

HOUSE BILL No. 4515

March 22, 1989, Introduced by Reps. Miller, Bennett, Walberg, Emmons, Munsell, Strand, Sparks, Gnodtke, Willis Bullard, Allen, Stacey, Krause, Crandall, Bandstra, Camp, Power, Bender, Law, Fitzgerald, London, Randall, Runco, DeMars, Johnson, Dunaskiss, Middaugh, Joe Young, Jr., Honigman, Ostling, Webb, Pridnia, Bryant, Giese, Bankes, Sikkema, Trim, Stopczynski, Dolan, Leland, Saunders, Bartnik, Maynard, Spaniola, Rocca, Niederstadt, DeBeaussaert, Gire, Pitoniak, Sofio, Keith, Van Singel, Hillegonds, Knight, Jaye, Hoekman, Oxender, Griffin, Weeks, Hickner, Clack, Hart, Hunter, Porreca, Gilmer, Martin, Wallace, Palamara, Varga and Hoffman and referred to the Committee on Taxation.

A bill to amend section 30 of Act No. 281 of the Public Acts of 1967, entitled
"Income tax act of 1967,"
as amended by Act No. 516 of the Public Acts of 1988, being section 206.30 of the Michigan Compiled Laws; and to add section 31.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 30 of Act No. 281 of the Public Acts of
2 1967, as amended by Act No. 516 of the Public Acts of 1988, being
3 section 206.30 of the Michigan Compiled Laws, is amended and sec-
4 tion 31 is added to read as follows:

5 Sec. 30. (1) "Taxable income" MEANS, for a person other
6 than a corporation, estate, or trust, ~~means~~ adjusted gross
7 income as defined in the internal revenue code subject to the
8 following adjustments:

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

7 (b) Add taxes on or measured by income to the extent the
8 taxes have been deducted in arriving at federal adjusted gross
9 income.

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

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

24 (e) Deduct, to the extent included in federal adjusted gross
25 income, compensation, including retirement benefits, received for
26 services in the armed forces of the United States.

1 (f) Deduct THE FOLLOWING to the extent included in FEDERAL
2 adjusted gross income:

3 (i) Retirement or pension benefits received from a public
4 retirement system of or created by this state or a political sub-
5 division of this state.

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

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

15 (iv) Retirement or pension benefits from any other retire-
16 ment or pension system as follows:

17 (A) For a single return, the sum of not more than
18 \$7,500.00.

19 (B) For a joint return, the sum of not more than
20 \$10,000.00.

21 (v) The amount determined to be the section 22 amount eligi-
22 ble for the elderly and permanently and totally disabled credit
23 provided in section 22 of the internal revenue code.

24 (g) Adjustments resulting from the application of section
25 271.

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

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

3 (j) Deduct political contributions as defined in section 4
4 of Act No. 388 of the Public Acts of 1976, being section 169.204
5 of the Michigan Compiled Laws, or section 301 of title III of the
6 federal election campaign act of 1971, Public Law 92-225, 2
7 U.S.C. 431, not in excess of \$50.00 per annum, or \$100.00 per
8 annum for a joint return.

9 (k) Deduct, to the extent included in FEDERAL adjusted gross
10 income, wages not deductible under section 280C of the internal
11 revenue code.

12 (l) Deduct the following payments made by the taxpayer in
13 the tax year:

14 (i) The amount of payment made under an advance tuition pay-
15 ment contract as provided in the Michigan education trust act,
16 Act No. 316 of the Public Acts of 1986, being sections 390.1421
17 to 390.1444 of the Michigan Compiled Laws.

18 (ii) The amount of payment made under a contract with a pri-
19 vate sector investment manager that meets all of the following
20 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 (i).

25 (B) The contract applies only for a state institution of
26 higher education as defined in the Michigan education trust act,

1 Act No. 316 of the Public Acts of 1986, or a community or junior
2 college in Michigan.

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

6 (D) The contract is entered into AFTER either OF THE
7 FOLLOWING:

8 (I) ~~After the~~ THE purchaser has had his or her offer to
9 enter into an advance tuition payment contract rejected by the
10 board OF DIRECTORS OF THE MICHIGAN EDUCATION TRUST, if the board
11 determines that the trust cannot accept an unlimited number of
12 enrollees upon an actuarially sound basis.

13 (II) ~~After the~~ THE board OF DIRECTORS OF THE MICHIGAN EDU-
14 CATION TRUST determines that the trust can accept an unlimited
15 number of enrollees upon an actuarially sound basis.

16 (m) If an advance tuition payment contract under the
17 Michigan education trust act, Act No. 316 of the Public Acts of
18 1986, or another contract for which the payment was deductible
19 under subdivision (l) is terminated and the qualified beneficiary
20 under that contract does not attend a university, college, junior
21 or community college, or other institution of higher education,
22 add the amount of a refund received by the taxpayer as a result
23 of that termination ~~which amount shall be the lesser of the~~
24 ~~amount of the refund~~ or the amount of the deduction taken under
25 subdivision (l) for payment made under that contract, WHICHEVER
26 IS LESS.

1 (n) Deduct from the taxable income of a purchaser the amount
2 included as income to the purchaser under the internal revenue
3 code after the advance tuition payment contract entered into
4 under the Michigan education trust act, Act No. 316 of the Public
5 Acts of 1986, is terminated because the qualified beneficiary
6 attends an institution of postsecondary education other than
7 either a state institution of higher education or an institution
8 of postsecondary education located outside this state with which
9 a state institution of higher education has reciprocity.

10 (o) Add, to the extent deducted in determining federal
11 adjusted gross income, the net operating loss deduction under
12 section 172 of the internal revenue code.

13 (p) Deduct a net operating loss deduction for the taxable
14 year as defined in section 172 of the internal revenue code
15 subject to the modifications under section 172(b)(2) of the
16 internal revenue code and subject to the allocation and appor-
17 tionment provisions of chapter 3 of this act for the taxable year
18 in which the loss was incurred.

19 (q) For a tax year beginning after 1986, deduct, to the
20 extent included in FEDERAL adjusted gross income, benefits from a
21 discriminatory self-insurance medical expense reimbursement
22 plan.

23 (R) DEDUCT A QUALIFIED TUITION PAYMENT AS PROVIDED IN SEC-
24 TION 31.

25 (2) ~~For a tax year beginning during 1987, a personal exemp-~~
26 ~~tion of \$1,600.00; for a tax year beginning during 1988, a~~
27 ~~personal exemption of \$1,800.00; for a tax year beginning during~~

~~1 1989, a personal exemption of \$2,000.00, and for a tax year~~
~~2 beginning after 1989, a personal exemption of \$2,100.00 times~~
 3 THE FOLLOWING PERSONAL EXEMPTIONS MULTIPLIED BY the number of
 4 personal or dependency exemptions allowable on the taxpayer's
 5 federal income tax return pursuant to the internal revenue code
 6 shall be subtracted from taxable income:

- 7 (A) FOR A TAX YEAR BEGINNING DURING 1987..... \$1,600.00.
- 8 (B) FOR A TAX YEAR BEGINNING DURING 1988..... \$1,800.00.
- 9 (C) FOR A TAX YEAR BEGINNING DURING 1989..... \$2,000.00.
- 10 (D) FOR A TAX YEAR BEGINNING AFTER 1989..... \$2,100.00.

11 (3) A single additional exemption of \$1,400.00 for a tax
 12 year beginning during 1987, \$1,200.00 for a tax year beginning
 13 during 1988, \$1,000.00 for a tax year beginning during 1989, and
 14 \$900.00 for a tax year beginning after 1989 is allowed for each
 15 of the following:

16 (a) The taxpayer is a paraplegic, a quadriplegic, a hemiple-
 17 gic, a person who is blind as defined in section 504, or a
 18 totally and permanently disabled person as defined in section
 19 522.

20 (b) The taxpayer is a deaf person as defined in section 2 of
 21 the deaf persons' interpreters act, Act No. 204 of the Public
 22 Acts of 1982, being section 393.502 of the Michigan Compiled
 23 Laws.

24 (c) The taxpayer is ~~a person who is~~ 65 years of age or
 25 older.

26 (d) The return includes unemployment compensation that
 27 amounts to 50% or more of FEDERAL adjusted gross income.

1 (4) For a tax year beginning after 1987, an individual with
2 respect to whom a deduction under section 151 of the internal
3 revenue code is allowable to another federal taxpayer during the
4 tax year is not considered to have an allowable federal exemption
5 for purposes of subsection (2), but may deduct \$500.00 from tax-
6 able income for a tax year beginning in 1988 and \$1,000.00 for a
7 tax year beginning after 1988.

8 (5) A nonresident or a part-year resident is allowed that
9 proportion of an exemption or deduction allowed under subsection
10 (2), (3), or (4) that the taxpayer's income from Michigan sources
11 bears to the total income from all sources.

12 (6) For a tax year beginning after 1987, in calculating tax-
13 able income, a taxpayer shall not subtract from FEDERAL adjusted
14 gross income the amount of prizes won by the taxpayer under the
15 McCauley-Traxler-Law-Bowman-McNeely lottery act, Act No. 239 of
16 the Public Acts of 1972, being sections 432.1 to 432.47 of the
17 Michigan Compiled Laws.

18 SEC. 31. (1) SUBJECT TO THE CONDITIONS AND LIMITATIONS IN
19 THIS SECTION, A RESIDENT TAXPAYER MAY DEDUCT FROM FEDERAL
20 ADJUSTED GROSS INCOME A QUALIFIED TUITION PAYMENT MADE DURING THE
21 TAX YEAR.

22 (2) THE AGGREGATE DEDUCTIONS CLAIMED UNDER THIS SECTION FOR
23 QUALIFIED TUITION PAYMENTS MADE ON BEHALF OF AN INDIVIDUAL STU-
24 DENT SHALL NOT EXCEED ANY OF THE FOLLOWING:

25 (A) DURING ANY 1 TAX YEAR, \$2,000.00, NOT TO EXCEED A TOTAL
26 OF \$8,000.00 FOR ALL QUALIFIED TUITION PAYMENTS MADE ON BEHALF OF
27 AN INDIVIDUAL STUDENT.

1 (B) DURING ANY 1 TAX YEAR, THE WEIGHTED AVERAGE TUITION COST
2 OF STATE INSTITUTIONS OF HIGHER EDUCATION AS DEFINED IN SECTION 4
3 OF THE MICHIGAN EDUCATION TRUST ACT, ACT NO. 316 OF THE PUBLIC
4 ACTS OF 1986, BEING SECTION 390.1424 OF THE MICHIGAN COMPILED
5 LAWS.

6 (C) FOR ALL QUALIFIED TUITION PAYMENTS MADE ON BEHALF OF AN
7 INDIVIDUAL STUDENT, THE TUITION DUE FOR THE MINIMUM NUMBER OF
8 CREDIT HOURS REQUIRED BY THAT STATE INSTITUTION OF HIGHER EDUCA-
9 TION OR PRIVATE COLLEGE OR UNIVERSITY LOCATED IN THIS STATE FOR
10 AN ASSOCIATE OR BACCALAUREATE DEGREE AT THE TUITION RATE BEING
11 CHARGED RESIDENT STUDENTS ON THE DATE OF THE QUALIFIED TUITION
12 PAYMENT FOR WHICH A DEDUCTION IS SOUGHT.

13 (3) IF QUALIFIED TUITION PAYMENTS MADE ON BEHALF OF AN INDI-
14 VIDUAL STUDENT DURING A TAX YEAR EXCEED A LIMITATION PRESCRIBED
15 IN SUBSECTION (2) AND MORE THAN 1 PERSON CONTRIBUTES TOWARD THOSE
16 QUALIFIED TUITION PAYMENTS, A CONTRIBUTING RESIDENT TAXPAYER
17 SHALL NOT DEDUCT MORE UNDER THIS SECTION THAN A PROPORTIONATE
18 AMOUNT OF THE SUBSECTION (2) LIMITATION IN THE SAME RATIO THAT
19 THE AMOUNT OF THE TAXPAYER'S CONTRIBUTION BEARS TO THE TOTAL
20 QUALIFIED TUITION PAYMENTS MADE DURING THE TAX YEAR.

21 (4) A STATE INSTITUTION OF HIGHER EDUCATION OR A PRIVATE
22 COLLEGE OR UNIVERSITY LOCATED IN THIS STATE RECEIVING A QUALIFIED
23 TUITION PAYMENT SHALL PROVIDE EACH PAYOR WITH A RECEIPT ON A FORM
24 PRESCRIBED BY THE DEPARTMENT STATING ALL OF THE FOLLOWING:

25 (A) THE DATE OF PAYMENT.

26 (B) THE NAME AND ADDRESS OF THE PAYOR.

1 (C) THE NAME AND ADDRESS OF THE STUDENT IF DIFFERENT FROM
2 THE PAYOR.

3 (D) THE SOCIAL SECURITY NUMBER OF THE STUDENT.

4 (E) THE AMOUNT OF THE PAYMENT.

5 (F) THE NUMBER OF HOURS FOR WHICH THE PAYMENT IS MADE THAT
6 ARE CREDITED TOWARD AN ASSOCIATE OR BACCALAUREATE DEGREE.

7 (5) A TAXPAYER CLAIMING A DEDUCTION UNDER THIS SECTION SHALL
8 FILE WITH THE TAX RETURN THE RECEIPT PROVIDED UNDER SUBSECTION
9 (4).

10 (6) AS USED IN THIS SECTION:

11 (A) "QUALIFIED TUITION PAYMENT" MEANS A PAYMENT MADE
12 DIRECTLY TO A STATE INSTITUTION OF HIGHER EDUCATION OR TO A PRI-
13 VATE COLLEGE OR UNIVERSITY LOCATED IN THIS STATE ON BEHALF OF AN
14 ENROLLED RESIDENT STUDENT FOR THE QUARTER OR SEMESTER CHARGES
15 IMPOSED TO ATTEND A STATE INSTITUTION OF HIGHER EDUCATION OR A
16 PRIVATE COLLEGE OR UNIVERSITY LOCATED IN THIS STATE, OR FOR THE
17 MANDATORY FEES REQUIRED AS A CONDITION OF ENROLLMENT BY THE
18 INSTITUTION, COLLEGE, OR UNIVERSITY.

19 (B) "STATE INSTITUTION OF HIGHER EDUCATION" MEANS A COLLEGE
20 OR UNIVERSITY LISTED IN SECTION 4 OR DESCRIBED IN SECTION 6 OF
21 ARTICLE VIII OF THE STATE CONSTITUTION OF 1963 OR A COMMUNITY OR
22 JUNIOR COLLEGE ESTABLISHED PURSUANT TO SECTION 7 OF ARTICLE VIII
23 OF THE STATE CONSTITUTION OF 1963.