

Questions & Answers about Paying your Sales & Use Tax on an Accelerated Basis

Issued under authority of Public Acts 17 and 18 of 1993.

Key Factors About Filing Your Sales and Use Tax on an Accelerated Basis.

- You are required to make your transmissions for your tax liability as follows:
 1. A transmission of 75 percent of your prior month's tax liability or 75 percent of the prior year's tax liability (for the same month), whichever is less, will be due on or before the 20th day of the current month.
 2. A reconciliation payment for the current month's remaining tax balance is due on the 20th day of the subsequent month.
- There is no maximum discount per month. There is a minimum discount of \$6.00.
- All discounts including gas credit discounts, will be calculated at 1/2 of 1 percent (.005).

1. Am I still required to file a monthly paper return when I am transmitting my payment by Electronic Funds Transfer (EFT)?

Yes. Accelerated sales and use tax accounts can file an electronic return via Michigan Treasury Online (MTO) or through approved proprietary third party software. If neither option is available, visit www.michigan.gov/taxes for forms available for paper filing.

2. If either my Sales or Use tax exceeds \$720,000, am I required to file both taxes on an accelerated basis?

Yes. Public Acts 17 and 18 of 1993, as amended, require taxpayers with a sales and use tax liability of at least \$720,000 for the preceding calendar year to pay both their sales and use taxes on an accelerated basis.

NOTE: Compliance is neither optional nor discretionary. The requirement is reviewed annually based on the preceding calendar year. You will be notified in writing of any changes in your filing status.

3. What notification is needed if I change banks?

EFT Credit filers need to provide their new financial institution with instructions for payments of Michigan sales, use, or withholding tax via EFT credit (form 2329).

EFT Debit filers have the capability of adding, changing, or deleting bank account and/or routing number information through their account accessed through MTO. This is done by selecting the "Additional Payment Options" tab located in MTO, then clicking "Pay" and then logging into Pay Connexions and clicking on "Manage Accounts".

4. Can you provide an example of the 75% calculation and payment due dates for filing accelerated Sales and Use tax in a specific return period?

For the May 2015 filing period, an EFT payment equal to 75% of the May 2014 tax (before discounts),

or payment equal to 75% of the actual April 2015 tax (before discounts), is due. The settlement date for this payment is on or before the 20th of the month, and must be initiated by 8:00 P.M. ET, 1 business day prior to the 20th (May 19, 2015).

A monthly return must be filed for May 2015 by the due date (May 20th), reporting actual liability for the period. If the total tax liability for May 2015 exceeds the available credit, a reconciliation payment is required. The settlement date for this reconciliation payment must be transmitted via EFT on or before the 20th of the following month, and must be initiated by 8:00 PM ET, 1 business day prior to the 20th (June 19, 2015). If the tax liability for May is less than the applied credit, the remaining credit balance will be available for use on future payments, and can be reported on the return for the next tax period.

NOTE: EFT Credit filers should consult with their financial institution for instructions to allow for payments to be received by the due date.

5. Am I required to account for credits and overpayments?

If a tax period's actual tax due is less than the applied overpayment and/or prepayment amount, the remaining overpayment/prepayment balance will be available to apply to the next sales, use and withholding tax payment due. See below for additional information on how to account for your overpayment and/or prepayment pertaining to your filing method.

Utilizing MTO to file and pay sales, use and withholding taxes: If you are filing and paying your sales, use and withholding tax through MTO, any overpayments from the prior tax period and any prepayments made for the current tax period will be systematically reflected on your return. No

additional forms are required to report overpayments/prepayments.

Utilizing Treasury approved proprietary third party software or paper returns: Overpayment and/or prepayment amounts should be reported on line 10 of the Sales, Use and Withholding Taxes Return (Form 5080). No additional forms are required to report overpayments/prepayments.

6. Do I still need to initiate a payment if my calculated tax due is \$0.00?

No. If you have no tax due for the 75% prepayment, or if your prior tax period overpayment covers your 75% estimate for sales and use tax, you will not need to initiate a \$0.00 payment.

NOTE: You still need to file your monthly/quarterly return by the 20th even if no payment is due.

7. Does use tax on purchases have to be paid on an accelerated basis even if my liability is small?

Yes. Use tax on purchases must be calculated and paid on an accelerated schedule.

8. I am required to file on an accelerated basis for sales and use taxes but my withholding tax liability is quite small. How shall I file my withholding?

If you average less than \$480,000 of withholding tax each year, you are not required to pay your withholding tax on an accelerated schedule. You may continue to file and pay your withholding as determined by the amount of your withholding tax liability.

9. What if the due date falls on a weekend or holiday?

If the 20th or the last day of the month falls on a weekend, state holiday or banking holiday, the due date is the next business day.

NOTE: For a listing of specific state holidays, refer to *Sales, Use and Withholding Tax Due Dates for Holidays and Weekends* (Form 3149).

10. How far in advance may I complete my payment data?

Taxpayers making payments via MTO can initiate payments up to 90 days in advance of the settlement date. Taxpayers making ACH credit payments, or using approved proprietary third party software to file and remit payments are advised to consult with their financial institution for further information.

11. Is the 75% prepayment amount calculated before or after the discounts were taken last year?

Compute your 75% prepayment on your total liability before the discount was taken. Then reduce your prepayment by the amount of your current discount.

12. Do we still receive a discount?

Yes. A discount remains available for the tax rate up to 4%. A discount is not available for tax at the additional 2% tax rate (effective with the passage of Proposal A on May 1, 1994). There is no maximum dollar amount of discount per month. The minimum discount of \$6.00 is applicable. The discount is limited to 1/2 of 1%. The calculation for determining your discount is as follows:

$\text{Tax} \times .6667$ (2/3 of the tax due) $\times .005$ (1/2%)

NOTE: Discounts apply only to sales tax and to use tax on sales and rentals. There is no discount for use tax on purchases.

13. If the discount drops me below the \$720,000 threshold for accelerated filing, am I still required to file my sales and use taxes on an accelerated basis?

Yes. Accounts are reviewed annually based on the preceding calendar year. If you fall below the \$720,000 threshold before discounts for the preceding year, you will be notified in writing of any changes in your filing status.

14. How are discounts calculated? Is there still a minimum/maximum?

Public Acts 265, 266 and 267 of 1998 provide for a discount of 1/2 of 1% (.005) for taxes due at the rate of 4% in the following situations:

- When the prepayment is received on or before the 20th day of the current month.
- When the reconciliation payment is received on or before the 20th day of the subsequent month, but only if the prepayment is correctly calculated and paid timely.

With the tax rate at 6% beginning May 1, 1994, discounts are calculated by applying the discount percentage to 2/3 or 66.67% (.6667) of the tax due.

NOTE: There is no maximum discount per month. The minimum discount of \$6.00 is applicable. The 3/4 of 1% (.0075) does not apply.

Example

To receive a discount on your accelerated payment, you must pay:

- A. 75% of the prior year's tax liability for the current month by the 20th day of the month, **or**
- B. 75% of the previous month's tax liability by the 20th day of the current month.

To receive a discount on the reconciliation payment, the payment must be received on or before the 20th day of the subsequent month and the prepayment must be correctly calculated and paid.

To illustrate:

The ABC Mailing Company is calculating their 75% prepayment amount for May 2015, and wants to receive the 1/2 of 1% discount on each payment.

- Their May 2014 liability before discount was \$100,000.00
- Their April 2015 liability before discount was \$111,000.00

To calculate their prepayment amount, they would base it on 75% of the lesser of the liability amounts stated above.

ABC's 75% prepayment must be received on or before May 20, 2015:

$\$100,000 \times .75$ (75%)	\$75,000 (tax due)
$\$75,000 \times .6667 \times .005$ (1/2%)	<u>-250.02</u> (discount)
Total payment due	\$74,749.98

ABC's May 2015 actual liability is \$125,000.00. Their reconciliation payment must be received by June 20, 2015 and is computed as follows:

$\$125,000 - \$75,000$	\$50,000 (tax due)
$\$50,000 \times .6667 \times .005$ (1/2%)	<u>-166.68</u> (discount)
Total payment due	\$49,833.32