

December 2011

Michigan Business Tax 2011 Year-End Planning

Effective January 1, 2012, the Michigan Business Tax (MBT) will be replaced by a Corporate Income Tax (CIT). Under most circumstances only C Corporations will be subject to the new CIT. This presents a significant opportunity to delay or accelerate business transactions to reduce taxes on your final MBT return for entities that won't be required to file under the CIT including most sole proprietors, partnerships, S corporations, or single-member LLCs. There's still time to take some steps that will help reduce your business's final Michigan Single Business Tax bill.

Accelerating Deductions and Purchases

Consideration should be given to accelerating into 2011 certain deductible expenditures. There could be particular benefit in the case of purchasing inventory, depreciable assets, materials and supplies and items that qualify as purchases from other firms since 100% of the cost is deductible in the year items are acquired in computing the modified gross receipts tax component of the MBT.

Avoiding Recapture/Delay Asset Sale

If you previously received a Capital Acquisition Deduction (CAD) or an Investment Tax Credits (ITC) for the purchase of a fixed asset under the Single Business Tax or the MBT and you intend to sell the asset – which is subject to recapture upon sale – it would be wise to defer the transaction until 2012.

Industrial Personal Property Taxes

Certain MBT tax filers are entitled to a refundable tax credit on their MBT tax return equal to 35% of personal property taxes paid on "industrial personal property." The refundable personal property tax credit is available only for industrial personal property taxes paid by December 31, 2011. Therefore, it is imperative that eligible taxpayers pay their industrial personal property taxes by December 31, 2011, even though they are not due until 2012.

Doeren Mayhew Can Help

Please contact Doeren Mayhew at (248) 244-3000 if you have any questions relating to these or any other tax breaks that may be advantageous to your business.

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