

# HOUSE BILL No. 5739

May 10, 1990, Introduced by Rep. Hollister 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  
14 gross income.

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

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

1 (f) Deduct THE FOLLOWING to the extent included in adjusted  
2 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 adjusted gross income,  
10 wages not deductible under section 280C of the internal revenue  
11 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 adjusted gross income, benefits from a dis-  
21 criminatory self-insurance medical expense reimbursement plan.

22 (2) ~~For a tax year beginning during 1987, a personal exemp-~~  
23 ~~tion of \$1,600.00; for a tax year beginning during 1988, a per-~~  
24 ~~sonal exemption of \$1,800.00; for a tax year beginning during~~  
25 ~~1989, a personal exemption of \$2,000.00; and for a tax year~~  
26 ~~beginning after 1989, a personal exemption of \$2,100.00 times~~  
27 EXCEPT AS PROVIDED IN SECTION 31, THE FOLLOWING PERSONAL

1 EXEMPTIONS MULTIPLIED BY the number of personal or dependency  
2 exemptions allowable on the taxpayer's federal income tax return  
3 pursuant to the internal revenue code shall be subtracted from  
4 taxable income:

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

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

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

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

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

24 (d) The return includes unemployment compensation that  
25 amounts to 50% or more of 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 adjusted gross  
14 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) A TAXPAYER SHALL NOT CLAIM A PERSONAL EXEMP-  
19 TION THAT IS ATTRIBUTABLE TO A DEPENDENT WHO IS EITHER A DROPOUT  
20 OR HAS CEASED TO ATTEND SCHOOL, AND WHO IS EITHER LEGALLY  
21 REQUIRED TO ATTEND SCHOOL OR IS MORE THAN 16 AND LESS THAN 19  
22 YEARS OF AGE.

23 (2) THE ATTENDANCE OFFICER OF A SCHOOL DISTRICT SHALL PRO-  
24 VIDE INFORMATION TO THE DEPARTMENT ABOUT THE ATTENDANCE OF A  
25 DEPENDENT WHO IS ENROLLED IN A PUBLIC SCHOOL IN THE SCHOOL DIS-  
26 TRICT WITHIN 5 WORKING DAYS AFTER THE DATE OF RECEIPT OF A  
27 WRITTEN REQUEST FOR THE INFORMATION FROM THE DEPARTMENT. THE

1 TAXPAYER'S SIGNATURE ON THE RETURN CLAIMING THE EXEMPTION SHALL  
2 BE CONSIDERED WRITTEN CONSENT FOR THE RELEASE OF THE DEPENDENT'S  
3 SCHOOL ATTENDANCE RECORDS.

4 (3) THIS SECTION DOES NOT APPLY IF 1 OR MORE OF THE FOLLOW-  
5 ING GOOD CAUSE REASONS FOR NOT ATTENDING SCHOOL APPLY TO THE  
6 DEPENDENT:

7 (A) THE DEPENDENT IS THE CARETAKER OF A CHILD LESS THAN 90  
8 DAYS OLD.

9 (B) CHILD CARE SERVICES ARE NECESSARY FOR THE DEPENDENT TO  
10 ATTEND SCHOOL BUT A CHILD CARE PROVIDER LICENSED OR REGISTERED  
11 UNDER ACT NO. 116 OF THE PUBLIC ACTS OF 1973, BEING SECTIONS  
12 722.111 TO 722.128 OF THE MICHIGAN COMPILED LAWS, IS NOT  
13 AVAILABLE. CHILD CARE SERVICES SHALL BE CONSIDERED UNAVAILABLE  
14 IF THERE IS NO SPACE AVAILABLE FOR THE CHILD IN A LICENSED OR  
15 REGISTERED DAY CARE CENTER, GROUP DAY CARE HOME, OR FAMILY DAY  
16 CARE HOME WITHIN REASONABLE TRAVEL TIME AND DISTANCE.

17 (C) TRANSPORTATION TO AND FROM CHILD CARE IS NECESSARY FOR  
18 THE DEPENDENT'S CHILD AND THERE IS NO PUBLIC OR PRIVATE TRANSPOR-  
19 TATION AVAILABLE.

20 (D) THE DEPENDENT IS TEMPORARILY EXCUSED FROM SCHOOL  
21 ATTENDANCE BY THE SCHOOL DISTRICT.

22 (E) THE DEPENDENT IS PROHIBITED BY THE SCHOOL DISTRICT FROM  
23 ATTENDING SCHOOL AND AN EXPULSION UNDER SECTION 1311 OF THE  
24 SCHOOL CODE OF 1976, ACT NO. 451 OF THE PUBLIC ACTS OF 1976,  
25 BEING SECTION 380.1311 OF THE MICHIGAN COMPILED LAWS, IS  
26 PENDING. THIS REASON NO LONGER APPLIES ONCE THE DEPENDENT HAS  
27 BEEN FORMALLY EXPELLED.

1 (F) THE DEPENDENT IS UNABLE TO ATTEND SCHOOL BECAUSE HE OR  
2 SHE WAS EXPELLED UNDER SECTION 1311 OF ACT NO. 451 OF THE PUBLIC  
3 ACTS OF 1976, AND ANOTHER SCHOOL IS NOT AVAILABLE FOR 1 OR MORE  
4 OF THE FOLLOWING REASONS:

5 (i) THERE IS NO PUBLIC OR PRIVATE SCHOOL WITHIN REASONABLE  
6 TRAVEL TIME OR DISTANCE THAT WILL ACCEPT THE DEPENDENT.

7 (ii) THERE IS NO PUBLIC OR PRIVATE TRANSPORTATION AVAILABLE  
8 TO ANOTHER SCHOOL.

9 (iii) THERE IS A PUBLIC OR PRIVATE SCHOOL THAT WILL ACCEPT  
10 THE DEPENDENT BUT THE TUITION CHARGE IS PROHIBITIVE AND THE  
11 DEPENDENT'S SCHOOL DISTRICT REFUSES TO PAY THE TUITION.

12 (4) AS USED IN THIS SECTION:

13 (A) "ATTENDANCE OFFICER" MEANS THAT TERM AS USED IN THE  
14 SCHOOL CODE OF 1976, ACT NO. 451 OF THE PUBLIC ACTS OF 1976,  
15 BEING SECTIONS 380.1 TO 380.1852 OF THE MICHIGAN COMPILED LAWS.

16 (B) "CEASED TO ATTEND" MEANS HAS NOT LESS THAN 20 CONSECU-  
17 TIVE FULL SCHOOL DAYS OF UNEXCUSED ABSENCES.

18 (C) "DROPOUT" MEANS A DEPENDENT WHO HAS CEASED TO ATTEND  
19 SCHOOL, CONTINUES TO RESIDE IN THE SCHOOL DISTRICT, DOES NOT  
20 ATTEND ANOTHER SCHOOL, HAS NOT GRADUATED FROM HIGH SCHOOL OR  
21 RECEIVED A PASSING SCORE ON THE GENERAL EDUCATIONAL DEVELOPMENT  
22 TEST INDICATING A HIGH SCHOOL GRADUATION LEVEL, AND DOES NOT HAVE  
23 A GOOD CAUSE REASON FOR NOT ATTENDING SCHOOL UNDER THIS SECTION.

24 (D) "FULL DAY" MEANS THE ENTIRE SCHOOL DAY AS DEFINED BY THE  
25 SCHOOL DISTRICT.

26 (E) "SCHOOL" MEANS 1 OF THE FOLLOWING:

1 (i) A PUBLIC SCHOOL.

2 (ii) A NONPUBLIC SCHOOL AS DEFINED IN SECTION 5 OF ACT  
3 NO. 451 OF THE PUBLIC ACTS OF 1976, BEING SECTION 380.5 OF THE  
4 MICHIGAN COMPILED LAWS.

5 (iii) A VOCATIONAL, TECHNICAL, OR ADULT EDUCATION SCHOOL.

6 (iv) A GENERAL EDUCATIONAL DEVELOPMENT TESTING PREPARATION  
7 PROGRAM, AS DEFINED IN SECTION 4 OF THE STATE SCHOOL AID ACT OF  
8 1979, ACT NO. 94 OF THE PUBLIC ACTS OF 1979, BEING  
9 SECTION 388.1604 OF THE MICHIGAN COMPILED LAWS.

10 (F) "SCHOOL DISTRICT" MEANS THAT TERM AS DEFINED IN  
11 SECTION 6 OF ACT NO. 451 OF THE PUBLIC ACTS OF 1976, BEING  
12 SECTION 380.6 OF THE MICHIGAN COMPILED LAWS.

13 (G) "UNEXCUSED ABSENCE" MEANS AN ABSENCE FROM SCHOOL THE  
14 REASON FOR WHICH DOES NOT MEET THE SCHOOL DISTRICT'S DEFINITION  
15 OF A VALID REASON FOR THE DEPENDENT NOT TO ATTEND SCHOOL.