



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

During 2011 and 2012, Governor Rick Snyder signed legislation amending the Michigan Income Tax Act. This legislation does not apply to or otherwise impact 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 reduction from 4.35% to 4.25% was delayed until October 1, 2012.
- The 2012 annualized rate is 4.33% and applies to all of 2012 regardless of when income was received.
- For 2013 and each tax year thereafter the rate is 4.25%.

Exemptions

- The personal exemption was increased from \$3,700 to an annualized personal exemption of \$3,763 for 2012. The personal exemption is \$3,950 for 2013.
- Special exemptions for seniors are no longer allowed.
- The \$600 exemption for children 18 and under is no longer allowed.
- Special exemption for unemployment compensation greater than 50% of adjusted gross income (AGI) is no longer allowed.
- 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

- The deduction for reinvestment of gain from Michigan Strategic Fund investments is no longer allowed.
- Certain miscellaneous deductions (political donations; prizes won in state-regulated bingo, raffle, or charity games; charitable gifts from retirement plans) are no longer allowed.
- Removes both the gross income and the related expenses from oil and gas production if the gross income was subject to severance tax.
- Renaissance Zone deduction for zones certified or renewed after December 31, 2011 is no longer allowed.

Non-refundable Credits

- The credit for city income taxes is no longer allowed.
- The credit for public contributions is no longer allowed.
- The credit for contributions to homeless shelters, food banks, and community foundations is no longer allowed.
- The credit for contributions to medical savings account is no longer allowed.
- The credit for donations to Family Development Program is no longer allowed.
- The film credit for wage withholding is no longer allowed.
- The credit for automobile donations is no longer allowed.
- The credit for college tuition and fees is no longer allowed.
- The credit for an historic rehabilitation plan certified after 2011 is no longer allowed.

Refundable Credits

- Earned Income Tax Credit is reduced from 20% to 6%.
- The excess adoption expense credit is no longer allowed.
- The stillbirth credit is no longer allowed.
- Changes to the homestead property tax credit:
 - Household income replaced by total household resources, which excludes losses from business, rentals and royalties, and also excludes net operating losses.
 - Taxable value cap
 - Credit is not available for homes with taxable value of more than \$135,000.
 - Cap only applies to the residential portion of farms.
 - Cap does not apply to rented homesteads.
 - Senior claimants
 - Entitled to a credit equal to 100% if total household resources are \$21,000 or less.
 - 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.
 - Credit phase out applies.
 - Claimants who are permanently disabled, paraplegic, hemiplegic, quadriplegic, or deaf: Full credit of 100% if household resources are \$41,000 or less. Credit phase out applies
 - Alternative credit for eligible serviceperson/veteran is still available. Other claimants: Entitled to a 60% credit.
 - Credit phase-out
 - Begins at \$41,001 of total household resources.
 - Reduced by 10% for each \$1,000 increase for all claimants.
 - 41,001- 42,000 10% reduction
 - 42,001- 43,000 20% reduction
 - 43,001- 44,000 30% reduction
 - 44,001- 45,000 40% reduction
 - 45,001- 46,000 50% reduction
 - 46,001- 47,000 60% reduction
 - 47,001- 48,000 70% reduction
 - 48,001- 49,000 80% reduction
 - 49,001- 50,000 90% reduction
 - 50,001 or more 100% reduction

Miscellaneous

- Adopts 100% sales factor apportionment.
- “No form” tax filing is no longer allowed.
- The tax voucher program for Early Stage Venture Investment agreements entered into after 2011 is no longer allowed.