



## **INCOME TAX CHANGES FOR INDIVIDUALS AND TRUSTS EFFECTIVE TAX YEAR 2012 (FOR RETURNS FILED IN 2013)**

On May 25, 2011, Governor Rick Snyder signed legislation amending the Michigan Income Tax Act. This new legislation does not apply to or otherwise impact 2011 income tax returns that are due in April 2012. Instead, the first returns that are affected by this legislation are those returns that are due in April 2013. Important changes that you should be aware of include the following:

### **Tax rate**

- The rate remains at 4.35 % for tax year 2012.
- For 2013 and each tax year thereafter the rate is 4.25%.
- Repeals the annual 0.1% rate reduction.

### **Exemptions**

- Personal exemption set at \$3,700 (same as under current law) and will be indexed to inflation beginning in 2013.
- Phases out personal exemption for taxpayers with “total household resources” over \$75,000 for single filers and \$150,000 for joint filers. Eliminates personal exemption for taxpayers with total household resources over \$100,000 for single filers and \$200,000 for joint filers.
- Repeals special exemptions for seniors.
- Repeals special exemption for unemployment compensation greater than 50% of adjusted gross income (AGI).
- Special exemption for disabled and exemption for disabled veterans remain unchanged.
- Phases out certain pension and retirement income subtractions based on date of birth. See [Retirement Benefit Changes](#) for more detailed information.

### **Deductions/Subtractions**

- Repeals the deduction for reinvestment of gain from Michigan Strategic Fund investments.
- Repeals certain miscellaneous deductions (political donations; prizes won in state-regulated bingo, raffle, or charity games; charitable gifts from retirement plans).
- Removes both the gross income and the related expenses from oil and gas production if the gross income was subject to severance tax.
- Repeals the Renaissance Zone deduction.
- Repeals the \$600 child 18 and under deduction.

### **Non-refundable Credits**

- Repeals the credit for city income taxes.
- Repeals the credit for public contributions.
- Repeals the credit for contributions to homeless shelters, food banks, and community foundations.
- Repeals the credit for contributions to medical savings account.
- Repeals the credit for donations to Family Development Program.

- Repeals the film credit for wage withholding.
- Repeals the credit for automobile donations.
- Repeals the credit for college tuition and fees.
- Ends credits for historic rehabilitation plans certified after 2011.

### **Refundable Credits**

- Reduces Earned Income Tax Credit from 20% to 6%.
- Repeals the excess adoption expense credit.
- Repeals the stillbirth credit.
- Changes the homestead property tax credit as follows:
  - Household income replaced by total household resources which excludes losses from business, rentals and royalties and also excludes net operating losses.
  - Available only for homes with taxable value of less than \$135,000.
  - For senior claimants: Full credit of 100% if total household resources are \$21,000 or less and reduced by 4% for each additional \$1,000 in total household resources until \$30,000 is reached. For total household resources of \$30,000 to \$41,000 senior claimants receive 60% of the credit.
  - All other claimants are eligible for 60% of the tax credit.
  - Credit phase out begins at \$41,000 of total household resources and is reduced by 10% for each \$1,000 increase. Complete phase-out at \$50,000.
  - Alternative credit for eligible serviceperson/veteran still available.

### **Miscellaneous**

- Adopts 100% sales factor apportionment.
- Repeals obsolete “no form” tax filing.
- Ends the tax voucher program for Early Stage Venture Investment agreements entered into after 2011.