



State and Local Tax Newsletter 2007-7



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EHTC State and Local Tax Services

INCOME & FRANCHISE TAX

- Tax Minimization Studies
- Business Structure Reviews
- Allocation and Apportionment Planning
- Combined, Consolidated, & Unitary Planning
- Nexus Studies
- Amended State Tax Returns from IRS Audits
- Single Business Tax Training

SALES & USE TAX

- Reverse Audits
- Compliance System Review
- Direct Pay & Compliance Agreements
- Exemption Certificate Documentation
- Industrial Processing / Manufacturing Exemption
- Utility Studies
- Nexus Studies
- Sales & Use Tax Training
- Transportation Company
- Procurement Company

PROPERTY (AD VOLOREM) TAX

- Real Property Tax Reviews
- Personal Property Tax Reviews

TAX AUDIT & APPEALS

- Sales & Use Tax Audit Defense & Appeals
- Single Business Tax Audit Defense & Appeals
- Property Tax Audit Defense & Appeals
- State and Local Tax Litigation Support
- Merger & Acquisition Due Diligence Reviews
- Voluntary Disclosure

BUSINESS INCENTIVE SERVICES

- Business Relocation & Expansion Services
- Tax Credits, Exemptions, & Abatements
- Grants, Financing, & Infrastructure Assistance

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SINGLE BUSINESS TAX (SBT) REPEALED DECEMBER 1, 2007

MICHIGAN BUSINESS TAX (MBT) ENACTED JANUARY 1, 2008

Opportunity to come up to date on Wrap-Up Issues with the SBT and to learn about the new MBT

GRAND RAPIDS, MI – Tuesday, June 19, 2007 – Next week Friday, June 29, 2007 in Traverse City, Michigan the Michigan Association of Certified Public Accountants (MACPA) is presenting a day long seminar on wrap-up issues on the SBT and a review of the new MBT. The seminar will be presented by Edward S. Kisscorni, CPA-MBA at the Hagerty Center Northwest Michigan College located next to the Maritime College on Grand Traverse Bay.

Registration can be done on-line at www.michcpa.org

The following topics will be covered:

Single Business Tax Wrap-Up

1. New Legislation – In '06 the legislature amended the Single Business Tax Act ten times. All of the amendments involved business tax incentives.
2. Judicial Decisions – The Michigan Tax Tribunal issued two decisions involving the Small Business Credit, one on successor liability and one on the subtraction of royalty income. The Court of Appeals also issued a decision on the subtraction for royalty income. The Supreme Court issued an opinion on the apportionment of service receipts and also revisited the issue of retroactive application of the nexus standard.
3. Internal Policy Directives – Nine IPDs were issued in '06. They addressed flow-through entities, consolidated returns, casual transactions, personal property tax credits, renaissance zone credit, Section 199 deduction, apportionment of service receipts and transportation apportionment.
4. Questions and Answers – The Department of Treasury addressed several issues through their Q & A format. Issues addressed include bankruptcy, sales factor apportionment, Brownfield Credit, nexus, flow-through entities and several issues relating to the personal property tax credit.
5. Audit Issues – There seems to be an increase in audits, especially audits of small and medium size businesses. Issues raised in these audits include those surrounding the small business credit and apportionment of service receipts.

Edward S. Kisscorni is the Director of State and Local Taxation with EHTC in Grand Rapids. Ed has over 35 years of experience in Michigan state and local taxation as an auditor with the Michigan Department of Treasury, in the tax department of a large international CPA firm, as a sole practitioner, and in the state and local tax group of a national CPA firm.

He currently serves on the Treasury Business Advisory Group and other organizations.

Ed's practice areas include Consultation and Planning and Litigation Support in the areas of State and Local Taxation and Accountant's Legal Liability.

STATE AND LOCAL TAX WHITEPAPERS

MICHIGAN SINGLE BUSINESS TAX

- History
- Compensation
- Capital Acquisition Deduction
- Agricultural Exemption
- Entities Under Common Control
- Combined or Consolidated Returns
- Jurisdictional Standards
- Apportionment & Allocation
- Foreign Taxpayers
- Small Business Credit
- Investment Tax Credit
- Michigan Economic Growth Authority Credit (MEGA)
- Brownfield Zone Credit
- Renaissance Zone Credit
- Historic Resource Credit

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About EHTC

Echelbarger, Himebaugh, Tamm & Co., P.C. (EHTC), a professional corporation was established in 1977 by Dennis M. Echelbarger. Since that time, our Firm has grown to become one of the largest, most successful, local accounting firms in the Greater Grand Rapids, Michigan area, and we are a recognized leader in the business community. Our success is based on building partnering relationships with our customers. We are large enough to serve a wide diversity of customers but small enough to maintain personalized attention.

EHTC's professional team is highly trained to provide technical and consulting services in the areas of accounting, taxes, and strategic planning to nonprofit, profit and service organizations and related entities.

Minimizing your tax liability requires careful, advance planning rather than preparing tax returns as deadlines near. Our tax professionals provide complete tax services and are assisted by our extensive tax library and the latest technology.

We pay careful attention to your unique circumstances such as your current requirements and your plans for the future. We then recommend a plan that best suits your needs while minimizing financial risk.

Michigan Business Tax

The new Michigan Business Tax (MBT) is scheduled to replace the Single Business Tax (SBT) effective January 1, 2008. While it was promised to be radically different from the SBT, the bottom line is similar. The MBT is a form of modified value added tax as was the SBT. However, the MBT comes at it from a different approach. The modified gross receipts tax with a deduction for purchases of tangible property looks like a subtractive method value added tax. It has also been called a margin tax. The following topics will be covered:

1. Gross Receipts – It is estimated that two thirds of the tax base will be the gross receipts component. The definition of what will be included in “gross receipts” is very important as well as exclusions from “gross receipts”.
2. Deduction for Tangible Personal Property – Equally important is the significant deduction for purchases of tangible personal property.
3. Business Income – One third of the tax base is the tax on income. Business income will be defined as well as adjustments to business income.
4. Nexus – The existing nexus standard used for the SBT could also be used for the modified gross receipts tax. However, federal law limits the ability of the state to impose a “net income tax”. The MBT may have a dual nexus standard.
5. Apportionment – Tax base will be apportioned based on a single factor: sales. Rules sourcing sales of tangible personal property and service income will be discussed.
6. Old Credits – Several credits currently in the SBT will be carried over to the MBT. Transitional issues will be discussed.
7. New Credits – The MBT creatively uses several credits to reduce the tax burden on Michigan based companies.
8. Personal Property Tax – Michigan property owners will benefit from certain exclusions from the personal property tax and credits for personal property tax paid.
9. Small Business Credit – A credit similar the SBT credit is available on an enhanced basis.

Registration can be done on-line at www.michcpa.org

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STATE AND LOCAL TAX WHITEPAPERS

MICHIGAN SALES AND USE TAX

- Michigan Sales Tax
- Exemptions from the Michigan Sales Tax
- Sourcing of Sales
- Records & Record Keeping Requirements
- Direct Pay Authorization
- Compliance Agreements
- Michigan Use Tax
- Exemption Documentation Requirements
- Construction Contractors
- Contractor vs. Retailer
- Service vs. Tangible Personal Property
- Industrial Processing
- Extractive Operations
- Containers, Cartons & Wrapping Materials
- Health Care
- Computer Software
- Rentals
- Taxability of Interstate Motor Carrier Property
- Discounts, Rebates, & Coupons
- Drop Shipments
- Delivery Services
- Food for Human Consumption
- Interstate Commerce
- Isolated Sales



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