

6. If an estimated payment has been made which Treasury finds sufficient to cover the tax that will be due.
7. If an estimated payment is made which the probate court finds sufficient to cover the tax which will be due.
8. If the seller or mortgagor is a surviving joint tenant or tenant by the entireties.

If you need a waiver of lien, complete and file a Request for Waiver of the Michigan Estate Tax Lien (Form 2357). Under P.A. 277 of 1998, the Waiver of Lien is recordable with the Register of Deeds of the county in which the property is located.

RELEASING THE PERSONAL REPRESENTATIVE FROM LIABILITY

The Michigan Department of Treasury holds the personal representative liable for the Michigan tax until one of following:

1. The personal representative files a *Request for Certificate of No Michigan Estate Tax Liability* (Form 2356). Only the personal representative can sign the 2356 for certifying that a *U.S. 706* is not required.
2. The validated certificate issued by Treasury will be accepted by the probate court as admissible in evidence in the same manner as receipts showing payment of taxes.
3. The personal representative submits a copy of the IRS closing letter and audit adjustments and requests a discharge of personal liability.

After the IRS closing letter is received, Treasury has one year to review the return and determine if any additional Michigan tax is due. Treasury will

issue a *Receipt/Discharge of Liability* (Form 2619) after the review is complete and any additional Michigan tax due is paid.

This notice releases the personal representative from personal liability if any additional tax is ever found to be due.

P.A. 277 of 1998 provides for the recording of the *Receipt/Discharge of Liability* with the Register of Deeds.

CERTIFICATE OF NO MICHIGAN ESTATE TAX LIABILITY

If a *U.S. 706* is not required, the personal representative of the estate can request a release from personal liability by filing a *Request for Certificate of No Michigan Estate Tax Liability* (Form 2356). The certificate will serve the same purpose as a determination when presented to the probate court. The certificate is also recordable with the Register of Deeds.

The personal representative is personally liable if it is determined that there was Michigan estate tax due after the certificate has been issued.

OTHER INFORMATION

If you need forms, you may call **1-800-FORM-2-ME (1-800-367-6263)**. The Michigan Department of Treasury's computerized forms message system is available 24 hours a day. All Michigan forms referred to in this brochure are available by calling this number. Forms are also available on the Michigan Department of Treasury's Web site at:

www.michigan.gov/treasury

If you have further questions relating to the Michigan Estate Tax, please call (517) 636-4330 between 8 a.m. and 5 p.m., Monday through Friday.

Deaf, hearing impaired persons should call (517) 636-4999 (TTY) for assistance. This number is reserved for persons using a TTY. Other persons calling this number will be directed to call (517) 636-4330.

You may also write to:

Estate Tax Section
Michigan Department of Treasury
Lansing, Michigan 48922

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GENERAL INFORMATION

The State of Michigan imposes an **estate tax** on the estates of persons who died **after** September 30, 1993. Estates of persons who died **before** October 1, 1993 are subject to an Inheritance Tax. You may call (517) 636-4330 for additional information regarding the inheritance tax act.

WHAT IS THE ESTATE TAX?

Michigan's estate tax is equal to the **maximum** federal credit allowable for state death taxes. The Michigan tax return picks up the **maximum** allowable credit amount from the *U.S. 706*. This is why Michigan estate tax is referred to as a "pick-up tax."

Michigan has two estate tax returns:

- *Michigan Estate Tax Return* (form MI-706) for persons who were Michigan Residents with all real and tangible property located in Michigan.
- *Michigan Estate Tax Return-A* (form MI-706A) for persons who were Michigan residents with real or tangible personal property located in another state or persons who were nonresidents with real or tangible personal property located in Michigan.



The MI-706A is used by estates of Michigan residents to reduce the Michigan tax by a portion of taxes paid to other states. It is also used by estates of nonresidents to determine the prorated tax due Michigan.

These forms are available as part of the *Michigan Estate Tax* instruction booklet (Form MI-706I) or as single sheet forms.

PERSONAL REPRESENTATIVE

A personal representative of an estate may be any one of the following:

1. A court appointed personal representative, an executor, trustee, or administrator (including an independent personal representative), or
2. Any person who is in the actual or constructive possession of any property included in the gross estate of the decedent (if a personal representative is not appointed), or
3. Any other person required to file a *U.S. 706* return or pay the estate tax due.

If the personal representative makes a distribution of property subject to a transfer tax without paying the tax due or obtaining an estate tax lien waiver for real property, the personal representative will become liable for the tax due.

FILING REQUIREMENTS

P.A. 277 of 1998 amended the Michigan Estate Tax Act to reflect the changes in the Federal Estate Tax Code. Under the new federal code, the exemption amount for filing an estate tax return will increase for years 1998 through 2002. Generally, an estate with a gross value equal to or less than the exemption amount is not required to file a *U.S. 706*. (Contact the Internal Revenue Service for additional details.)

Year of Death	Amount
1997	\$600,000
1998	\$625,000
1999	\$650,000
2000	\$675,000
2001	\$675,000
2002 and after	\$1,000,000

A Michigan Estate Tax return must be filed if all of the following are true:

- The decedent died after September 30, 1993;
- The decedent was a Michigan resident or a nonresident with real property located in Michigan; and
- A *U.S. 706* was required.

Distributees and trustees of Generation-Skipping Transfers (GST) are required to pay a Michigan GST tax if a *Generation-Skipping Transfer Tax Return for Distributions* (U.S. 706GS(D)) or *Generation-Skipping Transfer for Terminations* (U.S. 706G(T)) is required.

DUE DATE

A MI-706/706A is due at the same time the *U.S. 706* is due. The due date is nine months after the date of death.

The person liable for the payment of federal tax is personally liable for the Michigan taxes.

Penalty and interest will apply if the return or payment is late.

EXTENSIONS

There are two federal extensions:

- Extension of time to file;
- Extension of time to pay.

The time to file a Michigan return is automatically extended if a federal extension of time to file has been approved. **An extension of time to file does not extend the time to pay the tax due.**

The time to pay the Michigan tax is automatically extended if a federal extension of time to pay is approved; however, interest is charged for the period of the extension.

A copy of the **approved** federal extension must be attached to the MI-706/706A when the return is filed.

LIENS AND WAIVER OF LIENS

The Michigan estate tax is a lien on the gross value of the estate until the tax is paid in full. If personal property is sold, the lien attaches to the consideration (i.e. money) received from the property.

If real estate is being transferred before the due date of the tax or before the *Receipt/Discharge of Liability* (Form 2619) has been issued, Treasury will waive the lien for all or part of the real property under the following conditions:

1. If any part of the real estate must be sold to pay claims against the estate or administration expenses.
2. If Treasury believes no tax liability exists.
3. If a lien has been recorded with the county where the property is located, the full amount of the lien must be paid before a waiver can be issued.
4. If the real property is sold before the due date of the return and 8 percent of the net cash proceeds is submitted to Treasury (along with a completed *Request for Waiver of the Michigan Estate Tax Lien* (Form 2357) and a *Michigan Estate Tax Estimate Voucher* (Form 2527) as a partial payment.
5. If the real property is sold after the due date of the return and a payment is submitted to Treasury (along with a completed Form 2357 and a Form 2527 payment voucher) for the lesser of:
 - 16 percent of the net cash proceeds, or
 - The amount of the tax due on the *Michigan Estate Tax Return*.