

## Line-by-Line Instructions for *Additions and Subtractions* (Schedule 1)

Nonresidents, and part-year residents, complete Schedule NR (see page 49) before proceeding.

If you have income or losses attributable to other states, you must include all relevant federal schedules and supporting statements (see page 59). Include *Schedule K-1s* which support your federal *Schedules B, D, E* and 4797. **The type, source and location of the income or loss must be identified.** For assistance conveying this information to Treasury, refer to the “Business, Rental & Royalty Activity Worksheet” and the instructions available on Treasury’s website. If you do not include the federal schedules and supporting statements, processing of your return may be delayed or your credit/subtraction may be denied.

### Additions to Income

**Line 1:** Residents enter nonbusiness gross interest, dividends, and income from obligations or securities of states and their political subdivisions other than Michigan. Residents and nonresidents report non-Michigan municipal business income from a partnership, S corporation, estate, or trust with Michigan business activity. Business income subject to apportionment must be included on the *Michigan Schedule of Apportionment* (MI-1040H). You may reduce this income by related expenses not allowed as a deduction by Section 265(a)(1) of the Internal Revenue Code (IRC).

**Line 2:** Michigan residents enter the deduction taken for **self-employment tax** on your federal return and for other taxes on or measured by income, such as your share of the taxes paid by an estate or trust, your share of city income tax paid by partnerships or S corporations, or your share of flow-through (pass-through) entity tax paid to another state by a flow-through entity. Part-year and nonresidents enter the amount from the *Michigan Schedule NR*, line 13, Column B that is attributable to the deduction taken for self-employment tax on your federal return and for other taxes measured by income, such as your share of city income tax paid by a partnership or S corporations, or your share of the taxes paid by an estate or trust.

If you are a direct or indirect member of a flow-through entity that elected to pay the Michigan flow-through entity tax, add your share of those taxes paid and reported to you by that flow-through entity and deducted on the flow-through entity’s federal tax return. If you apportioned this flow-through income using an MI-1040H, the apportionment percentage from line 8 should be applied to the tax reported by the flow-through entity. Include a copy of the *Schedule K-1* with the *Schedule K-1* notes, or other supporting documentation received from the flow-through entity, to support your addition.

An electing flow-through entity that files a composite return on your behalf should report your addition on that composite return (Form 807). Do not report the addition here.

**Line 3:** Use *Michigan Adjustments of Capital Gains and Losses* (MI-1040D) and related *Michigan Sales and Other Dispositions of Capital Assets* (MI-8949) **only** if you have capital gains or losses attributable to: (1) an election to use Section 271 treatment for property acquired before October 1, 1967; (2) the sale or exchange of U.S. obligations which cannot be taxed by Michigan; or (3) the sale or exchange of property located in other states.

If you reported gains on U.S. Form 4797 on property acquired before October 1, 1967, or located in other states, adjust the gain on the *Michigan Adjustments of Gains and Losses From Sales of Business Property* (MI-4797).

Enter gains from the Michigan column of MI-1040D, line 12, and MI-4797, line 18b. Instructions are with each form.

**Line 4:** Enter losses from a business or property located in another state which you own as a sole proprietor, a partner in a partnership, a shareholder in an S corporation, or as a member of a pass-through entity.

If your business is taxed by both Michigan and another state, the loss must be apportioned. You must include a *Michigan Schedule of Apportionment* (MI-1040H).

If you have a federal excess business loss limitation, you must complete Form MI-461. Follow instructions provided on Form MI-461 to determine if any amount is to be included here.

**Line 5:** Enter the net loss from the federal column of your MI-1040D, line 13, or MI-4797, line 18b as a positive number.

**Line 6:** Enter gross expenses from the production of oil and gas or extraction of nonferrous metallic minerals subject to Michigan severance tax to the extent deducted from AGI. Subtract the related gross income on line 19.

**Line 7:** Residents, enter the amount of the federal NOL deduction to the extent included in AGI. Nonresidents and part-year residents see instructions for Schedule NR, line 11.

**Line 8:** Enter the total of the following (include an additional schedule if necessary):

- Add, to the extent not included in AGI, the amount of money withdrawn in the tax year from a Michigan Education Savings Program (MESP) account, including the Michigan 529 Advisor Plan (MAP), or a Michigan Achieving a Better Life Experience Program (MiABLE) account, if the withdrawal was not a qualified withdrawal as provided in the MESP or ABLA Acts. You may first exclude any amount that represents a return of contributions for which no deduction was claimed in any prior tax year.
- Refund received from a Michigan Education Trust (MET) contract. If you deducted the cost of a MET contract in previous years and received a refund from MET during 2022 because the MET contract was terminated, enter the smaller of: (1) the refund you received or (2) the amount of the original MET contract price including fees which you deducted in previous years.

**NOTE:** Michigan treatment of bonus depreciation conforms with federal law. Adjustments for bonus depreciation are not required.

### Subtractions From Income

**NOTE:** Nonresidents and part-year residents, subtract only income attributable to Michigan (Schedule NR, column B) that is not included on line 13.

**Line 10:** Enter income from U.S. government obligations (e.g., Series EE bonds, Treasury notes), including income from U.S. government obligations received through a partnership, S corporation, or other pass-through entity. This subtraction must be reduced by related expenses used to arrive at AGI.

Investment companies that invest in U.S. obligations are permitted to pass the tax-free exemption to their shareholders.

If income from U.S. government obligations exceeds \$5,000, include a copy of your U.S. *Schedule B* and a supporting statement listing the amounts received, the source, and the issuing agency. Capital gains from the sale of U.S. government obligations must be adjusted on your MI-1040D.

**Line 11:** Include military retirement benefits due to service in the U.S. Armed Forces or Michigan National Guard or taxable Tier 1 and Tier 2 railroad retirement benefits here and on Schedule W, Table 2. Other qualifying public or private retirement benefits must be reported on the *Michigan Pension Schedule* (Form 4884) and Schedule 1, line 26.

**Line 12:** Enter the gains from the federal column of your MI-1040D, line 12, and MI-4797, line 18b. See instructions for Schedule 1, line 3.

**Line 13: Income Attributable to Another State.** Nonresidents and part-year residents, complete Schedule NR. See instructions on page 50. Include federal schedules.

Michigan residents cannot subtract salaries and wages or other compensation earned outside Michigan. However, they may be entitled to a tax credit for income tax imposed by government units outside Michigan (see page 10).

**Residents may subtract, to the extent included in AGI:**

- Net business income earned in other states, and
- Net rents and royalties from real property or tangible personal property located or used in another state.

Business income that is taxed by Michigan and another state must be apportioned, including interest, dividends and capital gains. You must include Form MI-1040H. Income reported on the MI-4797 and carried to the MI-1040D is business income, potentially subject to apportionment.

Capital gains from the sale of real property or tangible personal property located outside of Michigan must be adjusted on the MI-1040D.

If you have a federal excess business loss limitation, you must complete Form MI-461. Follow instructions provided on Form MI-461 to determine if any amount is to be included here.

**Line 14:** Compensation received for active duty in the U.S. Armed Forces included in AGI should be entered here and on Schedule W, Table 1. Enter only the taxable portion of Social Security and Military pay included on your U.S. Form 1040. Do not include total Social Security benefits or any Tier 1 and Tier 2 railroad retirement benefits.

**NOTE:** Compensation from the U.S. Public Health Service, contracted employee pay and civilian pay are not considered military pay.

**Line 15: Renaissance Zone deduction.** To be eligible you must meet all the following requirements:

- Be a permanent resident of a Renaissance Zone designated prior to January 1, 2012, for at least 183 consecutive days
- Be approved by your local assessor's office
- Not be delinquent for any State or local taxes abated by the Renaissance Zone Act
- File an MI-1040 each year
- Have gross income of \$1 million or less.

If you were a full-year resident of a Renaissance Zone, you may subtract all income earned or received. Unearned income, such as capital gains, may have to be prorated.

If you lived in the Zone at least 183 consecutive days during 2022, subtract the portion of income earned while a resident of the Zone. If you are a part-year resident of a Zone, complete and include a Schedule NR with your MI-1040. (See "Note" on the bottom of the Schedule NR instructions, page 50.)

Certain Renaissance Zones began to phase out in 2007. The tax exemption is reduced in increments of 25 percent during the Zone's final three years of existence. If you are a resident of a Zone that is phasing out (check with your local unit of government), you must reduce your deduction as follows:

- 25 percent for the tax year that is two years before the final year of designation as a Renaissance Zone
- 50 percent for the tax year immediately preceding the final year of the designation as a Renaissance Zone
- 75 percent for the tax year that is the final year of the designation as a Renaissance Zone.

For additional information regarding qualifications for the Renaissance Zone deduction, contact your local assessor's office.

**Line 16:** Subtract Michigan state and city income tax refunds and homestead property tax credit refunds that were included in AGI. If you did not itemize on your federal return for tax year 2021, your 2021 refunds should not be included in your AGI and should not be subtracted here.

If you are a farmer, subtract (to the extent included in AGI) the amount that your state or city income tax refund and homestead property tax credit exceeds the business portion of your homestead property tax credit.

If you are a direct or indirect member of a flow-through entity that elected to pay the Michigan flow-through entity tax, subtract your share of a refund of that tax received by that flow-through entity and included in your distributive share. If you apportioned this flow-through income using an MI-1040H, the apportionment percentage from line 8 should be applied to the refund reported by the flow-through entity. Include a copy of the *Schedule K-1* with the *Schedule K-1* notes, or other supporting documentation received from the flow-through entity, on which the flow-through entity reported your allocated share of the refund.

An electing flow-through entity that files a composite return on your behalf should report your subtraction on that composite return (Form 807). Do not report the subtraction here.

**Line 17: Michigan 529 Contributions (MESP, MAP, MiABLE).** There are many 529 savings/investment programs nationwide, but Michigan allows a tax deduction for contributions only to the Michigan Education Saving Program (MESP), MI 529 Advisor Plan (MAP), and Michigan Achieving a Better Life Experience Program (MiABLE). Deduct, to the extent not deducted in determining AGI, the total contributions made to the plan less qualified withdrawals and rollovers (net) made in the tax year by the taxpayer. Determine the net for each Michigan 529 account separately. The total deductions on line 17 may not exceed \$10,000 for a single return or \$20,000 for a joint return, and are subject to the following additional restrictions:

- **MESP and MAP accounts combined:** may not exceed \$5,000 for a single return or \$10,000 for a joint return.

- **MiABLE accounts:** may not exceed \$5,000 for a single return or \$10,000 for a joint return.

**Line 18: Michigan Education Trust (MET).** You may deduct the following:

- If you purchased a MET 529 prepaid tuition contract during 2022, you may deduct the total contract price (including the processing fee).
- If you made a charitable contribution to the MET Charitable Tuition Program during 2022, you may deduct the total contribution amount. You should have received a receipt from MET to confirm the amount. All charitable donations will go toward providing scholarships to former foster care students attending Michigan colleges.
- If you purchased a MET payroll deduction, monthly purchase or pay-as-you-go contract, you may deduct the amount paid on that contract during 2022 (not including fees for late payments or insufficient funds). You will receive an annual statement from MET specifying this amount.
- If you have terminated a MET contract, you may deduct the amount included in AGI as income to the purchaser.

**Line 19:** Subtract the gross income subject to Michigan severance tax from the Michigan production of oil and gas or extraction of nonferrous metallic minerals to the extent included in AGI. Add back the related expenses on line 6. Include copies of applicable federal schedules.

**Line 20: Tax Agreement Tribes:** A “Resident Tribal Member” (Member must be on the list submitted by their Tribe to the State of Michigan) of a federally recognized Indian tribe that has an active tax agreement with the State of Michigan may subtract certain income that is included in his or her AGI identified on line 10 of the MI-1040. Such exempt income may include income derived from wages, interest, and pension income. For a list of agreement tribes, go to [www.michigan.gov/taxes](http://www.michigan.gov/taxes) and select “Individual Income Tax.” Under Special Filing Situations, select “Tax Information for Native Americans.” A list of tribes’ names will be available; click to access the tax agreement and proceed to Section IV. **Non-Tax Agreement Tribes:** If your tribe is not listed, your tribe does not have an active tax agreement with Michigan. Non-agreement members, see *Revenue Administrative Bulletin 1988-47* for guidelines in determining exempt income that may be subtracted on line 20.

**NOTE:** Michigan income earned while living outside of your Agreement Area (see your tribe’s agreement for a description of your Agreement Area) or Indian Country (as defined under 18 U.S.C. 1151 for Non-Agreement Tribes) may not be subtracted from Michigan AGI.

**Line 22: Miscellaneous subtractions only include:**

- Any portion of a qualified withdrawal from an MESP account, including the MAP, or MiABLE account to the extent included in federal AGI. **NOTE:** Any amounts not included in AGI or that are already deducted on the U.S. Form 1040 to arrive at AGI **do not** qualify for this subtraction.
- Benefits from a discriminatory self-insured medical expense reimbursement plan, to the extent these reimbursements are included in AGI.
- Losses from the disposal of property reported in the Michigan column of MI-1040D, line 13, or MI-4797, line 18b.

- Amount used to determine the credit for elderly or totally and permanently disabled from U.S. Form 1040 Schedule R, line 19. Include a copy.
- Holocaust victim payments.
- Ordinary and necessary expenses not deducted in determining AGI and for carrying out a trade or business licensed as a recreational marijuana establishment under the Michigan Regulation and Taxation of Marijuana Act (MRTMA). Only subtract expenses that would have been deductible had section 280E of the Internal Revenue Code not been in effect. Expenses related to a trade or business licensed as a medical marijuana facility under the Medical Marijuana Facilities Licensing Act (MMFLA) may not be subtracted. Submit a copy of the license(s) issued under the MRTMA. Include an itemized breakdown of the expenses incurred. An entity holding licenses under both the MRTMA and MMFLA must identify, itemize, and account for sales and expenses attributable to the portion of the business that is licensed for adult-use marijuana and medical marijuana, separately.
- If you elected to itemize deductions on your federal return this tax year (you did not take the standard deduction) and deducted wagering losses, you may be eligible to deduct wagering losses here. **Residents:** report the amount of wagering losses you deducted on U.S. Form 1040 Schedule A. **Nonresidents:** report the amount of wagering losses you deducted on U.S. Form 1040 Schedule A, but only those wagering losses attributable to wagering transactions placed at or through a casino or race track located in Michigan. Further, those losses are limited to the amount of wagering gains from wagering transactions placed at or through a casino or race track located in Michigan.

**Miscellaneous subtractions do not include the following (this is not an all-inclusive list):**

- Retirement and pension benefits. See Form 4884
- Itemized deductions from U.S. Schedule A (except the wagering losses described above)
- Sick pay (except railroad sick pay included in AGI), disability benefits, and wage continuation benefits paid to you by your employer or by an insurance company under contract with your employer
- Unemployment benefits included in AGI, except railroad unemployment benefits
- Contributions to national or Michigan political parties or candidates
- Proceeds and prizes won in State of Michigan regulated bingo, raffle, or charity games
- Distributions from a deferred compensation plan received while a resident of Michigan
- Lottery winnings. (Exception: installment payments from prizes won on or before December 30, 1988, may be subtracted.) Include installment gross winnings as reported on your Form W-2G, box 1, and enter on your Schedule W, Table 1.
- Adjustments for bonus depreciation not included in AGI.

**Lines 23C and 23G: Benefits From Employment with a Governmental Agency Not Covered by the Federal Social Security Act (SSA).**

SSA exempt employment is not covered by the federal SSA, which means the worker did not pay Social Security taxes and is not eligible for Social Security benefits based on that employment. Almost all employment is covered by the federal SSA. The most common instances of retirement and pension benefits from employment that is not covered by Social Security are police and firefighter retirees, some federal retirees covered under the Civil Service Retirement System and hired prior to 1984, and a small number of other state and local government retirees. Federal retirees hired since 1984 and those covered by the Federal Employees' Retirement System are covered under the SSA.

A recipient who qualifies under both of the following conditions is entitled to a greater retirement or pension deduction or Tier 2 Michigan Standard Deduction.

- Born between January 1, 1946 and January 1, 1961, or is born after December 31, 1952 and retired as of January 1, 2013 and
- Receives, or whose spouse receives, retirement or pension benefits from employment with a governmental agency that was not covered by the federal SSA.

**Line 23C: Answer the following questions to determine if you should check box 23C.**

1. What is your current filing status?  
Single: Continue to question 2.  
Married filing jointly: Continue to question 5.  
Married filing separately: Continue to question 5.
2. Was the filer or, if applicable, the deceased spouse, born between January 1, 1946 and January 1, 1961 and did they reach age 62?  
Yes: Continue to question 4.  
No: Continue to question 3.
3. Did the filer or, if applicable, the deceased spouse, retire as of January 1, 2013 and receive retirement benefits from SSA exempt employment?  
Yes: Check box 23C.  
No: Stop. You are not eligible to check box 23C.
4. Did the filer or, if applicable, the deceased spouse, receive retirement benefits from SSA exempt employment?  
Yes: Check box 23C.  
No: Stop. You are not eligible to check box 23C.
5. Was the older of the filer or, if filing jointly, spouse, born between January 1, 1946 and January 1, 1961 and did they reach age 62?  
Yes: Continue to question 7.  
No: Continue to question 6.
6. Did the filer retire as of January 1, 2013?  
Yes: Continue to question 7.  
No: Stop. You are not eligible to check box 23C.
7. Did the filer receive retirement benefits from SSA exempt employment?  
Yes: Check box 23C.  
No: Continue to question 8.

8. Did the filer receive retirement benefits from SSA exempt employment as a surviving spouse?

Yes: Check box 23C.

No: Stop. You are not eligible to check box 23C.

**Line 23D:** Check the box if you were born after 1952, were retired as of January 1, 2013 and also received retirement benefits from SSA exempt employment.

**Line 23G: Answer the following questions to determine if you should check box 23G.**

1. Was the older of the filer or spouse born between January 1, 1946 and January 1, 1961 and did they reach age 62?  
Yes: Continue to question 3.  
No: Continue to question 2.
2. Did the spouse retire as of January 1, 2013?  
Yes: Continue to question 3.  
No: Stop. You are not eligible to check box 23G
3. Did the spouse receive retirement benefits from SSA exempt employment?  
Yes: Check box 23G.  
No: Continue to question 4.
4. Did the spouse receive retirement benefits from SSA exempt employment as a surviving spouse?  
Yes: Check box 23G.  
No: Stop. You are not eligible to check box 23G.

**Line 23H:** Check the box if your spouse was born after 1952, was retired as of January 1, 2013 and also received retirement benefits from SSA exempt employment.

**Line 24: Tier 2 Michigan Standard Deduction.** If the older of you or your spouse (if married filing jointly) was born during the period January 1, 1946 through December 31, 1952, and reached the age of 67, you are eligible for a deduction against all income and will no longer deduct retirement and pension benefits. The deduction is \$20,000 for a return filed as single or married filing separately, or \$40,000 for a married filing jointly return. If you checked either box 23C or 23G your standard deduction is increased by \$15,000. If you checked both boxes 23C and 23G your standard deduction is increased by \$30,000. The standard deduction is reduced by any amounts reported on line 11 and any military pay included on line 14.

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 your spouse died, you are eligible for your standard deduction. However, you may elect to take the retirement and pension benefits subtraction based on your older deceased spouse's year of birth subject to the limits available for a single filer. To elect the retirement and pension benefits subtraction instead of your standard deduction, see "Retirement Benefits Election for Tier 2 and Tier 3 Surviving Spouses" on page 18.

**Exception:** You may also claim the Tier 2 Michigan Standard Deduction if the older of you or your spouse (if filing a joint return) was born during the period January 1, 1953 through January 1, 1956 and reached age 67, you or your spouse was retired as of January 1, 2013 and also received retirement benefits from SSA exempt employment.

In most cases, taxpayers who are eligible to complete line 24 do not complete lines 25, 26 or 27. However, if a taxpayer is the unremarried surviving spouse of a decedent born prior to 1946 who also died after reaching age 65, check the box below line 27 to claim both the Tier 2 Michigan standard deduction on line 24 and a dividend/interest/capital gains deduction for investment income on line 27 (if applicable).

**Line 25: Tier 3 Michigan Standard Deduction.** If the older of you or your spouse (if married filing jointly) was born during the period January 1, 1953 through January 1, 1956, and reached the age of 67 on or before December 31, 2022, you may be eligible for a Tier 3 Michigan Standard Deduction. You are considered 67 the day before your 67th birthday. This deduction is up to \$20,000 for a return filed as single or married filing separately, or up to \$40,000 for a married filing jointly return. Exemption(s) claimed on MI-1040, lines 9a and 9d, taxable Social Security benefits, military compensation (including retirement benefits), Michigan National Guard retirement benefits and railroad retirement benefits included in AGI may reduce the amount eligible to be claimed on this line. To determine your Tier 3 Michigan Standard Deduction, complete Worksheet 2 and enter the result on this line.

Worksheet 2 has been set up such that a taxpayer claiming the Tier 3 Michigan Standard Deduction will still complete the personal exemption and applicable subtractions normally.

Filers born January 1, 1953 through January 1, 1956, were retired as of January 1, 2013, and also received benefits from SSA exempt employment, see exception on line 24.

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 your spouse died, you are eligible for

your standard deduction. However, you may elect to take the retirement and pension benefits subtraction based on your older deceased spouse's year of birth subject to the limits available for a single filer. To elect the retirement and pension benefits subtraction instead of your standard deduction, see "Retirement Benefits Election for Tier 2 and Tier 3 Surviving Spouses" on page 18.

In most cases, taxpayers who are eligible to complete line 25 do not complete lines 24, 26 or 27. However, if a taxpayer is the unremarried surviving spouse of a decedent born prior to 1946 who also died after reaching age 65, check the box below line 27 to claim both the Tier 3 Michigan standard deduction on line 25 and a dividend/interest/capital gains deduction on line 27 (if applicable).

**Note:** Nonresidents and part-year residents, complete Worksheet 2 as follows:

**Line 2:** Enter total military retirement benefits due to service in the U.S. Armed Forces or Michigan National Guard or taxable railroad retirement benefits included in AGI. Do not enter only the portion attributable to Michigan.

**Line 3:** Enter total taxable social security benefits or military pay included in AGI. Do not enter only the portion attributable to Michigan.

**Line 4:** Multiply MI-1040, lines 9a and 9d by the percentage from Schedule NR, line 18.

**Line 26:** Qualifying retirement and pension benefits included in your AGI may be subtracted from income. Retirement and pension benefits are taxed differently depending on the age of the recipient. See "Which Benefits are Taxable". You must include Form 4884. If you were born during the period January 1, 1946 through January 1, 1956, see lines 24 or 25.

**Line 27: Senior citizens** born prior to 1946 (or the unremarried surviving spouse of a decedent born prior to 1946 who also died after reaching age 65) may subtract interest, dividends, and capital gains included in AGI. This subtraction is limited to a maximum of \$12,697 on a single return or \$25,394 on a joint return, which must be reduced by any deduction for:

- Military (including Michigan National Guard) retirement benefits from line 11
- Railroad retirement benefits from line 11
- Public and private retirement and pension benefits from line 26
- Amount used for the federal credit for the elderly and totally and permanently disabled from line 22.

For further assistance, go to [www.michigan.gov/iit](http://www.michigan.gov/iit).

**Line 29: 2022 Michigan NOL Deduction.** Enter the amount calculated on *Michigan Net Operating Loss Deduction* (Form 5674).

## WORKSHEET 2: TIER 3 MICHIGAN STANDARD DEDUCTION

**Nonresidents and part-year residents, see instructions.**

1. Enter \$20,000 if single or married filing separately or \$40,000 if married filing a joint return .....
2. Military retirement benefits due to service in the U.S. Armed Forces or Michigan National Guard or taxable railroad retirement benefits included in AGI from Schedule 1, line 11 .....
3. Taxable Social Security benefits or military pay included in AGI from Schedule 1, line 14 .....
4. Enter the amounts from MI-1040, lines 9a and 9d .....
5. Add lines 2 through 4 .....
6. Subtract line 5 from line 1. If line 5 is greater than line 1, enter "0." Enter the result here and carry to Schedule 1, line 25 .....

**Note:** Worksheet 2 has been set up such that a taxpayer claiming the Tier 3 Michigan Standard Deduction will still complete the personal exemption and applicable subtractions normally.