

Michigan Tax Preparer Handbook for Electronic Filing

2015

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



Michigan Department of Treasury
www.MIfastfile.org

**INDIVIDUAL INCOME TAX
E-FILE HANDBOOK**

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CHAPTER 1 GENERAL INFORMATION

IMPORTANT INFORMATION

Contact information is for **tax preparers and software developers only** and enables the Michigan Department of Treasury (Treasury) to provide better customer service to authorized e-file providers. **Please do not give these numbers to taxpayers.** Forms, Documentation and E-File Services (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.

Michigan electronic filing (e-file) publications and forms are available on Treasury's Web site at www.Mifastfile.org. For questions about the e-file program, contact FDES.

E-File Web Site	www.Mifastfile.org
FDES Coordinator	Scott Bunnell
Testing and File Specifications	Nancy Agostini Mark Chambers
E-Mail	MIFormsEfile@michigan.gov
Telephone (Monday-Friday, 8.a.m. to 5 p.m. EST)	517-636-4450
Michigan Relay Service	800-649-3777 (TTY only)
Fax	517-636-6826
Treasury Web Sites	www.michigan.gov/taxes www.michigan.gov/treasury www.michigan.gov/iit www.michigan.gov/citytax

FDES is available Monday through Friday, 8 a.m. to 5 p.m. EST, except State holidays. When leaving a message, give as much detail as possible so that staff can research the question(s) and have the answer(s) ready when returning the call. Speak clearly and spell and difficult names.

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.

E-mail LISTSERV for Tax Professionals

The Treasury Tax Professionals 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.MIfastfile.org.

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

Internet Options

Visit 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
- Other tax resources

Visit www.michigan.gov/iit to:

- Check the status of a return
- Check estimated payments made during the year
- Check the status of letters sent to Treasury
- Pay tax due on the MI-1040, and make quarterly estimated income tax and individual income tax extension payments
- Change an address
- Ask a specific question about an account

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

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

New

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.

CHAPTER 2 INDIVIDUAL INCOME TAX

BENEFITS OF INDIVIDUAL INCOME TAX E-FILE

Expanded services offered. E-file is a valuable addition to a tax preparers' list of client services, which can mean more clients. In addition, prospective clients can find an authorized e-file provider at www.irs.gov.

Updated

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 and clicking on "Check My Income Tax Info." 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.

Improved return accuracy. Treasury processes the same data the tax preparer enters into the computer. 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.

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

Updated

Prior Year Returns. Michigan tax returns for 2013, 2014 and 2015 will be accepted during the 2016 processing year. Beginning in January 2016, Michigan will begin accepting and processing the 2015 City of Detroit IIT returns.

Portable Document Format (PDF) attachments. MeF accepts PDF attachments with e-filed returns. See page 18 for more information on attachments that will be accepted by Michigan.

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 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 standalone 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 plan to open the IIT 2016 filing season in January 2016 and encourage taxpayers to use e-file and Direct Deposit as the fastest way to receive their refunds.

Michigan, along with many other state revenue agencies, is requesting additional information this filing season in an effort to combat stolen-identity tax fraud to protect you and your tax refund. If you have a driver’s license or state issued identification card, please provide the requested information from it. Your return will not be rejected if you do not have a driver’s license or state-issued identification. Providing the information could help process your return more quickly.

HIGHLIGHTS AND IMPORTANT INFORMATION FOR TAX YEAR 2015

Michigan Returns	
Tax Rate	4.25%
Personal Exemption	\$4,000
Special Exemption for Disabled	\$2,600
Qualified Disabled Veteran Deduction	\$400
Pension Deduction	
Single Filer	
Born before 1946: private pension limit	\$49,811
Born in 1946-1947: Standard deduction against all income	\$20,000
Born in 1948 through 1952	\$20,000
Born after 1952, pension not deductible *	0
Jointly Filed	
Born before 1946: private pension limit	\$99,623
Born in 1946-1947: Standard deduction against all income	\$40,000
Born in 1948 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)	\$11,104
Jointly Filed (not available for senior born after 1945)	\$22,207
City of Detroit Returns	
City of Detroit Resident Tax Rate	2.4%
City of Detroit Nonresident Tax Rate	1.2%
City of Detroit Exemption Allowance	\$600

*Exception: Taxpayers who have reached age 62 and receive Social Security exempt retirement benefits due to employment with a governmental agency, may be eligible for a pension deduction. See the MI-1040 instruction book for additional information.

New

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.

City of Detroit Individual Income Tax Returns

New

Beginning January 2016, Treasury will begin processing City of Detroit IIT Returns. The City of Detroit returns are included as part of the Michigan return.

City of Detroit returns will be covered under the IIT e-file mandate.

- City of Detroit e-file returns will be processed through the IRS 1040 MeF platform.
 - Included in the State submission (State and City forms will be treated as one submission) or,
 - City Standalone
- The residency status determines which form to file. If you lived inside the City of Detroit for all of 2015 (January through December), you are a resident of Detroit. File Form 5118, *CITY Resident Income Tax Return*.

If you lived outside the City of Detroit for all of 2015 (January through December), you are a nonresident of Detroit. File Form 5119, *CITY Nonresident Income Tax Return*, if you earned income in the City of Detroit.

If you lived in the City of Detroit less than a full year (anytime between January and December), you are a part-year resident. File Form 5120, *CITY Part-Year Resident Income Tax Return*.

Note: A husband and wife may file either a joint return or separate returns. When a husband and wife have a different residency status, they should file married filing separately with each spouse using the appropriate form. If you were married, separated or divorced during 2015 and had a different residency status from that of your spouse, either file separate returns or file one, Form 5120, *CITY Part-Year Resident Income Tax Return*.

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

Updated
1/8/16

- For calendar year 2016, employers required to withhold Detroit income tax on compensation will continue to remit the withholding payment to the City of Detroit. For additional information, contact the Detroit Income Tax Department Withholding Section 313-224-9596. Beginning in calendar year 2017, employers required to withhold Detroit income tax on compensation will remit the withholding payment to the Michigan Department of Treasury.

Supreme Court of the United States – Same-Sex Marriage

New

On June 26, 2015, the Supreme Court of the United States invalidated the Michigan Constitution’s definition of marriage. In *Obergefell et al v Hodges*, the Court held that the State’s definition of marriage as the union of one man and one woman denied same-sex couples the benefits of marriage and therefore denied them the equal protection of the law under the 14th amendment of the United States Constitution. As a result, Michigan now recognizes the marriages of same-sex spouses.

As of the date of the Court’s decision, same-sex spouses who file Michigan income tax returns and who are married under the laws of the State of Michigan or under the laws of another state must claim either “married filing jointly” or “married filing separately” status on a Michigan income tax return. If the spouses file a joint federal income tax return, they must also file a joint Michigan return. If the spouses did not file a joint federal return, they may choose to file separately or jointly.

Michigan income tax returns may be amended to claim “married filing jointly” if the same-sex spouses choose to do so, but the Department will not require amended returns. If an amended return is filed, refunds will only be issued if the return is filed within 4 years of the date that the original return was due.

Employer Provided Same-Sex Spousal Benefits

New

Recognition of same-sex marriage will prevent the taxation of certain employee benefits for a same-sex spouse under the Michigan Income Tax Act. This guidance does not apply to domestic partners or other relationships that do not constitute a state-sanctioned marriage.

Prior to the recognition of same-sex marriage in Michigan, the value of the employer’s share of employer-provided health care coverage for a same-sex spouse was included in the employee’s Michigan taxable income. In addition, pre-tax dollars used to pay the employee’s share of health premiums for a same-sex spouse were also added to employee’s Michigan taxable income. Similarly, pre-tax dollars used to fund a flexible spending account for the benefit of a same-sex spouse and dependents of that spouse were added to the employee’s Michigan taxable income.

If an employee is married to a same-sex spouse at any time during 2015, an employer should not withhold Michigan income tax from an employee’s wages to cover the value of employee benefits for the spouse. If during 2015 an employer has been withholding Michigan tax on the value of the benefits, the employer should reduce withholding on the employee’s wages for the rest of the year to correct any overwithholding. If a reduction

in withholding does not correct the full amount of overwithholding, the employee may receive a refund of the overpaid withholding through the 2015 Michigan income tax return.

For tax years before 2015, an employee who was married to a same-sex spouse may seek a refund by filing an amended Michigan income tax return to deduct the value of any same-sex spousal benefits that were included in Michigan taxable income during that tax year. For taxpayers with same-sex spousal benefits who only had Michigan wages, the value of those benefits will be the difference between the amount in box 1 and box 16 of a federal W-2. If an amended return is filed, it must be filed within 4 years of the date the original return was due. The return may be filed claiming either “married filing jointly” or “married filing separately” status.

New

Business, Rental, and Royalty Activity Worksheet

Treasury has made available a sample worksheet, titled Business, Rental, and Royalty Activity 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. It 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. It 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.

New

MI-1040H Unitary Apportionment Worksheet

Treasury has made available a sample worksheet titled *MI-1040H Unitary Apportionment Worksheet* (Unitary Worksheet) that allows taxpayers to provide the required information when apportioning unitary business income. The Unitary Worksheet, or any similar worksheet that identifies the members in the group and shows the combining calculations, may be attached as a PDF file to an e-filed return using the file name “UnitaryCalculation.pdf.” The Unitary Worksheet or similar worksheet may also be attached to a paper filed return. The Unitary Worksheet is a required attachment. The Unitary Worksheet could reduce the need for further correspondence to obtain information required to process the return and avoid delays. The Unitary Worksheet can be obtained at www.michigan.gov/iit.

New

Farmland Schedule K-1 Worksheet

Treasury has made available a sample worksheet, titled Farmland Schedule K-1 Worksheet (Worksheet), which allows claimants to identify the percentages they are allowed to claim for a farmland preservation tax credit. The Worksheet also allows claimants to identify where the business activity is located, any prior year farmland preservation tax credit included in income, oil and gas income or loss and depletion. It is

a suggested attachment and can be used by those who e-file their return. The Worksheet, or any similar worksheet which identifies the allowable percentages, may be attached as a PDF file to an e-filed return using the file name “FarmlandK1.pdf.” It is not a required attachment, however submitting the Worksheet could reduce the need for further correspondence with Treasury and avoid processing delays. The Worksheet can be obtained at www.michigan.gov/iit.

New

Assessor Worksheet

Treasury has made available a worksheet, titled Assessor Worksheet that provides a breakdown when the property tax statement includes land enrolled in multiple agreements, non-enrolled and/or land excluded from the agreement when filing a Michigan Farmland Preservation Tax Credit Claim.

This information must be submitted on township stationery and signed by the local assessor or the assessor can complete and sign the Assessor Worksheet. The Assessor Worksheet is not a required attachment, however submitting the Worksheet could reduce the need for further correspondence with Treasury and avoid processing delays. The Assessor Worksheet may be attached as a PDF file to an e-filed return using the file name “Assessor.pdf”.

Visit www.michigan.gov/iit for additional information and select Tax Forms and Instructions to obtain a copy of the Assessor Worksheet.

e-Payment Reminder

IIT filers now have the option of making payments electronically using the Treasury’s e-Payment system. Paying electronically is easy, fast, and secure. The available payment types include IIT payment (tax due on the MI-1040), quarterly estimated income tax payments, and IIT extension payment. For additional information refer to the Individual Income Tax Payment Options on page 27.

IMPORTANT NOTE: If the taxpayer has received an assessment or assessment number from the Michigan Department of Treasury, Office of Collections, please make the payment using Michigan Treasury's Collections e-Service. The e-Service payment button is also located at www.michigan.gov/iit. It is very important to use the proper payment system to ensure timely, accurate posting of the payment and to reduce the likelihood of further Collection action taken by Treasury.

Pension Benefits

Individuals born in 1946, 1947, and 1948 who have reached age 67 may be eligible for a subtraction of \$20,000 for single filers, or \$40,000 for joint filers against all income, rather than solely against pension and retirement income.

Individuals who reach age 62 in 2015 (born in 1953) who receive pension benefits from employment with governmental agencies not covered by the Social Security Act, may be eligible for a \$15,000 pension subtraction or \$30,000 if both spouses on a jointly filed return received pension benefits from an “uncovered” governmental agency.

Filing Status	Birth Year	Retirement Benefits Tier	Retirement Benefits Deduction Limits
Single/Separate	Before 1946	Tier 1	All public plus private benefits up to \$49,811 combined
Single/Separate	**1946-1952	Tier 2	\$20,000
Single/Separate	After 1952	Tier 3	No deduction
*Joint	Before 1946	Tier 1	All public plus private benefits up to \$99,623 combined
*Joint	**1946-1952	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, 1949 do not deduct retirement benefits; and are eligible for the Michigan Standard Deduction. (See *Michigan Schedule 1*, line 25 instructions)

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 pension and retirement benefits and are not eligible to be reported on Form 4884.

Filing Extension for Military Personnel Serving in a Combat Zone

United States military personnel serving in a combat zone on April 18, 2016, 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. “Combat Zone” should be entered for these returns in the Michigan Preparer Notes. Visit www.michigan.gov/taxes for more information.

General Information

Updated

Information from the W-2 and 1099 forms 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.

KEY DATES AND REFERENCE INFORMATION

Michigan IIT E-file Calendar

For Tax Year January 1, to December 31, 2016:

Note: Dates are subject to change.

E-file Return Acceptance Period	Identical to the IRS
Transmitting Returns to the IRS and Treasury	January 19, 2016
<i>Michigan Individual Income Tax e-file Payment Voucher</i> (MI-1040-V) Payments Due	April 18, 2016
<i>City Individual Income Tax e-file Payment Voucher</i> (City-V) Payments Due	April 18, 2016
Deadline to File <i>Home Heating Credit Claim</i> (MI-1040CR-7)	September 30, 2016
Deadline to Transmit Michigan Returns Electronically	Identical to the IRS

State Program Data

Acknowledgment System

IRS State Acknowledgment System	1-866-255-0654 or www.irs.gov
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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 (2014)	3.9 million
Average State Refund (2014)	\$469.05

Direct Deposit

State Return	Yes
City of Detroit	No

Direct Debit/Automatic Fund Withdrawals

State Return	Yes – Using e-Payments. Visit www.michigan.gov/iit for more information.
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City of Detroit	No
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www.michigan.gov/iit

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

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

IRS Publications and Forms: 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

Michigan Tax Preparer Handbook for Electronic Filing 2015 (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)

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 Standalone (unlinked)

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 Submission ID 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 Submission ID. 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 Submission ID, 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.

How State and/or City Standalone (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 standalone 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 Standalone 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 (also referred to as State Standalone 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. The Electronic Transmitter Identification Number (ETIN) must be entered correctly in the software to receive acknowledgments.

New

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.

APPLICATION AND ACCEPTANCE PROCESS

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 for more information.

To participate in Michigan's Fed/State and State and/or City of Detroit Standalone 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.

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.

Electronic Michigan Returns

Michigan e-file will **support** the following 2015 IIT forms and schedules:

Form/Schedule	Title
3174	Direct Deposit of Refund
4013	Resident Tribal Member Annual Sales Tax Credit
4642	Voluntary Contribution Schedule
4884	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
MI-1040	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	Adjustment of Capital Gains and Losses
MI-1040H	Schedule of Apportionment (e-file limited to six occurrences)
MI-2210	Underpayment of Estimated Income Tax
MI-4797	Adjustments of 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	Nonresident and Part-Year Resident Schedule
5118	City Resident Income Tax Return
5119	City Nonresident Income Tax Return
5120	City Part-Year Resident Income Tax Return
5121	City Withholding Tax Schedule (City Schedule W)
5253	City Withholding Tax Schedule Continuation Schedule

New

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 standalone 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
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.

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
MI-1040	18	Other State Returns	OtherStateReturn.pdf	No
State Returns		Power of Attorney	POA.pdf	No
All Returns		MI-1310	MI1310.pdf	No*
MI-1040	26	Worksheet to allow claimants to identify percentages they are allowed to claim for a farmland preservation tax credit.	FarmlandK1.pdf	No
MI-1040	26	A breakdown of the taxable value and property taxes for the farmland preservation tax credit.	Assessor.pdf	No
Schedule 1	11	Claiming a subtraction of taxable railroad retirement benefits.	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

New

New

Form	Line	Description	File Name	Required
Schedule 1 Schedule NR		Business Activity Worksheet	BusinessActivity.pdf	No
MI-1040H	12	Unitary Calculation	UnitaryCalculation.pdf	Yes
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
City Schedule W	Part 3	Employer Letter and Work Log	EmployerLetterAnd WorkLog.pdf	No
5119 Nonresident City Income Tax Return	Part 5	Finance Director Approval Letter	ApprovalLetter.pdf	Yes

*See note in Exclusions from E-file Section regarding the MI-1310.

Exclusions from E-File

The taxpayer is **not eligible for e-file** for the 2015 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 2012 or prior.
	MI-1040	19	Claiming the Historic Preservation Tax Credit (Form 3581).
	Schedule 1	24	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.
Updated	Schedule 1	24	Filing Schedule 1 and claiming the Michigan Standard Deduction on line 25 with a birthdate of January 1, 1949
	Schedule 1	25	Claiming a pension/retirement subtraction using form 4884 when the oldest of filer or spouse is born in 1947 and died during the tax year before reaching age 67.
New	Schedule 1	25	Claiming a pension/retirement subtraction using Section D of form 4884 when the oldest of the filer or spouse is born January 1, 1954.
	MI-1040CR-5	Part 2	Filing with more than 25 agreements.
	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.
	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.
	5121	Part 2	Reporting City Tax Paid by A Partnership
New	5119	Part 5	Filing with more than one occurrence of business income apportionment.

Nonelectronic Portion of Michigan Returns

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

- **Copies of other states' returns for credit.** Copies should be retained in the taxpayer's records when PDF attachments are not supported by the software.
- **Form MI-8453.** See the "Michigan E-file Signature Process" section of this Handbook for more information on Form MI-8453.
- **Form MI-1040-V.** State tax due returns must submit payment by April 18, 2016 using Michigan's e-Payment options or by mailing the MI-1040-V. Form MI-1040-V should only be used for e-file payments.
- **Form City-V.** City tax due return must submit payment by April 18, 2016, using the form City-V. Form City-V should only be used for e-file payments.
- **Copies of property tax bills.** Copies should be retained in the taxpayers' records when PDF attachments are not supported by the software. Treasury may request copies to verify tax information.
- **Form MI-1040CR-5.** Farmland returns claiming unequal distribution of property taxes on jointly owned land must have a distribution statement signed by all owners. Part 2 of Form MI-1040CR-5 may be used for this purpose. 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 Schedule W.** If the city allocation is less than 100% retain a copy of the filers work log and Employer letter.

New

Updated

New

MICHIGAN E-FILE SIGNATURE PROCESS

Fed/State and/or City Returns:

Treasury will accept the federal signature method. Treasury 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.

State and/or City Standalone Returns:

State and/or City Standalone 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.

Notes: 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 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 State and/or City Standalone return can be retransmitted in this circumstance.

The signed MI-8453 may be filed with the paper return **for signature purposes only** if the taxpayer had not previously signed a copy of the paper return. The tax preparer should attach Form MI-8453 as the last sheet of paper and write on Form MI-8453 "for signature only."

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.

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.

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.

IMPORTANT REMINDERS FOR MICHIGAN RETURN PREPARATION

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).

Important! 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 (warrant) and mailed to the address on the tax return. Taxpayers should contact their financial institution for questions regarding the status of their bank account.

New

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

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.

Homestead Property Tax Credit

A taxpayer must be a Michigan resident for at least six months in 2015 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 2015, 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.

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 six digits of the agreement number. The first four digits are always “1231.” The last two digits are the year the agreement expires.

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 “123199.” The

“123199” date is used as a default date for e-file purposes only; a PDR does not have an expiration date (e.g.19-PR2625-123199). Do you think we still need the yellow section?

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 when supported by the software.

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

Examples of information that can be included in Preparer Notes:

- “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
- Explanation of a property tax credit and/or home heating credit claim when two or more taxpayers are sharing a home
- How taxpayer met expenses when total household resources is very low
- Explanation if using a mailing address other than taxpayer’s residence
- City of Toledo tax
- Co-owners share of property taxes
- Explanation of multiple credits filed from the same address
- Explanation of multiple family dwellings
- Explanation of taxpayers paying room and board/property tax credits
- Farmland agreement number reduced for exception by percent
- Identify where prior year farmland refund is included on federal return.

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.

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.

New

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.

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.Mifastfile.org, under the Tax Preparer tab.

INDIVIDUAL INCOME TAX E-FILE PAYMENT OPTIONS

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 18, 2016.

State Tax Due Returns

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

In the event that tax is due on the return, the taxpayer must submit payment by April 18, 2016. If full payment of that tax due is not submitted by April 18, the taxpayer will receive a bill with applicable penalty and interest. Payments can be made by check, money order, **or electronically using direct debit (eCheck) from a checking or savings account, or using a credit or debit card.** There is no fee for eCheck payments. Credit and debit card payments will be charged a convenience fee (2.35% 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/iit for more information. **If the taxpayer chooses to make a payment electronically, there is no need to mail the MI-1040V to Treasury.** The MI-1040-V should not be attached to a copy of the return and should not be used for any other payments made to the State of Michigan (such as a city tax due).

Michigan Estimated Individual Income Tax Voucher (MI-1040ES)

Quarterly estimated income tax payments must be made to the State when the taxpayer is expected to owe more than \$500. A taxpayer may choose to mail an estimated payment by check or money order or make an estimated **payment electronically using direct debit (eCheck) from a checking or savings account, or using a credit or debit card.** There is no fee for eCheck payments. Credit and debit card payments will be charged a convenience fee (2.35% of the total payment for credit cards and a flat fee of \$3.95 for debit card) which is paid directly to the payment processing vendor. Visit www.michigan.gov/iit for more information. **If the taxpayer choose to make an estimated payment electronically, there is no need to mail the MI-1040ES to Treasury.**

Application for Extension of Time to File Michigan Tax Returns (Form 4)

A taxpayer may request an extension of time to file an annual return by filing Application for Extension of Time to File Michigan Tax Returns (Form 4) by the due date of the return along with payment of tax due. If full payment of that tax due is not submitted by the original due date of the return, the taxpayer will receive a bill with applicable penalty and interest. Extension payments can be made by check, money order, **or electronically using direct debit (eCheck) from a checking or savings account, or using a credit or debit card.** There is no fee for eCheck payments. Credit and debit card payments will be charged a convenience fee (2.35% 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/iit for more information. **If the taxpayer chooses to make an extension payment electronically, there is no need to mail Form 4 to Treasury.**

Taxpayers granted an extension to file federal returns should enter “Federal Extension granted to MM-DD-YYYY” in the Michigan Preparer Notes.

City Tax Refunds

New

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.

City Tax Due Returns

New

If tax is due, the taxpayer must submit payment by check or money order by April 18, 2016. The City-V should only be submitted with e-file payments and should not be used for any other payments to the State of Michigan. If full payment is not submitted by April 18, the taxpayer will receive a bill with applicable penalty and interest on returns with a tax due. Provide a prompt before the City-V is printed, or create the City-V only when the tax due return is e-filed through a preparer or filed online by the taxpayer. Do not attach a copy of the return to the City-V. All e-file payments must be mailed to Treasury along with a copy of the City-V.

E-payments are not available for City of Detroit tax due returns.

New

City Estimated Individual Income Tax Voucher (Form 5123)

Quarterly estimated income tax payments must be made when the taxpayer is expected to owe more than \$100 to a Michigan city. The CITY Estimated Individual Income Tax Voucher (Form 5123) must be mailed with each city estimated payment made by check or money order.

E-payments are not available for City of Detroit quarterly estimated payments.

New

Application for Extension of Time to File City Tax Returns (Form 5209)

A taxpayer may request an extension of time to file an annual return by filing Application for Extension of Time to File City Tax Returns (Form 5209) by the due date of the return along with payment of tax due. If full payment of that tax due is not submitted by the original due date of the return, the taxpayer will receive a bill with applicable penalty and interest. Form 5209 should be mailed with the extension payment, which can be made by check or money order.

E-payments are not available for City of Detroit extension payments.

RESPONSIBILITIES OF ELECTRONIC FILERS, TRANSMITTERS, AND EROs

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.

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.

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.

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*.

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. Any return not acknowledged by Treasury as "accepted" is considered not filed.

For the 2015 tax year, tax due returns will be considered timely filed if the original federal and Michigan and/or City of Detroit returns have been transmitted on or before April 18, 2016.

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

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.

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 and clicking on "Check My Income Tax Info."

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

BENEFITS OF DIRECT DEPOSIT

Updated

Michigan taxpayers can elect to have their 2015 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 not available for City of Detroit refunds.** City of Detroit tax refunds will be issued as warrants (checks) and mailed to the taxpayer.

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.

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.

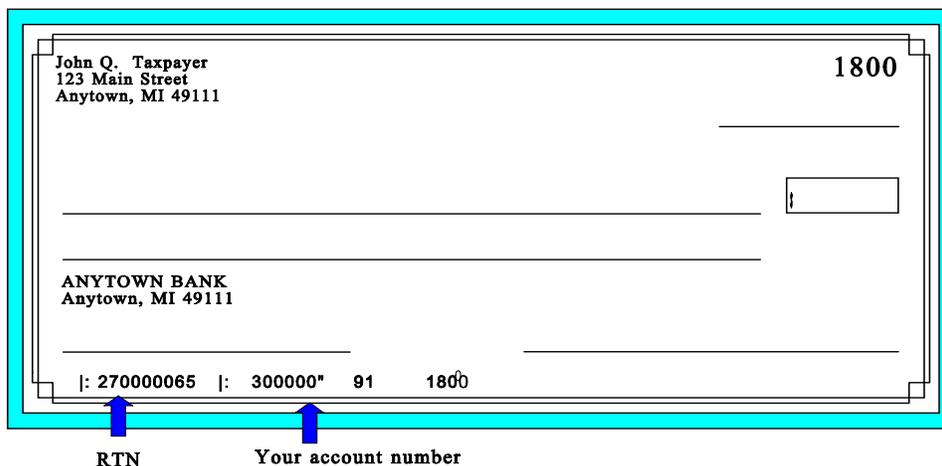
Treasury is not responsible for the misapplication of a Direct Deposit that is caused by error, negligence, or malfeasance on the part of the taxpayer, ERO, transmitter, software developer, financial institution, or any of their agents.

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 (warrant) and mailed to the address on the tax return. Taxpayers should contact their financial institutions for questions regarding the status of their bank account.
- 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.



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

- 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.

Important! 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.

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.

Problems With Direct Deposit

If Treasury is unable to honor a request for Direct Deposit, a refund check (warrant) 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. 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.

Important! 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.