

INDIVIDUAL INCOME TAX

IMPORTANT INFORMATION FOR TAX YEAR 2020

Tax Rate	4.25%
Personal Exemption	\$4,750
Special Exemption for Disabled	\$2,800
Qualified Disabled Veteran Deduction	\$ 400
Stillbirth Exemption	\$4,750

MICHIGAN PENSION DEDUCTION

Single Filer		
Born before 1946	private pension limit	\$53,759
Born in 1946-1952	standard deduction against all income [†]	\$20,000
Born in 1953	standard deduction election	\$20,000 ¹
Born after 1953	pension not deductible * [†]	\$0

Jointly Filed		
Born before 1946	private pension limit	\$107,517
Born in 1946-1952	standard deduction against all income [†]	\$40,000
Born in 1953	standard deduction election	\$40,000 ¹
Born after 1953	pension not deductible * [†]	\$0

Senior Interest, Dividend, and Capital Gains	
Single Filer (not available for senior born after 1945)	\$11,983
Jointly Filed (not available for senior born after 1945)	\$23,966

† Taxpayers who receive benefits from a deceased spouse, see “Retirement Benefits from a Deceased Spouse” and “Retirement Benefits Election for Tier 2 and Tier 3 Surviving Spouses” in the MI-1040 instruction booklet.

¹ Against all income or personal exemption amount and Social Security, Military compensation, Michigan National Guard retirement benefits and railroad retirement benefits included in AGI.

* Taxpayers in Tier 3 who receive pension benefits from employment with governmental agencies not covered by the Social Security Act may be eligible for a pension deduction. See instructions for Form 4884, line 28 and line 29.

HOME HEATING CREDIT CLAIM (MI-1040CR-7)

TABLE A		
2020 Home Heating Credit Standard Allowance		
Exemptions	Standard Allowance	Income Ceiling
0 or 1	\$492	\$14,043
2	\$665	\$18,986
3	\$837	\$23,900
4	\$1,010	\$28,842
5	\$1,182	\$33,757
6	\$1,355	\$38,700
> 6	+ \$173 each exemption	+ \$4,943 each exemption

TABLE B	
2020 Exemption and Maximum Income for the Alternate Credit Computation	
Exemptions	Maximum Income
0 or 1	\$14,849
2	\$19,982
3	\$25,119
4 or more	\$26,091

maximum heating costs: \$2,870

HELPFUL HINTS – COMMON MISTAKES TO AVOID

GENERAL

- truncating Social Security or Federal Identification Numbers
- incorrect or missing Social Security number(s) for eligible filers and/or dependents
- using the wrong tax year form
- entering figures on the wrong lines or not entering figures on required lines
- entering zero on lines that should be blank
- entering decimal points, cents, dashes, commas, or dollar signs
- illegible writing
- not using blue or black ink
- not printing using capital letters
- not staying in the lines
- using a name and address label with incorrect information
- computation errors

- submitting an incomplete form if multiple pages; all pages must be filed (some exceptions apply)
- missing required forms
- return/forms out of attachment order
- excluding all supporting documentation after the attachments
- excluding PDF attachments
- excluding business activity locations
- disregarding the instructions for the miscellaneous subtraction; only specific items are allowed

PAYMENTS

- e-filed return payment made using the wrong voucher (correct voucher MI-1040V)
- using someone else's or the wrong year for preprinted vouchers
- excluding the last four digits of the social security number on the enclosed check
- checking incorrect box on Form 4, Application for Extension of Time to File Michigan Tax Returns

AMENDED RETURNS

- excluding the Schedule AMD
- not checking the amended return box at the top of the MI-1040 (tax years 2017 and forward)
- excluding a reason for amending
- excluding all supporting documentation
- errors completing line 31- using the appropriate refund or tax paid on the original return

RETURNS WITH BUSINESS INCOME

- provide all business activity location
 - Use the Business, Rental, Royalty Activity Worksheet; can be attached as a PDF to an e-filed return
 - identify location(s) even when all income is sourced to Michigan
- business income includes portfolio income per MCL 206.4 and MCL 206.110(4)

SCHEDULE W

- excluding railroad retirement (Tier 1 and Tier 2) and military retirement included in AGI, regardless of any withholding
- excluding the taxable amount of 1099R & miscellaneous income included in AGI

PENSION/RETIREMENT (FORM 4884)

- do not complete if you are only eligible to claim the Michigan Standard Deduction or are eligible to claim /electing the Michigan Standard Deduction instead of an older deceased spouse's retirement and pension benefits subtraction
- only include qualified pension/retirement distributions; do not include deferred compensation, 457 distributions, and early distributions, etc.
- include only the pension/retirement amounts that are included in AGI

MICHIGAN NET OPERATING LOSS (NOL)

- Schedule MI-1045 should be filed in the year of the loss
- include all supporting documentation and business locations

TOTAL HOUSEHOLD RESOURCES (THR)

- excluding nontaxable income from total household resources.
 - include gifts of cash/expenses paid on your behalf and Social Security benefits received on behalf of a dependent
 - Revenue Administrative Bulletin (RAB) 2015-18
- entering monthly amounts of income (various types) instead of annual amount in total household resources

HOME HEATING CREDIT

- filing after September 30th deadline
- entering incorrect heat amount
- failure to mark box 10 if your heating costs are currently included in your rent

HOMESTEAD PROPERTY TAX CREDIT

- reporting annual rent as monthly rent
- reporting taxable value as property taxes (and vice versa)
- only reporting the taxable value of one parcel when multiple parcel's property taxes are being claimed for the credit
- including special assessments in property taxes being claimed
- reporting rent in special housing without an itemized statement from the facility

IIT & BUSINESS TAXES

NEW ONLINE RESOURCE: eSERVICES

- coming November 16th
- distinct from Michigan Treasury Online
- two components of the eServices web portal: Taxpayer and Tax Professionals

TAXPAYER eSERVICES

- <https://etreas.michigan.gov/iit>
- specific to individual income tax
- used by the taxpayer to check their refund status, inquire about their tax account, ask Treasury general questions, change their address, view their estimated tax payments, and calculate penalty and interest

TAX PROFESSIONAL eSERVICES

- <https://etreas.michigan.gov/tp>
- individual income tax and business taxes
- used by service providers (CPAs, accountants, bookkeepers, etc.) to send inquiries to Treasury about their client's accounts or ask general questions

USEFUL LINKS

- Michigan Taxes FAQs
https://www.michigan.gov/taxes/0,4676,7-238-75545_43715---,00.html
- Home Heating Credit Information
https://www.michigan.gov/taxes/0,4676,7-238-43513_66852-330928--,00.html
- Home Heating Credit and Shared Housing Situations
<https://www.michigan.gov/taxes/0,4676,7-238-43513-228582--,00.html>
- Homestead Property Tax Information
https://www.michigan.gov/taxes/0,4676,7-238-43535_43538-155081--,00.html
- Homestead Property Tax Credit Claim – Adjustment or denial checklist
https://www.michigan.gov/taxes/0,4676,7-238-43535_43538---,00.html