



Treasury Updates and Reminders

2023 Retirement and Pension Benefits Subtraction Changes

The Lowering MI Costs Plan (Public Act 4 of 2023) was signed into Michigan law on March 7, 2023 and will take effect February 13, 2024. This law change provides retirees with more options to choose the best taxing situation for their retirement benefits beginning this tax season (tax year 2023). Treasury is committed to ensuring that all eligible Michiganders can take full advantage of this expanded subtraction.

It is important to understand the new options (like the phase-in percentages and the qualified fire, police, and corrections retiree category) as well as the existing provisions (like the 3-tier structure limitations and surviving spouse filing). Educational content and ongoing guidance updates can be found at michigan.gov/taxes/iit/retirement-and-pension-benefits.

Choose what works best:

- ▶ Taxpayers may continue to claim a retirement and pension benefits subtraction using the Tier Structure Subtraction.
- ▶ The Tier 2 and Tier 3 Michigan Standard Deduction against all income remains an option for all qualifying taxpayers.
- ▶ The Lowering MI Costs Plan added two additional retirement and pension benefit subtraction options for qualifying individuals:
 - Retirees who receive benefits from employment as Michigan fire department or public police employees, state police trooper or state police sergeant, or county corrections officer may fully deduct, to the extent a qualifying distribution is included in adjusted gross income (AGI), retirement and pension benefits received from Michigan service. There is no limitation to the amount of a public pension deduction for these retirees.
 - The “Phase-In Subtraction” calculates a percentage of the private retirement and pension limit established for Tier 1 retirees over the 4-year phase-in period. It is based on date of birth of the taxpayer for the first three years, but once fully phased-in any taxpayer with a qualifying distribution included in AGI may claim a retirement and pension subtraction.

Tax Year	Retiree Date of Birth	Phase-In Subtraction
2023	January 1, 1946 – December 31, 1958	Up to 25%
2024	January 1, 1946 – December 31, 1962	Up to 50%
2025	January 1, 1946 – December 31, 1966	Up to 75%

For tax years 2026 and after, the combined subtraction for both public and private retirement and pension benefits is limited only to the maximum retirement subtraction.

Important Upcoming Dates:

- ▶ **December 28, 2023: 2023 individual income tax forms are available at michigan.gov/iit.**
 - Michigan's 2023 tax return, forms, and instructions (e-file and paper format) incorporate all retirement and pension benefit subtraction options - including those created in the new law.
- ▶ **mid-January 2024: 2024 tax season (for tax year 2023) opens.**
 - Treasury will issue a press release announcing the specific date when it is known.
 - Retirees should not delay in filing their tax year 2023 return and claiming the most advantageous pension and retirement benefit subtraction.
- ▶ **February 12, 2024: 2023 pension estimator published to Treasury's website.**
 - You can find it at michigan.gov/taxes/iit/retirement-and-pension-benefits and use it to calculate the best tax treatment for your retirement and pension benefits.
- ▶ **February 13, 2024: The Lowering MI Costs Plan law changes take effect.**
- ▶ **April 15, 2024: 2023 individual income tax return due date.**

We are here to help you!

If you have questions about these law changes or need additional support, please connect with us at TreasuryOutreach@michigan.gov.

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