
9 subparagraph (iii):

10 (i) Sections 168(n) and 174A of the internal revenue code were
11 not in effect.

12 (ii) Sections 163(j), 168(k), 174, and 179 of the internal
13 revenue code applied as those provisions were in effect on December
14 31, 2024.

15 (iii) The state treasurer shall, if necessary, modify the
16 application of any references in the internal revenue code to the
17 sections identified in subparagraphs (i) and (ii) in a reasonable
18 manner to carry out the purpose of this subdivision, including, but
19 not limited to, modifying the application of section references
20 that were amended under Public Law 119-21.

21 (gg) For tax years beginning after December 31, 2021, adjusted
22 gross income must be calculated as if the transition rules under
23 section 70302 of Public Law 119-21, including, but not limited to,
24 any provisions related to the application of section 174A of the
25 internal revenue code, do not apply.

26 (2) Except as otherwise provided in subsection (7), and
27 section 30a, a personal exemption of \$3,700.00 multiplied by the
28 number of personal and dependency exemptions shall be subtracted in
29 the calculation that determines taxable income. The number of



1 personal and dependency exemptions allowed shall be determined as
2 follows:

3 (a) Each taxpayer may claim 1 personal exemption. However, if
4 a joint return is not made by the taxpayer and the taxpayer's
5 spouse, the taxpayer may claim a personal exemption for the spouse
6 if the spouse, for the calendar year in which the taxable year of
7 the taxpayer begins, does not have any gross income and is not the
8 dependent of another taxpayer.

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

11 (c) A taxpayer may claim an additional exemption under this
12 subsection in the tax year for which the taxpayer has a certificate
13 of stillbirth from the department of health and human services as
14 provided under section 2834 of the public health code, 1978 PA 368,
15 MCL 333.2834.

16 (3) Except as otherwise provided in subsection (7), a single
17 additional exemption determined as follows shall be subtracted in
18 the calculation that determines taxable income in each of the
19 following circumstances:

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

29 (b) For tax years beginning after 2007, \$250.00 for each



1 taxpayer and every dependent of the taxpayer who is a qualified
2 disabled veteran. When a dependent of a taxpayer files an annual
3 return under this part, the taxpayer or dependent of the taxpayer,
4 but not both, may claim the additional exemption allowed under this
5 subdivision. As used in this subdivision:

6 (i) "Qualified disabled veteran" means a veteran with a
7 service-connected disability.

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

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

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

20 (5) A nonresident or a part-year resident is allowed that
21 proportion of an exemption or deduction allowed under subsection
22 (2), (3), or (4) that the taxpayer's portion of adjusted gross
23 income from Michigan sources bears to the taxpayer's total adjusted
24 gross income.

25 (6) In calculating taxable income, a taxpayer shall not
26 subtract from adjusted gross income the amount of prizes won by the
27 taxpayer under the McCauley-Traxler-Law-Bowman-McNeely lottery act,
28 1972 PA 239, MCL 432.1 to 432.47.

29 (7) For each tax year beginning on and after January 1, 2013,



the personal exemption allowed under subsection (2) shall be adjusted by multiplying the exemption for the tax year beginning in 2012 by a fraction, the numerator of which is the United States Consumer Price Index for the state fiscal year ending in the tax year prior to the tax year for which the adjustment is being made and the denominator of which is the United States Consumer Price Index for the 2010-2011 state fiscal year. For the 2022 tax year and each tax year after 2022, the adjusted amount determined under this subsection shall be increased by an additional \$600.00. The resultant product shall be rounded to the nearest \$100.00 increment. For each tax year, the exemptions allowed under subsection (3) shall be adjusted by multiplying the exemption amount under subsection (3) for the tax year by a fraction, the numerator of which is the United States Consumer Price Index for the state fiscal year ending the tax year prior to the tax year for which the adjustment is being made and the denominator of which is the United States Consumer Price Index for the 1998-1999 state fiscal year. The resultant product shall be rounded to the nearest \$100.00 increment.

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

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

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

(ii) Individual retirement accounts that qualify under section 408 of the internal revenue code if the distributions are not made until the participant has reached 59-1/2 years of age, except in



1 the case of death, disability, or distributions described by
2 section 72(t) (2) (A) (iv) of the internal revenue code.

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

7 (iv) Distributions from a 401(k) plan attributable to employee
8 contributions mandated by the plan or attributable to employer
9 contributions.

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

12 (i) Plans of the United States, state governments other than
13 this state, and political subdivisions, agencies, or
14 instrumentalities of this state.

15 (ii) Plans maintained by a church or a convention or
16 association of churches.

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

20 (c) Retirement or pension benefits received by a surviving
21 spouse if those benefits qualified for a deduction prior to the
22 decedent's death. Benefits received by a surviving child are not
23 deductible.

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

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

29 (A) Deferred compensation plans under section 457 of the



1 internal revenue code.

2 (B) Distributions from plans under section 401(k) of the
3 internal revenue code other than plans described in subdivision
4 (a) (iv) .

5 (C) Distributions from plans under section 403(b) of the
6 internal revenue code other than plans described in subdivision
7 (a) (iii) .

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

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

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

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

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



1 subdivision.

2 (c) Beginning January 1, 2013 for a person born in 1946
3 through 1952 and beginning January 1, 2018 for a person born after
4 1945 who has retired as of January 1, 2013, if that person receives
5 retirement or pension benefits from employment with a governmental
6 agency that was not covered by the federal social security act, 42
7 USC 301 to 1397mm, the sum of the deductions under subsection
8 (1)(f)(i), (ii), and (iv) is limited to \$35,000.00 for a single return
9 and, except as otherwise provided under this subdivision,
10 \$55,000.00 for a joint return. If both spouses filing a joint
11 return receive retirement or pension benefits from employment with
12 a governmental agency that was not covered by the federal social
13 security act, 42 USC 301 to 1397mm, the sum of the deductions under
14 subsection (1)(f)(i), (ii), and (iv) is limited to \$70,000.00 for a
15 joint return. After that person reaches the age of 67, the
16 deductions under subsection (1)(f)(i), (ii), and (iv) do not apply and
17 that person is eligible for a deduction of \$35,000.00 for a single
18 return and \$55,000.00 for a joint return, or \$70,000.00 for a joint
19 return if applicable, which deduction is available against all
20 types of income and is not restricted to income from retirement or
21 pension benefits. A person who takes the deduction under subsection
22 (1)(e) is not eligible for the unrestricted deduction of \$35,000.00
23 for a single return and \$55,000.00 for a joint return, or
24 \$70,000.00 for a joint return if applicable, under this
25 subdivision.

26 (d) Except as otherwise provided under subdivision (c) for a
27 person who was retired as of January 1, 2013, for a person born
28 after 1952 who has reached the age of 62 through 66 years of age
29 and who receives retirement or pension benefits from employment



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

11 (e) Except as otherwise provided under subdivision (c) or (d),
12 for a person born after 1952, the deduction under subsection
13 (1)(f)(i), (ii), or (iv) does not apply. When that person reaches the
14 age of 67, that person is eligible for a deduction of \$20,000.00
15 for a single return and \$40,000.00 for a joint return, which
16 deduction is available against all types of income and is not
17 restricted to income from retirement or pension benefits. For tax
18 years that begin before January 1, 2026 and after December 31,
19 2028, if a person takes the deduction of \$20,000.00 for a single
20 return and \$40,000.00 for a joint return, that person shall not
21 take the deduction under subsection (1)(f)(iii) and shall not take
22 the personal exemption under subsection (2). For tax years that
23 begin before January 1, 2026 and after December 31, 2028, that
24 person may elect not to take the deduction of \$20,000.00 for a
25 single return and \$40,000.00 for a joint return and elect to take
26 the deduction under subsection (1)(f)(iii) and the personal exemption
27 under subsection (2) if that election would reduce that person's
28 tax liability. For tax years that begin on and after January 1,
29 2026 and before January 1, 2029, if a person takes the deduction of



1 \$20,000.00 for a single return or \$40,000.00 for a joint return,
2 that person shall not take the personal exemption under subsection
3 (2). A person who takes the deduction under subsection (1)(e) is
4 not eligible for the unrestricted deduction of \$20,000.00 for a
5 single return and \$40,000.00 for a joint return under this
6 subdivision.

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

25 (10) In determining taxable income under this section, a
26 taxpayer may elect to deduct retirement or pension benefits as
27 provided under subsection (1)(f) with the following limitations and
28 restrictions or elect to apply the limitations and restrictions in
29 subsection (9), or subsection (11) if applicable:



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

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

15 (c) For the 2025 tax year, a taxpayer who was born after 1945
16 and before 1967 may deduct an amount of retirement or pension
17 benefits not to exceed 75% of the maximum amount of retirement or
18 pension benefits that the taxpayer would be allowed to deduct for
19 the tax year under subsection (1)(f)(iv) if the taxpayer's
20 retirement or pension benefits were subject to the limitations of
21 that subsection only.

22 (d) For the 2026 tax year and each tax year after 2026, a
23 taxpayer may deduct retirement or pension benefits as provided
24 under subsection (1)(f), except that the amounts deductible under
25 subsection (1)(f)(i) and (ii) combined are subject to the same
26 maximum amounts allowed under subsection (1)(f)(iv) for a single
27 return and a joint return for that same tax year.

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, for a single return, that would have applied based on
8 the date of birth of the older of the 2 spouses.

9 (11) For tax years beginning on and after January 1, 2023, in
10 determining taxable income under this section, a taxpayer with
11 retirement or pension benefits received for services as a public
12 police or fire department employee subject to 1969 PA 312, MCL
13 423.231 to 423.247, a state police trooper or state police sergeant
14 subject to 1980 PA 17, MCL 423.271 to 423.287, or a corrections
15 officer employed by a county sheriff in a county jail, work camp,
16 or other facility maintained by a county that houses adult
17 prisoners may elect to deduct retirement or pension benefits as
18 provided under subsection (1)(f) without any additional limitations
19 or restrictions or elect to apply the limitations and restrictions
20 in subsection (9) or (10).

21 (12) As used in this section:

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

24 (b) "Senior citizen" means that term as defined in section
25 514.

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

