

THE AMERICAN LEGION DEPARTMENT OF MICHIGAN



May 13th, 2011

From: Doug Williams, Legislative Chairman
To: All Michigan Legion members

Subj: NEW PENSION LEGISLATION PASSED MAY 12, 2011

The Michigan Legislature and Senate passed legislation that will go to the Governor's desk for signature. This legislation changes the state's business tax structure and places taxes on some pensions. Below is a highlight of what and who the new law effects, please share this with your fellow Legionnaires. Many veterans throughout the state fall into many of the categories and will need to know this information.

Background on the tax plan:

- HB 4361-2 eliminates the Michigan Business Tax and replaces it with a flat corporate income tax.
- This plan is a net tax cut of \$700 million over three years for Michiganders.
- Seniors who are 67 or older in 2012 **do not** see a change to their pension exemptions.
- Residents between 60 and 66 in 2012 have an exemption up to \$20,000 of retirement income, \$40,000 for joint filers. When they hit age 67, that exemption applies to all income.
- Anyone younger has their exemptions removed until they reach age 67, when they receive the \$20,000/\$40,000 exemption.
- Residents who receive Social Security income and military pensions **do not** see a change in their pension exemptions.
- The Michigan EITC is reduced from 20% of the federal credit to 6%.
 - The Homestead Property Tax Credit remains at 60% for non-seniors, as is current law. Seniors have a sliding scale based on income to determine the size of their credit.
- Existing tax credits for businesses will be honored, but no new credits will be awarded. Brownfield and historic preservation credits will be bought out at 90% of their value so that the state can fulfill its liabilities immediately.
- The bill closes a loophole for flow-through entities that makes sure out-of-state members pay taxes on the income they earn from ownership interest in a Michigan business.