

Questions and Answers About Paying Your Withholding Tax on an Accelerated Schedule

Key Factors About Filing Your Withholding Tax on an Accelerated Schedule

- ▶ Required for withholding tax liability that averages \$40,000 or more each month of the previous calendar year
- ▶ Filing frequency is changed to match your payment schedule for Federal withholding tax
- ▶ Payments must be made using Electronic Funds Transfer (EFT)

1. What is Accelerated Withholding Tax?

Accelerated withholding tax is a modified payment schedule for remitting Michigan withholding tax. Public Acts 82 and 83 of 1991 require taxpayers who paid a monthly average of \$40,000 or more income tax withholding in the preceding calendar year to make their payments in the same manner and according to the same schedule as their federal withholding tax payments.

2. When am I required to begin Accelerated Withholding Tax payments?

The Michigan Department of Treasury will notify you in writing of your change to accelerated withholding. Accelerated withholding tax payments must continue unless you are notified in writing of a change to your filing status. These written notifications are generally mailed in April.

3. What are the payment requirements and schedule for accelerated withholding?

Accelerated withholding tax payments must be made according to the same schedule as your Federal withholding tax payments. Accelerated withholding tax payments must be made by Electronic Funds Transfer (EFT) through Michigan Treasury Online (MTO) website, by ACH Credit, or by using approved proprietary third party software. Payment by wire transfer will not be accepted. The return must be filed by the 20th of the subsequent month. For timely receipt of payment through MTO, filers must complete their payment transaction by 8 p.m. ET, one business day prior to the due date. ACH Credit and approved proprietary third party software filers will need to contact their financial institution for payment transaction requirements.

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

If the due date 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).

5. Are Accelerated Withholding accounts required to file a monthly paper return?

Yes. Accelerated withholding accounts can file an electronic return via MTO or through approved proprietary third party software. If neither option is available, visit www.michigan.gov/taxes for forms that are available for paper filing.

6. 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, Withholding, and Other Michigan Business Taxes Using Electronic Funds Transfer (EFT) Credit* (Form 2329).

EFT Debit filers have the capability of adding, changing, or deleting bank account and/or routing number information through their bank 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”.

7. 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.

8. What if I hire or change a payroll service?

A taxpayer can register or change a payroll service provider for their account by completing the “Taxpayer Representatives” portion of the MTO registration, or by completing and submitting the *Payroll Service Provider Combined Power of Attorney Authorization and Corporate Officer Liability (COL) Certificate for Businesses* (Form 3683).

8. Can other taxes be paid by EFT?

Michigan sales, use and withholding taxes, Michigan business tax, single business tax annual, and flow through withholding payments may be paid electronically.

If you elect to voluntarily remit your sales and use taxes by EFT, you will be required to electronically transmit these taxes monthly to avoid late fees. Voluntary EFT tax payments not remitted monthly are subject to late fees.

Additional information regarding voluntary EFT payments can be found on *Questions and Answers About Paying Your Sales, Use, Withholding and Michigan Business Taxes by Electronic Funds Transfer (EFT)* (Form 2437) available at www.michigan.gov/biztaxpayments.

9. Will registering to pay other business taxes by EFT eliminate the paper return requirement?

Once registered to pay your sales, use and withholding taxes electronically, you are no longer required to submit a *Combined Return for Michigan Taxes* (Form 160). The *Annual Return for Sales, Use and Withholding Taxes* (Form 165) is still required by February 28th of each year.

10. Can I send a check and return?

No. Accelerated tax payments must be made by EFT. Accelerated payments not made by EFT are subject to penalty and interest.

11. What if I pay more than one type of tax?

A separate transmission must be made for each tax type. You may not combine sales and use tax payments into one lump sum transmission. The following five-character tax codes should be used to complete your transmission(s):

- 01100 Withholding - Employer and Retirement
- 04200 Sales Tax
- 04400 Use Tax on Sales and Rentals
- 04500 Use Tax on Purchases
- 02355 Michigan Business Tax Extensions
- 02655 Michigan Business Tax Annual
- 02670 Corporate Income Tax Annual
- 02170 Corporate Income Tax Estimate
- 02370 Corporate Income Tax Extensions
- 02010 Flow Through Withholding Corporation Quarterly
- 02020 Flow Through Withholding Individual Quarterly
- 02675 Flow Through Withholding Annual

12. What notification is needed if I change banks?

EFT Credit filers supply your new bank with

Instructions for Payments of Michigan Sales, Use or Withholding Taxes Using EFT Credits (Form 2329).

EFT Debit filers may add, change, or delete bank account and routing number information by selecting Manage My EFT Account from the Web payment system or the appropriate option when calling the automated payment system number (1-877-865-2860).

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

EFT debit filers may make their payments up to 90 days in advance of the settlement date for that transaction. EFT credit filers should consult their financial institution for further instruction.

14. What if I hire or change a payroll service?

To register or change a payroll service provider for your account, submit a completed *Payroll Service Provider Combined Power of Attorney Authorization and Corporate Officer Liability (COL) Certificate for Business* (Form 3683) found on Treasury’s Web site.

15. A division of a corporation does not have as great a liability as the corporation itself. Is the division required to file its withholding tax on an accelerated basis?

Yes. The corporation is considered one legal entity, which includes all divisions.

16. How do I add an additional tax to be paid by EFT?

EFT debit filers should complete and return Form 4515 as instructed. EFT Credit filers should refer to Form 2329 for a listing of the tax type codes to use in the transmission of the new tax type.

If you have questions concerning your account, completion of the application, or transmission of EFT payments, call the EFT Unit at (517) 636-6925. You may send a fax to (517) 636-4356 or send correspondence to:

Michigan Department of Treasury
Return Processing - EFT Unit
P.O. Box 30427
Lansing, Michigan 48909