



# State and Local Tax

## Newsletter

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Ed Kisscorni, CPA/MBA  
edk@ehtc.com

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

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- Tax Credits, Exemptions, & Abatements
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## Michigan Business Tax: Estimated Returns, Annual Returns and Extensions

GRAND RAPIDS, MI - Monday, September 17, 2007 - The new Michigan Business Tax (MBT) will be administered somewhat the same as the old Single Business Tax (SBT). Both taxes are administered under the provisions of the Revenue Act. That means the penalty and interest provisions are the same as well as the audit and appeal provisions. However, there are some small differences. The following discusses the MBT estimated return filing and payment requirements, the annual return filing and payment requirements as well as the extension provisions.

### Estimated Returns and Payments

The Single Business Tax (SBT) is almost gone and the Michigan Business Tax (MBT) is almost here. The first concern of taxpayer's and practitioners is filing estimated returns and payments. Please note the filing requirement and due dates have changed from the SBT. Also note, the last year's tax safe haven does not apply to 2008 payments.

A taxpayer that reasonably expects liability for the tax year to exceed \$800.00 must file an estimated return and pay an estimated tax for each quarter of the tax year. [MCL 208.1501(1)]

For taxpayers on a calendar year basis, the quarterly returns and estimated payments must be made on or before April 15, July 15, October 15, and January 15. Taxpayers not on a calendar year basis must file quarterly returns and make estimated payments on the appropriate due date which in the taxpayer's fiscal year corresponds to the calendar year. [MCL 208.1501(3)]

The estimated payment made with each quarterly return of each tax year shall be for the estimated business income tax base and modified gross receipts tax base for the quarter or 25% of the estimated annual liability. The second, third, and fourth estimated payments in each tax year must include adjustments, if necessary, to correct underpayments or overpayments from previous quarterly payments in the tax year to a revised estimate of the annual tax liability. [MCL 208.1501(3)]

The MBTA provides limited safe-harbor provisions whereby certain taxpayers in specified situations can avoid the assessment of interest for underpayment of estimated tax. The interest due on underpayments of estimated tax will not be assessed:

(a) If the sum of the estimated payments equals at least 85% of the liability and the amount of each estimated payment reasonably approximates the tax liability incurred during the quarter for which the estimated payment was made. [MCL 208.1501(4)(a)]

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.

(b) For the 2009 tax year and each subsequent tax year, if the preceding year's tax liability was \$20,000.00 or less and if the taxpayer submitted 4 equal installments the sum of which equals the immediately preceding tax year's tax liability. [MCL 208.1501(4)(b)]

Each estimated return must be filed on a form prescribed by the Department of Treasury and must include an estimate of the annual tax liability and other information required by the state treasurer. [MCL 208.1501(5)]

For a taxpayer filing an estimated tax return for the first tax year of less than 12 months, the amounts paid with each return must be proportional to the number of payments made in the first tax year. [MCL 208.1501(6)]

Estimated payments made will be a credit against the annual tax return. The Department of Treasury has the authority in the law to require filing of the returns and payment of the tax for other than quarterly or annual periods. Such authority is invoked if the Department of Treasury considers it necessary to insure payment of the tax or to provide a more efficient administration of the tax. [MCL 208.1501(8)]

## Annual Return and Payments

An annual or final return must be filed with the Department of Treasury in the form and content prescribed by the Department of Treasury by the last day of the fourth month after the end of the taxpayer's tax year. Any unpaid tax or final liability must be remitted and paid with the annual return. [MCL 208.1515(1)]

## Extensions

The Department of Treasury, upon application of the taxpayer and for good cause shown, may extend the date for filing the annual return. However, extending of the date to file the annual return does not extend the due date for payment of the tax otherwise due. Interest at the rate of 1% over Michigan prime rate of interest [MCL 205.23] will be added to the amount of the tax unpaid for the period of the extension. The state treasurer will require with the application for extension, payment of the estimated tax liability unpaid for the tax period covered by the extension. [MCL 208.1505(3)]

If a taxpayer is granted an extension of time within which to file the federal income tax return for any tax year, the filing of a copy of the federal request for extension together with a tentative return and payment of an estimated tax with the Department of Treasury by the due date of the annual return will automatically extend the due date for the filing of an annual or final MBT return until the last day of the eighth month following the original due date of the return. Interest will be added to the amount of the tax unpaid for the period of the extension. [MCL 208.1505(4)]

## 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



Echelbarger, Himebaugh, Tamm & Co., P.C.  
5136 Cascade Rd. SE, Ste. 2A  
Grand Rapids, MI 49546  
616-575-EHTC (3482)  
www.ehtc.com

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