Disclaimer

This handout is provided as part of a presentation and is for illustrative purposes only. The content does not carry the weight of law, bulletins or rulings. Therefore, it should only be used as an aid for viewing, taking notes and future reference based on the material presented.

The topics covered, screenshots provided and guidance supplied is subject to change. The most current Treasury information regarding this topic is available at www.michigan.gov/taxes.
About Treasury

Culture of Taxpayer Service

Continuous Improvement

Engaged Employees

Michigan Treasury will become the best operated treasury department in the United States and the State’s thought leader on all tax and revenue issues.
2018
Individual Income Tax Updates
Updates – Tax Year 2018

- Tax Rate: 4.25%
- Personal Exemption: $4,050
  - 2018 PA 38 restores personal exemptions
- Special Exemption: $2,700
- Qualified disabled veteran deduction: $400

- 2018 PA 38 defines Internal Revenue Code as that in effect on January 1, 2018, or the version in effect for tax year used
Updates – Tax Year 2018

Private Pension Deduction Limit
(for those born before 1946 – Tier 1)
  ▶ Single Filer    $51,570
  ▶ Joint Filers   $103,140

Senior Interest, Dividend, and Capital Gains
(for those born before 1946)
  ▶ Single Filer   $11,495
  ▶ Joint Filer    $22,991
New for 2018

- Pension Subtraction for Taxpayers who:
  - Were born after 1945
  - Have retired as of January 1, 2013
  - Receive pension benefits from SSA exempt employment with a governmental agency

- Can deduct up to $35,000 of pension benefits for single filer, $55,000 for joint filers, or $70,000 if both spouses qualify
  - If age 67 or older, get subtraction against all income
Homestead Property Tax Credit

- Maximum credit increases from $1,200 to $1,500
- Percentage of rent for credit calculation increases from 20% to 23%
- Total household resources (THR) limit increases from $50,000 to $60,000, phase-out begins at $51,000 (increase from $41,000)
- Percentage of THR for credit computation decreases from 3.5% to 3.2% (no change to % for THR less than $6,000)
2018 IIT Form Updates

- 2018 Michigan Fiduciary Income Tax Return
- Form MI-1041 eligible for e-file
- Two new e-file forms:
  - MI-1041-V e-file payment voucher
  - MI-8453FE Estate or Trust Declaration for e-file
- 2018 MI-1045 reformatted
  - Exploring e-file option
  - Carryover schedule
2018 IIT Form Updates

- New form(s) being developed due to Federal Tax Cut and Jobs Act – excess business loss limitation, and net operating loss limited to 80% of taxable income
  - Dependent on availability of IRS guidance and form updates
Identity Theft Quiz

- Filer is contacted by letter sent to address on tax return

- If the letter has a 10 digit QUIZ ID, go to website listed
  - No need to create account, click “Continue as Guest”
  - Quiz is based on questions that pertain to primary filer
  - Can be accessed by any electronic device with internet connection

- Phone number on letter for those without access to internet (no confirmation code provided with this method)
Identity Theft Quiz

- Only attempt one method – online or phone, do not attempt another method if filer does not pass the quiz.

- Passing quiz releases return for normal processing which averages 2 to 3 weeks.

- If quiz not passed in 2 attempts, mail requested documents.

- Keep letter and confirmation code until refund is received.
IIT Helpful Hints

- Amended Returns
  - Include Schedule AMD
  - Provide reason for amending / supporting documentation
  - MI-1040, line 31: Use appropriate + / - for the tax paid or refund on original filing

- When paper filing: follow form’s attachment order, place all supporting documents at end

- Provide location of all business activity
  - See Business, Rental, Royalty Activity Worksheet
IIT Helpful Hints

- Railroad Retirement Benefits
- Completing MI-1040
  - Separate the social security amount and the railroad pension amount
  - Report the social security amount on Schedule 1 line 14
  - Report the railroad pension amount on Schedule W and Schedule 1 line 11

Reminder: do not report the railroad retirement on Form 4884.
MI-1040CR

- When claimant lives in Special Housing where monthly fee includes meals and/or services, do not claim rent unless claimant has either an itemized billing showing the portion of the fee that constitutes rent or a letter from the facility owner providing the amount of rent.

- If itemized billing is not available but facility letter shows prorated share of property taxes, compute credit using prorated share of property taxes.
Total Household Resources (THR)
Total Household Resources

What is THR?

THR is:

► Adjusted Gross Income (AGI)
► Any income excluded or exempt from AGI
► Excluding:
  ► Net business loss after netting all business income and loss
  ► Net rental and royalty loss
  ► Carryover of any Net Operating Loss (NOL)
What is the purpose of THR?

- THR is used in the calculation of the homestead property tax credit and home heating credit.
- THR helps determine an individual’s eligibility to receive a homestead property tax credit or home heating credit.
Homestead Property Tax Credit
Homestead Property Tax Credit

► Refundable credit
► Taxable Value Cap: $135,000
► Use Total Household Resources (THR)
► THR limitations and phase-out begins at $51,000
Homestead Property Tax Credit

► Available for homes with taxable value of $135,000 or less.

► Exception: Farmers should include all land that qualifies for this credit.

► However, if the taxable value of the homestead excluding the taxable value of the unoccupied farmland classified as agricultural exceeds $135,000, the claimant is not eligible for the homestead property tax credit.
Homestead Property Tax Credit

► Senior Claimants:
  ► 100% of credit allowed, if THR is $21,000 or less
  ► Credit reduced by 4% for each additional $1,000 over $21,000, up to $30,000
  ► 60% of credit allowed, if THR is $30,001 to $51,000

► Disabled Claimants:
  ► Not subject to phase-out up to THR of $51,000

► Other Claimants:
  ► Eligible for 60% of credit up to THR of $51,000
Homestead Property Tax Credit

- Additional credit phase-out for all claimants begins at THR of $51,001
  - Credit reduced by 10% for each additional $1,000 over $51,001
  - Phase-out is complete at $60,001
  - This phase-out applies after the Senior and Other Claimants have reduced credit by 60%
Homestead Property Tax Credit

► Alternate Housing Facilities

► Subsidized Housing – Only amount of rent paid by claimant can be used or allocable share of property taxes.

► Service Fee Housing – Service fees paid in lieu of property taxes; compute credit using 10% of rent.

► Special Housing – Must base his/her credit on portion of bill that constitutes rent. If unable to identify rent, must use prorated share of property taxes on facility.
Pension and Retirement Benefits
Pension and Retirement Benefits

- Qualified distribution eligible for subtraction
- Pension and Retirement benefits include most payments on federal 1099-R to the extent included in AGI
  - Defined benefit pensions
  - IRA distributions
  - Most defined contribution plans
Pension Deduction – Tier 1

Private Pension Deduction Limit
(for those born before 1946 – Tier 1)

- Single Filer $51,570
- Joint Filers $103,140

Senior Interest, Dividend, and Capital Gains
(for those born before 1946)

- Single Filer $11,495
- Joint Filer $22,991
Pension Deduction – Tier 2

Pension subtraction/Standard deduction

- Born in 1952
  - Up to $20,000/$40,000 pension subtraction

- Born in 1946 through 1951
  - Up to $20,000/$40,000 subtraction against all income (limited if military, railroad or MI National Guard subtraction claimed)

- Based on birth year of filer or oldest spouse on joint return
Pension Deduction – Tier 2 & 3

New for 2018

Pension Subtraction for Taxpayers who:

- Were born after 1945
- Have retired as of January 1, 2013
- Receive pension benefits from SSA exempt employment with a governmental agency

Can deduct up to $35,000 of pension benefits for single filer, $55,000 for joint filers, or $70,000 if both spouses qualify

- If age 67 or older, take subtraction against all income
2017 & 2018 Individual Income Tax Revenue Administrative Bulletins (RABs)
RAB 2017-16

Income Tax - Treatment of Rental Income as Business or Nonbusiness Income

- New

- Describes the income tax treatment of rental income or loss for individuals.

- Addresses whether rental income is characterized as business or nonbusiness income.
Individual Income Tax – Individual Retirement Arrangements

- Replaces RAB 1988-22
- Discusses the treatment of Individual Retirement Arrangements (IRAs) under the Michigan Income Tax Act.
Individual Income Tax – Tax Treatment of Retirement Income From IRC 403(b) Plans

- Replaces RAB 1988-30
- Discusses the tax treatment of contributions to and distributions from an annuity plan created under Internal Revenue Code (IRC) 403(b).
RAB 2018-8

**Individual Income Tax – Eliminating the Income and Expenses of Producing Oil and Gas**

- Replaces RAB 2001-5

- Discusses the elimination of oil and gas income and expenses as it relates to Part 1 of the Michigan Income Tax Act.
RAB 2018-21

Individual Income Tax – Deduction of Retirement & Pension Benefits Received From A Public Retirement System of Another State

- Replaces RAB 1988-25
- Discusses tax treatment of retirement and pension benefits received from a public retirement system of another state.
- Includes effect of the date of birth limitations that began in 2012.
RABs / IPDs

For RABs and IPDs visit www.michigan.gov/taxes

Select “Reports and Legal” link
Select “Revenue Administrative Bulletins” or “Internal Policy Directives” link
MI-1040
“Check Box” Authorization

Tax Policy Newsletter – March 2017 Edition

► Provides authority to discuss return issues

► Preparer may request copies of notices related to that return or provide information to Treasury

► Preparer may obtain return processing or refund status

► Authorization to named preparer only, not to firm
MI-1040

Check The Box Authorization

- No authority to discuss other returns or provide information regarding audit, assessment or collection activity

- No authority to take any definitive action on taxpayer’s behalf, such as requesting an informal conference

- Does not take the place of Form 151
Alternative Dispute Resolution

- 2017 PA 215 provides for a new, non-judicial dispute resolution process
- Available to all taxpayers who have made a timely request for informal conference
- Offer may be tendered at any time after a valid informal conference request, but no later than 21 days after the informal conference was held
- Collections webpage, Hearings and Appeals for information and forms
Alternative Dispute Resolution

- Form 5573 – Michigan Alternative Dispute Resolution Settlement Offer
  - Must be mailed, no hand delivery

- Department may consider settling a tax dispute if, after review of facts and consideration of the risk of litigation, it is in the State’s best interests to accept a lesser amount of tax than previously determined was owed by the taxpayer
  - Inability to pay does not constitute an acceptable settlement reason
Alternative Dispute Resolution

- Single Business Tax
- Michigan Business Tax
- Corporate Income Tax
- Individual Income Tax
- Sales Tax
- Use Tax
- Motor Fuel Tax
- Motor Carrier Fuel Tax (IFTA)
- Severance Tax
- Equalization Tax
Contact Treasury

Taxpayers

- The e-mail option to submit questions is discontinued
- Questions can be submitted at www.michigan.gov/iit
The following information is required:

- Social Security Number
- Tax Year
- Filing Status
- Adjusted Gross Income or Total Household Resources
Contact Treasury

Volunteer Tax Preparers

- Volunteer Preparers Only: 888-860-8389
- Calls answered by a Customer Service Representative, but there may be a short wait
- Please identify yourself as a volunteer tax preparer when calling
- General questions only about tax preparation unless the taxpayer is present

NOT FOR PUBLIC OR CLIENT
Contact Treasury

Tax Practitioners

► Practitioner Hotline (Not for Public Use)  
517-373-0616  
Please leave a detailed voice message. General questions only about tax preparation

► Practitioner Web Services (Not for Public Use)  
General and account specific questions on individual or business accounts  

www.michigan.gov/taxes - then select Tax Professionals link
Contact Treasury

Tax Practitioners
Contact Treasury

Tax Practitioners
Contact Treasury

Income Tax ................................................................. 517-636-4486
Motor Fuel Tax ............................................................. 517-636-4600
Motor Carrier Tax ......................................................... 517-636-4580
Sales, Use, and Withholding Taxes ....................... 517-636-6925
Tobacco and Cigarette Taxes .......................................... 517-636-4630
Office of Collections .................................................... 517-636-5265
Detroit City Taxes ........................................................ 517-636-5829
Contact Treasury

Taxpayer Advocate

The Office of Taxpayer Advocate may be contacted to help resolve concerns that have not been addressed through Treasury’s established channels.

- Fax: 517-636-0640
- E-mail: TaxpayerAdvocate@Michigan.gov
More Guidance

Tax Professionals link at
www.michigan.gov/taxes

Tax Text Manual
-or-
Taxpayer Assistance Manual
Questions?
Important Note: This presentation is not to be construed as promulgated rules, bulletins or rulings of the Department and are subject to revision pursuant to the effect of legislation, court decisions, regulations and official statements of the Department.