

General Information - Pension Schedule (Form 4884)

What are Retirement and Pension Benefits

Under Michigan law, qualifying retirement and pension benefits include most payments that are reported on a 1099-R for federal tax purposes. This includes defined benefit pensions, IRA distributions, and most payments from defined contribution plans. Payments received before the recipient could retire under the provisions of the plan or benefits from 401(k), 457, or 403(b) plans attributable to employee contributions alone are not retirement and pension benefits under Michigan law, are taxable, and are subject to withholding.

Qualifying benefits include distributions from the following sources:

- Pension plans that define eligibility for retirement and set contribution and benefit amounts in advance
- Qualified retirement plans for the self-employed
- Retirement distributions from a 401(k) or 403(b) plan attributable to employer contributions or attributable to employee contributions that result in additional employer contributions (e.g., matching contributions)
- IRA distributions received after age 59½ or described by Section 72(t)(2)(A)(iv) of the IRC (series of equal periodic payments made for life)
- Benefits from any of the previous plans received due to a disability, or as a surviving spouse if the decedent qualified for the subtraction at the time of death and was born prior to January 1, 1953. For exceptions see “Retirement Benefits from a Deceased Spouse” on page 18.
- Benefits paid to a senior citizen (age 65 or older) from a retirement annuity policy that are paid for life (as opposed to a specified number of years)
- Foreign retirement and pension benefits that meet Michigan’s qualifications may also be eligible.

Qualifying public benefits include distributions from the following sources:

- The State of Michigan
- Michigan local governmental units (e.g., Michigan counties, cities, and school districts)
- Federal civil service.

Retirement and pension benefits that are transferred from one plan to another (rolled over) continue to be treated as if they remained in the original plan.

For public and private retirement or pension benefits, you may **not** subtract (do not include on Form 4884):

- Amounts received from a deferred compensation plan that lets the employee set the amount to be put aside and does not set retirement age or requirements for years of service. These plans include, but are not limited to, plans under Sections 401(k), 457, and 403(b) of the IRC
- Amounts received before the recipient could retire under the plan provisions, including amounts paid on separation, withdrawal, or discontinuance of the plan
- Amounts received as early retirement incentives, unless the incentives were paid from a pension trust.

Which Benefits are Taxable

Retirement and pension benefits are taxed differently depending on the age of the recipient. Married couples filing a joint return should complete Form 4884 based on the year of birth of the older spouse. Military and Michigan National Guard pensions, railroad retirement benefits and Social Security benefits are exempt from tax and should be reported on the Schedule 1, line 11 or line 14.

Who May Claim a Pension Subtraction

Tier 1

- **Recipients born before 1946** may subtract all qualifying retirement and pension benefits received from federal or Michigan public sources, and may subtract qualifying private retirement and pension benefits up to \$54,404 if single or married filing separate, or \$108,808 if married filing a joint return. If your public retirement benefits are greater than the maximum amount, you are not entitled to claim an additional subtraction for private pensions.

NOTE: In addition to the public retirement benefits listed above, the private pension limits are also reduced by the following from Schedule 1, line 11:

- Military retirement from the U.S. Armed Forces
- Retirement from the Michigan National Guard
- Railroad retirement.

Tier 2

- **Recipients born during the period January 1, 1946 through December 31, 1952**, do not complete Form 4884. See the Tier 2 Michigan Standard Deduction on Schedule 1, line 23.

Exception: If you are a surviving spouse who has reached the age of 67, has not remarried, and claimed a subtraction for retirement and pension benefits on a return jointly filed with the decedent in the year they died, you may elect to take the retirement and pension benefits subtraction based on the older deceased spouse’s year of birth subject to the limits available for a single filer instead of your standard deduction.

Tier 3

- **Recipients born during the period January 1, 1953 through January 1, 1955**, do not complete Form 4884. See the Tier 3 Michigan Standard Deduction on Schedule 1, line 24.

Exception: If you are a surviving spouse who has reached the age of 67, has not remarried, and claimed a subtraction for retirement and pension benefits on a return jointly filed with the decedent in the year they died, you may elect to take the retirement and pension benefits subtraction based on the older deceased spouse’s year of birth subject to the limits available for a single filer instead of your standard deduction.

- **Recipients born after January 1, 1955 but before January 2, 1960 who have reached age 62 and receive retirement benefits from employment exempt from Social Security** may deduct up to \$15,000 in qualifying retirement and pension benefits. If both spouses on a joint return receive Social Security exempt retirement benefits, the maximum deduction increases to \$30,000. See Form 4884, line 18 instructions for more information.

- **Recipients born after January 1, 1955, received retirement benefits from SSA exempt employment, and were retired as of January 1, 2013** may deduct up to \$35,000 in qualifying retirement and pension benefits if single or married filing separately or \$55,000 if married filing a joint return. If both spouses on a joint return qualify, the maximum deduction increases to \$70,000.
- **All other recipients born after January 1, 1955**, all retirement and pension benefits are taxable and you are not entitled to a pension subtraction.

For help calculating the retirement and pension subtraction, see “Which Section of Form 4884 Should I Complete?” on page 20.

Retirement Benefits from a Deceased Spouse

Retirement benefits received as a survivor generally have a distribution code of 4 on the federal Form 1099-R. The 1099-R reports retirement benefits to the Internal Revenue Service and it is sent by the pension administrator paying the benefits.

If a surviving spouse claimed a subtraction for retirement and pension benefits on a return jointly filed with the decedent in the year they died and the surviving spouse has not remarried, then the surviving spouse may claim the retirement and pension benefits subtraction that would have applied based on the year of birth of the older of the surviving spouse or the deceased spouse. If a surviving spouse did not claim a subtraction for retirement and pension benefits on a return jointly filed with the decedent in the year they died or the surviving spouse has remarried, then claim the retirement and pension benefits subtraction based on the year of birth of the filer (or older spouse if remarried).

If the surviving spouse was born during the period January 1, 1946 through January 1, 1955 and has reached the age of 67, typically the retirement and pension benefits subtraction cannot be claimed on Form 4884 because the surviving spouse would claim a standard deduction on the Schedule 1. Except, the surviving spouse may elect to continue to claim the retirement and pension benefits subtraction on Form 4884 if the surviving spouse was born during the period January 1, 1946 through January 1, 1955 and has reached the age of 67, has not remarried, and claimed a subtraction for

retirement and pension benefits on a return jointly filed with the decedent in the year they died. Refer to the following section “Retirement Benefits Election for Tier 2 and Tier 3 Surviving Spouses” for further instruction.

Retirement Benefits Election for Tier 2 and Tier 3 Surviving Spouses

If you are a surviving spouse who was born after 1945 and has reached the age of 67, has not remarried, and claimed a subtraction for retirement and pension benefits on a return jointly filed with the decedent in the year they died, you may elect to claim the **larger** of either:

- (a) Your Michigan Standard Deduction **or**
- (b) The retirement and pension benefits subtraction based on the older deceased spouse’s year of birth subject to the limits available for a single filer.

The “Which Deduction Do I Claim?” guide may be used for assistance. To determine the amount for (a), follow the instructions based on your year of birth for either Schedule 1, line 23 or 24 starting on page 15. To determine the amount for (b), use “Which Section of Form 4884 Should I Complete?” on page 20 to complete Section A, B or C of Form 4884.

Which Deduction Do I Claim?

Claim the larger deduction.

a. Enter your Michigan Standard Deduction based on **your year of birth**..... _____

b. Enter the retirement and pension benefits deduction based on **your older deceased spouse’s year of birth**.... _____

When (a) is larger, claim your Michigan Standard Deduction on Schedule 1 and do not submit Form 4884.

When (b) is larger, submit Form 4884 with a complete filing. Refer to Form 4884, line 7e instructions on page 19.

Retirement Benefits Deduction		
Tier 1 Taxpayers born before 1946	Tier 2 Taxpayers born 1946 through 1952	Tier 3 Taxpayers born after 1952
All public benefits received and private benefits up to \$54,404 for a single or married filing separate return or \$108,808 for a joint return	† No retirement deduction on Form 4884. See Tier 2 Michigan Standard Deduction on Schedule 1, line 23	Before Reaching Age 67: * † No deduction
		After Reaching Age 67: † No retirement deduction on Form 4884. See Tier 3 Michigan Standard Deduction on Schedule 1, line 24
<p>* Taxpayers in Tier 3 who receive pension benefits from employment with governmental agencies not covered by the Social Security Act may be eligible for a pension deduction. See instructions for Form 4884, line 17 and line 18.</p> <p>† Taxpayers who receive pension benefits from a deceased spouse, see “Retirement Benefits from a Deceased Spouse” and “Retirement Benefits Election for Tier 2 and Tier 3 Surviving Spouses”.</p> <p>NOTE: For more detailed information on retirement tiers, see “Who May Claim a Pension Subtraction” on page 17.</p>		

Line-by-Line Instructions for *Pension Schedule (Form 4884)*

Visit www.michigan.gov/incometax for help calculating the retirement and pension subtraction.

Before completing Form 4884, refer to “Which Section of Form 4884 Should I Complete?”

NOTE: For purposes of this form, single limits apply to taxpayers who are married filing separately.

Lines not listed are explained on the form.

Lines 1, 2, and 3: Enter your name(s) and Social Security number(s). If you are married filing separate returns, enter both Social Security numbers, but do **not** enter your spouse’s name.

Lines 4 and 5: Enter your year(s) of birth. If you are married and filing separately, do not enter your spouse’s year of birth.

Line 6: Check the box if both criteria are met:

- If the older of you or your spouse (if filing a joint return) was born after January 1, 1955 (or was born in 1954 and died during the tax year before reaching age 67)
- You or your spouse (if filing a joint return) were retired as of January 1, 2013 and also received retirement benefits from SSA exempt employment.

Lines 7a through 7c: If you are receiving retirement and pension benefits from a deceased spouse or are claiming the retirement and pension benefits subtraction based on your deceased spouse’s year of birth, enter your deceased spouse’s name, Social Security number and year of birth. If you are filing your final joint tax return because your spouse died during the tax year, do not complete Part 2 or check box 8B.

NOTE: When completing Form 4884, surviving spouse means the deceased spouse died prior to the current tax year (e.g., when filing a 2021 return the spouse died in 2007). Deceased spouse benefits do not include benefits from a spouse who died in 2021.

Line 7d: Check the box if your deceased spouse was born after 1952, was retired as of January 1, 2013, and received retirement benefits from SSA exempt employment.

Line 7e: Check the box if you are a surviving spouse who meets **all** the following conditions and are electing to claim the retirement and pension benefits subtraction on Form 4884, based on the year of birth of your older deceased spouse.

- (1) Born after 1945 and is at least age 67 by December 31, 2021 **and**
- (2) Has not remarried since your spouse died **and**
- (3) Claimed a subtraction for retirement and pension benefits on a return jointly filed with the decedent in the year they died

For more information, see “Retirement Benefits Election for Tier 2 and Tier 3 Surviving Spouses” on page 18.

Line 8: If you have more than eight qualifying entries, continue those entries on the *2021 Michigan Pension Continuation Schedule* (Form 4973). If you are married filing separate returns, only report your qualifying retirement and pension benefits here, do not include your spouse’s retirement and pension benefits.

Line 8B: For each qualifying retirement and pension benefit attributable to a deceased spouse put an “X” in column 8B. See instructions for line 7 for more information on deceased spouse benefits.

Line 8C: If an individual has multiple retirement and pension benefits from the same Payer FEIN and distribution code, combine those amounts on the same line.

Line 8D: List the distribution code from box 7 of the federal Form 1099-R.

Line 8F: Include the taxable amount of retirement or pension reported in federal AGI. Use these amounts when completing the applicable section in Part 4. If you are a part-year resident only use the portion from the Michigan Schedule NR, line 10 column B.

Line 9: For purposes of this line, single limits apply to taxpayers who are married filing separately.

Line 10: If you or your spouse reported any retirement and pension benefits from service in the U.S. Armed Forces or Michigan National Guard, or taxable railroad retirement benefits reported on Schedule 1, line 11, enter these amounts on this line.

Line 16: Carry this amount to Schedule 1, line 25. Do not complete Section B or Section C.

Line 17: If you checked either box 22C or 22G from Schedule 1, the maximum is increased by \$15,000. If you checked both boxes 22C and 22G the maximum is increased by \$30,000.

If the older of you or your spouse was born after January 1, 1955, was retired as of January 1, 2013 and received retirement benefits from SSA exempt employment, you should use Section B to calculate the deduction for retirement and pension benefits. These taxpayers may deduct up to \$35,000 in qualifying retirement and pension benefits if single or married filing separately or \$55,000 if married filing a joint return. If both spouses on a joint return qualify, the maximum deduction increases to \$70,000.

If the older of you or your spouse (if filing a joint return) was born in 1954 and died during the tax year before reaching age 67, retired as of January 1, 2013 and received retirement benefits from SSA exempt employment, use Section B to calculate the deduction for retirement and pension benefits.

If you are the unremarried spouse of a decedent who was born during the period January 1, 1946 to December 31, 1952 who had not reached the age of 67 or of a decedent who was born after 1952 who had received retirement benefits from employment exempt from social security in the year they died and had retired as of January 1, 2013, use Section B to calculate the deduction for retirement and pension benefits.

If you have taxable railroad retirement benefits or qualifying retirement and pension benefits from service in the U.S. Armed Forces or Michigan National Guard that was deducted on Schedule 1, line 11, use Worksheet 3 to determine your allowable subtraction.

Carry this amount to Schedule 1, line 25. Do not complete Section A or Section C.

Line 18: If you checked box 22C or 22G on Schedule 1 and the older of you or your spouse was born after January 1, 1955 but before January 2, 1960, enter all qualifying retirement and pension benefits you received, up to \$15,000. If both boxes 22C and 22G on Schedule 1 were checked on a joint return, the maximum deduction is \$30,000. If you are the unremarried spouse of a decedent who was born after 1952, had reached age 62 and received retirement benefits from employment exempt from Social

Security in the year they died, enter all qualifying retirement and pension benefits you received up to \$15,000.

If the older of you or your spouse (if filing a joint return) was born in 1954 and died during the tax year before reaching age 67, and received retirement benefits from employment exempt from Social Security, use Section C to calculate the deduction for retirement and pension benefits.

Recipients who deduct taxable railroad retirement benefits or military retirement benefits due to service in the U.S. Armed Forces or Michigan National Guard on Schedule 1, line 11 may have lower deduction limits on this line if the Schedule 1, line 11 totals more than \$39,404. For additional information and to determine your allowable

subtraction, refer to the “Worksheet for Filers with Taxable Railroad Retirement Benefits or Qualifying Retirement and Pension Benefits from Service in the U.S. Armed Forces or Michigan National Guard and Completing Section C of Form 4884” available on Treasury’s website.

Carry this amount to Schedule 1, line 25. Do not complete Section A or Section B.

Which Section of Form 4884 Should I Complete?

Using the information from line 8, complete Section A, Section B, or Section C. To determine which section of the form to complete, answer the following questions. The first two questions will establish information about the *key person*, which will be referenced throughout the remainder of the questionnaire and help determine which section should be completed.

1. What is your current filing status?

Single: If you claimed a subtraction for retirement and pension benefits on a return jointly filed with the decedent in the year they died, the *key person* is the older of you or your deceased spouse who died prior to 2021, whoever has the earlier year of birth. Otherwise, the *key person* is you.

Married filing jointly: The *key person* is the older of you or your spouse. If either of you have a deceased spouse who died prior to 2021, you are not eligible to claim the retirement and pension benefits subtraction based on their year of birth.

Married filing separately: The *key person* is you. If you have a deceased spouse, you are not eligible to claim the retirement and pension benefits subtraction based on their year of birth.

2. What is the key person’s year of birth? _____

3. Does filer or spouse receive qualified retirement benefits that are included in AGI?

Yes: Continue to question 4.

No: You are not eligible for a retirement and pension benefits subtraction. Do not file Form 4884.

4. Was the key person born during the period January 1, 1946 through January 1, 1955?

Yes: Continue to question 5.

No: Continue to question 6.

5. Did the key person reach age 67?

Yes: Do not file Form 4884. If you or your spouse were born during the period January 1, 1946 through January 1, 1955, use Schedule 1, line 23 or 24 (see instructions starting on page 15).

No: If the key person was born during January 1, 1946 through December 31, 1952, complete Section B of Form 4884. If the key person was born during January 1, 1953 through January 1, 1955, continue to question 7.

6. Was the key person born prior to January 1, 1946?

Yes: Complete Section A of Form 4884.

No: Continue to question 7.

7. Answer the question below that corresponds to your current filing status:

Single: Do you or your deceased spouse receive retirement benefits from SSA exempt employment and were retired as of January 1, 2013?

Married filing jointly: Do you or your spouse receive retirement benefits from SSA exempt employment and were retired as of January 1, 2013?

Married filing separately: Do you receive retirement benefits from SSA exempt employment and were retired as of January 1, 2013?

Yes: Complete Section B of Form 4884.

No: Continue to question 8.

8. Answer the question below that corresponds to your current filing status:

Single: Do you or your deceased spouse receive retirement benefits from SSA exempt employment and have reached age 62?

Married filing jointly: Do you or your spouse receive retirement benefits from SSA exempt employment and have reached age 62?

Married filing separately: Do you receive retirement benefits from SSA exempt employment and have reached age 62?

Yes: Complete Section C of Form 4884.

No: You are not eligible for a retirement and pension benefits subtraction. Do not file Form 4884.

Worksheet 3 for Filers with Taxable Railroad Retirement Benefits or Qualifying Retirement and Pension Benefits from Service in the U.S. Armed Forces or Michigan National Guard and Completing Section B of Form 4884

1. Enter military retirement benefits due to service in the U.S. Armed Forces or Michigan National Guard and taxable railroad retirement benefits reported on Schedule 1, line 11	1.		00
2. Enter public retirement and pension benefits reported on Form 4884, line 8.....	2.		00
3. Add lines 1 and 2.....	3.		00
4. Enter private retirement and pension benefits reported on Form 4884, line 8	4.		00
5. Enter \$54,404 if single or \$108,808 if filing jointly.	5.		00
6. Subtract line 3 from line 5. If less than zero, enter \$0	6.		00
7. Enter the smaller of line 4 or line 6	7.		00
8. Add line 2 and line 7	8.		00
9. Enter \$20,000 if single or \$40,000 if filing jointly. Higher limits apply if you checked Schedule 1, box 22C or 22G (see line 11 below).....	9.		00
10. Enter the smaller of line 8 or line 9 here and on Form 4884, line 17.....	10.		00
Calculation for filers with benefits from employment exempt from the Social Security Act			
11. Enter \$20,000 if single or \$40,000 if filing jointly	11.		00
12. If you checked box 22C or 22G on Schedule 1, enter \$15,000 for each box checked	12.		00
13. Add line 11 and line 12. This is your maximum deduction for line 9 of this Worksheet	13.		00

Form 4884 Various Scenarios

Scenario 1: Joint filer with the older spouse born prior to January 1, 1946 (Tier 1) with private and public retirement/pension benefits.

Jerry and Beverly are filing a joint return. Jerry was born in 1943 and is receiving a public pension of \$40,000 with a distribution code of 7. Beverly was born in 1946 and is receiving a private pension of \$70,000 with a distribution code of 7.

- Step 1: After completing lines 1 through 3, Jerry and Beverly enter 1943 on line 4 and 1946 on line 5.
- Step 2: They complete row 1 of line 8 by entering an X in Public for 8A, the payer FEIN in 8C, the distribution code 7 in 8D, the name of the payer in 8E and \$40,000 in 8F..... Line 8F, Row 1..... \$40,000
 They complete row 2 of line 8 by entering an X in Private for 8A, the payer FEIN in 8C, the distribution code 7 in 8D, the name of the payer in 8E and \$70,000 in 8F Line 8F, Row 2..... \$70,000
- Step 3: Jerry and Beverly refer to the questionnaire on page 20 to decide which Section of Form 4884 to complete. They are filing married filing jointly so the key person is Jerry, the older of the two spouses. For question 2, they enter Jerry's year of birth as 1943. They answer yes to question 3, no to question 4, yes to question 6 and complete Section A of Form 4884.
- Step 4: They enter \$108,808 on line 9 as they are married filing jointly Line 9 \$108,808
- Step 5: They leave line 10 blank as it does not apply to them Line 10 leave blank
- Step 6: They subtract line 10 from line 9 and enter \$108,808 on line 11 Line 11 \$108,808
- Step 7: They enter \$40,000 on line 12, the total of their public pension benefits Line 12 \$40,000
- Step 8: They subtract line 12 from line 11 and enter \$68,808 on line 13. Line 13 \$68,808
- Step 9: They enter \$70,000 on line 14, the total of their private pension benefits Line 14 \$70,000
- Step 10: They enter \$68,808, the smaller of lines 13 or 14, on line 15..... Line 15 \$68,808
- Step 11: They add lines 12 and 15, enter \$108,808 on line 16 and carry this amount to Schedule 1, line 25..... Line 16. \$108,808
 Schedule 1, line 25..... \$108,808

Scenario 2: Single filer born in Tier 2 receiving surviving spouse benefits from a deceased spouse born prior to January 1, 1946 (Tier 1), has not remarried, claimed a subtraction for retirement and pension benefits on a return jointly filed with the decedent in the year they died, and is electing the retirement and pension benefits subtraction.

For tax year 2019, Bob and Mary filed a joint return. Bob was born in 1944 and died October 15, 2019. Bob had a private pension. Mary was born in 1952 and received a public pension. On the return jointly filed with Bob in the year he died, they claimed a subtraction for retirement and pension benefits.

For tax year 2021, Mary continues to receive her public pension of \$46,000 and is also receiving surviving spouse benefits from Bob's private pension of \$7,000. As Mary has not remarried since Bob's death, she follows the instructions under "Retirement Benefits Election for Tier 2 and Tier 3 Surviving Spouses" on page 18 to determine if she will claim the standard deduction allowed by her year of birth or the retirement and pension benefits subtraction allowed by her deceased spouse's year of birth.

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|----------|--|---------------------------|-------------|
| Step 1: | Mary determines her Tier 2 Michigan Standard Deduction would be \$20,000. | | |
| Step 2: | In order to compare her Michigan Standard Deduction amount to the retirement and pension benefits subtraction, Mary also completes Form 4884. After completing lines 1 through 3, Mary enters 1952 on line 4. She enters Bob's full name on line 7a, his Social Security number on line 7b and 1944 on line 7c. Bob did not meet the qualification on box 7d, so Mary skips 7d. Mary checks the box on line 7e. | | |
| Step 3: | Mary completes row 1 of line 8 by entering an X in Public for 8A, the payer FEIN in 8C, the distribution code in 8D, the name of payer in 8E, and \$46,000 in 8F | Line 8F, Row 1 | \$46,000 |
| | She completes row 2 of line 8 by entering an X in Private for 8A, an X in 8B, the payer FEIN in 8C, the distribution code in 8D, the name of payer in 8E, and \$7,000 in 8F | Line 8F, Row 2 | \$7,000 |
| Step 4: | Mary refers to the questionnaire on page 20 to determine which Section of Form 4884 to complete. Since Mary's current filing status on her return is single, and she claimed a subtraction for retirement and pension benefits on a return jointly filed with her deceased spouse in the year he died, the key person is Bob, the older of Mary and her deceased spouse. Since Bob is the key person, his year of birth of 1944 is entered on question 2. Mary answers yes to question 3, no to question 4, and yes to question 6, so she completes Form 4884 using Section A. | | |
| Step 5: | She enters \$54,404 on line 9 as she is filing single | Line 9..... | \$54,404 |
| Step 6: | She leaves line 10 blank as it does not apply to her..... | Line 10..... | leave blank |
| Step 7: | She subtracts line 10 from line 9 and enters \$54,404 on line 11. .. | Line 11..... | \$54,404 |
| Step 8: | She enters \$46,000, her public pension, on line 12. | Line 12..... | \$46,000 |
| Step 9: | Mary subtracts line 12 from line 11 and enters \$8,404 on line 13. | Line 13..... | \$8,404 |
| Step 10: | Mary enters \$7,000, the total private pension benefits, on line 14 | Line 14..... | \$7,000 |
| Step 11: | She enters \$7,000, the smaller of lines 13 or 14, on line 15..... | Line 15..... | \$7,000 |
| Step 12: | She adds lines 12 and 15, enters \$53,000 on line 16..... | Line 16..... | \$53,000 |
| Step 13: | Mary makes the election to claim the retirement and pension benefits subtraction (\$53,000) allowed by Bob's year of birth instead of her Tier 2 Michigan Standard Deduction (\$20,000) allowed by her year of birth because it is the larger deduction | Schedule 1, line 23 | \$0 |
| | | Schedule 1, line 25 | \$53,000 |

Scenario 3: Single filer born in Tier 2 receiving surviving spouse benefits from a deceased spouse born prior to January 1, 1946 (Tier 1), has not remarried, claimed a subtraction for retirement and pension benefits on a return jointly filed with the decedent in the year they died, and is claiming the Michigan Standard Deduction.

Liam is filing as single, was born in 1947, and is receiving wages of \$9,000. Liam’s deceased spouse, Charlotte, was born in 1942 and died in 2018. Liam is receiving \$12,000 in surviving spouse benefits from Charlotte’s private pension. Liam has not remarried and on the return jointly filed with Charlotte in the year she died, they claimed a subtraction for retirement and pension benefits.

Liam follows the instructions under “Retirement Benefits Election for Tier 2 and Tier 3 Surviving Spouses” on page 18 to determine if he will claim the standard deduction allowed by his year of birth or the retirement and pension benefits subtraction allowed by his deceased spouse’s year of birth.

- Step 1: Liam determines his Tier 2 Michigan Standard Deduction would be \$20,000.
- Step 2: In order to compare his Michigan Standard Deduction amount to the retirement and pension benefits subtraction, Liam completes Form 4884. After completing lines 1 through 3, he enters 1947 on line 4. He enters Charlotte’s full name on line 7a, her Social Security number on line 7b and 1942 on line 7c. Charlotte did not meet the qualification on box 7d, so Liam skips 7d. Liam checks the box on line 7e.
- Step 3: Liam completes row 1 of line 8 by entering an X in Private for 8A, an X in 8B, the payer FEIN in 8C, the distribution code in 8D, the name of the payer in 8E, and \$12,000 in 8F..... Line 8F, Row 1. \$12,000
- Step 4: Liam refers to the questionnaire on page 20 to determine which Section of Form 4884 to complete. Since Liam’s current filing status on his return is single, and he claimed a subtraction for retirement and pension benefits on a return jointly filed with his deceased spouse in the year she died, the key person is Charlotte, the older of Liam and his deceased spouse. Since Charlotte is the key person, Charlotte’s year of birth of 1942 is entered on question 2. Liam answers yes to question 3, no to question 4, and yes to question 6, therefore he completes Form 4884 using Section A.
- Step 5: Liam enters \$54,404 on line 9 as he is filing single Line 9..... \$54,404
- Step 6: He leaves line 10 blank as it does not apply to him..... Line 10..... leave blank
- Step 7: He subtracts line 10 from line 9 and enters \$54,404 on line 11 Line 11..... \$54,404
- Step 8: He leaves line 12 blank. Line 12..... leave blank
- Step 9: Liam subtracts line 12 from line 11 and enters \$54,404 on line 13..... Line 13..... \$54,404
- Step 10: He enters 12,000, the total private pension benefits, on line 14 ... Line 14..... \$12,000
- Step 11: He enters \$12,000, the smaller of lines 13 or 14, on line 15..... Line 15..... \$12,000
- Step 12: He adds lines 12 and 15, enters \$12,000 on line 16. Line 16..... \$12,000
- Step 13: Liam does not make the election to claim the retirement and pension benefits subtraction (\$12,000) allowed by Charlotte’s year of birth because his Tier 2 Michigan Standard Deduction (\$20,000) allowed by his year of birth gives the larger deduction. Do not file Form 4884
Schedule 1, line 23 \$20,000
Schedule 1, line 25 \$0

Scenario 4: Filer and spouse both born in Tier 2 with the older spouse born in 1948 and receiving surviving benefits from a deceased spouse born in 1945 (Tier 1).

William and Betty are Michigan residents and are filing a joint return. William, born in 1948, is receiving public pension benefits of \$10,000 and wages from a part-time job. Betty, born in 1951, is receiving private pension benefits of \$20,000. William's deceased spouse, Johanna, was born in 1945 and died in 2015. William is receiving \$7,500 in surviving spouse pension benefits from Johanna's private pension.

- Step 1: Since William has remarried and has reached the age of 67, William and Betty no longer qualify for a pension deduction. Instead, they qualify for the standard deduction against all income (wages, interest, pension benefits from an older deceased spouse, etc). As the older of William and Betty was born in 1948 (age 73 in 2021), they do not complete Form 4884 and instead complete Schedule 1, lines 22 and 23 for the Tier 2 Michigan Standard Deduction Do not file Form 4884.

Scenario 5: Single filer born after January 1, 1955 (Tier 3) with retirement/pension benefits and receiving surviving benefits from a deceased spouse born in 1944 (Tier 1).

Howard was born in 1960 and is receiving a private pension of \$40,000. Howard's deceased spouse, Edith, was born in 1944 and died in 2006. On the return jointly filed in 2006, they claimed a subtraction for retirement and pension benefits. Howard is currently receiving \$30,000 in surviving spouse pension benefits from Edith's private pension.

Step 1: After completing lines 1 and 2, Howard enters 1960 on line 4. Howard is receiving pension benefits from a deceased spouse, so he then completes line 7. He enters Edith's full name on line 7a, her Social Security number on line 7b, and 1944 on line 7c. Edith did not meet the qualification on box 7d, so Howard skips 7d. Howard is also not eligible to check the box on line 7e, so he continues to line 8.

- Step 2: Howard completes row 1 of line 8 by entering an X in Private for 8A, the payer FEIN in 8C, the distribution code in 8D, the name of the payer in 8E and \$40,000 in 8F..... Line 8F, Row 1 \$40,000
 He completes row 2 of line 8 by entering an X in Private for 8A, an X in 8B, the payer FEIN in 8C, the distribution code in 8D, the name of the payer in 8E and \$30,000 in 8F..... Line 8F, Row 2 \$30,000

Step 3: Howard refers to the questionnaire on page 20 to decide which Section of Form 4884 to complete. Howard is filing a single return. He claimed a subtraction for retirement and pension benefits on a return jointly filed with his deceased spouse Edith in the year she died, therefore the key person is Edith, the older of Howard and his deceased spouse. For question 2, Howard enters Edith's year of birth as 1944. He answers yes to question 3, no to question 4, yes to question 6 and completes Section A of Form 4884.

- Step 4: He enters \$54,404 on line 9 as he is filing single. Line 9..... \$54,404
 Step 5: Howard leaves line 10 blank Line 10..... leave blank
 Step 6: He enters \$54,404 on line 11 Line 11..... \$54,404
 Step 7: He leaves line 12 blank because he is not receiving public retirement and pension benefits..... Line 12..... leave blank
 Step 8: He enters \$54,404 on line 13..... Line 13..... \$54,404
 Step 9: Howard enters \$70,000, the total private pension benefits, on line 14. Line 14..... \$70,000
 Step 10: He enters \$54,404, the smaller of lines 13 or 14, on line 15.... Line 15..... \$54,404
 Step 11: He adds lines 12 and 15, enters \$54,404 on line 16 and carries this amount to Schedule 1, line 25 Line 16..... \$54,404
 Schedule 1, line 25 \$54,404

Scenario 6: Joint filers born after January 1, 1955 (Tier 3) with retirement/pension benefits and receiving surviving benefits from a deceased spouse born in 1944 (Tier 1).

Mark and Nancy are filing a joint return. Mark, born in 1957, is receiving a private pension of \$25,000. Nancy was born in 1957. Nancy’s deceased spouse, Eduardo, was born in 1944 and died in 2008. Nancy is receiving \$35,000 in surviving spouse pension benefits from Eduardo’s private pension.

Step 1: In 2008, Nancy and Eduardo filed a joint return claiming a retirement and pension subtraction. But since Nancy has remarried, she is not eligible to claim the retirement and pension benefits subtraction that would have applied based on the year of birth of her deceased spouse. As both Nancy and Mark were born after January 1, 1955 and did not check box 22C or 22G on Schedule 1, they are not entitled to a pension subtraction. Do not complete Form 4884 Do not file Form 4884

Scenario 7: Filer and spouse both born after January 1, 1955 (Tier 3).

Scott and Lisa are filing a joint return. Scott, born in 1956, is receiving private pension benefits of \$30,000. Lisa, born in 1957, is receiving an IRA distribution (private pension) of \$20,000.

Step 1: As both Scott and Lisa were born after January 1, 1955 and did not check box 22C or 22G on Schedule 1, they are not entitled to a pension subtraction. Do not complete Form 4884. Do not file Form 4884.

Scenario 8: Single filer born after January 1, 1955 but before January 2, 1960 (Tier 3) with benefits from SSA exempt employment and who retired after January 1, 2013

Leigh is filing as single, was born in 1957, and is receiving pension of \$8,000 from SSA exempt employment and a private pension of \$10,000. She retired in 2014.

Step 1: After completing lines 1 and 2, Leigh enters 1957 on line 4.

Step 2: Leigh completes row 1 of line 8 by entering an X in Public for 8A, the payer FEIN in 8C, the distribution code in 8D, the name of the payer in 8E and \$8,000 in 8F.

Line 8F, Row 1. \$8,000

Leigh completes row 2 of line 8 by entering an X in Private for 8A, the payer FEIN in 8C, the distribution code in 8D, the name of the payer in 8E and \$10,000 in 8F.....

Line 8F, Row 2. \$10,000

Step 3: Leigh refers to the questionnaire on page 20 to decide which Section of Form 4884 to complete. Her current filing status is single, so she is the key person. She enters her year of birth of 1957 for question 2. She answers yes to question 3, no to question 4, and no to question 6. She answers no to question 7 because she did not retire on or before January 1, 2013. She receives benefits from SSA exempt employment and has reached age 62 so she answers yes to question 8 and completes Section C of Form 4884.

Step 4: Since Leigh is single, she enters \$15,000, which is the lesser of her total retirement and pension benefits (\$18,000) or the maximum allowable pension deduction (\$15,000) on line 18 and on the Schedule 1, line 25.....

Line 18..... \$15,000
 Schedule 1, line 22
 22A..... 1957
 22B..... 64
 22C..... X
 Schedule 1, line 25 \$15,000

NOTE: It is important for taxpayers with benefits from SSA exempt employment to check the box(es) on line 22 of the Schedule 1.

Scenario 9: Single filer born after January 1, 1955 (Tier 3), received retirement benefits from SSA exempt employment and was retired as of January 1, 2013.

Matt is filing as single, was born in 1960 and retired April 30, 2012 and is receiving benefits from SSA exempt employment of \$12,000 and a private pension of \$30,000.

Step 1: After completing lines 1 and 2, Matt enters 1960 on line 4.

Step 2: Since Matt was born after January 1, 1955, was retired as of January 1, 2013, and received benefits from SSA exempt employment, he checks the box on line 6.....

Line 6..... X

Step 3: Matt completes row 1 of line 8 by entering an X in Public for 8A, the payer FEIN in 8C, the distribution code in 8D, the name of the payer in 8E and \$12,000 in 8F.

Line 8F, Row 1 \$12,000

Matt completes row 2 of line 8 by entering an X in Private for 8A, the payer FEIN in 8C, the distribution code in 8D, the name of the payer in 8E and \$30,000 in 8F.....

Line 8F, Row 2 \$30,000

Step 4: Matt refers to the questionnaire on page 20 to decide which Section of Form 4884 to complete. His current filing status is single, so he is the key person. For question 2, he enters his year of birth of 1960. He answers yes to question 3, no to question 4, and no to question 6. After answering yes to question 7, Matt completes Section B of Form 4884.

Step 5: Since Matt is single, he enters \$35,000, which is the lesser of his total retirement and pension benefits (\$42,000) or the maximum allowable pension deduction (\$35,000) on line 17 and on the Schedule 1, line 25.....

Line 17. \$35,000

Schedule 1, line 22

22A. 1960

22B. 61

22C. X

22D. X

Schedule 1, line 25 \$35,000

NOTE: It is important for taxpayers with benefits from SSA exempt employment to check the box(es) on line 22 of the Schedule 1.

General Information - Homestead Property Tax Credit (MI-1040CR)

The request for your Social Security number is authorized under USC Section 42. Social Security numbers are used by Treasury to conduct matches against benefit income provided by the Social Security Administration and other sources to verify the accuracy of the home heating and property tax credit claims filed for mandatory federal reporting requirements and to deter fraudulent filings.

Who May Claim a Property Tax Credit

You may claim a property tax credit if all of the following apply:

- Your homestead is located in Michigan
- You were a Michigan resident at least six months of 2021
- You own your Michigan homestead and property taxes were levied in 2021, or you paid rent under a rental contract.

You can have only one **homestead** at a time, and you must be the occupant as well as the owner or renter. Your homestead can be a rented apartment or a mobile home on a lot in a mobile home park. A vacation home or income property is **not** considered your homestead.

Your homestead is in your state of **domicile**. Domicile is the place where you have your permanent home. It is the place to which you plan to return whenever you go away. College

students and others whose permanent homes are not in Michigan are **not** Michigan residents. Domicile continues until you establish a new permanent home.

Property tax credit claims may **not** be submitted on behalf of minor children. Filers claimed as a dependent on someone else’s return see instructions for line 24 on page 32 to correctly report support received.

You may not claim a property tax credit if your total household resources are over \$60,600. In addition, you may not claim a property tax credit if your taxable value exceeds \$136,600 (excluding vacant farmland classified as agricultural). The computed credit is reduced by 10 percent for every \$1,000 (or part of \$1,000) that total household resources exceed \$51,600. If filing a part-year return, you must annualize total household resources to determine if the income limitation applies. See “Annualizing Total Household Resources” on page 29.

Which Form to File

Most filers should use the MI-1040CR in this booklet. If you are blind and own your homestead, are in the active military, are an eligible veteran, or an eligible veteran’s surviving spouse, complete forms MI-1040CR and MI-1040CR-2 (available on Treasury’s website.) **Use the form that gives you a larger credit.**