

Michigan Business Tax



Updates
with
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- o These slides are for educational purposes only and are not intended, and should not be relied upon, as accounting advice.



Michigan Business Tax

- o Treatment of Disregarded Entities - Notice
- o PA 304 (SB 368) SBT Treatment of Investment Income
- o PA 305 (SB 369) MBT Treatment of Investment Income
- o MBT Outstanding Corrections - still possible
- o MTC – Multistate Tax Compact (HB 4479)
- o Audit & Compliance Issues



Michigan Business Tax Notice

- o Monday, November 29, 2010, the Michigan Department of Treasury issued a Notice regarding Federally Disregarded Entities and the Michigan Business Tax.
- o The Notice simply says the Department of Treasury will not recognize the federal treatment of disregarded entities creating a filing requirement for these entities.

Michigan Business Tax Notice

- o The net result of the notice and the change in the Department of Treasury policy will be a substantial number of **amended returns** in addition to the filing of separate MBT returns for the previously disregarded entities.
- o **Amended unitary returns** may be required because of the different status of the previously disregarded entities.



Michigan Business Tax Notice

The final release of the Notice was delayed almost two months because of the adverse reaction from the business community. It is **very controversial** among tax practitioners and consultants.



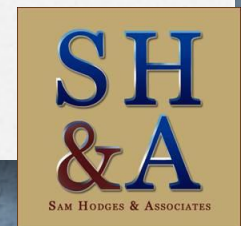
Michigan Business Tax Notice

- o Taxpayers have until June 30, 2011 to file returns and/or amend returns.
- o The filing instructions and forms for 2010 included language not recognizing federally disregarded entities.

It was amended again...

- o Taxpayers have until July 1, 2012 to file returns and/or amend returns.

Stay tuned...



Michigan Business Tax Notice

- o It should be noted that a Notice does not have the force and effect of law. It is neither a statutory provision nor a promulgated rule which mandates taxpayer compliance.
- o It is not a Revenue Administrative Bulletin which represents the official position of the Department of Treasury. Taxpayers may choose to ignore the Notice for now.

Michigan Business Tax Notice

- o The notice had created considerable confusion among tax practitioners. Also, many **unintended consequences** have been uncovered.
- o A MBT technical corrections bill (**HB 4947/SB 658**) may solve the problem. The MBT technical corrections bill will have language to conform the MBT filing method to the federal filing method.

