



CORPORATE INCOME TAX, EFFECTIVE 2012

On May 25, 2011, Governor Rick Snyder signed legislation enacting into law the Michigan Corporate Income Tax (CIT). The CIT takes effect January 1, 2012, and replaces the Michigan Business Tax (MBT), except for certain businesses that wish to retain certain certificate credits. A brief summary of the CIT follows. More detailed information will be posted in the future.

- The CIT is comprised of three separate taxes: a corporate income tax, a premiums tax on insurance companies, and a franchise tax on financial institutions.
- The CIT applies only to C corporations and entities taxed as C corporations for federal income tax purposes (for example, a limited liability company that checks-the-box to be taxed as a corporation).
- Individuals and flow-through entities, including partnerships, S corporations, and trusts, are not subject to the CIT. Flow-through entities may be subject to withholding.
- A taxpayer has nexus with Michigan and is subject to the CIT if it:
 - has physical presence in Michigan for more than 1 day during the tax year, or
 - actively solicits sales in Michigan and has Michigan gross receipts of \$350,000 or more, or
 - has an ownership or beneficial interest in a flow-through entity (directly or indirectly through one or more flow-through entities) that has nexus with Michigan.
- The CIT is equal to 6% of the CIT tax base after allocation or apportionment.
- The CIT tax base is federal taxable income subject to specified additions and subtractions.
- The CIT tax base of a taxpayer whose business activities are subject to tax within and without Michigan is apportioned to Michigan using a 100% sales factor.
- The only credit available under the CIT is the small business alternative credit
- An entity that has received, has been approved to receive, or has been assigned [certain certificated tax credits](#) under the MBT may elect to continue to file and pay under the MBT in lieu of the CIT.
- A unitary business group is required to file a combined return.
- Insurance companies are subject to a tax equal to 1.25% of gross direct premiums written on property or risk located or residing in Michigan.
- Financial institutions are subject to a tax equal to 0.29% of their apportioned net capital.