

**To:** Board of Trustees  
**From:** Patricia Tarini and Edmond Prifti, Legal Counsel  
**Date:** May 18, 2011  
**Subject:** Pending legislation - Michigan Pension Taxation

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House Bill 4361 was passed on Wednesday, May 11, 2011 and it was presented to the Governor on May 17, 2011. Among other things, this bill implements a new tax on retirement income.

In determining taxable income under this section, the following limitations and restrictions relating to the retirement income apply. For a married couple filing jointly, the applicable rule is that in effect for the older of the two – that is, where the husband is born in 1945, and the wife in 1950, the rule is that applicable for the husband.

- If the taxpayer was born on or before December 31, 1945, the law stays the same. If he receives a public pension, it is fully exempt from State income tax, and if he receives a private sector pension (except railroad workers pensions), it is exempt up to a maximum of \$42,240.00 for a single filer, and \$84,480.00 for a joint filer, adjusted for inflation.
- If the taxpayer was born between January 1, 1946 and December 31, 1952, the deduction for retirement income is \$20,000.00 for a single return and \$40,000.00 for a joint filer. When the taxpayer reaches age 67, the person is eligible for a deduction of \$20,000.00 for a single filer and \$40,000.00 for a joint filer, which is applicable to income from all sources, not just retirement or pension benefits. However if that person's total income exceeds \$75,000.00 for a single filer, or \$150,000.00 for a joint filer, that person is not eligible for these deductions.
- If the taxpayer was born on or after January 1, 1953, there are no deductions applicable for retirement income. When the taxpayer reaches age 67, he is eligible for a deduction from income of \$20,000.00 for a single filer and \$40,000.00 for a joint filer, which deduction is applicable to income from all sources, not just retirement or pension benefits. However, if that person's total annual income exceeds \$75,000.00 for a single filer, or \$150,000.00 for a joint filer, that person is not eligible for these deductions.