



## **Michigan Corporate Income Tax Impact on Existing Tax Credits Recipients**

The new Michigan Corporate Income Tax (CIT) eliminates almost all tax credits; however, any taxpayer that has an existing credit (or a “certificated credit”) approved and executed before January 1, 2012 will be able to realize the full benefits of their credit. The certificated credits include all of the following:

- MEGA Credits (including standard, high-tech, rural and retention)
- Brownfield Credits
- Renaissance Zones Credits\*
- Historic Preservation Credits
- Michigan Film Credits, including infrastructure and production company credits
- Michigan Early Stage Venture Investment Credits
- Photovoltaic MBT Credits
- Anchor Jobs Credits
- Defense Contracting MBT Credits
- Anchor District Credits
- Polycrystalline Energy Credits
- Battery Production Credits
- Hybrid R&D Technology Credits

\*Renaissance Zone Credits are limited to taxpayers with a development agreement executed between the taxpayer and Michigan Strategic Fund or that are part of a qualified collaborative agreement.

The tax reform will allow taxpayers to receive the benefits of their certificated credits by electing to continue to file the MBT for the duration of their credits. Companies electing to claim their credits and file the MBT will apply the value of the certificated credit to the higher of either the MBT liability, including non-certificated credits, or the calculated CIT liability as if they were subject to the CIT. Companies may also opt-out of this option and simply file under the CIT if they would have a lower CIT liability compared to the value of their certificated credit under the MBT formula, but they would forego any remaining credits.

Companies must determine if they want to continue to file the MBT in their first tax year ending after December 31, 2011, except for Brownfield and Historic Tax Credits. Once a company elects to continue to file the MBT they must remain in the MBT until all their credits and any carryforwards are used up. Taxpayers are encouraged to consult a CPA or tax attorney for professional assistance.

Taxpayers with Brownfield and Historic Tax Credits do not have to elect to remain in the MBT in their first tax year after December 31, 2011, and may elect to file the MBT in the specific year in which they want to claim their tax credits, but they would forego the ability to claim any other certificated credits. Brownfield and Historic certificated tax credits may also elect to take a refund at 90% of credit value for credits issued for tax years beginning after December 31, 2011.

# Certificated Credit Illustration

**FIRST STEP:** For the 2012 tax year, a taxpayer with a refundable certificated credit makes a one-time election to file MBT with credits or file the CIT and forego the credits. Treatment will vary for Brownfield and Historic Preservation credits as described on page one of this summary.

Company A	
<b>MBT Calculation:</b> Gross Receipts Liability    \$ 6 mil + Business Income Liability    \$ 3 mil <hr/> Liability before credits    \$ 9 mil - Non-Certificated Credits    \$ 2 mil - Certificated Credits    \$ 5 mil <hr/> <b>MBT Liability                    \$2 mil ✓</b>	<b>CIT Calculation (no credits):</b> <hr/> <hr/> <hr/> <b>Liability                    \$3 mil</b>

Company B	
<b>MBT Calculation:</b> Gross Receipts Liability    \$ 8 mil + Business Income Liability    \$ 2 mil <hr/> Liability before credits    \$10 mil - Non-Certificated Credits    \$ 8 mil - Certificated Credits    \$ 3 mil <hr/> <b>MBT Liability                    (\$1 mil) ✓</b>	<b>CIT Calculation (no credits):</b> <hr/> <hr/> <hr/> <b>Liability                    \$3 mil</b>

Company C	
<b>MBT Calculation:</b> Gross Receipts Liability    \$ 5 mil + Business Income Liability    \$ 2 mil <hr/> Total Base Liability    \$ 7 mil - Non-Certificated Credits    \$ 1 mil - Certificated Credits    \$ 2 mil <hr/> <b>MBT Liability                    \$ 4 mil</b>	<b>CIT Calculation (no credits):</b> <hr/> <hr/> <hr/> <b>Liability                    \$2 mil ✓</b>

**SECOND STEP:** For Company A and Company B, the MBT scenario is more favorable and both companies would elect to keep the certificated credits. Hencefore it applies the certificated credits to higher MBT liability or CIT Liability for the life of the certificated credit.

In Company C's situation, going with the CIT is more favorable. Thus, Company C foregoes their credits and henceforth files taxes under the new CIT (see final step below).

Company A	
<b>MBT Calculation:</b> Gross Receipts Liability    \$ 6 mil + Business Income Liability    \$ 3 mil <hr/>	<b>CIT Calculation (no credits):</b> <hr/> <hr/> <hr/>
<b>✓ Use Higher Liability</b>	
Liability Before Credits    \$ 9 mil - Non-Certificated Credits    \$ 2 mil <hr/> Liability Before Cert Credits    \$ 7 mil ✓	Liability    \$3 mil No Credits    \$0 <hr/> Liability    \$3 mil
Liability Before Cert Credits    \$7 mil ✓ - Certificated Credits    \$ 5 mil <hr/> <b>MBT Liability                    \$ 2 mil ✓</b>	<div style="text-align: center; border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;"> <b>N/A</b> </div> Liability    \$3 mil - CertCredit (\$ 5 mil) <hr/> Liability <b>(\$ 2 mil)</b>

Company B	
<b>MBT Calculation:</b> Gross Receipts Liability    \$ 8 mil + Business Income Liability    \$2 mil <hr/>	<b>CIT Calculation (no credits):</b> <hr/> <hr/> <hr/>
<b>✓ Use Higher Liability</b>	
Liability Before Credits    \$ 10 mil - Non-Certificated Credits    \$8 mil <hr/> Liability Before CertCredits    \$2 mil	Liability    \$3 mil No Credits    \$0 <hr/> Liability    \$3 mil ✓
<div style="text-align: center; border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;"> <b>N/A</b> </div> Liability Before CertCredits    \$2 mil - Certificated Credits    \$ 3 mil <hr/> <b>MBT Liability                    (\$ 1 mil)</b>	Liability    \$ 3 mil -CertCredit \$3mil <hr/> Liability    \$ 0 mil ✓

**FINAL STEP: FILE TAX RETURNS**

**COMPANY A LIABILITY = \$2 MIL**

**COMPANY B LIABILITY = \$0**

**COMPANY C = \$2 MIL**