

# Michigan Tax Preparer Handbook for Electronic Filing

**2018**

## **Individual Income Tax E-file** (includes City of Detroit e-File)



*Michigan Department of Treasury*  
[www.MIfastfile.org](http://www.MIfastfile.org)

## Table of Contents

CHAPTER 1. GENERAL INFORMATION .....	4
1.1. Important Information.....	4
1.2. E-mail LISTSERV for Tax Professionals .....	4
1.3. State Return Self Service Options .....	4
1.3.1. Internet Options.....	5
1.3.2. Telephone Options.....	5
1.3.3. City of Detroit Return Self Service Options.....	5
CHAPTER 2. INDIVIDUAL INCOME TAX E-FILE .....	6
2.1 Benefits of Individual Income Tax E-file.....	6
2.2. Introduction .....	7
2.3. Highlights and Important Information for Tax Year 2018.....	7
2.4. Federal 2017 Tax Cuts & Jobs Act .....	8
2.5. Homestead Property Tax Credit Updates. ....	8
2.6. Form 5595, Excess Business Loss (MI-461) .....	8
2.7. E-File Return Paper Copy .....	9
2.8. E-file Mandate.....	9
2.9. City of Detroit Individual Income Tax Returns .....	9
2.10. Identity Theft .....	9
2.9. Pension Benefits.....	10
2.10. Form 1099-R Distribution Code .....	12
2.11. Filing Extension for Military Personnel Serving in a Combat Zone .....	12
2.12. Business, Rental, and Royalty Activity Worksheet.....	12
2.13. General Information .....	12
2.14. Key Dates and Reference Information.....	13
2.14.1. Michigan IIT E-file Calendar .....	13
2.14.2. Acknowledgment System.....	13
2.14.3. State Program Description.....	13
2.15. Publications.....	14
2.16 1040 MeF Program .....	14
2.17. How Fed/State/City E-file Works .....	14
2.18. How State and/or City Unlinked E-file Works.....	15

2.19. Application and Acceptance Process .....	15
2.19.1 Who May Participate .....	15
2.20. Michigan Portion of the Electronic Return .....	16
2.20.1. Electronic Michigan Returns .....	16
2.20.2. PDF Attachments .....	18
2.20.3. Exclusions from E-file .....	20
2.20.4. Nonelectronic Portion of Michigan Returns .....	21
2.21. Michigan E-file Signature Process .....	22
2.21.1. Fed/State and/or City Returns .....	22
2.21.2. State and/or City Unlinked Returns .....	22
2.21.3. Declaration of Taxpayer .....	22
2.22. Corrections to Form MI-8453 .....	22
2.22.1. Volunteer Groups.....	23
2.23. Important Reminders for Michigan Return Preparation .....	23
2.23.1. Direct Deposit .....	23
2.23.2. Schedule 1 .....	23
2.23.3. Homestead Property Tax Credit.....	23
2.23.4. Farmland Preservation Tax Credit .....	24
2.23.5. Property Development Rights.....	24
2.23.6. Preparer Notes .....	25
2.24. Transmitting the Michigan Electronic Return .....	26
2.24.1. Acknowledgment of Electronic Returns .....	26
2.24.2. Status Codes Received from Treasury .....	26
2.25. Tax Refund and Payment Information.....	27
2.25.1. State Tax Due Returns.....	27
2.25.3. City Tax Due Returns.....	28
2.26. Responsibilities of Electronic Filers, Transmitters, and ERO's .....	29
2.26.1. ERO or Tax Preparer.....	29
2.26.2. Transmitter .....	29
2.26.3. Program Compliance.....	29
2.26.4. Timeliness of Filing.....	29
2.26.5. Changes on the Return .....	30
2.26.6. Acknowledgment of the Michigan Return.....	30

CHAPTER 3. DIRECT DEPOSIT .....	31
3.1. Benefits of Direct Deposit .....	31
3.2. General Information about Direct Deposit .....	31
3.3. Limitations of Direct Deposit .....	33
CHAPTER 4. DIRECT DEBIT.....	34
4.1. Benefits of Direct Debit.....	34
4.2. General Information about Direct Debit.....	34
4.3. Limitations of Direct Debit .....	35
4.4. Form 5472, Direct Debit of Individual Income Tax Payment .....	35

# CHAPTER 1. GENERAL INFORMATION

## 1.1. Important Information

Michigan electronic filing (e-file) publications and forms are available on Michigan Department of Treasury's (Treasury) Web site at [www.Mlfastfile.org](http://www.Mlfastfile.org). For questions about the e-file program contact Forms Documentation and E-file Services (FDES).

E-File Web Site	<a href="http://www.Mlfastfile.org">www.Mlfastfile.org</a>
E-File Coordinator	Scott Bunnell
Testing and File Specifications	Nancy Agostini and Mark Chambers
E-Mail	<a href="mailto:MIFormsEfile@michigan.gov">MIFormsEfile@michigan.gov</a>
Treasury Web Sites	<a href="http://www.michigan.gov/taxes">www.michigan.gov/taxes</a> <a href="http://www.michigan.gov/treasury">www.michigan.gov/treasury</a> <a href="http://www.michigan.gov/iit">www.michigan.gov/iit</a> <a href="http://www.michigan.gov/citytax">www.michigan.gov/citytax</a> <a href="http://www.michigan.gov/identitytheft">www.michigan.gov/identitytheft</a>

Treasury does not recommend sending account-specific information over the Internet. Federal and State disclosure laws require that taxpayer privacy and confidential records be protected. Therefore, Treasury will not send account-specific information over the Internet in response to an e-mail inquiry.

FDES staff is unable to provide return status information or address specific taxpayer account issues. Should an error occur on the Michigan return during processing, Treasury will communicate directly with the taxpayer through the regular error resolution process. Treasury's Customer Contact staff will discuss return situations with the preparer if the appropriate authorization box has been completed on the return.

## 1.2. E-mail LISTSERV for Tax Professionals

The Treasury Tax Professional LISTSERV is a free service that disseminates mass e-mail messages within seconds to all subscribers. Sign up to receive electronic communications on Treasury's e-file programs and other information of interest. To subscribe or for additional information, visit the Tax Preparer's Web site at [www.Mlfastfile.org](http://www.Mlfastfile.org).

## 1.3. State Return Self Service Options

Treasury offers a variety of services designed to assist taxpayers and most are available 24 hours a day, seven days a week. To obtain information about an account using the Internet and Telephone Options listed below, the following information from the return is needed:

- Social Security number (SSN) of the primary filer
- Tax year of the return
- Adjusted gross income (AGI) or total household resources
- Filing status

### **1.3.1. Internet Options**

Visit [www.michigan.gov/incometax](http://www.michigan.gov/incometax) to find the following information:

- Current year forms and instructions
- Answers to many tax preparation questions
- Most commonly used tax forms
- Free assistance in preparing tax returns
- Retirement, Pension, Interest, Dividends, Capital Gain Estimators
- Pay tax due on the MI-1040, and make quarterly estimated income tax and individual income tax extension payments
- Other tax resources

Select “Check Your Tax Refund Status” to:

- Check the status of a return
- Check estimated payments made during the year
- Check the status of letters sent to Treasury
- Change an address
- Ask a specific question about an account

The secure Web site was designed specifically to protect personal tax information.

### **1.3.2. Telephone Options**

Treasury’s **Automated Information Service 517-636-4486** phone system for State returns is used to:

- Request the status of a refund
- Check the status of a letter sent to Treasury
- Request information on estimated payments
- Order current tax year forms

### **1.3.3. City of Detroit Return Self Service Options**

Treasury’s City of Detroit Income Tax Administration 517-636-5829.

Forms, instructions, and additional information is available at [www.michigan.gov/citytax](http://www.michigan.gov/citytax).

## CHAPTER 2. INDIVIDUAL INCOME TAX E-FILE

### 2.1 Benefits of Individual Income Tax E-file

**Expanded services offered.** E-file is a valuable addition to a tax preparer's list of client services, which can mean more clients. In addition, prospective clients can find an authorized e-file provider at [www.irs.gov](http://www.irs.gov).

**Faster refunds for e-file returns.** E-filed returns are processed faster than paper returns. **Allow 14 days** before checking the status of the Michigan e-filed return by visiting [www.michigan.gov/iit](http://www.michigan.gov/iit) and clicking on "Your Tax Refund Status." Clients can also choose direct deposit and have their State refund deposited directly into their account at the financial institution of their choice. Clients can check the status of their City of Detroit e-filed return by visiting [www.michigan.gov/citytax](http://www.michigan.gov/citytax).

**Payment with tax due returns.** Payment on a tax due return can be made using direct debit at the same time the tax return is e-filed. Filers can even select the date the payment will be debited from their account (up to 90 days, but not beyond April 15, 2019).

**Improved return accuracy.** Treasury processes the same data the tax preparer enters into the computer. When e-filing federal, State and City of Detroit returns together, much of the same data is used so information is entered only once, again lessening the possibility of error. Treasury computers automatically check returns for mistakes. When easy-to-fix mistakes, like math errors or missing forms are found, the return is sent back for correction. The error can then be fixed and sent back to Treasury which prevents a simple mistake from holding up a refund.

**Detailed error conditions.** Modernized e-file (MeF) business rules pinpoint the location of the error in the return and provide complete information in the acknowledgement file that is passed back to the transmitter. MeF business rules use simple wording to clarify each error that triggers a rejection. Treasury will provide up to ten business rule errors per return. For a complete listing of the e-file business rules and their description, visit the Tax Preparer's Web site at [www.Mlfastfile.org](http://www.Mlfastfile.org).

**Increased customer satisfaction.** Only tax preparers and their clients see the return. Tax information is encrypted and transmitted directly to the IRS and then retrieved by Treasury. An acknowledgment is sent to verify the return was received by Treasury and accepted for processing.

**Prior Year Returns.** Michigan and City of Detroit tax returns for 2016, 2017 and 2018 will be accepted during the 2019 processing year. Beginning in processing year 2018, amended 2017 and 2018 Michigan and City of Detroit returns will also be accepted.

**Portable Document Format (PDF) attachments.** MeF accepts PDF attachments with e-filed returns. See Section 2.20.2 for more information on attachments that will be accepted by Michigan.

## 2.2. Introduction

Treasury partners with the IRS to provide e-filing of IIT returns. The Federal/State (Fed/State) e-file Program enables taxpayers to e-file both federal and State (including City of Detroit) returns through tax preparers as part of the program's effort to provide "one-stop shopping" for tax preparation and filing. The State and/or City unlinked e-file Program enables taxpayers to e-file their State and/or City of Detroit return separately from the federal return.

E-filing is the most efficient way to file your federal, State and City of Detroit IIT returns. The IRS and Treasury will begin accepting 2018 returns in January 2019 and encourage taxpayers to use e-file and direct deposit as the fastest way to receive their refunds.

## 2.3. Highlights and Important Information for Tax Year 2018

Michigan Tax Rate .....	4.25%
Personal Exemption .....	\$4,050
Special Exemption for Disabled .....	\$2,700
Qualified Disabled Veteran Deduction.....	\$400
Pension Deduction	
Single Filer	
Born before 1946: private pension limit .....	\$51,570
Born in 1946-1950: Standard deduction against all income ...	\$20,000
Born in 1951 through 1952 .....	\$20,000
Born after 1952, pension not deductible* .....	0
Jointly Filed	
Born before 1946: private pension limit .....	\$103,140
Born in 1946-1950: Standard deduction against all income ...	\$40,000
Born in 1951 through 1952 .....	\$40,000
Born after 1952, pension not deductible* .....	0
Senior Interest, Dividend, and Capital Gains	
Single Filer (not available for senior born after 1945) .....	\$11,495
Jointly Filed (not available for senior born after 1945) .....	\$22,991
City of Detroit Resident Tax Rate .....	2.4%



City of Detroit Nonresident Tax Rate..... 1.2%

City of Detroit Exemption Allowance ..... \$600

\*Exception: Taxpayers in Tier 3 who receive pension benefits from employment with governmental agencies not covered by the Social Security Act, review instructions for Form 4884, line 28 and line 29.

## **2.4. Federal 2017 Tax Cuts & Jobs Act**

The federal Tax Cuts and Jobs Act amended several sections of the Internal Revenue Code of 1986 (IRC). Visit the Treasury Web site for the most current forms and information about Michigan taxes.

Under the federal Tax Cuts and Jobs Act, personal and dependent exemptions were suspended at the federal level. However, Michigan enacted legislation to restore the personal and dependent exemptions. See the instructions for MI-1040, line 9 to determine your exemption amount.

In response to the federal tax changes that affect Michigan NOLs and NOL deductions, the Treasury has updated the net operating loss form. The Application for Michigan Net Operating loss Refund MI-1045 has been revised and is now the Michigan Net Operating Loss, MI-1045.

New for tax year 2018, Form 5595, MICHIGAN *Excess Business Loss* is only required when the filer has a federal excess business loss in the tax year (federal business losses that were subject to the new limitation under IRC section 461).

## **2.5. Homestead Property Tax Credit Updates.**

For 2018, the homestead property tax credit has been expanded:

- The percentage of gross rent paid was increased to 23%
- The limit on total household resources was raised, which now cannot exceed \$60,000
- The percentage of total household resources was lowered to 3.2%
- The maximum credit was increased to \$1,500

See the MI-1040CR instruction book for additional information.

## **2.6. Form 5595, Excess Business Loss (MI-461)**

Business income that is taxed by Michigan and another state must be apportioned, including interest, dividends and capital gains. The Form MI-1040H must be included.

Income reported on the MI-4797 and carried to the MI-1040D is business income, potentially subject to apportionment.

Capital gains from the sale of real property or tangible personal property located outside of Michigan must be adjusted on the MI-1040D.

If there is a federal excess business loss limitation, the Form 5595 must be completed. Follow instructions provided on Form 5595 to determine if any amount is to be included on the Schedule 1.

## **2.7. E-File Return Paper Copy**

Treasury has seen an increase in the volume of both returns and e-file payment vouchers with masked or truncated SSNs and bank account number information. Taxpayers have been mailing the masked copy of their documents instead of the copy with the full account information displayed. Tax preparers should emphasize with their customers the importance of not mailing the masked copies as that will lead to delays in processing of their returns.

## **2.8. E-file Mandate**

To optimize operational efficiency and improve customer service, Treasury mandated e-filing of IIT returns.

Tax preparers who complete 11 or more IIT returns are required to e-file all eligible returns. Software developers producing tax preparation software or computer-generated forms must support e-file for all Michigan and City of Detroit IIT forms that are included in the software package.

## **2.9. City of Detroit Individual Income Tax Returns**

City of Detroit returns are included as part of the Michigan return and is covered under the IIT e-file mandate. Tax preparers who complete 11 or more IIT returns are required to e-file all eligible returns. Software developers producing tax preparation software or computer-generated forms must support e-file for all Michigan and City of Detroit IIT forms that are included in their software package.

When transmitting the return as a State/City submission only one acknowledgment will be issued. Both the Michigan and City of Detroit return must pass schema validation and e-file business rules to receive an accepted acknowledgment.

## **2.10. Identity Theft**

Michigan, along with many other state revenue agencies, requests additional information in an effort to combat stolen-identity tax fraud to protect taxpayers and their tax refund. If they have a driver's license or state issued identification card, please provide the requested information from it. Providing the information could help process their return more quickly. The return will not be rejected if they do not have a driver's license or state-issued identification.

Tax-related identity theft occurs when someone uses the taxpayer's Social Security number to file a tax return claiming a fraudulent refund. Victims of tax-related identify theft can assist the Treasury by following the steps listed below:

- Paper file the return and include all required schedules.
- Send copies, not originals, of the following documents:
  - Federal return and schedules (if applicable).
  - Identity theft affidavits (if applicable).
  - Government issued photo identification
  - W-2's and/or 1099's.

Even if the above steps are followed, the Treasury may require additional identity verification and taxpayers may be asked:

- To complete an identity confirmation quiz, which is a tool Treasury uses to assist in the protection of taxpayers against tax-related identity theft.
- To provide additional supporting documentation as needed.

Visit [www.michigan.gov.identifytheft](http://www.michigan.gov.identifytheft) for more information regarding tax-related identity theft.

## 2.9. Pension Benefits

MCL 206.30(8) defines “retirement or pension benefits.” MCL 206.30(9) provides limitations to the deduction, depending upon the birth year of the retiree, as well as filing status and marital status. Retirees are divided into three tiers based on date of birth of the taxpayer or the date of birth of the oldest spouse on a joint return.

**Tier 1:** For a taxpayer born before 1946, the additional restrictions or limitations imposed by PA 38 of 2011 to the deduction allowed under MCL 206.30(1)(f) do not apply.

**Tier 2:** For a taxpayer born in 1946 through 1952, the maximum pension deduction is \$20,000 for a single return or \$40,000 for a joint return. At age 67, the deduction is no longer restricted to pensions but can be applied to all income. This general deduction is sometimes referred to as a “standard deduction” because it is applied against all income. Taxpayers born during the period January 1, 1946 through December 31, 1951 and who have reached age 67 on or before January 1, 2019 are eligible for the standard deduction; however, the standard deduction against all types of income is not available to the extent the deduction for U.S. Armed Forces compensation and pension benefits, Railroad Retirement Act benefits or pension benefits from Michigan National Guard services is claimed. A taxpayer is considered to have reached age 67 on the day before their birthday.

Taxpayers who claim the standard deduction should **not** complete *Pension Schedule* (Form 4884).

Taxpayers who file a joint return and the older spouse was born prior to 1946 (Tier 1) are not eligible for the standard deduction.

If a taxpayer receives a pension from employment with a governmental agency that was not covered by the federal Social Security Act (SSA), the maximum pension deduction is increased. The “uncovered” taxpayer may deduct up to \$35,000 of pension income on a single return and up to \$55,000 of pension income on a joint return (\$70,000 on a joint return only if both spouses were “uncovered”). At age 67, this taxpayer may deduct these increased amounts as the “standard deduction” against all income; however, the deduction against all types of income is not available to the extent the deduction for U.S. Armed Forces compensation and pension benefits, Railroad Retirement Act benefits or pension benefits from Michigan National Guard Services is claimed.

**Tier 3:** For most taxpayers born after 1952, there is no pension deduction in 2018. However, for some taxpayers in Tier 3, at age 62 there is the limited deduction if a taxpayer receives a pension from employment with a governmental agency that was not covered by the federal SSA. The “uncovered” taxpayer, who is at least 62, may deduct up to \$15,000 or up to \$30,000 if both spouses were “uncovered.” If this “uncovered taxpayer” had retired as of January 1, 2013, then beginning in 2018 the deduction increases to \$35,000 of pension income on a single return and up to \$55,000 of pension income on a joint return (\$70,000 on a joint return if both spouses were “uncovered”).

Most taxpayers in Tier 3 are eligible for the \$20,000 single/\$40,000 joint standard deduction upon reaching age 67. For “uncovered taxpayers” who had retired as of January 1, 2013, upon reaching age 67 the taxpayer may claim a standard deduction equal to \$35,000 for single returns, \$55,000 for joint returns, or \$70,000 for joint returns if both spouses are “uncovered.”

Filing Status	Birth Year	Retirement Benefits Tier	Retirement Benefits Deduction Limits
Single/Separate	Before 1946	Tier 1	All public plus private benefits up to \$51,570 combined
Single/Separate	**1946 through 1952	Tier 2	\$20,000
Single/Separate	After 1952	Tier 3	No deduction***
*Joint	Before 1946	Tier 1	All public plus private benefits up to \$103,140 combined
*Joint	**1946 through 1952	Tier 2	\$40,000
*Joint	After 1952	Tier 3	No deduction***

\*On a joint return, determine the eligibility for deducting retirement benefits using the age of the older spouse.

\*\*Taxpayers born during the period January 1, 1946 through January 1, 1952 do not deduct retirement benefits; they are eligible for the Michigan Standard Deduction. (See *Michigan Schedule 1*, line 24 instructions)

\*\*\* Taxpayers in Tier 3 who receive pension benefits from employment with governmental agencies not covered by the Social Security Act, review instructions for Form 4884, Line 28 and line 29.

## **2.10. Form 1099-R Distribution Code**

The codes for pension subtractions from box 7 of Form 1099-R must be included in the federal record information and on the Michigan Pension Schedule (Form 4884). Distribution Code 1 (Early Distribution) are not qualifying retirement and pension benefits and are not eligible to be reported on Form 4884.

## **2.11. Filing Extension for Military Personnel Serving in a Combat Zone**

United States military personnel serving in a combat zone on April 15, 2019, will be given 180 days after leaving the combat zone to file their federal and State tax returns and will be exempt from penalties and interest. When e-filing, service men and women serving in combat zones should enter the words “*Combat Zone*” in the preparer notes. Military income earned from service in a combat zone must be included in total household resources. While military income earned from service in a combat zone is **not** included in AGI, it must be included in total household resources for the property tax and home heating credits. This includes income in boxes 1 and 12 of the W-2. Visit [www.michigan.gov/taxes](http://www.michigan.gov/taxes) for more information.

## **2.12. Business, Rental, and Royalty Activity Worksheet**

Treasury has made available a sample worksheet, titled Business, Rental, and Royalty Activity Worksheet (Worksheet), that allows taxpayers a means to identify the location of Michigan and non-Michigan business activity and rental activity. The Worksheet also allows other non-business income to be identified as Michigan or non-Michigan. The Worksheet is a suggested attachment and can be used by those who e-file or mail their return. The Worksheet, or any similar worksheet that identifies the type and location of non-Michigan business activity and income, may be attached as a PDF file to an e-filed return using the file name “BusinessActivity.pdf.” The Worksheet or similar worksheet may also be attached to any paper filed return. The Worksheet is not a required attachment, however submitting the Worksheet could reduce the need for further correspondence to obtain information required to process the return and avoid delays. The Worksheet can be obtained at [www.michigan.gov/iit](http://www.michigan.gov/iit).

## **2.13. General Information**

Information from the W-2 and 1099 form is entered in the software and transmitted with the e-file return. **W-2 and 1099 forms should not be mailed to Treasury.** The *Withholding Tax Schedule* (Schedule W) and City Withholding Tax Schedule (City Schedule W) should be provided to the taxpayer with the printed copy of the return. Taxpayers claiming Flow-Through Withholding (FTW) are not eligible for e-file.

## 2.14. Key Dates and Reference Information

### 2.14.1. Michigan IIT E-file Calendar

For Tax Year January 1, to December 31, 2019:

E-file Return Acceptance Period ..... Identical to the IRS

Transmitting Returns to the IRS and Treasury ..... Identical to the IRS

#### *Michigan Individual Income Tax e-file Payment Voucher*

(MI-1040-V) Payments Due..... April 15, 2019

#### *City Individual Income Tax e-file Payment Voucher*

(City-V) Payments Due..... April 15, 2019

Deadline to File *Home Heating Credit Claim* (MI-1040CR-7) ..... September 30, 2018

Deadline to Transmit Michigan Returns Electronically ..... Identical to the IRS

### 2.14.2. Acknowledgment System

IRS State Acknowledgment System..... 1-866-255-0654  
or [www.irs.gov](http://www.irs.gov)

### 2.14.3. State Program Description

Type of e-file Program..... Fed/State and  
State and/or City Standalone

Number of State Taxpayers ..... 5 million

Fed/State e-file Returns (2017) ..... 4.2 million

Average State Refund (2017)..... \$572.01

#### Direct Deposit

State Return..... Yes (Not applicable on amended  
returns)

City of Detroit ..... No

#### Direct Debit/Automatic Fund Withdrawals

State Return..... Yes, or by using e-Payments. Visit  
[www.michigan.gov/iit](http://www.michigan.gov/iit) for more information.

City of Detroit ..... Yes

Warehouse Direct Debit Payments ... Yes, for 90 days, but not beyond April 15, 2019

Michigan Signature Required ..... No – Fed/State and/or City (linked)  
Yes – State and/or City Standalone (unlinked)

## **2.15. Publications**

The following publications provide information for tax professionals participating in the Fed/State e-file program.

**IRS Publications and Forms:** [www.irs.gov](http://www.irs.gov)

*Publication 1345 Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns*

*Publication 4164 Modernized e-File (MeF) Guide for Software Developers and Transmitters*

*Publication 3112 IRS e-file Application and Participation*

*Publication 4557 Safeguarding Taxpayer Data Guidelines*

*Publication 4600 Safeguarding Taxpayer Information*

Form 9325 Acknowledgment and General Information for Taxpayers Who File Returns Electronically

**Treasury Publications and Forms:** [www.MIfastfile.org](http://www.MIfastfile.org)

*Michigan Tax Preparer Handbook for Electronic Filing* (Publication 3015)

*Michigan Individual Income Tax Declaration for Electronic Filing* (MI-8453)

*Michigan Individual Income Tax e-file Payment Voucher* (MI-1040-V)

*City Individual Income Tax e-file Payment Voucher* (City-V)

## **2.16 1040 MeF Program**

Tax preparers and transmitters accepted into the IRS e-file program may participate in the 1040 Fed/State e-file Program and e-file the State and/or City of Detroit return through the MeF program.

Michigan accepts two kinds of submissions:

- Fed/State (linked)
- State and/or City of Detroit (unlinked)

## **2.17. How Fed/State/City E-file Works**

Tax preparers and transmitters accepted into the IRS Fed/State 1040 MeF Program may file federal, State and/or City of Detroit returns together in one transmission to the IRS Service Center. The State and/or City submission can be linked to the IRS submission by including the IRS SubmissionId of the federal return. If the State and/or City submission is linked to an IRS submission (also referred to as the Fed/State return), the IRS will check to see if there is an accepted IRS SubmissionId. If there is not an accepted federal return, the IRS will deny the State and/or City submission and a rejection acknowledgment will

be sent to the transmitter. Treasury has no knowledge that the State return was denied (rejected) by the IRS. If there is an accepted federal return under the IRS SubmissionId, MeF will perform minimal validation on the State and/or City submission. The State and/or City data will then be made available for retrieval by Treasury. After the State and/or City data is retrieved, it will be acknowledged and, if accepted, processed by Treasury.

**Note:** The IRS recommends if a state submission is linked to an IRS submission, to send the IRS submission first, and after it has been accepted, send in the state submission.

## **2.18. How State and/or City Unlinked E-file Works**

The federal return does not have to be e-filed and accepted before e-filing the State and/or City of Detroit unlinked return. However, the federal tax return should be computed before computing the Michigan and/or City of Detroit tax return.

Tax preparers and transmitters accepted in the IRS e-file program may participate in the State and/or City unlinked e-file program when supported by their software. If the Electronic Return Originator (ERO) does not link the State and/or City return to a previously accepted federal return, the IRS will perform minimal validation on the State and/or City of Detroit return. If the return passes validation, the State and/or City of Detroit submission will then be made available for retrieval by Treasury. After the State and/or City submission is retrieved, it will be acknowledged and, if accepted, processed by Treasury.

Treasury will acknowledge receipt of all returns retrieved from the IRS. The transmitter should receive the Michigan acknowledgment within three days from the date the return is successfully transmitted to the IRS.

When filing a combined Michigan and City of Detroit return, both the State and City of Detroit return must be accepted to receive an “Accepted” acknowledgment. If an error occurs in either the State or City of Detroit return, both returns will be rejected.

**All returns, whether e-filed or paper-filed, are subject to Treasury audit and can be delayed regardless of the acknowledgment code received.** Returns are processed and refunds are issued daily.

## **2.19. Application and Acceptance Process**

### **2.19.1 Who May Participate**

Tax preparers and transmitters accepted into the IRS MeF program may participate in Michigan 1040 e-file program and e-file Michigan Individual Income Tax or City of Detroit returns through the MeF program. The IRS mandates preparers filing 11 or more IIT returns to e-file those returns, with minor exceptions. Michigan would expect any preparer e-filing federal returns to also e-file the Michigan and City of Detroit returns.



To participate, applicants must first apply to the IRS and be accepted. Individuals must register with IRS e-Services and create a new (or revised) IRS e-file application. Individuals can contact the IRS e-help toll-free at 1-866-255-0654 for assistance.

*Publication 3112 IRS e-file Application and Participation* specifies the application process and requirements for federal participation. The definitions used by the IRS of the various categories of electronic filers, EROs, transmitters, or software developers also apply for Michigan e-filing purposes.

**Once accepted into the IRS e-file program, participation in Michigan’s e-file program is automatic.** Michigan will use the Electronic Filing Identification Number (EFIN) assigned by the IRS. Michigan does not assign any additional identification numbers.

IRS regulations require paid tax preparers to use Preparer Tax Identification Numbers (PTINs) for all tax returns and refund claims. Visit the IRS Web site at [www.irs.gov](http://www.irs.gov) for more information.

To participate in Michigan’s Fed/State and State and/or City of Detroit unlinked e-file programs, e-filers must use software that has successfully completed the IRS and Michigan Assurance Testing System (ATS). Confirm that the software chosen has been approved for Michigan and/or City of Detroit and the Treasury e-file program is operational before transmitting returns.

If, after acceptance, a tax preparer/transmitter or software company has production problems, Treasury reserves the right to suspend that tax preparer or software company until the problems are resolved to Treasury’s satisfaction.

Treasury may conduct a suitability check on applicants who have been accepted in the Fed/State e-file program. Participation in the program may be denied if a company is not registered to conduct business in Michigan, or if there is an outstanding tax liability with Michigan.

A list of approved software companies is available on Treasury’s Web site. Tax preparers are not required to file test returns with Michigan.

## **2.20. Michigan Portion of the Electronic Return**

The Michigan portion of an electronic return consists of data transmitted electronically and the supporting paper documents. The paper documents contain information that cannot be transmitted electronically.

### **2.20.1. Electronic Michigan Returns**

Michigan e-file will **support** the following 2018 IIT forms and schedules:

Form	Title
3174	Direct Deposit of Refund
4013	Resident Tribal Member Annual Sales Tax Credit

Form	Title
4642	Voluntary Contributions Schedule
4884	Michigan Pension Schedule
4973	Pension Continuation Schedule
4976	Home Heating Credit Claim MI-1040CR-7 Supplemental
5049	Married Filing Separately and Divorced or Separated Claimants Schedule
5472	Direct Debit of Individual Income Tax Payment
5530	Amended Return Explanation of Changes (Schedule AMD)
5595	Michigan Excess Business Loss (MI-461)
MI-1040	Michigan Individual Income Tax Return
MI-1040CR	Homestead Property Tax Credit Claim
MI-1040CR-2	Homestead Property Tax Credit Claim for Veterans and Blind People
MI-1040CR-5	Farmland Preservation Tax Credit Claim
MI-1040CR-7	Home Heating Credit Claim
MI-1040D	Adjustments of Capital Gains and Losses
MI-1040H	Schedule of Apportionment ( <b>e-file limited to six occurrences</b> )
MI-2210	Underpayment of Estimated Income Tax
MI-4797	Adjustments of Capital Gains and Losses from Sales of Business Property
MI-8949	Sales and Other Dispositions of Capital Assets
Schedule 1	Additions and Subtractions
Schedule CR-5	Schedule of Taxes and Allocation to Each Agreement
Schedule NR	Michigan Nonresident and Part-Year Resident
5118	City of Detroit Resident Income Tax Return
5119	City of Detroit Nonresident Income Tax Return
5120	City of Detroit Part-Year Resident Income Tax Return
5121	City of Detroit Withholding Tax Schedule (City Schedule W)
5253	City Withholding Tax Schedule Continuation Schedule
5338	City Underpayment of Estimated Income Tax

**Note:** Information from the W-2 and 1099 forms is entered in the software and transmitted with the e-file return. Do not mail W-2 and/or 1099 forms to Treasury. All W-2 and 1099 information, when applicable, is required when submitting a State and/or City unlinked return.

When the following forms are included, the MI-1040 **can be e-filed**, but the forms listed below must be mailed to the address indicated on the form.

Form	Title
MI-1045	Application for Michigan Net Operating Loss Refund
4*	Application for Extension of Time to File Michigan Tax Returns
MI-1310	Claim for Refund Due a Deceased Taxpayer

Form	Title
MI-1040ES*	Michigan Estimated Individual Income Tax Voucher

\*If the taxpayer makes either the extension payment or estimated payments electronically, there is no need to mail the identified form to Treasury.

**Note:** Michigan will accept e-file returns for deceased taxpayers. If a U.S. 1310 is required, that data must be included within the federal folder of the Michigan e-file return. When e-filing on behalf of a single, deceased taxpayer with a balance due federal return and a refund Michigan return, the Michigan return can be e-filed and the U.S. 1310 or *Claim for Refund Due a Deceased Taxpayer* (MI-1310) and required documents included as a PDF attachment when supported by the software or mailed to Treasury.

### 2.20.2. PDF Attachments

Following is a list of IIT forms, line references, and filing conditions where PDF attachments are accepted by Michigan.

Form	Line	Description	File Name	Required
State Returns		Power of Attorney	POA.pdf	No
City Returns		Power of Attorney	CityPOA.pdf	No
All Forms		MI-1310	MI1310.pdf	No
All Forms		Letter of Authority	LetterOfAuthority.pdf	No
All Forms		Death Certificate	DeathCertificate.pdf	No
All Forms and Lines		Explanation. Must include the form and line number reference	Explanation.pdf	No
MI-1040	18	Other State Returns	OtherStateReturn.pdf	No
MI-1040 MI-1040CR-5	26	Worksheet to allow claimants to identify percentages they are allowed to claim for a farmland preservation tax credit.	FarmlandK1.pdf	No
MI-1040 MI-1040CR-5	26	A breakdown of the taxable value and property taxes for the farmland preservation tax credit.	Assessor.pdf	No
MI-1040CR MI-1040CR-2 MI-1040CR-5	10 10	Property Tax Statement	PropertyTaxStatement.pdf	No
MI-1040CR MI-1040CR-2 MI-1040CR-7	22 21 24	Custodial Party End of Year Statement	FEN851.pdf	No

<b>Form</b>	<b>Line</b>	<b>Description</b>	<b>File Name</b>	<b>Required</b>
MI-1040CR		Letter from the landlord that states the portion of the monthly payment that constitutes rent or if not available, the prorated share of property taxes	SpecialHousingStmt.pdf	No
Schedule 1 Schedule NR		Business Activity Worksheet	BusinessActivity.pdf	No
Schedule 1	10	Supporting statement when claiming subtraction for when income from U.S obligations exceeds \$5,000	USObligationsDetail.pdf	No
Schedule 1	11	Claiming a subtraction of taxable railroad retirement benefits. This can include income from the RRB-1099 and/or RRB-1099R.	RRB1099R.pdf	No
Schedule 1	22	Claiming Michigan subtraction for federal Schedule R but not required to include Schedule R with federal return.	FedSchR.pdf	No
MI-1040H	12	Unitary Calculation	UnitaryCalculation.pdf	Yes
5119	Part 5	Finance Director Approval Letter	ApprovalLetter.pdf	Yes
5121	Part 3	Employer Letter and Work Log	EmployerLetterAndWorkLog.pdf	No
5119 5120	28 23	Explanation. Employee Business Expenses	EmployeeBusinessExpenses.pdf	No
Amended Return		Federal 1040X	Fed1040X.pdf	No

\*See note in Electronic Michigan Returns Section regarding the MI-1310.

### 2.20.3. Exclusions from E-file

The taxpayer is **not eligible for e-file** for the 2017 tax year if:

Form	Line	Description
Various		Filing federal returns or forms excluded in MeF.
All Michigan Forms		Prior year return(s) for tax year 2015 or prior.
MI-1040	19	Claiming the Historic Preservation Tax Credit (Form 3581).
Schedule 1	24 26	Claiming both the Michigan Standard Deduction (line 24) and the dividend/interest/capital gain deduction (line 26) as the unremarried surviving spouse of someone born before 1946 who was at least 65 at the time of death.
Schedule 1	24	Filing Schedule 1 and claiming the Michigan Standard Deduction on line 25 with a birthdate of January 1, 1952
Schedule 1	25	Claiming a pension/retirement subtraction using form 4884 when the oldest of filer or spouse is born in 1951 and died during the tax year before reaching age 67.
Schedule 1 Form 4884	25 28	Claiming a pension/retirement subtraction using Section D of form 4884 when the oldest of the filer or spouse is born January 1, 1957.
Schedule 1 Form 4884	25 28	Claiming a pension/retirement subtraction using Section D of the form 4884 when the taxpayer is required to reduce the deduction limit due to railroad or military benefits subtracted on Schedule 1, line 11.
MI-1040CR, CR-2, or MI-1040CR-7		Filing an amended credit-only return.
MI-1040CR-7	13b	Claiming more deaf/disabled/blind exemptions than the total personal, child and dependent adult exemptions.
MI-1040CR-5	8	Using different total household resources than on the MI-1040CR, MI-1040CR-2 or MI-1040CR-7.
MI-8949	1	Filing with more than 36 short-term capital gains/losses.
MI-8949	3	Filing with more than 48 long-term capital gains/losses.
MI-4797	2	Filing with more than 16 sales/exchanges of property held more than one year.
MI-4797	10	Filing with more than 13 ordinary gains/losses of property held one year or less.
MI-4797	19	Filing with more than 17 gains from disposition of property under Sections 1245, 1250, 1252, 1254 and 1255.
Form 5595		Filing with more than 300 Allowable and Excess Business Loss
Schedule W	Table 3	Reporting Flow-Through Withholding (FTW)
MI-1040X-12		Filing the Amended Michigan Income Tax Return
MI-1041		Filing the Fiduciary Income Tax Return
MI-1040H	12	Filing with more than 28 entities unitary with one another for which combining apportionment.

Form	Line	Description
5121	Part 2	Reporting City Tax Paid by A Partnership

#### 2.20.4. Nonelectronic Portion of Michigan Returns

The nonelectronic portion of the Michigan return consists of the following supporting documents:

- **Michigan Individual Income Tax Declaration for e-file (Form MI-8453).** See the “Michigan E-file Signature Process” Section 2.21 of this Handbook for more information on Form MI-8453.
- **Michigan Individual Income Tax e-file Payment Voucher (Form MI-1040-V).** State tax due returns must submit payment by April 15, 2019. For other payment options see Section 2.25, Tax Refund and Payment Information
- **City Income Tax e-file Payment Voucher (Form City-V).** City tax due return must submit payment by April 15, 2019. Form City-V should only be used for e-file payments. For other payment options see the Section 2.25, Tax Refund and Payment Information.
- **Michigan Direct Debit of Individual Income Tax Payment (Form 5472)** provides the taxpayer with a copy of their direct debit request entered in the electronic return submission.
- **Farmland Preservation Tax Credit Claim (Form MI-1040CR-5).** Part 2 of Form MI-1040CR-5 or the signed statement to Treasury. Farmland returns claiming unequal distribution of property taxes on jointly owned land must have a distribution statement signed by all owners.

Do **not** mail a copy of Form MI-1040CR-5 or the signed statement to Treasury. A copy of the signed statement should be retained to avoid reduction and/or denial of the credit. Treasury may request at a later date a copy of the signed statement to verify the unequal distribution claimed.

- **City of Detroit Business Income Apportionment Schedule. (Form 5327)** used when claiming more than one occurrence of business income apportionment on Form 5119 or Form 5120.
- **PDF Attachments** listed in Section 2.20.2 when PDF attachments are not supported by the software.

## **2.21. Michigan E-file Signature Process**

### **2.21.1. Fed/State and/or City Returns**

Michigan will accept the federal signature method (Self-Selected Personal Identification Number (PIN) or Practitioner PIN). Michigan does not require any additional signature documentation. If the taxpayer chooses to complete Form MI-8453, Treasury recommends the tax preparer retain it for six years. **Do not** mail Form MI-8453 to Treasury.

### **2.21.2. State and/or City Unlinked Returns**

State and/or City unlinked returns can be signed using “shared secrets” or Form MI-8453 signature document. Shared secrets consist of the SSN(s), previous year’s AGI or total household resources, and the previous year’s tax due or refund amount. If Form MI-8453 is used, the tax preparer should retain a copy of Form MI-8453. Form MI-8453 should **not** be mailed to Treasury.

The AGI or total household resources and refund or tax due amount must be from the previous year’s return. Treasury can accept this information from the original return, amended return, or return as corrected by Treasury.

If the return is signed by using shared secrets and the return is rejected because the shared secrets do not match, the taxpayer/tax preparer may correct the shared secrets information and retransmit. There is no limit on how many times the return can be retransmitted in this circumstance.

### **2.21.3. Declaration of Taxpayer**

After the return has been prepared and before the return is transmitted electronically, the taxpayer (and spouse, if a joint return) must verify the information on the return and sign and date Form MI-8453. The tax preparer or transmitter must provide the taxpayer with a copy of the form. Tax preparers and EROs are prohibited from allowing taxpayers to sign a blank Form MI-8453. Form MI-8453 may also be used by tax preparers as a signature document to retain for their records.

## **2.22. Corrections to Form MI-8453**

If the tax preparer or transmitter makes changes to the electronic return after the taxpayer has signed Form MI-8453 but before the data has been transmitted, the tax preparer or transmitter must have the taxpayer complete a corrected Form MI-8453 if the following conditions apply:

- Federal AGI differs from the amount on the electronic return by more than \$25.
- The Michigan or City of Detroit refund changes by more than \$5.

Nonsubstantive changes are permissible on Form MI-8453, provided the tax preparer or the person making the corrections initials the changes.

### **2.22.1. Volunteer Groups**

If a taxpayer chooses to complete Form MI-8453, it should **not** be mailed to Treasury. Volunteer tax preparers must provide taxpayers with the MI-8453 and instruct them to retain a copy with their tax records.

## **2.23. Important Reminders for Michigan Return Preparation**

### **2.23.1. Direct Deposit**

Direct deposit information is part of the electronic record; therefore, a separate Form 3174 does not have to be completed for e-file. However, remember that the direct deposit information for the federal and State returns can be different. This is especially important when the taxpayer has a Refund Anticipation Loan (RAL).

**Note:** Treasury cannot make any changes to direct deposit information after the return is transmitted.

Direct deposit requests associated with a foreign bank account are classified as International ACH Transactions (IAT) and not allowed. If a direct deposit income tax refund is forwarded or transferred to a financial institution in a foreign country, the direct deposit will be returned to Treasury. If this occurs, the refund will be converted to a check and mailed to the address on the tax return. Taxpayers should contact their financial institution for questions regarding the status of their bank account.

Refund requests cannot be made by direct deposit for an amended state return. A refund check will be mailed to the address on the Michigan return.

Direct deposit is not available for City of Detroit refunds. All City of Detroit tax refunds will be issued as checks and mailed to the taxpayer.

### **2.23.2. Schedule 1**

Line 14 on Schedule 1 should include compensation received for active duty in the U.S. Armed Forces included in AGI. Compensation from the U.S. Public Health Service, contracted employee pay, civilian pay, and DITY pay are **not** considered military pay.

Line 22 (Miscellaneous Subtractions) on Schedule 1 must include a description of the subtraction. "Miscellaneous" or "Misc." is not acceptable. Include the federal schedule reference, such as "See U.S. Schedule R, line 19," if applicable. The Preparer Notes field may be used for additional description information if necessary. Gambling winnings reported on Form 1099G are **not** an allowable subtraction on Schedule 1.

### **2.23.3. Homestead Property Tax Credit**

A taxpayer must be a Michigan resident for at least six months in 2018 to be eligible for the homestead property tax credit.

To verify accurate information and avoid processing delays and/or adjustment of the credit, Treasury recommends the taxpayer provide property tax statements to support the



property taxes claimed on *Homestead Property Tax Credit Claim* (MI-1040CR). These property tax statements may be attached as "PropertyTaxStatement.pdf."

Property taxes should not be estimated. Ad valorem taxes that were levied on the homestead in 2018, including collection fees up to 1 percent of the taxes, can be claimed no matter when they are paid. Most special assessments for drains, sewers, and roads do not meet specific tests and may not be included in the computation of the credit. Special assessments may be included only if they are levied using a uniform millage rate, are based on taxable value, and are either levied in the entire taxing jurisdiction or they are used to provide police, fire, or advanced life support services and are levied township-wide, except for all or a portion of a village.

Homeowners are required to enter the taxable value on Form MI-1040CR, line 9. Homeowners are not eligible for a homestead property tax credit on their home if their home has a taxable value of more than \$135,000 (excluding vacant farmland classified as agricultural). Returns received without the taxable value for homeowners will be rejected on e-file business rule 201.

#### **2.23.4. Farmland Preservation Tax Credit**

It may be helpful to ask the taxpayer to provide copies of the agreements being claimed to verify information and avoid processing delays.

Multiple names on property tax statements indicate joint ownership. **Returns filed claiming joint ownership must have the signed distribution statement for all other owners.** Tax preparers should retain a copy of the signed statement in their records. Do **not** mail the signed Form MI-1040CR-5 to Treasury. To avoid the credit being reduced or denied at a later date, the tax preparer must be able to provide a copy of the signed statement upon request.

Farmland agreement numbers consist of:

- **County Code:** First two digits of the agreement number.
- **Contract Number:** The middle set of numbers between the county code and the expiration date. This number may or may not include a letter depending on if the agreement has been split.
- **Expiration Date:** Last eight digits of the agreement number. The first four digits are always "1231." The last four digits are the year the agreement expires.

#### **2.23.5. Property Development Rights**

Taxpayers filing Property Development Rights (PDR) on Form MI-1040CR-5/Schedule CR-5 are eligible for e-file. A PDR is an easement purchased from the landowner by the Michigan Department of Agriculture and Rural Development on behalf of the State of Michigan to protect prime farmland from development.

PDR numbers will begin with the county code where the land is located, followed by the purchase number (always begins with “PR”), followed by the date “12319999.” The “12319999” date is used as a default date for e-file purposes only; a PDR does not have an expiration date (e.g.19-PR2625-12319999).

### **2.23.6. Preparer Notes**

Software may include a Preparer Notes area for the State return. The purpose of this field is to capture additional descriptive information from lines that did not have sufficient space. Michigan Preparer Notes can contain up to 150 characters. Tax preparers are encouraged to utilize Preparer Notes and PDF attachments when supported by the software.

Using Preparer Notes for both federal and State and/or City returns and including recommended PDF attachments may reduce the need for Treasury to write to the taxpayer for additional information.

Examples of information that can be included in Preparer Notes with recommended PDF attachments:

- “Combat Zone” if taxpayer is serving in a combat zone.
- “Federal Extension granted to MM-DD-CCYY” if taxpayer has been granted an extension to file his or her federal return.
- Explanation of a large subtraction.  
(Recommend including an Explanation.pdf when not supported by federal forms)
- Explanation of a miscellaneous subtraction.  
(Recommend including an Explanation.pdf)
- How taxpayer met expenses when total household resources is very low.  
(Recommend including an Explanation.pdf)
- Co-owners share of property taxes.  
(Recommend including the PropertyTaxStatement.pdf)
- Explanation of taxpayers paying room and board/property tax credits.  
(Recommend including the RentalAgreement.pdf)
- Farmland agreement number reduced for exception by percent.  
(Recommend Assessor.pdf)
- Identify where prior year farmland refund is included on federal return.
- Withholding corrected on an amended MI-1040.  
(Recommend including an Explanation.pdf to provide copies of the W-2(s))

## **2.24. Transmitting the Michigan Electronic Return**

The ERO, tax preparer, and/or electronic transmitter must follow all electronic transmitting procedures, communication requirements, and technical specifications required by the IRS and Treasury to participate in the State and IRS MeF programs.

### **2.24.1. Acknowledgment of Electronic Returns**

The Michigan acknowledgment informs transmitters that the Michigan return data has been received. The Michigan acknowledgment is separate from the federal acknowledgment.

If a federal return is rejected, the accompanying Michigan return will also be rejected. If the error is one that can be corrected, both return records may be retransmitted to the IRS. Do not assume that an acknowledgment from the IRS is a guarantee of receipt by Michigan.

Under normal processing conditions, the Michigan acknowledgment file is available to a transmitter within three business days of successful transmission to the IRS. Transmitters who transmit for EROs and tax preparers must notify taxpayers of the Michigan acknowledgment at the time of receipt.

If filing a combined State and City return, both the State and City return must be accepted. If an error occurs in either the State return or City return, both filings will be rejected.

### **2.24.2. Status Codes Received from Treasury**

Treasury will perform certain checks on the State and City return during the acceptance process. All returns, whether e-filed or paper-filed, are subject to Treasury audit, and can be delayed regardless of the acknowledgment code given. Should an error occur on the Michigan and or City of Detroit return during processing, Treasury will communicate directly with the taxpayer through the regular error resolution process. Treasury will discuss return situations with the preparer if the appropriate authorization box has been completed on the return.

#### **Acceptance Status:**

**Accepted** Electronic return was **accepted** and will be reviewed and processed. **All e-filed returns are subject to Michigan audit and can be delayed regardless of the status code given.**

**Rejected** Electronic return was **rejected**. If the Michigan and/or City of Detroit return was rejected, a Rule Number which describes the reason for the rejection will be provided. If the Michigan and/or City of Detroit return is rejected, it can be retransmitted as a State and/or City Standalone return. If the return was rejected the preparer may correct the error and retransmit the return. There is no limit on how many times a State and/or City Standalone return can be retransmitted.

The IIT e-file Business Rules (rejection codes and descriptions) are posted in a separate document on Treasury's Web site at [www.Mlfastfile.org](http://www.Mlfastfile.org), under the Tax Preparer tab.

## **2.25. Tax Refund and Payment Information**

Treasury will accept e-file returns with a balance due at any time during the e-file processing season. Taxpayers who e-file returns with tax due are responsible for submitting payment of the balance due by April 15, 2019. If full payment of that tax due is not submitted by April 15, 2019 the taxpayer will receive a bill with applicable penalty and interest.

Refund requests cannot be made by direct deposit for an amended return. A refund check will be mailed to the address on the Michigan return.

### **2.25.1. State Tax Due Returns**

In the event that tax is due on the return, the taxpayer must submit payment by April 15, 2019. Payments can be made by:

- Direct debit from a checking or savings account when the return is e-filed and supported by the software. A direct debit is a tax payment electronically withdrawn from the taxpayer's bank account through the tax software used to electronically file the individual income tax return. Submitting the electronic return with the direct debit information provided, acts as the taxpayer's authorization to withdrawal the funds from their bank account. Requesting the direct payment is voluntary and only applies to the electronic return that is being filed.

**Important:** When the State return has tax due and the City return has a refund, the City refund cannot be reduced to cover the State tax due.

Warehousing the tax payment allows the taxpayer to designate the date the payment will be withdrawn from their bank account. Treasury will accept a warehoused payment date up to 90 calendar days, but not beyond April 15, 2019. Direct debit requests after April 15, 2019 due date cannot be warehoused and must contain a direct debit date that is equal to the transmission date of the e-filed return. Treasury will not withdraw a payment from the designated bank account prior to the requested debit date. Allow three (3) to four (4) business days from the direct debit date for the payment to be withdrawn from the account.

Penalty and interest will accrue on any tax due that has not been paid by the due date of the return. The day the return was transmitted, if accepted by Michigan, is the received date.

- Michigan Individual Income Tax e-Payments system by direct debit (e-Check) from a checking or savings account, or by using a credit or debit card. Michigan IIT filers have the option of making payments electronically using Michigan's Individual Income Tax e-Payments system. Paying electronically is easy, fast, and secure. The available payment types include IIT tax payments (tax due on the MI-1040), quarterly estimated income tax payments, and individual income tax extension payments. Payments can be made using direct debit (e-Check) from a checking or savings account, or credit or debit card. There is no fee for e-Check payments.

Credit and debit payments will be charged a convenience fee (2.35 percent of the total payment for credit cards and a flat fee of \$3.95 for debit cards) which is paid directly to the payment processing vendor. Visit [www.michigan.gov.iiit](http://www.michigan.gov.iiit) for more information.

- Mailing Form MI-1040-V with a check or money order after e-filing the MI-1040 return. The MI-1040-V should not be attached to a copy of the return. When the payment is made electronically, there is no need to mail the 1040-V to Treasury.

### **2.25.2. City Tax Refunds**

Direct deposit will not be available for City of Detroit refunds. All City of Detroit tax refunds will be issued as warrants and mailed to the taxpayer.

### **2.25.3. City Tax Due Returns**

In the event that tax is due on the return, the taxpayer must submit payment by April 15, 2019. Payments can be made by:

- Direct debit from a checking or savings account when the return is e-filed and supported by the software. A direct debit is a tax payment electronically withdrawn from the taxpayer's bank account through the tax software used to electronically file the individual income tax return. Submitting the electronic return with the direct debit information provided, acts as the taxpayer's authorization to withdrawal the funds from their bank account. Requesting the direct payment is voluntary and only applies to the electronic return that is being filed.

**Important:** When the City return has tax due and the State return has a refund, the State refund cannot be reduced to cover the City tax due.

Warehousing the tax payment allows the taxpayer to designate the date the payment will be withdrawn from their bank account. Treasury will accept a warehoused payment date up to 90 calendar days, but not beyond April 15, 2019. Direct debit requests after April 15, 2019 due date cannot be warehoused and must contain a direct debit date that is equal to the transmission date of the e-filed return. Treasury will not withdraw a payment from the designated bank account prior to the requested debit date. Allow three (3) to four (4) business days from the direct debit date for the payment to be withdrawn from the account.

Penalty and interest will accrue on any tax due that has not been paid by the due date of the return. The day the return was transmitted, if accepted by Michigan, is the received date.

- Mailing Form City-V with a check or money order after e-filing the City of Detroit return. The City-V should not be attached to a copy of the return and should not

be used for any other payment made to the State of Michigan (such as a Michigan tax due on Form MI-1040). When the payment is made electronically, there is no need to mail the City-V to Treasury.

**Payments using Michigan’s Individual Income Tax e-Payments system is not available for City of Detroit tax due returns.**

## **2.26. Responsibilities of Electronic Filers, Transmitters, and ERO’s**

E-filers, transmitters, and EROs must abide by the terms set forth in the Michigan and IRS guidelines; and must maintain a high degree of integrity, compliance, and accuracy to continue to participate in the Michigan 1040 MeF programs.

### **2.26.1. ERO or Tax Preparer**

An ERO is the person or firm who constructs the return information for the taxpayer for the purpose of electronically filing a tax return. Treasury requires that participants first be accepted into the IRS MeF program to participate in the State program.

Preparers have been entrusted with the task of filing a client’s tax return and must assume responsibility of ensuring the return arrives at Treasury. In the event that the e-filed State and/or City return fails to arrive or is rejected and cannot be retransmitted, tax preparers must notify their clients to file a paper return.

### **2.26.2. Transmitter**

A transmitter is the business or individual who electronically sends the file of return data to Treasury. In most cases, the software developer will be the transmitter.

### **2.26.3. Program Compliance**

All electronic filers must comply with the requirements and specifications set forth in IRS *Publications 1345*, Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns and *Publication 4163*, Modernized e-File (MeF) Guide for Software Developers and Transmitters.

All authorized e-file providers must be diligent in recognizing and preventing fraud and abuse in the e-file program. Providers with problems involving fraud and abuse may be suspended or expelled from participation in Michigan’s e-file program, be assessed civil and preparer penalties, or be subject to legal action. Refer to IRS *Publication 4557 Safeguarding Taxpayer Data, A Guide for Your Business*, and *Publication 4600 Safeguarding Taxpayer Information*.

### **2.26.4. Timeliness of Filing**

Transmitters must ensure electronic returns are transmitted timely. The date the electronic return is posted and acknowledged by Treasury constitutes the receipt date of the return and payment when applicable. Any return not acknowledged by Treasury as “accepted” is considered not filed.

Transmitters should confirm that Treasury has issued an acknowledgment of the Michigan return before considering the State and/or City filing complete.

#### **2.26.5. Changes on the Return**

After an electronic return is acknowledged as accepted, it cannot be recalled, intercepted, or changed in any manner. If either the ERO or taxpayer wishes to change any entries on an accepted e-filed return, an amended paper return must be filed.

#### **2.26.6. Acknowledgment of the Michigan Return**

Once Treasury has acknowledged an electronic return, transmitters are required to notify their EROs of acceptance within five business days.

After an electronic return is acknowledged as accepted, it cannot be recalled, intercepted, or changed in any manner. If either the ERO or taxpayer wishes to change any entries on an accepted electronic return, an amended return must be filed.

**Transmitters and EROs must advise taxpayers** that e-file returns are usually processed within 14 business days. Allow 14 days before checking the status of an e-filed return by visiting [www.michigan.gov/iit](http://www.michigan.gov/iit) and clicking on “Your Tax Refund Status.” To check the status of the e-filed City return visit [www.michigan.gov/citytax](http://www.michigan.gov/citytax)

Treasury will discuss any inquiries regarding a return with errors with the taxpayer or agent who has a power of attorney on file for the year in question.

## CHAPTER 3. DIRECT DEPOSIT

### 3.1. Benefits of Direct Deposit

Michigan taxpayers can elect to have their Michigan income tax refunds directly deposited into their checking or savings accounts. When e-filing, direct deposit is part of the electronic record.

Direct Deposit is:

- **Convenient.** The refund is deposited directly into the taxpayer's account at the financial institution of their choice.
- **Safe.** Refunds made by direct deposit are never lost or stolen.
- **Reliable.** Refunds are deposited electronically, even when taxpayers are on vacation or traveling on business.
- **Confidential.** On average, fewer people will see a taxpayer's account information with direct deposit than with paper checks.

Refund requests cannot be made by direct deposit for an amended state return. A refund check will be mailed to the address on the Michigan return.

Direct deposit is not available for City of Detroit refunds. All City of Detroit tax refunds will be issued as checks and mailed to the address on the City of Detroit return.

### 3.2. General Information about Direct Deposit

Treasury will not honor direct deposit requests made by persons who owe individual or business taxes, or have another State or federal debt that would result in their refunds being offset. This includes third-party debts such as child support, garnishments, or levies.

Treasury is not responsible for the misapplication of a direct deposit that is caused by error, negligence, or malfeasance on the part of the taxpayer, ERO, transmitter, software developer, financial institution, or any of their agents.

Tax preparers should advise the taxpayer that once an electronic return has been accepted for processing by the State, the direct deposit election cannot be rescinded. The RTN of the financial institution or the bank account number cannot be changed.

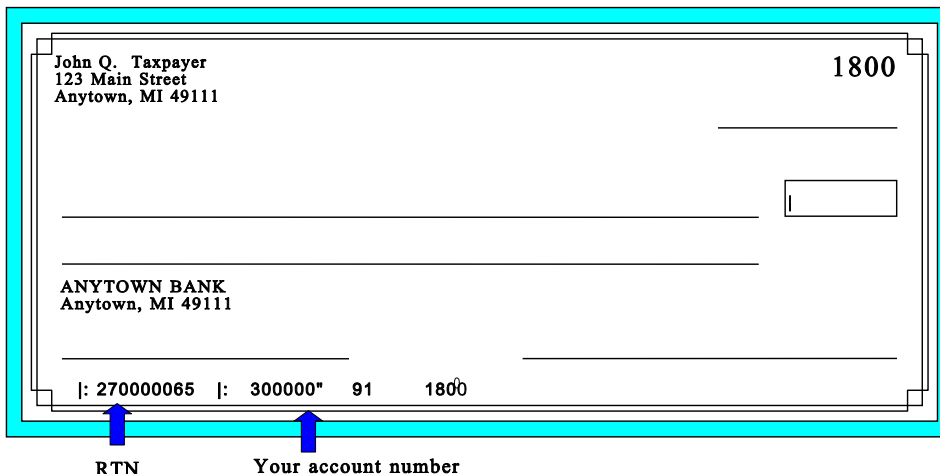
The authorization for direct deposit is voluntary and must be renewed yearly.

An e-filer who functions as an ERO must:

- Ensure the taxpayer is aware of the general information regarding a direct deposit.
- Not charge a separate fee for direct deposit.



- Accept a direct deposit election to the financial institution designated by the taxpayer.
- Ensure that a taxpayer electing direct deposit meets the eligibility requirements. The taxpayer must provide proof of account from the financial institution the taxpayer designates to receive the direct deposit. This information is best obtained from official financial institution records, account cards, checks, or share drafts that contain the taxpayer’s name and address. The account must be in the taxpayer’s name.
- Direct Deposit requests associated with a foreign bank account are classified as IAT. If an income tax refund direct deposit is forwarded or transferred to a financial institution in a foreign country, the direct deposit will be returned to Treasury. If this occurs, the refund will be converted to a check and mailed to the address on the tax return. Taxpayers should contact their financial institutions for questions regarding the status of their bank account.



*Note: The RTN and account number may appear in different places on your check*

- Verify the direct deposit information on Form MI-1040 or Form 3174 (if a paper filing becomes necessary) is correct and is the information transmitted with the electronic portion of the return.
- Enter the number from left to right and leave unused boxes blank. Include hyphens but omit spaces and special symbols. The Routing Transit Number (RTN) is usually found between these symbols: •|: **and** |: . The sample check above shows where the RTN and account number may appear.
- The RTN must be nine digits. If the first two digits are not “01” through “12” or “21” through “32,” the direct deposit will be rejected and a refund check will be sent to the address as filed on the return.

- Michigan tax preparers may recognize a valid Michigan RTN because it generally begins with “07” or “27,” which is the Federal Reserve District that Michigan is in. “07” is for banks and “27” is for credit unions. Upper Peninsula banks may have “09” or “29.”
- Ensure the direct deposit of refund for Michigan is not deposited in an RAL account for the federal refund.

If Form MI-1040CR-7 is filed, it is important that box 7 be checked if heating costs are currently included in rent.

When checked, the taxpayer will receive a refund and may choose direct deposit instead of receiving a paper check.

If box 7 is not checked, a State of Michigan energy draft will be issued. Energy drafts must be redeemed at the taxpayer’s utility company; therefore, direct deposit is not available.

### **3.3. Limitations of Direct Deposit**

If Treasury is unable to honor a request for direct deposit, a refund check will be mailed to the taxpayer’s address on the return. Following are some reasons for not honoring a direct deposit request:

- The taxpayer’s account was closed after the direct deposit request was submitted.
- The taxpayer asked to have the refund deposited into a foreign financial institution or foreign branch of a U.S. financial institution. The State of Michigan can only make direct deposits to accounts in U.S. financial institutions that are located in the United States.
- The taxpayer or spouse owes a debt to the State of Michigan or to a third party that requires the State to retain all or part of the refund. Treasury must satisfy this debt before issuing any remaining refund. Examples of third-party debts include child support arrearages and debts covered by a garnishment served against the refund or credit. If this situation occurs, the taxpayer will receive a letter stating the refund amount and to which debt it was applied. Depending upon the amount of the debt, there could be no remaining refund.
- The financial institution returns the direct deposit because an incorrect RTN or account number was entered on the electronic record.

Treasury limits the number of deposits that can be made into any one account. Therefore, Michigan is not able to process returns when a refund is deposited into the Rush Visa Card account referenced at [www.rushcard.com/index.aspx](http://www.rushcard.com/index.aspx). Participation in this program would significantly delay clients’ refunds.

Any assistance in discouraging taxpayers from participating in the Rush Visa Card program in Michigan would be appreciated. If the volume of accounts using this service is too large, Treasury would have to look at the possibility of issuing paper refunds to any returns with this account number listed on the return. Treasury appreciates all cooperation in this matter.

Taxpayers should review their monthly statements or contact their financial institutions for Direct Deposit verification. When attempting to locate a direct deposit, taxpayers should request their financial institutions research savings, checking, or other accounts before contacting their tax preparers or Treasury. Taxpayers cannot elect to use direct deposit for their Michigan refund when they are sending their City of Detroit submission in the same transmission and electing to use direct debit for their City of Detroit tax due.

## **CHAPTER 4. DIRECT DEBIT**

### **4.1. Benefits of Direct Debit**

Beginning in the 2017 processing year, Michigan taxpayers can elect to use direct debit when e-filing their tax due IIT returns. A direct debit is a tax payment electronically withdrawn from the taxpayer's checking or savings account when the return is e-filed and direct debit is supported by the software. Submitting the electronic return with the direct debit information provided, acts as the taxpayer's authorization to withdraw the funds from their bank account. Requesting the direct payment is voluntary and only applies to the electronic return that is being filed. **Direct debit is available for both the Michigan and City of Detroit returns.**

Benefits of Direct Debit:

- **Convenient.** The payment is withdrawn directly from the taxpayer's account at the financial institution of their choice. Requesting the direct payment is voluntary and only applies to the electronic return that is being filed.
- **Efficient.** Both the payment and return are e-filed at the same time.
- **Warehousing.** E-file the return now and schedule the payment for a later date (up to 90 calendar days, but not beyond April 15, 2019).
- **Cost.** The State pays the cost to initiate the direct debit.

### **4.2. General Information about Direct Debit**

Payments will be allowed with e-filed returns when supported by the software and transmitted with the electronic return.

The return with payment must **receive an "Accepted" acknowledgment** by Treasury to be accepted as timely.

**Warehousing a payment.** Warehousing the tax payment allows the taxpayer to designate the date the payment will be withdrawn from their bank account. Treasury will

accept a warehoused payment date up to 90 calendar days, but not beyond April 15, 2019. Direct debit requests after April 15, 2019 due date cannot be warehoused and must contain a direct debit date that is equal to the transmission date of the e-filed return. Treasury will not withdraw a payment from the designated bank account prior to the requested debit date. Allow three (3) to four (4) business days from the direct debit date for the payment to be withdrawn from the account.

In the event the payment is returned as unpaid, the Michigan Department of Treasury may charge a return item fee, up to the maximum amount allowed by law. Penalty and interest will accrue on any tax due that has not been paid by the original due date of the return.

### **4.3. Limitations of Direct Debit**

Taxpayers cannot elect to use **direct debit** for their City of Detroit tax due when they are electing to use **direct deposit** for their Michigan refund and sending their Michigan submission in the same transmission.

Separate payments must be initiated when the taxpayer owes for both State and City returns.

Direct debit requests associated with a foreign bank account are classified as International Automated Clearing House Transactions (IAT). If the income tax direct debit is forwarded or transferred to a financial institution in a foreign country, the direct debit will be returned to Treasury. If this occurs, the withdrawal will not be honored and the income tax must be paid by mailing the MI-1040-V and/or City-V with a check or money order. Taxpayers should contact their financial institutions for questions regarding the status of their bank account.

Taxpayers should review their monthly statements or contact their financial institutions for Direct Debit verification. When attempting to locate a direct debit withdrawal, taxpayers should request their financial institutions research savings, checking, or other accounts before contacting their tax preparers or Treasury.

### **4.4. Form 5472, Direct Debit of Individual Income Tax Payment**

Form 5472 provides a record of the direct debit request included in the Michigan and/or City of Detroit electronic submissions and should not be mailed to Treasury.

Form 5472 is not a confirmation the payment was successfully withdrawn from the taxpayer's bank account. Taxpayers should review their monthly statements or contact their financial institutions for direct debit verification.