



BUSINESS STRATEGISTS
TECHNOLOGY SOLUTIONS
CERTIFIED PUBLIC ACCOUNTANTS

EHELBARGER, HIMEBAUGH, TAMM & Co., P.C.

MICHIGAN BUSINESS TAX

Tax Compliance and Minimization Review

The Michigan Business Tax (MBT) is a combination business income tax and modified gross receipts tax imposed upon business in Michigan and measured by the business activity conducted in the state. The business income tax component is federal taxable income with adjustments including loss carryforwards. The major component of the modified gross receipts tax is gross receipts less exclusions and subtractions for purchases from other firms.

A surcharge of 21.99% was imposed by the MBT. This tax is reduced by a significant number of credits. Major credits include the compensation credit, the investment tax credit, and a research and development credit. The MBT imposes a physical and economic presence connection combined with an apportionment factor. The nexus and apportionment provisions are designed to reward Michigan-based business activities.

The MBT is the successor to the Single Business Tax. It is an extremely complicated annual tax. EHTC has attacked this problem by taking a proactive approach emphasizing creative tax planning as a solution to Michigan Business Tax problems. Innovative tax planning can substantially reduce the Michigan Business Tax liability.

EHTC's Tax Compliance and Minimization Review Process

This process comprises five steps:

1. Identify all related entities and the direct ownership of each entity.
2. Complete a unitary business group study to identify the entities to include in a unitary combined return and the entities to file in separate return.
3. Compute the MBT tax based on current law and existing ownership structure.
4. Identify possible tax savings opportunities by inclusion or exclusion of entities from a unitary business group or from entity restructuring.
5. Check for proper compliance and identify other tax planning opportunities.

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Items to be reviewed include, but are not limited, the following:

- Person – Inclusion of Entities
- Isolated Sales
- Sale of Business Assets
- Capital Gains
- Non-Business Income
- Income from Investing Activities
- Flow-Through Entities
- “S” Corporation Issues
- Gross Receipts Broadly Defined “Entire Amount Received”
 - Deemed Income
 - Taxes
- Exclusions from Gross Receipts
 - Agency Capacity
 - Amounts Received Solely on behalf of a Principal
 - Advertising Agency
 - Real Property Manager
 - Transfer of an Accounts Receivable
 - Refunds
 - Security Deposits
 - Loan Payments
 - Investment Activities
- Purchases from Other Firms
 - Inventory
 - Assets
 - Materials and Supplies
 - Staffing Company
 - Contractor
 - Theater Owner or Film Distributor
 - SBT Business Loss Carryforward
- Nexus
 - Physical Presence
 - Economic Presence
- Apportionment
 - Sales for Apportionment
 - Sourcing of Tangible Personal Property
 - Sourcing of Services
- Unitary
 - Control Test
 - Relationship Test
 - Combined Return
- Credit Carryforward from the SBT
- Credits
 - Compensation Credit
 - Investment Tax Credit
 - Research and Development Credit
 - Personal Property Tax Credit
 - Small Business Alternate Tax Credit
 - Other Credits
- Credit Limitations, Refundability and Carryforwards
- Short Period Return Issues

For more information about the **Tax Compliance & Minimization Review**, contact Ron Kaley (ronk@ehtc.com) at 616-575-3482.