



On May 25, 2011, Governor Rick Snyder signed an eight-bill package in an effort to make Michigan more competitive economically as well as to bring fairness and simplicity to Michigan's current tax structure. These new laws become effective January 1, 2012.

Snyder is quoted as saying, *"The current tax system is riddled with inequities that are hostile to job growth. Eliminating these longstanding barriers will level the playing field for taxpayers, encourage entrepreneurship and spur more investment in Michigan. Working in conjunction with other reforms such as a balanced state budget and refocused economic development strategies, the overhaul of our tax structure lets job providers nationwide know that Michigan is the place to be."*

**Some of the changes for individual taxpayers are:**

- The current income tax rate of 4.35% will remain in effect until January 1, 2013. At that time, it will be lowered to 4.25%. In the Great Lakes states, only Indiana's flat rate of 3.4% is lower.
- A three-tiered system will determine whether retirement income is taxed.
  - Taxpayers born before 1946 will continue to receive the current retirement income exemptions as well as the personal exemption, Social Security exemption and the exemption for dividends, interest and capital gains.
  - Taxpayers born between 1946 and 1952 will have a \$20,000 single and \$40,000 joint **retirement income** exemption in addition to the Social Security exemption and personal exemption until age 67. After attaining age 67, the taxpayer will receive a \$20,000 single and \$40,000 joint exemption against **all income** in addition to Social Security and personal exemptions.
  - For individuals born after 1952 there will be no deduction allowed for retirement income. Once they reach age 67, the individual can elect to deduct \$20,000 single and \$40,000 joint against income. This exemption can be taken instead of the Social Security and personal exemptions if it is more beneficial to the filer.
- The current personal exemption is fixed at \$3,700 through 2012, after that it will be adjusted annually for inflation. This personal exemption will be phased out for single taxpayers with household income between \$75,000 and \$100,000 and married couples filing jointly with household income between \$150,000 and \$200,000.
- Military pensions will continue to be exempt.
- The Michigan Earned Income Tax Credit would be reduced from 20% of the federal credit to 6%.
- Political contributions are no longer deductible.

- An individual born after 1945 can no longer deduct a portion of interest, dividends and capital gains received.
- Non-refundable credits like the public contribution credit, the homeless/food bank credit, the city income tax credit, the vehicle donation credit, the college tuition credit and the community foundation credit (which is a very popular contribution in Midland as well as Mount Pleasant) have been eliminated.

**Some of the changes for business taxpayers are:**

- The Michigan Business Tax will be replaced with a 6% Corporate Income Tax. This will only apply to companies that file as “C” corporations effective January 1, 2012. This means that nearly 100,000 small businesses will no longer have to file returns. Companies with apportioned gross receipts of less than \$350,000 will not be required to file a return.
- The apportionment factor provided by the Multistate Tax Compact is eliminated. Income will be apportioned to Michigan based on the ratio of Michigan sales to total sales.
- If a company wishes to take advantage of previously issued certified credits, they may choose to continue to file under the MBT Act as opposed to the new corporate tax act to utilize the credits enumerated. Some of these certified credits are: Brownfield Redevelopment, Historic Preservation, Battery, Film and Michigan Economic Growth and Authority.

**If you would like further information regarding the changes, please contact us at 800-448-0257 or 877-299-8334.**