

# Insurance Company Quarterly Return for MBT and Retaliatory Tax

## Michigan Business Tax Estimates

Michigan Business Tax (MBT) is a tax on Michigan business activity and replaces the Single Business Tax (SBT) effective January 1, 2008.

In lieu of other taxes imposed by the MBT, insurance companies are subject to a 1.25 percent tax on gross direct premiums written on property or risk located or residing in this state with certain exclusions listed in MCL 208.1235. There is no filing threshold for insurance companies. Insurance companies will continue to pay the greater of the 1.25 percent MBT insurance company premium tax or the retaliatory tax in section 476a of the insurance code on a calendar year basis.

Taxpayers with an annual MBT/Retaliatory Tax liability expected to exceed \$800 must make estimated payments. The sum of your estimated payments must equal at least 85 percent of your liability and the amount of each payment must reasonably approximate the tax liability incurred during the period. If your tax year was less than 12 months (e.g., you opened or closed a business during the year) annualize the tax to see if you must file estimates.

## When to File MBT Quarterly Tax Returns

Quarterly returns are due the 15th day of April, July, October and January. For any tax year that includes an estimate period of less than 3 months, the return is due on the 15th day of the month immediately following the final month of the taxpayer's tax year. However, estimated payments are not required for a taxpayer with a short year of less than four calendar months.

## How Much to Pay

Your quarterly estimated MBT/Retaliatory Tax payment must be calculated on the greater of the amount of tax imposed under chapter 2A of the MBT or under section 476a of the insurance code of 1956, 1956 PA 218, MCL 500.476a.

No penalty or interest will be charged if payments are made on time and the sum of the estimated payments equals at least 85 percent of your annual liability, and the amount of each payment reasonably

approximates the tax liability incurred during the period. Estimates cannot be based on the prior year's SBT/Retaliatory Tax liability and cannot be based on 1 percent of gross receipts.

## Estimating Tax Liability

Under the MBT, Insurance companies are subject to a 1.25 percent tax on gross direct premiums written on property or risk located or residing in this state with certain exclusions, including:

- Premiums on policies not taken.
- Return premiums on canceled policies.
- Receipts from sales of annuities.
- Receipts on reinsurance premiums if the tax has been paid on the original premiums.
- The first \$190,000,000 of disability insurance premiums written in this state, other than credit insurance and disability income insurance premiums, reduced by \$2 for each \$1 by which the gross direct premiums from insurance carrier services, both within and without this state, exceeds \$280,000,000.

Credits may be claimed against the tax for amounts paid to the following, using the assessments from the immediately preceding tax year.

- Michigan Worker's Compensation Placement Facility
- Michigan Basic Property Insurance Association
- Michigan Automobile Insurance Placement Facility
- Property and Casualty Guaranty Association
- Michigan Life and Health Guaranty Association

An insurance company that does not make any of the first four payments described above may claim the compensation credit provided under section MCL 208.1403(2), not to exceed 65 percent of the insurance company's tax liability for the tax year after claiming the other credits allowed.

In addition, credits are available for 50 percent of examination fees paid during the tax year, and 100 percent of the amount paid during the tax year pursuant to section 352 of the worker's disability compensation act of 1969, as certified by the director of the Bureau of Worker's Disability Compensation.

Foreign and alien insurers may be liable for the retaliatory tax in section 476a of the insurance code and must look to the laws of their state of incorporation to make the appropriate calculation. Insurance companies must pay the greater of the MBT or the retaliatory tax.

For more comprehensive information regarding the MBT, please refer to the Michigan Business Tax Act (MCL 208.1101 et seq.) or visit the MBT Web site at [www.michigan.gov/MBT](http://www.michigan.gov/MBT). The Web site contains information taxpayers may find helpful in determining their estimated tax liability.

### **Penalty and Interest**

Penalty is 5 percent of tax due, for the first two months. Penalty increases by an additional 5 percent per month, or fraction thereof, after the second month, to a maximum of 25 percent.

If the sum of the estimated payments is less than 85 percent of the annual liability, or the amount of the estimated payment doesn't equal the quarter's liability, interest will accrue. The interest rate is adjusted by Treasury January 1 and July 1 of each year, to 1 percent above the prime rate. For a complete list of interest rates, see RAB 2007-4 on Treasury's Web site at [www.michigan.gov/taxes](http://www.michigan.gov/taxes).

### **Filing Quarterly Tax Returns**

Make your check payable to "State of Michigan" and write your account number and "2008 MBT Insurance Quarterly" on the front of the check. Mail your check with the MBT quarterly return for that installment. Do NOT staple your check to the return. Mail your check and return to:

Michigan Department of Treasury  
Department 77229  
Detroit, MI 48277-0229