

SUMMARY FROM MICHIGAN ITAG MEETING

Marilyn Meredith, EA, represented MI Chapter-NATP at the Individual Tax Advisory Group Meeting in Lansing on December 3, 2009. Below is a summary of the discussion that was held:

Can a Michigan resident file just a CR accompanied by an energy credit without filing a MI-1040? No, a MI-1040 will be required to attach new Form 4764 to get the refundable energy credit/s for MI for 2009, 2010 and 2011.

Volunteer Reference Material: Is on the website but is not being reprinted. MI is printing just supplements with the updates, and not even as many of those since many were not used last year.

Each year MI Processing Division has to make a decision as to whether they are going to process amended years first or prior year returns first. This year they completed them both earlier than usual. However, for NOL returns, they are behind since they pulled some of that staff to work MBT returns. The completion date for NOL returns is now the first of Feb, 2010. They had many more NOL returns this year – about 3 times as many.

We have asked for the purpose of question #6 on the CR-7. That information is given to DHS. MI is checking to see what DHS is using that information for. The SSI question is for statistical purposes and the age 18 for children is for DHS purposes.

MI is often slow in sending billings and penalty notices. They want to make sure all payments are posted correctly before they send out the notices. Sending erroneous notices caused them lots of phone calls and complaints!! MI sends 60,000 to 70,000 assessment notices each summer.

Michigan will continue to send the “friendly reminder” notices at the end of March to those that have filed and not paid their tax. These pre-intent notices, as they call them, have saved them lots of problems and have most taxpayers paying on time. Until they started sending these notices, about 1/3 of the ELF returns filed with balance dues were not timely paid.

If your taxpayer files a FED/STATE return, Form 8879 is the only signature form required. If the taxpayer files a MI only return, MI-8453 is required.

MI-CT continues to be limited to four (4) years per student. The MI-CT can be amended if a prior year gives a lesser credit than the current year and the prior year is still open.

What will show on the Schedule W when a taxpayer is on unemployment and has MI tax withheld the gross amount or the taxable amount? The MI team that we had did not know the answer! The income tax return will reflect the net answer and Household income will be the gross amount.

Group term life insurance premium that is included on a W-2 with code ‘c’ is an adjustment on Household income, and always has been.

On foreclosed property, the property is the taxpayers until the redemption period is up (usually 6 months). Therefore, for Homestead Property tax Credit, the period of ownership and occupancy includes the redemption period.

MI is not sending any income tax booklets to anyone using software to do their return.

In the MI Income Tax booklet, there will be census information that indicates “where you spend most of your time” is where you register with census. That is interpreted as to where your voting and homestead exemption and driver’s license is, no matter where you spend how much time. It is important for the census to be recorded correctly for congressional purposes.

Please use the PRACTITIONER website when corresponding with the state so they are corresponding with you as the practitioner, not the taxpayer. If we use the taxpayer site, we could be committing fraud!

POAs continue to have no integration. The Treasury can go to the website and see those that we have sent to collection if we tell them that we have sent one. Collection cannot see if we sent one to Treasury. All POAs are imaged and available on the Treasury web for the Treasury.

The Family Developmental Credit will be on Schedule 2 line 9 this year. The information will be issued from MISHDA to Treasury and the taxpayers.

MBT MUST be EFILED this year except for unitary groups and for fiscal returns after 10/15. MBT processing was very tight this last year with almost everything reviewed. It took a long time for 3 reasons: 1. So many paper filed returns 2. So many mistakes 3. No automatic controls by the department because it was new and the program was new.

We can now check MBT estimates online.

MI plans to have all MBT returns processed by the end of January, 2010.

MI is getting close to enforcing the ELF filing requirements for individual and MBT returns.

MI, as of now, is not issuing new withholding guides for 2010. As of right now, the rate of tax and the exemption amounts are remaining the same. However, legislature is looking at decreasing the exemption amount. If they do, then MI will issue new withholding guides. They are anticipating big changes for 2011!

The Self-Service site will not change during tax season. However, it will be completely revamped after season. No explanation yet of what the changes will be. We will be notified at the time.

MI disbursement checks look slightly different if anyone asks you.

Those heating vouchers and drafts that were sent out to those that got a MI-CR-7 refund are only good until December 13. If you have taxpayers saving them for later, make sure they notice the date. MI will NOT issue replacements – the funds are gone!

MI will put a list of the 14 charities that can be contributed to on their website with a link to the charity website for explanation of what the funds are used for. MI is not involved in recommending or suggesting or any such in these charities – legislation has put them on the return.

PRE on the real estate tax bill is the same as Homestead on the CR.

Many preparers are wondering about licensing and what MI plans to do. As far as Treasury knows, MI legislature has nothing planned for creating a data base of preparers or doing anything about licensing as a state.

The state of now requires everyone in NY to register and pay \$100 to do ELF returns in NY. Further, they require preparers of more than 10 returns to file electronically. The fine is \$250 per return for noncompliance. If you are outstate and prepare 10 or fewer returns, you must register and file ELF but there is no fee this year. The legislation currently imposes a fee for 2010 returns for outstate preparers.

We had a discussion about posting exemption amounts, the pension limits and other inflation adjusted numbers as soon as they are known on the MI website. MI is concerned that they will post something and then legislation will change it. We told them that posting something (even with a conditional date or other condition) is better than posting nothing for those of us trying to do tax planning with our clients.

We also discussed MI posting historical data on their website separately without having to look at each year's instructions. They are taking that into consideration. I told them they could copy from our MI-NATP website.

We discussed the non-refundable energy credit and how the client will have that information. They did not have any definitive information.

If you have any questions, please forward them to Marilyn Meredith at www.idylmoment@aol.com.