

**Accounting Aid Society  
Tax Assistance Program  
2017 Filing Season**

**Guide for Pension Subtraction on the Michigan Return in TaxSlayer Pro Online 2016**

**BEFORE** subtracting a distribution from a retirement plan on the Michigan return, make sure that it is a qualifying distribution using a two-step process: (1) Use the distribution code chart. (2) Then, there may be a limitation on the amount of the subtraction based on the year of birth and age of the taxpayer or spouse (if married). Distributions that are premature under the terms of the retirement plan are always taxable regardless of the year of birth.

- Reference the 2016 Michigan Form 1040 instructions, beginning on page 11, for complete instruction on Subtractions from Income.
- Also refer to the pages at the end of this document from Michigan Department of Treasury's web site:
  - The 2016 Pension and Retirement Benefits Chart (entitled *Income Tax for Retirement Benefits Effective for Tax Year 2016*). Note: This chart is a two-sided document for tax year 2016. Please be sure to reference the second page for Tier 2 beneficiaries who have reached age 67.
  - *2016 Retirement and Pension Information* for more information about qualified distributions, the subtraction, and Form 1099-R distribution codes.

**REPORTING THE MICHIGAN SUBTRACTION** – The subtraction for qualified distributions are reported on various lines of the Michigan individual income tax return. (This information is provided for informational purposes so the preparer and quality reviewer will be aware of which lines to look at on the preview of the return to ensure that subtractions are being accurately and correctly reported.)

- Schedule 1, Additions and Subtractions (page 2 is attached):
  - Line 11 – Military retirement benefits due to service in the U.S. Armed Forces or Michigan National Guard, or taxable railroad retirement benefits
  - Line 14 – Taxable Social Security benefits or military pay (not retirement)
  - Line 24 – Michigan Standard Deduction – This is not a subtraction of retirement benefits, but instead a deduction against all income for certain taxpayers; see more information below.
  - Line 25 – Retirement benefits. Amounts from line entries on Form 4884, Pension Schedule, are carried over to Schedule 1, line 25.
- Schedule W, Withholding Tax Schedule – Military & Michigan National Guard retirement benefits and railroad retirement benefits should also be included on Schedule W, Table 2, even if no Michigan tax was withheld.
- Form 4884, Pension Schedule – Qualified distributions for those born before 1946 (Tier 1), those born in 1946 through 1952 (Tier 2, before reaching age 67), and surviving spouses of those in Tiers 1 & 2, are included on this form. Amounts from Form 4884 carry over to line 25 of Schedule 1, Additions and Subtractions.

**MICHIGAN STANDARD DEDUCTION** – If the older of the taxpayer or spouse (if married) was born during the period January 1, 1946 through January 1, 1950, and reached age 67 on or before 12/31/2016, they are not eligible for the retirement benefits subtraction. Instead, they are eligible for the standard deduction against all income of \$20,000 for single filers and \$40,000 for joint filers, reported on line 24 of Schedule 1.

**SSA EXEMPT: PENSIONS FROM EMPLOYMENT WITH GOVERNMENTAL AGENCIES NOT COVERED BY THE SOCIAL SECURITY ACT** – Individuals with these types of pensions are eligible for an increased subtraction or standard deduction, limited by any subtraction on the return for military pay and for military & Michigan National Guard retirement benefits and railroad retirement benefits. Reference the instructions for Schedule 1, lines 23C and 23F, and the Pension and Retirement Benefits Chart for Tier 2 and Tier 3 beneficiaries.

**TAXSLAYER ENTRIES** – Additional steps are necessary in the Michigan return section of the software to subtract qualified distributions. See the next pages for detailed instruction.

Note: Certain scenarios may require a handwritten return be mailed in; check the software to see if the subtraction from income is properly reported for:

- Individuals born on 1/1/1950 are deemed age 67 at 12/31/2016, and are eligible for the Michigan standard deduction, not the subtraction for retirement benefits.
- Individuals born on 1/1/1955 **AND** who received a pension or retirement from employment with a government agency that was not covered by the Social Security Act are deemed age 62 at 12/31/2016, and are eligible for the subtraction of \$15,000 for single filers/\$30,000 for joint filers.

**CONSIDER** the 1099-R distribution code, the year taxpayer or spouse was born, the payer, and the taxpayer’s circumstances when determining if a pension or retirement benefit is eligible for subtraction.

**Table I** – Includes instruction for Certain Types of Pension or Retirement Distributions, based on the payer

**Table II** – Includes instruction on the basic subtraction for payers other than those listed in Table I

**Table III** –Includes instruction for 1099-R, Box 7 Distribution Codes

<b>TABLE I – Subtraction for Certain Retirement Benefits</b>	
<b>Type of Pension or Retirement Benefit</b>	<b>TaxSlayer 2016 Instruction</b>
<p><u>Social Security benefits (Form SSA-1099):</u> Any taxable benefits included in Adjusted Gross Income (AGI) are exempt on the Michigan income tax return.</p>	<ul style="list-style-type: none"> <li>▪ (In the federal section, enter these on the <b>Social Security SSA-1099/RRB-1099 Tier I</b> page.)</li> <li>▪ No additional entry needed in the Michigan return section.</li> </ul>
<p><u>Railroad Retirement Board Benefits, Tier 1 (Form RRB-1099, blue form):</u> Any taxable benefits included in Adjusted Gross Income (AGI) are exempt on the Michigan income tax return.</p>	<ul style="list-style-type: none"> <li>▪ (In the federal section, enter these on the <b>Social Security SSA-1099/RRB-1099 Tier I</b> page.)</li> <li>▪ No additional entry needed in the Michigan return section.</li> </ul>
<p><u>Railroad Retirement Board Benefits, Tier 2 (Form RRB-1099-R, green form):</u> These benefits are exempt on the Michigan income tax return for all recipients regardless of age.</p>	<ul style="list-style-type: none"> <li>▪ (In the federal section, enter these on the <b>RRB-1099-R</b> page.)</li> <li>▪ No additional entry needed in the Michigan return section.</li> </ul>
<p><u>U.S Military pensions and Michigan National Guard pensions:</u> These pensions are exempt on the Michigan income tax return for all recipients regardless of age.</p>	<ul style="list-style-type: none"> <li>▪ (In the federal section, enter these on the <b>1099-R</b> page.)</li> <li>1) On the <b>Michigan State Return</b> page that begins with Basic Information, select <b>Subtractions from Income</b></li> <li>2) <b>Subtractions from Income</b> page: Select the first line for <b>Amount included in MI-1040, line 10, from military retirement benefits due to service in the U.S. Armed Forces or Michigan National Guard. Benefits entered in 1099RRB will automatically carryforward</b></li> <li>3) On the next page, enter the taxable amount included in Adjusted Gross Income (AGI)</li> </ul>
<p><u>Benefits from Employment not Covered by the Federal Social Security Act – Examples:</u></p> <ul style="list-style-type: none"> <li>▪ Some federal retirees with benefits reported on: <ul style="list-style-type: none"> <li>○ Form CSA- 1099-R (Civil Service Retirement Benefits for annuities paid)</li> <li>○ Form CSF- 1099-R (Civil Service Retirement Benefits for survivor annuities paid)</li> </ul> </li> <li>▪ Police and firefighter retirees</li> <li>▪ A small number of other state and local government retirees</li> </ul> <p>The beneficiary should know if their employment was covered by the Social Security Act; i.e. they had Social Security tax withheld from their wages.</p> <p>See page 13 of the 2016 MI-1040 instructions book for information on these benefits.</p>	<ul style="list-style-type: none"> <li>▪ (In the federal section, these are entered on the <b>1099-R</b> page.)</li> <li>1) On the <b>Michigan State Return</b> page that begins with Basic Information, select <b>Subtractions from Income</b></li> <li>2) <b>Subtractions from Income</b> page: Scroll to the bottom and select <b>Deductions for Taxpayers Born before 1953</b></li> <li>3) <b>Deductions for Taxpayers Born before 1953</b> page: <ul style="list-style-type: none"> <li>a) Answer Yes in the selection box for “<b>Check if SSA Exempt</b>”</li> <li>b) Select <b>Retirement Benefits that are Exempt from Michigan Income Tax</b></li> </ul> </li> <li>4) Continue with instructions in Table II at step 4.</li> </ul>

**TABLE II – Basic Subtraction for Most Retirement Benefits (those not listed in Table I)**

	TaxSlayer 2016 Instruction
<p><u>Other private and public pension and retirement benefits than those listed in Table 1</u></p> <p><b>NOTES:</b></p> <ul style="list-style-type: none"> <li>▪ Age of the older spouse determines treatment</li> <li>▪ Do not subtract pension benefits for those born during the period January 1, 1946 through January 1, 1950, other than military or Michigan National Guard benefits. These individuals get a standard deduction against all income; TaxSlayer calculates the deduction.</li> <li>▪ The subtraction for benefits received as a survivor of a deceased spouse is based on the year of birth of the deceased spouse and the filing status of the surviving spouse.</li> <li>▪ Remember to always consult the instructions as issues and questions arise as you encounter taxpayers with retirement and pension benefits</li> </ul>	<ol style="list-style-type: none"> <li>1) On the <b>Michigan State Return</b> page that begins with Basic Information, select <b>Subtractions from Income</b></li> <li>2) <b>Subtractions from Income</b> page: Scroll to the bottom and select <b>Deductions for Taxpayers Born before 1953</b></li> <li>3) <b>Deductions for Taxpayers Born before 1953</b> page: Select <b>Retirement Benefits that are Exempt from Michigan Income Tax</b> (See Table I for instruction on <b>SSA Exempt</b> selection box.)</li> <li>4) <b>Retirement Benefits that are Exempt from Michigan Income Tax</b> page:             <ol style="list-style-type: none"> <li>a) “<b>Do you have Retirement Benefits that are Exempt from Michigan Income Tax?</b>” Answer Yes</li> <li>b) If retirement benefits from a deceased spouse, make the applicable entries</li> <li>c) Select <b>Retirement and Pension Benefits</b> at the bottom of this page.</li> </ol> </li> <li>5) <b>Retirement and Pension Benefits</b> page: Select <b>1) Payer from 1099-R</b>, or a different line if a previous 1099-R had been entered.</li> <li>6) <b>1) Payer from 1099-R</b> page: Complete all entry fields making note of the following fields:             <ol style="list-style-type: none"> <li>a) FEIN – <i>Do not</i> include the hyphen</li> <li>b) Private – Select Yes unless the distribution is from federal civil service, the State of Michigan, Michigan local governmental units (e.g., Michigan counties, cities school districts). Distributions from certain other States are considered public for Tier 1 beneficiaries; see page 54 of the 2016 Tax Text at <a href="http://www.michigan.gov/taxes">www.michigan.gov/taxes</a>,</li> <li>c) Pension Amount – Enter the total amount included in AGI: TaxSlayer will apply any limitations.</li> </ol> </li> <li>7) Continue through the rest of the Michigan return.</li> </ol>

**TABLE III – Subtraction Based on Distribution Code in Box 7 of Form 1099-R**

<b>Form 1099-R, Box 7 Distribution Code</b>	<b>TaxSlayer 2016 Instruction</b>
<p><u>Code 1 – Early distribution, no known exception:</u> Distributions are not exempt (not eligible for subtraction)</p> <p><u>Codes 5, 6, 8 and 9 – Out of scope</u></p>	<p>No additional entries necessary in TaxSlayer for Code 1 distributions; they cannot be subtracted on the Michigan return.</p> <p>Do not prepare returns for taxpayers with distribution codes 5, 6, 8 and 9 on Form 1099-R. (Refer to pages D-23—D-24 of Pub 4012 for instruction on other distribution codes.)</p>
<p><u>Code 2 – Early distribution, exception applies:</u> These distributions are not always eligible for a Michigan tax exemption. See the chart of distribution codes on the attached Michigan Department of Treasury pages for a complete description of eligibility.</p> <p>For a code 2 distribution, the taxpayer needs to find out and tell us if the distribution is part of a series of mainly equal lifetime payments. It is not up to the preparer to make this determination.</p>	<p>If the distribution can be subtracted, see the instructions in Tables I and II.</p> <p>If the distribution is not eligible for subtraction, no additional entry needed.</p>
<p><u>Code 3 – Disability:</u> Distributions are exempt (eligible for subtraction)</p> <ul style="list-style-type: none"> <li>▪ These distributions are eligible for subtraction even if the distribution is treated as wages on the federal return (and eligible for federal and state earned income tax credits) because at the time of the distribution the recipient retired on disability and was below the minimum retirement age as set by the employer.</li> <li>▪ The taxpayer needs to find out the minimum age for retirement; the preparer should not make the determination. See IRS Publication 17 for complete instruction on disability pensions.</li> </ul>	<ol style="list-style-type: none"> <li>1) If the distribution should be reported as wages (taxpayer retired on disability and is below the minimum retirement age as set by the employer):             <ol style="list-style-type: none"> <li>a) On the <b>Form 1099-R</b> page, scroll to <b>the Rollover or Disability</b> section and check the box for <b><i>Check here to report on Form 1040, Line 7 (Distribution code must be a “3”)</i></b></li> <li>b) On the <b>RRB-1099-R</b> page, check the box at the bottom right of the page for <b><i>Check here to report on Form 1040, Line 7</i></b></li> </ol> </li> <li>2) For the pension subtraction, see the instructions in Tables I and II.</li> </ol>
<p><u>Code 4 – Death:</u> These distributions are not always eligible for a Michigan tax exemption.</p> <ul style="list-style-type: none"> <li>▪ The benefit can be subtracted for a surviving spouse <b><i>only</i></b>; and <b><i>only</i></b> if the decedent would have also qualified for a normal distribution code 7 at the time of death. (See the chart of distribution codes on the attached Michigan Department of Treasury pages for a complete description of eligibility.)</li> </ul>	<ol style="list-style-type: none"> <li>1) If the distribution is not eligible for subtraction, no additional entry needed.</li> <li>2) If the distribution is from a deceased spouse who was born before January 1, 1953, and the other test is met::             <ol style="list-style-type: none"> <li>a) Go to <b>Subtractions from Income</b> page →Then click on <b><i>Deductions for Taxpayers Born before 1953</i></b> at the bottom of the page →Then click on <b><i>Retirement Benefits that are Exempt from Michigan Income Tax</i></b></li> <li>b) <b><i>Retirement Benefits that are Exempt from Michigan Income Tax</i></b> page: Enter the deceased spouse’s name, SSN, and year of birth. See further instruction in Table II, step 4.</li> </ol> </li> </ol>
<p><u>Code 7 – Normal distribution:</u> Distributions are exempt (eligible for subtraction)</p>	<p>See the instructions in Tables I and II.</p>

**INCOME TAX FOR RETIREMENT BENEFITS  
EFFECTIVE FOR TAX YEAR 2016**

<p style="text-align: center;"><b>Taxpayers born before 1946 (Tier 1)</b></p>	<p style="text-align: center;"><b>Taxpayers born 1946 through 1952 (Tier 2) Before the taxpayer reaches age 67</b></p>	<p style="text-align: center;"><b>Taxpayers born after 1952 (Tier 3) Before the taxpayer reaches age 67</b></p>
<ul style="list-style-type: none"> <li>• Social Security is exempt.</li> <li>• Senior citizen subtraction for interest, dividends, and capital gains up to \$11,115 for single filers and \$22,229 for joint filers.*</li> <li>• Public pensions exempt.</li> <li>• Private pensions, subtract up to \$49,861 for single filers and \$99,723 for joint filers.</li> </ul> <p>* Subtraction may be limited if pension benefits are also subtracted.</p>	<ul style="list-style-type: none"> <li>• Social Security is exempt.</li> <li>• Railroad and Michigan National Guard pension is exempt.</li> <li>• Military compensation and pension is exempt.</li> <li>• Not eligible for the senior citizen subtraction for interest, dividends, and capital gains.</li> <li>• Public and private pension limited subtraction of \$20,000 for single filers or \$40,000 for joint filers.</li> <li>• Pensions from employment with governmental agencies not covered by the Social Security Act. \$35,000 for single filer, \$55,000 for joint filers, or \$70,000 for joint filers if both spouses worked for an "uncovered" agency.</li> </ul>	<ul style="list-style-type: none"> <li>• Social Security is exempt.</li> <li>• Railroad and Michigan National Guard pension is exempt.</li> <li>• Military compensation and pension is exempt.</li> <li>• Not eligible for the senior citizen subtraction for interest, dividends, and capital gains.</li> <li>• Not eligible for public or private pension subtraction.</li> <li>• At age 62, pensions from employment with governmental agencies not covered by the Social Security Act. \$15,000 for single or joint filers or \$30,000 for joint filers if both spouses worked for an "uncovered" agency.</li> </ul>

**INCOME TAX FOR RETIREMENT BENEFITS  
EFFECTIVE FOR TAX YEAR 2016**

<p style="text-align: center;"><b>Taxpayers born 1946 through 1952 (Tier 2) After the taxpayer reaches Age 67</b></p>	<p style="text-align: center;"><b>Taxpayers born after 1952 (Tier 3) After the taxpayer reaches Age 67 (will first occur in 2020)</b></p>
<ul style="list-style-type: none"> <li>• Social Security is exempt.</li> <li>• Railroad and Michigan National Guard pension is exempt (see below).</li> <li>• Military compensation and pension is exempt (see below).</li> <li>• Not eligible for the senior citizen subtraction for interest, dividends, and capital gains.</li> </ul> <p>Eligible for <b>Standard deduction</b>:</p> <ul style="list-style-type: none"> <li>• Subtraction against all income of \$20,000 for single filers and \$40,000 for joint filers.</li> <li>• Subtraction increased to \$35,000 for single filers and \$55,000 for joint filers with pensions from employment with governmental agencies not covered by the Social Security Act, or to \$70,000 for joint filers if both spouses worked for an "uncovered" agency.</li> <li>• Not eligible for this income subtraction to the extent Military income and Railroad/Michigan National Guard pension exemption is claimed.</li> </ul>	<ul style="list-style-type: none"> <li>• Not eligible for the senior citizen subtraction for interest, dividends, and capital gains.</li> <li>• Not eligible for public or private pension subtraction.</li> <li>• Income exemption election:             <ul style="list-style-type: none"> <li>○ <b>Elect</b> exemption against all income of \$20,000 for single filers or \$40,000 for joint filers</li> </ul> </li> </ul> <p>Note: No exemption for Social Security, Military compensation and pension, and Railroad/Michigan National Guard pension. No personal exemptions</p> <p><b>OR</b></p> <ul style="list-style-type: none"> <li>○ <b>Elect</b> to exempt Social Security, Military compensation and pension, and Railroad/Michigan National Guard pension. May claim personal exemptions.</li> </ul>

## 2016 Retirement & Pension Information

### What are retirement and pension benefits?

Under Michigan law, 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. Retirement and pension benefits are taxable based on date of birth (see age groups below). Regardless of date of birth, the following are **not** taxed:

- US Military pensions
- Michigan National Guard pensions
- Social Security
- Railroad benefits
- Rollovers not included in the Federal Adjusted Gross Income (AGI)

### What are Qualified Distributions?

A subtraction is allowed on the Michigan return for qualifying distributions from retirement plans. Retirement plans include private and public employer plans, and individual plans such as IRA's. To be considered a qualified distribution for the subtraction, several requirements must be met. For employer plans, an employee must have retired under the provisions of the plan, the pension benefits must be paid from a retirement trust fund, and the payment must be made to either the employee or a surviving spouse. (Payments made to a surviving spouse are only deductible if the employee qualified for the subtraction at the time of death.)

For qualifying distributions, there may be a limitation on the amount of the exemption that can be claimed.

### What Distributions Do Not Qualify for a Subtraction?

Certain distributions reported on form 1099-R are not retirement or pension benefits. Under Michigan law, deferred compensation is taxable. These distributions include:

- All distributions from 457 plans
- Distributions from 401(k) or 403(b) plans sourced to employee contributions and the earnings from those contributions if they were not matched by the employer.
- Early distributions under the terms of the retirement plan are always taxable regardless of the date of birth of the taxpayer. (See retirement code chart for 1099-R below.)

**NOTE:** When considering your pension subtraction, 'surviving spouse' means the deceased spouse died prior to the current tax year (e.g., when filing a 2016 return the spouse died in 2015). Deceased spouse benefits do not include benefits from a spouse who died in 2016. If you or your spouse received pension benefits from a deceased spouse, see [Form 4884, Michigan Pension Schedule instructions](#).

### Form 1099-R Distribution Codes

Qualification for a subtraction is a two-step process. Use the distribution chart (step one) to determine whether your retirement and/or pension benefits qualify as a subtraction. Then use the appropriate [age category](#) (step two). You must meet both qualification requirements in order to be eligible for a retirement and/or pension benefits subtraction.

If you do not qualify based on the distribution chart (step one), then you do not have a qualified subtraction and step two is not applicable.

Form 1099-R reports the total retirement and pension benefits you received during the year. Please refer to box 7 on Form(s) 1099-R for the distribution code(s) that describes the condition under which the retirement or pension benefit was paid. This chart lists distribution codes and describes eligibility of benefits for subtraction based on each code. Some exceptions exist. If your distribution code is not included in the list below or if you have questions on eligibility of your benefits, please consult your tax professional.

<b>Form 1099-R Distribution Codes</b>	
<b>Form 1099-R Distribution Codes</b>	<b>Is the condition eligible for Michigan tax exemption? (Dollar Limits may still apply)</b>
<b>1 - Early distribution, no known exception.</b>	<b>No.</b>
<b>2 - Early distribution, exception applies.</b>	<b>No, unless:</b> Part of a series of mainly equal periodic payments made for the life of the employee or the joint lives of the employee and their beneficiary; Early retirement under the terms of the plan.
<b>3 - Disability.</b>	<b>Yes.</b>
<b>4 - Death.</b>	<b>Yes, for surviving spouse only</b> and only if the decedent would have also qualified for a normal distribution under Distribution Code 7 at the time of death. <b>No, for all other beneficiaries.</b> <b>No</b> , if paid as a death benefit payment made by an employer but not made as part of a pension, profit sharing, or retirement plan.
<b>5 - Prohibited transaction.</b>	<b>No.</b>
<b>6 - Section 1035 exchange. The exchange of life insurance</b>	<b>No.</b>
<b>7 - Normal distribution.</b>  <ul style="list-style-type: none"> <li>• normal distribution from a plan,</li> <li>• distribution from a traditional IRA, if the participant is at least 59½,</li> <li>• Roth conversion if the participant is at least age 59½,</li> <li>• distribution from a life insurance, annuity, or endowment contract must be 65 and part of a series of mainly equal periodic payments made for the life of the employee or the joint lives of the employee and their beneficiary.</li> </ul>	<b>Yes.</b>
<b>8 - Excess contribution plus earnings/excess deferrals (and/or earnings) taxable in 2016.</b>	<b>No.</b>
<b>9 - Cost of current life insurance protection.</b>	<b>No.</b>

## **For joint filers, the age of the oldest spouse determines the age category.**

[Recipients born before 1946](#)

[Recipients born during the period January 1, 1946 through January 1, 1950](#)

[Recipients born after January 1, 1950 through December 31, 1952](#)

[Recipients born after 1952](#)

### **Recipients born before 1946:**

For 2016 you may subtract all qualifying retirement and pension benefits received from public sources, and may subtract private retirement and pension benefits up to \$49,861 if single or married filing separately or up to \$99,723 if married filing jointly. Private subtraction limits must be reduced by public benefits subtracted. Withholding will only be necessary on taxable pension payments (private pension payments) that exceed the pension limits stated above for recipient born before 1946.

- Complete [Form 4884, Michigan Pension Schedule](#).
- Military pensions, Michigan National Guard pensions and Railroad Retirement benefits are entered on Schedule 1, line 11. These continue to be exempt from tax. They must be reported on Schedule W Table 2, even if no Michigan tax was withheld.
- Social Security benefits included in your adjusted gross income are entered on Schedule 1, line 14 and are exempt from tax.
- Public pensions can include benefits received from the federal civil service, State of Michigan public retirement systems and political subdivisions of Michigan.
- Rollovers not included in the Federal Adjusted Gross Income (AGI) will not be taxed in Michigan.
- Subtraction for dividends, interest, and capital gains is limited to \$11,115 for single filers and \$22,229 for joint filers, less any deductions for retirement benefits including US military, Michigan National Guard, and railroad retirement benefits.

**Note: If you were born prior to January 1, 1946 and you receive a public pension(s) from a state other than Michigan,** you should treat the public pensions received from the following states as totally exempt: Alaska, Florida, Hawaii, Illinois, Massachusetts, Mississippi, Nevada, New Hampshire, Pennsylvania, South Dakota, Tennessee, Texas, Washington, and Wyoming because they do not tax Michigan public pensions. Michigan residents who receive public pensions from states not listed should treat the pension as a private pension.

### **Recipients born during the period January 1, 1946 through January 1, 1950:**

If the older of you or your spouse (if married filing jointly) was born during the period January 1, 1946 through January 1, 1950, and reached the age of 67 on or before December 31, 2016, you are eligible for a deduction against all income and will no longer deduct retirement and pension benefits. Complete Schedule 1, line 24 instead of Michigan Pension Schedule, Form 4884.

The deduction is \$20,000 for a return filed as single or married, filing separately, or \$40,000 for a return filed as married, filing jointly. If you checked either SSA Exempt box 23C or 23F from Schedule 1, your deduction is increased by \$15,000. If you checked both boxes 23C and 23F your deduction is increased by \$30,000.

The standard deduction is reduced by military pay (included on [Schedule 1](#), line 14), military and/or railroad retirement benefits (both reported on Schedule 1, line 11)

## Recipients born after January 1, 1950 through December 31, 1952:

You may subtract the first \$20,000 for single or married filing separately, or \$40,000 for married filing jointly, of all private and public pension and annuity benefits. If you checked either SSA Exempt box 23C or 23F from Schedule 1, your deduction is increased by \$15,000. If you checked both boxes 23C and 23F your deduction is increased by \$30,000. Benefits in excess of these limits are taxable to Michigan.

- Complete [Form 4884, Michigan Pension Schedule](#).
- Military pensions, Michigan National Guard pensions and Railroad Retirement benefits are entered on Schedule 1, line 11. These continue to be exempt from tax. They must be reported on Schedule W Table 2, even if no Michigan tax was withheld.
- Social Security benefits included in your adjusted gross income are entered on Schedule 1, line 14 and are exempt from tax.
- Rollovers not included in the Federal Adjusted Gross Income (AGI) will not be taxed in Michigan.

## Recipients born after 1952:

All retirement (private and public) and pension benefits are taxable to Michigan, unless one of following applies:

- The older of you or your spouse (if married filing jointly) was born on or after January 1, 1953 but before January 2, 1955, have reached age 62 and receive Social Security exempt retirement benefits due to employment with a governmental agency. You may be eligible for a retirement and pension deduction. For more information see *Michigan Pension Schedule*.
- You are receiving retirement and pension benefits from a deceased spouse who was born prior to January 1, 1953. (Payments made to a surviving spouse are only deductible if the employee qualified for the subtraction at the time of death) When completing Form 4884, Michigan Pension Schedule, only include the deceased spouse's benefits.

Nontaxable benefits:

- Military pensions, Michigan National Guard pensions and Railroad Retirement benefits are entered on Schedule 1, line 11. These continue to be exempt from tax. They must be reported on Schedule W Table 2, even if no Michigan tax was withheld.
- Social Security benefits included in your adjusted gross income are entered on Schedule 1, line 14 and are exempt from tax.
- Rollovers not included in the Federal Adjusted Gross Income (AGI) will not be taxed in Michigan.

## 2016 MICHIGAN Schedule 1 Additions and Subtractions

Issued under authority of Public Act 281 of 1967, as amended.

Type or print in blue or black ink. Print numbers like this: 0123456789 - NOT like this: 0147  
Attach to Form MI-1040.

Attachment 01

Filer's First Name	M.I.	Last Name	Filer's Full Social Security No. (Example: 123-45-6789)
			— —

### Additions to Income (all entries must be positive numbers)

1. Gross interest and dividends from obligations issued by states (other than Michigan) or their political subdivisions.....	1.		00
2. Deduction for taxes on, or measured by, income including self-employment tax taken on your federal return (see instructions).....	2.		00
3. Gains from Michigan column of MI-1040D and MI-4797.....	3.		00
4. Losses attributable to other states (see instructions).....	4.		00
5. Net loss from federal column of your Michigan MI-1040D or MI-4797.....	5.		00
6. Oil, gas, and nonferrous metallic mineral expenses deducted to arrive at Adjusted Gross Income (AGI).....	6.		00
7. Federal Net Operating Loss deduction.....	7.		00
8. Other (see instructions). Describe: _____	8.		00
9. Total additions. Add lines 1 through 8. Enter here and on MI-1040, line 11.....	9.		00

Continue on page 2.

## 2016 MICHIGAN Schedule 1 Additions and Subtractions

Filer's First Name	M.I.	Last Name	Filer's Full Social Security No. (Example: 123-45-6789)
			— —

**Subtractions from Income (all entries must be positive numbers)**

10. Income from U.S. government bonds and other U.S. obligations included in MI-1040, line 10. Attach U.S. <i>Schedule B</i> if over \$5,000 .....	10.		00
11. Amount included in MI-1040, line 10, from military retirement benefits due to service in the U.S. Armed Forces or Michigan National Guard, or taxable railroad retirement benefits .....	11.		00
12. Gains from federal column of Michigan MI-1040D and MI-4797 .....	12.		00
13. Income attributable to another state. <b>Explain type and source:</b> .....	13.		00
14. Taxable Social Security benefits or military pay (not retirement) included on MI-1040, line 10 ..	14.		00
15. Income earned while a resident of a Renaissance Zone (see instructions) .....	15.		00
16. Michigan state and local income tax refunds received in 2016 and included on MI-1040, line 10 .....	16.		00
17. Michigan Education Savings Program and MI 529 Advisor Plan .....	17.		00
18. Michigan Education Trust .....	18.		00
19. Oil, gas, and nonferrous metallic minerals income included in AGI .....	19.		00
20. Resident Tribal Member income exempted under a State/Tribal tax agreement or pursuant to <i>Revenue Administrative Bulletin 1988-47</i> .....	20.		00
21. Michigan Net Operating Loss Deduction .....	21.		00
22. Miscellaneous subtractions (see instructions). <b>Describe:</b> .....	22.		00

### Deduction Based on Year of Birth

Complete this section if you are eligible to claim the Michigan Standard Deduction, the deduction for retirement benefits or the deduction for senior investment income on lines 24, 25 or 26. If you complete line 24, 25 or 26, lines 23A through 23F must be completed for you and your spouse, if married.

**NOTE: See instructions before continuing with this section.**

23.	<b>FILER</b>			<b>SPOUSE</b>		
	<b>A.</b>	<b>B. Age</b>	<b>C.</b>	<b>D.</b>	<b>E. Age</b>	<b>F.</b>
	Year of Birth (19xx)	(as of 12-31-2016)	Check if SSA Exempt	Year of Birth (19xx)	(as of 12-31-2016)	Check if SSA Exempt
			<input type="checkbox"/>			<input type="checkbox"/>

24. <b>Michigan Standard Deduction.</b> Complete this line <b>ONLY</b> if the older of you or your spouse (if married) was born during the period January 1, 1946 through January 1, 1950, and reached age 67 on or before December 31, 2016. <b>Do not complete lines 25 and 26.</b> .....	24.		00
25. <b>Retirement benefits.</b> Enter amount from line 15, 26, 27 or 28 of Form 4884, <i>Michigan Pension Schedule</i> . <b>Attach Form 4884</b> .....	25.		00
26. Dividend/interest/capital gains deduction for taxpayers <b>71 years and older</b> . Deduction is limited to \$11,115 for single or married filing separately filers and \$22,229 for joint filers, less any deduction for retirement benefits (see instructions) .....	26.		00

Check this box if you are the unremarried surviving spouse claiming a dividend, interest or capital gains deduction for someone born before 1946 who was at least age 65 at the time of death.

27. <b>Total subtractions. Add lines 10 through 26. Enter here and on MI-1040, line 13</b> .....	27.		00
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Filer's Full Social Security Number (Example: 123-45-6789)
<div style="display: flex; justify-content: space-around; width: 100%;"> <span>—</span> <span>—</span> </div>

**PART 3: To determine which section below to complete, review the questionnaire: "Which Section of Form 4884 Should I Complete?" on page 16 of the MI-1040 book. Complete only one of the sections below.**

**SECTION A:**

8. Enter \$49,861 if single or \$99,723 if filing jointly. Reduce this amount by any military or railroad retirement benefits from Schedule 1, line 11. ....	8.	00
9. Enter total <b>public</b> retirement and pension benefits (including public benefits received from a deceased spouse if deceased spouse was born prior to January 1, 1946 and died prior to 2016) .	9.	00
10. Subtotal. Subtract line 9 from line 8. If line 9 is more than line 8, enter "0" .....	10.	00
11. Enter total <b>private</b> retirement and pension benefits (including private benefits received from a deceased spouse if deceased spouse was born prior to January 1, 1946 and died prior to 2016) .	11.	00
12. If deceased spouse was born between January 1, 1946 and December 31, 1952 and died prior to 2016, enter deceased spouse retirement and pension benefits (maximum \$20,000 if single or \$40,000 if filing jointly) .....	12.	00
13. Add lines 11 and 12. ....	13.	00
14. Enter the smaller of lines 10 or 13. ....	14.	00
15. <b>Total Retirement and Pension Benefits Subtraction.</b> Add lines 9 and 14. Carry this amount to Schedule 1, line 25. ....	15.	00

**SECTION B:**

16. Enter \$49,861 if single or \$99,723 if filing jointly. Reduce this amount by any military or railroad retirement benefits from Schedule 1, line 11 .....	16.	00
17. Enter <b>public</b> benefits received from a deceased spouse who died prior to 2016 .....	17.	00
18. <b>Subtotal.</b> Subtract line 17 from line 16. If line 17 is more than line 16, enter "0" .....	18.	00
19. Enter <b>private</b> benefits received from a deceased spouse who died prior to 2016 .....	19.	00
20. Enter the smaller of lines 18 or 19 .....	20.	00
21. Add lines 17 and 20 .....	21.	00
22. Enter total filer and spouse retirement and pension benefits .....	22.	00
23. Maximum Allowable Pension Deduction. Enter \$20,000 if single or \$40,000 if filing jointly. If you checked box 23C or 23F on Schedule 1, see instructions .....	23.	00
24. Subtract line 21 from line 23. If line 21 is more than line 23, enter "0" .....	24.	00
25. Enter the smaller of lines 22 or 24 .....	25.	00
26. <b>Total Retirement and Pension Benefits Subtraction.</b> Add lines 21 and 25. Carry this amount to Schedule 1, line 25 .....	26.	00

**SECTION C:**

27. <b>Total Retirement and Pension Benefits Subtraction.</b> Enter total retirement and pension benefits, including benefits received from a deceased spouse who died prior to 2016 (maximum \$20,000 if single or \$40,000 if filing jointly). If you checked box 23C and/or 23F on Schedule 1 or have military or railroad retirement benefits reported on Schedule 1, line 11, see instructions. Carry this amount to Schedule 1, line 25 .....	27.	00
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**SECTION D:**

28. <b>Total Retirement and Pension Benefits Subtraction.</b> If you checked box 23C and/or 23F on Schedule 1 and the older of you or your spouse was born on or after January 1, 1953 but before January 2, 1955, enter retirement and pension benefits you received, up to \$15,000 per eligible taxpayer. If you have military or railroad retirement benefits reported on Schedule 1, line 11, see instructions. Carry this amount to Schedule 1, line 25 .....	28.	00
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