

Madam Chairwoman and Members of the Committee:

My name is Sue Macrellis. Thank you for taking time today to listen to my story and allowing me to explain why the passage of HB 4171 (2019) is important to me. This bill will rectify a discriminatory consequence of PA 38 (2011) which is adversely impacting surviving spouses of men and women who were born prior to 1946.

I married my husband of 43 years, Michael, in 1970. He was a Yooper, raised in the Soo, a first generation American on his father's side, second on his mother's. I was a Troll, raised in Jackson, Michigan. Michael worked for an automotive support manufacturing company, starting in the mail room and finishing his career as VP of Manufacturing.

We saved our money and, with the help of my father and uncle, built a house which we moved into in 1974. We never missed a payment on that house, or on the two that followed. We were never late paying any bill. We never asked for financial help. We followed the rules.

We were blessed with two daughters. They studied hard and earned college scholarships. We saved and sacrificed so that when they completed their undergraduate education they had no student loans to repay.

While putting our girls through college, we also saved for retirement. Michael was our main bread winner. As we planned for retirement, all of our investments were made in his name.

Michael retired early at 59 ½. I was 54. For the next 5 ½ years for Michael and 11 years for me, we paid for all of our own medical, dental and vision insurance and expenses out of our savings. We were frugal. We did not ask for help. We followed the rules.

When John Engler was governor of Michigan, he was aware that retirees with public pensions did not have to pay state income tax on public pension income. He promoted the passage of the Income Act of 1967, which in part, gave the same benefit to retirees with private pensions and retirements investments, subject to limitations.

This bill applied to us and we did not pay state income taxes on pension or IRA benefits from 2002 to 2014.

In 2014 my husband was taken from me by a stage 4 brain tumor. Obviously, this was not part of our retirement plan. I cannot begin to share the emotional and physical trauma of this loss. As a new widow, I not only had to adjust to the emptiness of my home, my life, my bed – but also, as most widows must, I needed to adjust to a reduced income.

Then it became time to file my state of Michigan income taxes for 2015 – my first year to file as a single taxpayer.

During the 13 years that we were retired as a married couple, a new tax bill, PA 38 of 2011, was passed after Governor Snyder took office and was trying to reduce the budget deficit in Michigan. Under his leadership, a new tax was placed on private retiree pensions and investment income. This never affected us while my husband was alive as he was born in 1942. Anyone born prior to 1946 was exempt from this new tax.

After his death, however, I found that even though my income had been greatly affected, I would also have to pay taxes on a reduced inherited pension, as well as on income from inherited retirement investments.

I could not comprehend WHY – when this money had never been taxed before – I now had to pay taxes on this same income...only because I was born AFTER 1946. Due to unclear headings, the 2015 instruction book appeared to support my understanding that this money would not be taxed. In fact, if I had been born in 1951 instead of 1947, or had remarried, and all other conditions remained the same, I would have been eligible for a retirement benefits subtraction. However, an informal hearing with the Treasury Department was not resolved in my favor. This is not LOGICAL.

From 2015 through 2019, this has amounted to over \$700 per year in taxes paid to the State of Michigan that would not have been collected if my husband had not been killed by brain cancer. If I live to see the 91 years my mother has experienced, this would amount to almost \$14,000. It is an illogical consequence heaped on a personal disaster. We followed the rules. The rules changed.

HB 4171 (2019) would remedy this injustice going forward, although it does not replace the income already taken from me.

I have been encouraging my state representatives, first, Earl Poleski, and now, Julie Alexander, for four years to help resolve this issue. With Representative Alexander, I also met with representatives of the State Income Tax office to discuss this inequity and the necessity to alter the confusing language in the tax instruction book.

There are many surviving spouses who are being impacted by this unjust quirk of PA 38 passed in 2011. I ask you to rectify this situation and grant relief to the surviving spouses who have already suffered devastating personal loss by reporting HB 4171 (2019) out of committee and encouraging your colleagues to pass this bill.

Thank you for your time and your attention.

