

HOUSE BILL NO. 5256

November 12, 2025, Introduced by Reps. Tisdell, Kuhn, Prestin, Schmaltz and Steele and referred to Committee on Finance.

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

1 same amount that has been excluded from adjusted gross income less
2 related expenses not deducted in computing adjusted gross income
3 because of section 265(a) (1) of the internal revenue code.

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

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

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

20 (e) Deduct, to the extent included in adjusted gross income,
21 the following:

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

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

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

28 (f) Deduct the following to the extent included in adjusted
29 gross income subject to the limitations and restrictions set forth

1 in subsection (9), (10), or (11), as applicable:

2 (i) Retirement or pension benefits received from a federal
3 public retirement system or from a public retirement system of or
4 created by this state or a political subdivision of this state.

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

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

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

29 (v) The amount determined to be the section 22 amount eligible

1 for the elderly and the permanently and totally disabled credit
2 provided in section 22 of the internal revenue code.

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

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

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

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

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

13 (ii) The amount of payment made under an advance tuition
14 payment contract as provided in the Michigan education trust act,
15 1986 PA 316, MCL 390.1421 to 390.1442.

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

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

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

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

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

1 following:

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

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

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

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

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

1 internal revenue code.

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

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

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

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

28 (i) The amount of a refund received in the tax year based on
29 taxes paid under this part and any direct or indirect allocated

1 share of a refund received by a flow-through entity under part 4.

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

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

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

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

28 (i) "Holocaust victim" means a person, or the heir or
29 beneficiary of that person, who was persecuted by Nazi Germany or

1 any Axis regime during any period from 1933 to 1945.

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

8 (t) Deduct all of the following:

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

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

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

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

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

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

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

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

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

22 (B) All interest and passive dividends.

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

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

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

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

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

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

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

12 (J) All gaming winnings.

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

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

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

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

22 (w) Eliminate all of the following:

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

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

27 (x) Deduct all of the following:

28 (i) To the extent not deducted in determining adjusted gross
 29 income, contributions made by the taxpayer in the tax year less

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

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

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

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

27 (z) Deduct, to the extent included in adjusted gross income,
28 compensation received in the tax year pursuant to the wrongful
29 imprisonment compensation act, 2016 PA 343, MCL 691.1751 to

1 691.1757.

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

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

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

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

29 (cc) Except as otherwise provided under subparagraph (i), for

1 tax years that begin on and after January 1, 2022, deduct all of
2 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 a first-time home
6 buyer savings account, pursuant to the Michigan first-time home
7 buyer savings program act, 2022 PA 6, MCL 565.1001 to 565.1013, not
8 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 a first-time home buyer savings account
11 shall not be less than zero. The deduction under this subparagraph
12 does not apply for tax years that begin after December 31, 2026.

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

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

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

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

5 (ee) Subject to the limitations under this subdivision, for
6 tax years beginning after December 31, 2025 and before January 1,
7 2029, deduct, to the extent not deducted in determining adjusted
8 gross income, an amount equal to the sum of the following
9 deductions allowed to be claimed on the taxpayer's federal income
10 tax return for the same tax year:

11 (i) Qualified tips under section 224 of the internal revenue
12 code. For a nonresident, only qualified tips that are attributable
13 to services performed in this state may be deducted.

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

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

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

24 (ii) Sections 163(j), 168(k), 174, and 179 of the internal
25 revenue code applied as those provisions were in effect on December
26 31, 2024.

27 (iii) The state treasurer shall, if necessary, modify the
28 application of any references in the internal revenue code to the
29 sections identified in subparagraphs (i) and (ii) in a reasonable

1 manner to carry out the purpose of this subdivision, including, but
2 not limited to, modifying the application of section references
3 that were amended under Public Law 119-21.

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

9 (hh) **For tax years beginning on and after January 1, 2026,**
10 **deduct, to the extent not deducted in determining adjusted gross**
11 **income, amounts paid by an individual taxpayer for physical**
12 **facility services or for personal training in fitness activities**
13 **during the tax year not to exceed \$1,500.00 for a single return**
14 **and, except as otherwise provided under this subdivision, \$1,500.00**
15 **for a joint return. If both spouses filing the joint return have a**
16 **membership and utilize physical facility services or personal**
17 **training, \$3,000.00 for a joint return. As used in this**
18 **subdivision, "physical facility services" means all transactions by**
19 **which a membership is granted, maintained, or renewed, including**
20 **initiation fees, membership dues, renewal fees, monthly minimum**
21 **fees, and other similar fees and dues, by a physical fitness**
22 **facility such as an athletic club, health spa, or gymnasium, which**
23 **entitles the member to use the facility for physical exercise.**

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

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

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

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

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

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

27 (b) For tax years beginning after 2007, \$250.00 for each
28 taxpayer and every dependent of the taxpayer who is a qualified
29 disabled veteran. When a dependent of a taxpayer files an annual

1 return under this part, the taxpayer or dependent of the taxpayer,
2 but not both, may claim the additional exemption allowed under this
3 subdivision. As used in this subdivision:

4 (i) "Qualified disabled veteran" means a veteran with a
5 service-connected disability.

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

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

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

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

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

27 (7) For each tax year beginning on and after January 1, 2013,
28 the personal exemption allowed under subsection (2) shall be
29 adjusted by multiplying the exemption for the tax year beginning in

1 2012 by a fraction, the numerator of which is the United States
2 Consumer Price Index for the state fiscal year ending in the tax
3 year prior to the tax year for which the adjustment is being made
4 and the denominator of which is the United States Consumer Price
5 Index for the 2010-2011 state fiscal year. For the 2022 tax year
6 and each tax year after 2022, the adjusted amount determined under
7 this subsection shall be increased by an additional \$600.00. The
8 resultant product shall be rounded to the nearest \$100.00
9 increment. For each tax year, the exemptions allowed under
10 subsection (3) shall be adjusted by multiplying the exemption
11 amount under subsection (3) for the tax year by a fraction, the
12 numerator of which is the United States Consumer Price Index for
13 the state fiscal year ending the tax year prior to the tax year for
14 which the adjustment is being made and the denominator of which is
15 the United States Consumer Price Index for the 1998-1999 state
16 fiscal year. The resultant product shall be rounded to the nearest
17 \$100.00 increment.

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

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

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

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

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

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

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

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

13 (ii) Plans maintained by a church or a convention or
14 association of churches.

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

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

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

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

27 (A) Deferred compensation plans under section 457 of the
28 internal revenue code.

29 (B) Distributions from plans under section 401(k) of the

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

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

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

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

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

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

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

29 (c) Beginning January 1, 2013 for a person born in 1946

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

24 (d) Except as otherwise provided under subdivision (c) for a
25 person who was retired as of January 1, 2013, for a person born
26 after 1952 who has reached the age of 62 through 66 years of age
27 and who receives retirement or pension benefits from employment
28 with a governmental agency that was not covered by the federal
29 social security act, 42 USC 301 to 1397mm, the sum of the

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

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

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

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

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

28 (a) For the 2023 tax year, a taxpayer who was born after 1945
29 and before 1959 may deduct an amount of retirement or pension

1 benefits not to exceed 25% of the maximum amount of retirement or
2 pension benefits that the taxpayer would be allowed to deduct for
3 the tax year under subsection (1)(f)(iv) if the taxpayer's
4 retirement or pension benefits were subject to the limitations of
5 that subsection only.

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

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

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

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

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

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

19 (12) As used in this section:

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

22 (b) "Senior citizen" means that term as defined in section
23 514.

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