

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 (total liability of more than \$480,000)**
- ▶ **Payment schedule is changed to match your payment schedule for Federal Withholding tax**
- ▶ **You are required to file returns on a monthly basis on or before the 20th day of the subsequent month**
- ▶ **Payments must be made via an electronic payment method i.e. ACH Credit payment, EFT Debit payment through Michigan Treasury Online (MTO)**

1. What is Accelerated Withholding Tax?

- a. Accelerated withholding tax is a modified payment schedule for remitting Michigan withholding tax. Public Acts 82 and 83 of 1991 require taxpayers to make their payments in the same manner and according to the same schedule as their federal withholding tax payments, when they paid a monthly average of \$40,000 or more income tax withholding in the preceding calendar year. For more information, see MCL 205.19 at www.legislature.mi.gov.

2. 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?

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

3. I am required to file on an accelerated basis for Withholding tax, but my Sales and Use tax liability is quite small. How shall I file my other taxes?

- a. Once any Sales, Use or Withholding (SUW) tax has been determined an Accelerated filer, all other SUW taxes must be filed on a monthly frequency. Additionally, an Annual Reconciliation Return is required February 28 of each year.

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

- a. Yes. A return for each month must be filed by the 20th of the subsequent month. 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.

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

- a. 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, and the changes are effective for the July tax period.

6. What are the payment requirements and schedule for Accelerated Withholding ?

- a. 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.

7. Can I send a check with my return?

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

8. When do I have to initiate a payment for it to be timely?

- a. For timely receipt of payment through MTO, filers must complete their payment transaction by 8 p.m. EST 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.

9. What if the pre-payment or return due date falls on a weekend or holiday?

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

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

10. What notification is needed if I change banks?

- a. 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.)
- b. 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 “Other Payment Options” tab located in MTO, then clicking “Manage Payments.” From there, you will be redirected to JP Morgan Chase’s website where you can access these functions by clicking “Manage Accounts.”

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

- a. Taxpayers making payments via MTO can initiate payments up to 90 days in advance of the settlement date.
- b. 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.

12. Can other business taxes be paid by EFT?

- a. Yes. 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.
- b. You can make payments for Sales, Use, Withholding, Michigan Business, Corporate Income, and Marihuana Retail Excise taxes through Michigan Treasury Online.
- c. Additional information regarding EFT payments can be found at www.michigan.gov/treasury by clicking the link for Michigan Treasury Online or at www.michigan.gov/biztaxpayments.

13. Will registering to pay other business taxes electronically eliminate the return requirement?

- a. No. Although payments can be remitted electronically, you will still be required to file a return on a monthly basis.

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

- a. 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):
- i. 01100 Withholding - Employer and Retirement
 - ii. 04200 Sales Tax
 - iii. 04400 Use Tax on Sales and Rentals
 - iv. 04500 Use Tax on Purchases
 - v. 02355 Michigan Business Tax Extensions
 - vi. 02655 Michigan Business Tax Annual
 - vii. 02670 Corporate Income Tax Annual
 - viii. 02170 Corporate Income Tax Estimate
 - ix. 02370 Corporate Income Tax Extensions
 - x. 07020 Marihuana Retail Excise Tax

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

- a. A taxpayer can add a payroll service provider for their account by completing the “Manage Representatives” option under the Registration function in MTO, or by completing and submitting the *Authorized Representative Declaration* (Power of Attorney Form 151.)

16. What if I still have questions?

- a. If you have questions concerning your account or the accelerated process, call (517) 636-6925, visit www.michigan.gov/AskSUW, or send correspondence to:

Michigan Department of Treasury
P.O. Box 30427
Lansing, Michigan 48909