



Echelbarger, Himebaugh, Tamm & Co., P.C.
STATE AND LOCAL TAX NEWSLETTER

Business Strategists & Certified Public Accountants

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Ordering of Credits Provided For in the Michigan Business Tax Act

GRAND RAPIDS, MI – Monday, March 10, 2008 – The Michigan Business Tax Act (MBTA) provides for almost 40 different credits in 31 different sections of the act. Some of the credits are refundable, others are not. Some of the credits can be carried forward if not used in the year earned. Other credits cannot be carried forward. Some of the credits have statutorily imposed limitations. Other credits have no limitations. To make sense out of the confusion with so many credits, we organized them into a spreadsheet which can be found on the EHTC SALT Website at www.ehtc.com/ehtc/salt.htm. Click on Michigan Business Tax Resources and open "MBT Credits".

The MBTA provides limited direction on the ordering of credits:

Section 403 [MCL 208.1403] provides that the compensation credit and the investment tax credit will be taken before any other credit.

Section 405 [MCL 208.1405] provides the research and development, which when combined with the compensation credit and the investment tax credit cannot exceed 65% of the tax before the surcharge.

Section 417 [MCL 208.1417] provides for the small business alternate tax credit which is taken after the compensation credit, the investment tax credit and the research and development credit, but before all other credits.

Section 411 [MCL208.1411] provides a gross receipts filing threshold credit equal to the tax liability after the small business alternate tax credit.

The MBTA does not provide guidance on the ordering of all other credits. However, the Department of Treasury has stated that the nonrefundable credits will be taken before the refundable credits in the section order listed in the MBTA. Future credits will be taken based on the date of enactment.

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Based on these rules, following is the order that MBT credits can be taken:

Taxpayers other than Insurance Companies and Financial Organizations

Nonrefundable Credits

Section 401 – Unused Carry forwards from SBT

Section 403(2) - Compensation Credit

Section 403(3) - Investment Tax Credit

Section 405 - Research and Development Credit

Section 417 – Small Business Alternate Tax Credit

Section 411 – Gross Receipts Filing Threshold Credit

Section 425 - Community or Education Foundation Credit

Section 427 - Homeless Shelter/Food Bank Credit

Section 409(1) - NASCAR Speedway Credit

Section 410 - Stadium Credit

Section 415 - Start-Up Business Credit

Section 421 - Public Contribution Credit

Section 422 - Arts and Culture Credit

Section 429 - Next Energy Business Activity Credits

Section 433 – Renaissance Zone Credit

Section 435 –Historic Preservation Credit

Section 439 – Low Grade Hematite Credit

Section 441 –Entrepreneurial Credit

Section 445 - New Dealer Motor Vehicle Inventory Credit

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Section 447 - Large Food Retailer Credit

Section 449 – Mid Size Food Retailer Credit

Section 451 – Bottle Deposit Administration Credit

Section 437 – Brownfield Rehabilitation Credit

Section 453 – Private Equity Fund Credit

Refundable Credits

Section 407 - MEGA Research and Development Credit

Section 413 - Personal Property Tax Credits

Section 423 - Worker's Disability Supplemental Benefit Credit

Section 429 - Next Energy Payroll Credit

Section 431 – MEGA Employment Tax Credit

Section 409(2) – NASCAR Safety Credit

Section 450 – Hybrid Technology Research and Development Credit

Insurance Companies

Nonrefundable Credits

Section 237 – Insurance Company Premiums Tax Credits

(a) Amounts paid to the Michigan worker's compensation placement facility

(b) Amounts paid to the Michigan basic property insurance association

(c) Amounts paid to the Michigan automobile insurance placement facility

(d) Amounts paid to the property and casualty guaranty association

(e) Amounts paid to the Michigan life and health guaranty association

Section 239 – Insurance Company Premiums Tax Credits 50% examination fees

Section 401 – Unused Carry forwards from SBT

Section 239/403(2) – Insurance Company Compensation Credit

Section 433 – Renaissance Zone Credit

Section 435 –Historic Preservation Credit

Section 437 – Brownfield Rehabilitation Credit

Refundable Credits

Section 241 – Worker's Disability Supplemental Benefit Credit

Section 431 – MEGA Employment Tax Credit

Financial Organizations

Nonrefundable Credits

Section 401 – Unused Carry forwards from SBT

Section 403(2) –Compensation Credit

Section 433 – Renaissance Zone Credit

Section 435 –Historic Preservation Credit

Section 437 – Brownfield Rehabilitation Credit

Refundable Credits

Section 431 – MEGA Employment Tax Credit

Please stay tuned for more news and follow the [MichiganStateAndLocalTax Blog](#) for information as it becomes available.

If you have questions please feel free to contact me. I would be happy to be of assistance.

Sincerely,

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