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**INCOME TAX EXEMPTION, HOUSEHOLD INCOME DETERMINATION,
FILING REQUIREMENTS, AND INCOME TAX COLLECTION DEFERMENT FOR
MILITARY PERSONNEL SERVING IN OPERATION DESERT STORM**

RAB-91-2. This bulletin explains the state income tax exemption, household income determination, filing requirements, and income tax collection deferment for military personnel serving in Operation Desert Storm.

EXEMPTION

Military pay included in federal AGI is exempt from Michigan income tax. MCL 206.30(1)(e); MSA 7.555(130)(1)(e) provides that compensation received for service in the U.S. armed forces, to the extent it is included in federal AGI, is to be subtracted from federal AGI in calculating Michigan taxable income.

HOUSEHOLD INCOME

Military pay must be included in Michigan "household income" for purposes of computing eligibility for the homestead property tax credit and the home heating credit. MCL 206.508; MSA 7.557(1508) defines household income as all income received by all persons of a household in a tax year while members of a household. No subtraction or adjustment is allowed for military pay.

MICHIGAN INCOME TAX FILING REQUIREMENTS

The due date for filing a Michigan income tax return is the fifteenth day of the fourth month following the close of the tax year. [MCL 206.315; MSA 7.557(1315)]. For most taxpayers the due date is April 15.

The Michigan Department of Treasury will follow Internal Revenue Code (IRC) section 7508(a) which provides that military personnel assigned to a combat zone on the due date may delay filing and paying the tax due until 180 days after the period of such service. The period of service includes continuous hospitalization outside the U.S. due to injuries received while serving in the combat zone.

Legislation passed by Congress on January 24, 1991, (HR-4 in the House and S-8 in the Senate) will broaden IRC section 7508(a) by similarly extending the filing date for military personnel hospitalized in the U.S. as a result of injuries received during service in the combat zone.

Military personnel on duty outside the United States or Puerto Rico, including non-permanent or short term duty, on the due date may delay filing and paying the tax due until the fifteenth day of the sixth month following the close of the tax year. See U.S. Treasury Regulation 1.6082-5(a)(6).

For filing requirements only, the Michigan Department of Treasury will follow the federal income tax filing provisions as they apply to military personnel involved in the Middle East conflict.

These provisions apply to the spouse as well as the individual entitled to the benefits. Michigan filers are reminded, however, that an extension applies only if tax is shown due. Persons claiming a refund may file any time within four years following the due date of the return. [MCL 205.27a(2); MSA 7.657(27a)(2)].

INCOME TAX COLLECTION DEFERMENT

The Soldiers' and Sailors' Civil Relief Act, 50 USC App 501, et seq., suspends enforcement of certain civil liabilities of persons in the military service of the United States at the time enforcement is sought. Section 573 of the Act defers collection of income tax from any person whose ability to pay the tax has been materially impaired by his or her service in the military. Collection can be deferred for up to six months following termination of such service. This deferment applies to income taxes falling due prior to or during the period of such service. Section 573 also prohibits the accrual of interest or penalty for nonpayment of taxes during the deferment. Finally, section 573 tolls the statute of limitations against collection of the taxes for the period of service and for an additional nine months.

Taxpayers may invoke the Soldiers' and Sailors' Civil Relief Act by filing a written statement with the Collection Division of the Michigan Department of Treasury. The statement should indicate that the taxpayer is in the military service and that such service has adversely affected the taxpayer's ability to pay income taxes which are or have become due during the period of military service. The taxpayer must produce evidence of current active duty status at the time the written statement is filed.