



Connections

Staying connected with Michigan's retirees

March 2023

Vol. 26 No. 1

State retirement tax repealed

Earlier this month, lawmakers approved changes to the 4.25% state tax on pension and retirement income, starting with the 2023 tax year.

Public Act (PA) 4 of 2023 modifies the **Income Tax Act of 1967** to gradually roll back the income tax on pension income over four years based on one's age.

Under the new law, retirees may choose between the current deductible limits on pensions and retirement income, or the new limitations put in place, starting with 2023 state income tax filings done in 2024.

A retiree with an average pension of \$1,983 will see an increase of about \$84 per month by 2026 when the new tax rules have fully taken effect. About 60% of those savings will go to taxpayers with a federal adjusted gross income of between \$50,000 and \$150,000, according to the Michigan Department of Treasury.

"It will ensure seniors can keep more of what they've earned over a lifetime of hard work," Gov. Gretchen Whitmer said in a statement.

The law, which Whitmer signed March 7, takes effect 90 days after the Michigan Legislature's current session ends in December. It was part of a **Lowering MI Costs** tax plan, which also quintuples the **Michigan Earned Income Tax Credit for Working Families**.

The Michigan Office of Retirement Services (ORS) and the Michigan Department of Treasury are working to assess the repeal's impact, and to

determine what changes are necessary with minimal impact to retirees.

More information:

Public Act 4 of 2023
Frequently asked questions



Gov. Gretchen Whitmer signed PA 4 of 2023 on March 7.

Retirees who receive a pension from the Michigan Public School Employees' Retirement System, the State Employees' Retirement System, and the Judges Retirement System are subject to identical limitations according to birth year.

For the 2023 tax year, those born in 1959 or after do not qualify. As the law is phased in, additional retirees become eligible. By 2026, all ORS pensioners are eligible for the full deduction, regardless of age.

Retired sergeants and troopers who receive a pension from the State Police Retirement System are exempt from the state income tax on their pension income beginning with the 2023 tax year, regardless of age.

The new law also includes withdrawals from individual retirement accounts and the portion of a 401(k) account that is subject to an employer match.

Retirees who want to use the PA 4 of 2023 limits may want to file their 2023 tax returns after the law's effective date. If filing before the law goes into effect, an amended return can be filed. For joint returns, the older spouse's birth year can be used.

Retirement state tax changes

For members of the Michigan Public School Employees' Retirement System

Birth year	Income Tax Act of 1967 maximum deduction		Public Act 4 of 2023 maximum deduction				
	2023 tax year		2023 tax year		2024 tax year	2025 tax year	2026 tax year
	Single filers	Joint filers	Single filers	Joint filers	Single and joint filers	Single and joint filers	Single and joint filers
1945 and before	Tax exempt.	Tax exempt.	No change.	No change.	No change.	No change.	No change.
1946-1952	\$20,000	\$40,000	Up to 25% of 2023 amount of \$61,518 (\$15,379.50).	Up to 25% of 2023 amount of \$123,036 (\$30,759).	Up to 50% of the 2024 amount.*	Up to 75% of the 2025 amount.*	Up to 100% of the maximum amount.*
1953-1958	Not qualified.	Not qualified.	Up to 25% of 2023 amount of \$61,518 (\$15,379.50).	Up to 25% of 2023 amount of \$123,036 (\$30,759).	Up to 50% of the 2024 amount.*	Up to 75% of the 2025 amount.*	Up to 100% of the maximum amount.*
1959-1962	Not qualified.	Not qualified.	No change.	No change.	Up to 50% of the 2024 amount.*	Up to 75% of the 2025 amount.*	Up to 100% of the maximum amount.*
1963-1966	Not qualified.	Not qualified.	No change.	No change.	No change.	Up to 75% of the 2025 amount.*	Up to 100% of the maximum amount.*
1967 and after	Not qualified.	Not qualified.	No change.	No change.	No change.	No change.	Up to 100% of the maximum amount.*

Note: For joint returns, birth year of the older spouse can be used.

*Maximum amounts are adjusted annually for inflation and available each January.



“ORS is driven to empower you for a successful today and a secure tomorrow.”

From the director

Welcome to your March 2023 issue of the *Connections* newsletter.

With Public Act 4 of 2023, retirees may select current deductible limits on pensions or retirement income or can choose new limitations beginning with 2023 state income taxes filed in 2024.

The measure rolls back Michigan’s tax on pension income in effect since Jan. 1, 2012. The repeal was signed into law by Gov. Gretchen Whitmer on March 7.

The Michigan Office of Retirement Services (ORS) is assessing the updates needed to accommodate the new law, working closely with the Michigan Department of Treasury to make those. Our goal is to implement the law with minimal impact to you.

This is the latest example of how ORS works diligently on behalf of our members and retirees.

In the December 2022 issue of *Connections*, we shared ORS made changes for redesigned IRS *Form W-4P* for federal tax withholdings on periodic pension and annuity payments. Updates were made in miAccount and on required ORS forms and letters to meet the Jan. 1, 2023, IRS deadline.

We also completed work related to Public Act 184 of 2022, which simplified working after retirement rules for Michigan Public School Employees’ Retirement System retirees.

As an innovative retirement organization, ORS is driven to empower you — our customers — for a successful today and a secure tomorrow.

Anthony Estell, director

Michigan Office of Retirement Services

ORS serves about 600,000 people



452,341
public school
employees



121,293
state
employees



16,816
Michigan National
Guard members



6,561
state police
officers



1,413
judicial
employees



469
Legislature
employees

who are active, deferred, and retired from 697 Michigan employers

A cautionary note about financial presentations

Now that you're retired, you may be solicited by an influx of organizations, financial services firms, and independent financial planners that want to guide you with issues specific to retirement.

Many of these of meetings may be productive and helpful. Some, however, are only designed to qualify you as a lead toward selling you an investment opportunity that's not necessarily in your best interest.

Financial services seminars are readily available and mostly free to attend; some firms may even buy you dinner. It's important to remember these are not affiliated with the Michigan Office of Retirement Services (ORS) in any way.

The best way to get accurate information about your pension plan is through direct contact with ORS. You may contact our representatives by logging in to **miAccount**, which is available through MiLogin, and using the Message Board for more personalized information.



We advise you to be wary of unsolicited sales pitches and to do your homework. If there is, in their communication with you, any expressed or implied connection with ORS, you can know that's not true. Proceed with caution.

Retirement is a journey, and ORS is always here to assist you with yours.

Cybersecurity awareness

Part 1: Generations

Technology changes every day. The generation you were born in can indicate how you relate to technology.

Digital immigrants are people not born in the digital age who had to learn over time about technology as it was introduced and adopted. These are silent traditionalists, baby boomers, and Generation X, typically born between 1925 and 1980. These generations most likely felt comfortable with flip phones and VCRs.

Digital natives are people born between 1980 and present day. This group includes millennials, Generation Z, and Generation Alpha. These individuals never knew a time without digital technology because they were born into it.

Cybersecurity awareness three-part series

This month: Generational differences.

June 2023: Understanding terminology.

September 2023: Keeping information safe.

These generations prefer texting instead of calling and have less knowledge than their predecessors on how rotary telephones work.

As technology advances, so does the risk to our digital and financial security, according to **a 2022 report** by Deloitte and the World Economic Forum.

Enjoy yourself in retirement

Your years of working hard, planning, scrimping, and saving have gotten you here.

In retirement, it's now time to make the most of what you have and make it last. Savor these moments and stretch your savings.

April is Financial Literacy Month.

It's a good time to review your goals, those you set for yourself. This is an opportunity to review your financial plans and refocus your goals, if necessary.

The most fundamental steps toward financial wellness and peace of mind are:

- Establish a budget, a **spending and savings plan**, that's realistic.
- Manage cash flow and debt.
- Automate some of your savings.
- Get **professional financial advice** for guidance and support.
- Plan, be patient, and adjust to keep desires in focus and goals on track.

Live within your means:

- Cut down on mindless or unnecessary expenses.
- Practice contentment in your life.
- Stay out of debt by using credit and credit cards wisely and more sparingly.
- **Pay down debt** whenever possible.



Other tips for your financial well-being from Voya Financial:

- Manage your finances by reviewing your pension, savings, investments, and retirement income options and strategies.
- Consider your healthcare needs, maintain a healthy lifestyle, and prepare for future costs and coverage.
- Protect your family and finances by looking at your life, long-term and critical care insurance; plan out your estate; and consider caregiving needs.
- Stay on top of things by being organized and protecting your identity.

*Michigan State University Extension **MI Money Health** offers money management education, information, and more. **America Saves** is a nonprofit that encourages and supports households to save money, reduce debt, and build wealth. Voya Financial services the **State of Michigan 401(k) and 457 Plans** through the Michigan Office of Retirement Services.*



Retiree spotlight

'It's fun to explore'

Judy Parzych describes her teaching career as being a late bloomer. Her retirement arc is more like girl wonder or, perhaps, girl wander.

The former elementary school teacher is full throttle in retirement, traipsing across the U.S. with her husband, Randy, in their 2017 Ford F-350 and 37-foot Grand Design Reflection fifth-wheel recreational vehicle.

Judy retired in 2018 after 17 years with the South Redford and Farmington school districts. She taught kindergarten in South Redford; kindergarten and second grade at Farmington's Wood Creek Elementary; and third-grade reading, science, and social studies at Farmington's Longacre Elementary.

"I was 57 and I qualified for the pension. Really, the job was getting a lot more stressful," she said. "The stress was taking my enjoyment away from teaching."

Judy started teaching after earning her bachelor's degree at Madonna University at age 40, having worked as a secretary and accounting clerk while caring for their two children.



Judy Parzych is shown at the Butler Wash Ruins, Ancestral Puebloan cliff dwellings, near White Mesa, Utah.



Randy and Judy Parzych are pictured on a hike at the Deschutes River State Recreation Area near The Dalles, Oregon.

Retired and with Randy working at JR Automation as general manager and engineer, Judy volunteered with a literacy organization and worked part-time writing instructional units for a curriculum firm. She also started planning trips.

"We fell in love with RVing when we went to Alaska for our 30th anniversary" in 2016, Judy said. "The fall Randy retired, we bought the RV off Craigslist and the truck off Facebook Marketplace. One weekend when we went camping, we figured it out."

That was three years ago for the 62-year-old Livonia resident. Now, the couple, married 37 years, spend summers through the holidays at home. From mid-February through April, they are in Gulf Shores, Alabama, where they bike, kayak, golf, hit beaches, eat local, embrace nature, and "have fun," she said.

Otherwise, they're on the road in spring and fall, including visiting their son in The Dalles, Oregon. They are often joined by their daughter, who lives in Ann Arbor.

"We like to include places like Yellowstone or Glacier national parks," Judy said. "It's fun to explore."

Do you have a story to share? Send it to ORS-RetireeStories@Michigan.gov.

Ask our experts

Michigan Office of Retirement Services (ORS) experts answer frequently asked questions.

When I try to access miAccount, I am redirected to the MILogin sign-on page.

What is this and how do I get to miAccount?

MILogin is the single sign-on application you use to access online many state services and systems, including miAccount.

If you don't yet have a MILogin account, you need to create one from the **MILogin** page. You then add access to any state services you want to use (miAccount, Secretary of State, etc.).

See our **MILogin Help Instructions** for details.



Update ORS

It is critical that you report any of the following changes in personal information to ORS: address, email, tax withholding, direct deposit, death, divorce, marriage, and Medicare information.

The fastest, easiest way to report these and other life events is through **miAccount**.

You can also contact us at:



Michigan.gov/ORS
Facebook.com/MichiganORS
Twitter.com/MichiganORS



PO Box 30171
Lansing, MI 48909-7671



Phone: **800-381-5111**
Fax: **517-284-4416**

Pension pay dates

Pension payments are issued on the 25th of the month. If the 25th falls on a weekend or holiday, your pension will be paid the previous business day. In December, it's a week earlier.

If your payment is not credited within three days after the scheduled payment date, check with your bank first, and then contact ORS.

Office closures

May 29	Memorial Day
June 19	Juneteenth
July 4	Independence Day
Sept. 4	Labor Day
Nov. 10	Veterans Day