

MSU Tax School 2023



Michigan Tax Update



Individual Income Tax

- Tax Rate – 4.05%
- Personal Exemption -- \$ 5,400
- Special Exemption -- \$ 3,100
- Qualified Disable Vet -- \$ 400
- Stillbirth Exemption -- \$ 5,400
- Senior Interest, Dividend & Cap Gain
 - Single -- \$ 13,712
 - MFJ -- \$ 27,424
- 2024 Tax Rate – 4.25%



Household Resources

TOTAL HOUSEHOLD RESOURCES (THR)	PERCENTAGE
\$58,300 or less	100% (1.00)
\$58,301 - \$59,300	90% (0.90)
\$59,301 - \$60,300	80% (0.80)
\$60,301 - \$61,300	70% (0.70)
\$61,301 - \$62,300	60% (0.60)
\$62,301 - \$63,300	50% (0.50)
\$63,301 - \$64,300	40% (0.40)
\$64,301 - \$65,300	30% (0.30)
\$65,301 - \$66,300	20% (0.20)
\$66,301 - \$67,300	10% (0.10)
\$67,301 - above	0% (0.00)

Homestead Property Tax Credit

HOMESTEAD PROPERTY TAX CREDIT	
Maximum Taxable Value	\$154,000
Total Household Resources (THR) Limit	\$ 67,300
Phase-out begins when Total Household Resources exceeds	\$ 58,300
Credit Limit	\$ 1,700
<i>Totally and permanently disabled may not be claimed if claimant was age 66 by June 30, 2023.</i>	

Home Heating Credit

HOME HEATING CREDIT

Maximum Heating Costs

TBD

New Heat Provider

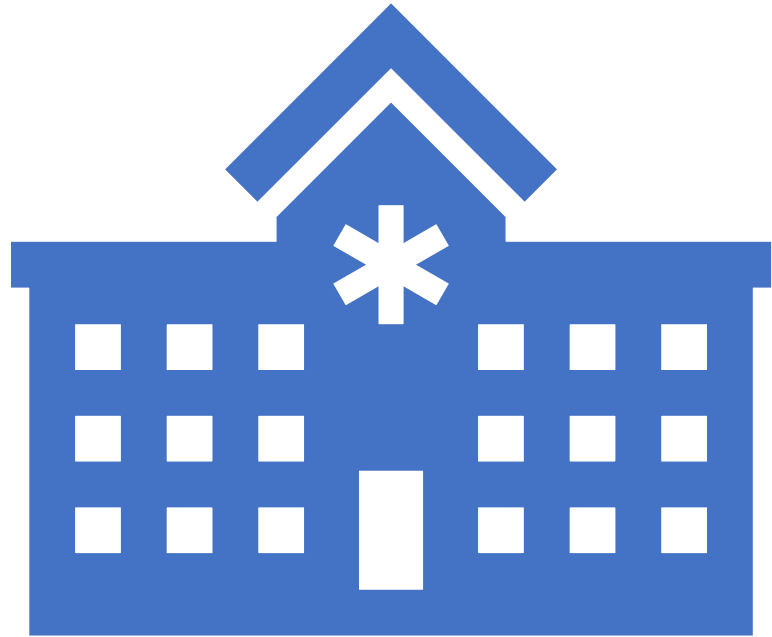
Wesco, Inc.

Totally and permanently disabled may not be claimed if claimant was age 66 by June 30, 2023.

Credit Thresholds

STANDARD ALLOWANCE		
Exemptions	Standard Allowance	Income Ceiling
0 or 1	\$562	\$16,043
2	\$760	\$21,700
3	\$958	\$27,357
4	\$1,156	\$33,013
5	\$1,354	\$38,671
6	\$1,552	\$44,329
	+\$198 for each exemption over 6	+\$5,657 for each exemption over 6

TOTAL HOUSEHOLD RESOURCES (THR)	
Exemptions	Income Ceiling
0 or 1	\$17,534
2	\$23,595
3	\$29,661
4 or more	\$31,818



Public Act 78 of 2023

Cohabitation Rules Removed

Credits available

Exemptions available

MI TextP 49

Public Act 4 of 2023 – Pension & Retirement Changes

Lowering MI Costs Plan

Effective date – 90 days after legislative session closes

Restores pre-2012 subtraction

4-year phase in beginning 2023

3 options to choose

Pension & Retirement Subtraction Choices

Current Tiered Structure

Tier 2 & Tier 3 Standard Deduction
against all income

Lowering MI Costs Plan

- NO Limitation -- First Responders & Public Pensions
- Private – phase in based on date of birth of the taxpayer
- After 2026 – limitations

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%

MI Text
P 68

INCOME TAX FOR RETIREMENT BENEFITS BY YEAR OF BIRTH EFFECTIVE FOR TAX YEAR 2023		
Taxpayers born before 1946	Taxpayers born 1946 through 1952	Taxpayers born after 1952 Before the taxpayer reaches age 67
<ul style="list-style-type: none"> • Social Security is exempt. • Senior citizen subtraction for interest, dividends, and capital gains up to \$13,712 for single filers and \$27,424 for joint filers.* • Public pensions exempt. • Private pensions, subtract up to \$61,518 for single filers and \$123,036 for joint filers. <p>*Subtraction may be limited if pension benefits are also subtracted.</p>	<ul style="list-style-type: none"> • Social Security is exempt. • Railroad and Michigan National Guard pensions are exempt. • Military compensation and pensions are exempt. • Not eligible for the senior citizen subtraction for interest, dividends, and capital gains. • Public and private pension limited subtraction of \$20,000 for single filers or \$40,000 for joint filers. • Pensions from employment with governmental agencies not covered by the SSA. \$35,000 for single filer, \$55,000 for joint filers, or \$70,000 for joint filers if both spouses worked for an “uncovered” agency. 	<ul style="list-style-type: none"> • Social Security is exempt. • Railroad and Michigan National Guard pensions are exempt. • Military compensation and pensions are exempt. • Not eligible for the senior citizen subtraction for interest, dividends, and capital gains. • Not eligible for public or private pension subtraction. • At age 62, pensions from employment with governmental agencies not covered by the SSA. \$15,000 for single or joint filer or \$30,000 for joint filers if both spouses worked for an “uncovered” agency. • Beginning in 2018, pension from employment with governmental agencies not covered by the SSA for persons retired as of January 1, 2013, \$35,000 for single filer, \$55,000 for joint filer, or \$70,000 for joint filers if both spouses worked for an “uncovered” agency.

MI Text P 69

	Taxpayers born 1946 through 1952	Taxpayers born after 1952 who reach Age 67
	<ul style="list-style-type: none"> • Social Security is exempt. • Railroad and Michigan National Guard pensions are exempt (see below). • Military compensation and pensions are exempt (see below). • Not eligible for the senior citizen subtraction for interest, dividends, and capital gains. <p>Eligible for Standard deduction:</p> <ul style="list-style-type: none"> • Subtraction against all income of \$20,000 for single filers and \$40,000 for joint filers. • Subtraction increased to \$35,000 for single filers and \$55,000 for joint filers with pensions from employment with governmental agencies not covered by the SSA, or to \$70,000 for joint filers if both spouses worked for an “uncovered” agency. • Not eligible for this income subtraction to the extent Military income and Railroad/Michigan National Guard pension exemption are claimed. 	<ul style="list-style-type: none"> • Not eligible for the senior citizen subtraction for interest, dividends, and capital gains. • Not eligible for public or private pension subtraction. • Income exemption election: <ul style="list-style-type: none"> – Elect exemption against all income of \$20,000 for single filers or \$40,000 for joint filer <p>Note: No exemption for Social Security, Military compensation and pension, and Railroad/Michigan National Guard pension. No personal exemptions.</p> <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> – Elect to exempt Social Security, Military compensation and pension, and Railroad/Michigan National Guard pension. May claim personal exemptions. <ul style="list-style-type: none"> • Beginning in 2018, persons retired as of January 1, 2013, and receiving pension from employment with governmental agencies not covered by SSA may claim standard deduction of \$35,000 for single filer, \$55,000 for joint filer, or \$70,000 for joint filers if both spouses worked for an “uncovered” agency; not eligible for this income subtraction to the extent Military income and Railroad/Michigan National Guard pension exemption are claimed.

MI Text
P 70

**PHASE-IN SUBTRACTION UNDER PA 4 FOR RETIREMENT
BENEFITS EFFECTIVE FOR TAX YEAR 2023**

Taxpayers born before 1946 No change from prior years.	Taxpayers born 1946 through 1958	Taxpayers born <i>after 1958</i>
Private pensions, subtract up to \$61,518 for single filers and \$123,036 for joint filers.	Up to 25% of maximum amount of allowable deduction for those born in 1945 or before. For 2023, the deduction limits are \$15,380 for single filers and \$30,759 for joint filers.	Not eligible for a deduction.

Processing Delays – Effective Date after 2023

Refund delays

Holds on returns with subtraction

Release returns once law effective

Prepare return correctly from the start

Do not amend returns

Public Act 4 of 2023 – Earned Income Tax Credit

- Retroactive – 2022 tax year
- Up from 6% to 30%
- Treasury issuing 2022 refunds
 - Do not amend returns
- Tax year 2023
 - Refund delays
 - Treasury will hold returns
 - Prepare & Transmit
 - Do not amend returns



Tax
Treatment
– Delivery
&
Installation
Charges

PA 20 & 21 of 2023

Retroactive Relief

Amends General Sales & Use Tax Acts

Most charges tax exempt

Others – part of item's price

Tax Treatment – Delivery & Installation Charges

Exceptions

- Electricity, natural gas, artificial gas by a utility
- Not itemized on customer's invoice
- No books and records -- how delivery/installation fees are determined
- No books and records – how sales tax was applied

Relief

- Taxpayers subject to liability
- Notice of Intent to Assess
- Notice of Final Assessment
- Treas-TCB-Technical@michigan.gov

Agricultural Production Exemption

- TruGreen Ltd Partnership v Dep't of Treasury, 338 Mich App 248 (2021)
- MCL 205.941(1)(f)
- MCL 205.54a(1)(e)
- Engaged in Agricultural production activities
- Agricultural uses

Heavy Equipment Rental Companies

Public Act 35 of
2022

Public Act 46 of
2022

2% Specific Tax on
rental receipts

In Lieu of Personal
Property Tax on the
value of rental
equipment

Qualified Heavy
Equipment Rental
Personal Property

Qualified Renter

Treasury Form 5819

2023 – additional
2% state specific
tax imposed on
customer

Revenue Administrative Bulletins

- 2022-17: Tax on the Differences
- 2022-19: Exemption Claim Procedures & Formats
- 2022-20: Catastrophic Claims & CIT
- 2022-22: Taxability of Gambling Gains, Losses & Expenses
- 2022-23: CIT Unitary Business Group
- 2022-24: Penalty Provisions
- 2022-25: Tobacco Products Act (TPTA)

Revenue Administrative Bulletins

- 2022-26: Ordinary & Necessary Expense for Marihuana Establishments
- 2023-9: Agricultural Production Exemption
- 2023-10: Computer Software & Digital Goods
- 2023-12: Treatment of Interstate Motor Carriers
- 2023-13: Sales & Use Tax – Lessors
- 2023-14: COVID Extensions & Penalties
- 2023-16: Delivery & Installation Charges



Treasury Notices

- Student Loan Forgiveness
- Qualified Health Plans – tax on gross premiums
- Adoption Leave Tax Credit
- Amendment to MI Beverage Container Law
- Notice regarding IRS Form 1098-F
- Expansion of the Industrial Processing Exemption