

January 2012

Michigan Income Tax Changes for Retirement Benefits Effective for Tax Year 2012

TAXPAYERS BORN BEFORE 1946

No Change in Current Law

- Social Security is exempt.
- Senior citizen subtraction for interest, dividends, and capital gains is unchanged.
- Public pensions exempt.
- Private pensions subtract up to \$45,842 for single filers and \$91,684 for joint filers (based on 2011 but indexed for inflation).

TAXPAYERS BORN 1946 - 1952

Before the Taxpayer Reaches Age 67

- Social Security is exempt.
- Railroad pension is exempt.
- Military pension is exempt.
- Not eligible for the senior citizen subtraction for interest, dividends and capital gains.
- Public and private pension limited subtraction of \$20,000 for single filers or \$40,000 for joint filers.

After the Taxpayer Reaches Age 67

- Social Security is exempt.
- Railroad pension is exempt (but see below).
- Military pension is exempt (but see below).
- Not eligible for senior citizen subtraction for interest, dividends and capital gains.
- Subtraction against all income of \$20,000 for single filers and \$40,000 for joint filers.
- Not eligible for this income subtraction if choosing to claim a military or tier 2 railroad pension exemption.

TAXPAYERS BORN AFTER 1952

Before the Taxpayer Reaches Age 67

- Social Security is exempt.
- Railroad pension is exempt.
- Military pension is exempt.
- Not eligible for the senior citizen subtraction for interest, dividends and capital gains.
- Not eligible for public or private pension subtraction.

After the Taxpayer Reaches Age 67

- Not eligible for senior citizen subtraction for interest, dividends and capital gains.
- Not eligible for public or private pension subtraction.

For joint returns, the age of the oldest spouse determines the age category that will apply to the pension and retirement benefits of both spouses, regardless of the age of the younger spouse.